

THE CASTLE, JAROSLAV PREISS,  
AND THE ŽIVNOSTENSKÁ BANK

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„Now a direct question, Mr. President: What is exactly the so-called Castle policy about which one speaks and writes?“

„I do not know exactly what anyone understands by this word. There is no Castle policy in the sense that I or some circle of people under my leadership would conduct some policy outside of the constitution and parliament. I have my political convictions just as does every citizen, and as president I have my duties as defined by the constitution. I have never hidden my convictions, and I have always understood my obligations in such a way that I am to speak openly with the government and with the leaders of the political parties about that which concerns us in common. Sometimes they have convinced me, sometimes I have convinced them. That is all there is to the Castle policy.“

Such was Tomáš G. Masaryk's characterization of the policy of the Castle in an interview published in the *Národní osvobození* on June 27, 1926. The interview appeared at a time when the Czechoslovak national coalition, which had ruled the country essentially since its founding, was breaking apart. The socio-economic and ideological cleavages among the Czechoslovak parties were finding expression in increasingly divergent political policies. Given political fragmentation among the Czechs, the concept of the „Castle“ was assuming new significance as an expression for one of the competing political groupings. Referring to the forces around Masaryk, the word was an allusion to the location of the President's office and official residence in Prague Castle. But the concept was as nebulous to contemporaries then as it is to historians today. Masaryk did not define the Castle in his response to the journalist's question, and it was clear that he wished not to discuss the possibility of a political alliance under his leadership. In his answer one sees only a president with deep convictions actively counseling with the country's political leaders about affairs of state.

Actually Masaryk's response might be more enlightening about the nature of the Castle than would appear at first glance. That which Masaryk emphasized was his ideas and convictions, and if one is to develop a working definition of the Castle one must pay primary attention to the ideological commitments of its adherents. Since the First World War Masaryk's all-consuming goal had been the creation and development of a sovereign Czechoslovak state as a liberal democracy with progressive social welfare legislation. For Masaryk, it was essential that the new order be in harmony with modern political and social philosophy, specifically with the ideas of Wilsonian liberalism, which had provided the principal intellectual ballast of the Paris peace settlement. The state

would find its internal strength in the loyalty of its citizens and its external security in association with like-minded countries. For Masaryk, the national, social, and democratic ideas blended into his special vision of the Czechoslovak republic.

No man was more indefatigable in his dedication to Masaryk's idea of the Czechoslovak state than was Edvard Beneš. As the arbiter of the country's foreign policy throughout its existence, Beneš saw in the League of Nations and the ideas of the New Diplomacy the international equivalent of the liberal regime at home. He became a fixture in Geneva, accustoming diplomats to the name *Czechoslovakia*, associating his country with the collective security projects of the day. Like his mentor a practical man, however, Beneš believed that the security of the country depended on reliable alliances. Ultimately that pointed Czechoslovakia toward France and the other states of the Little Entente as the only viable choices available at the time. Within Czechoslovakia Beneš was universally respected for his expertise in diplomacy, but he was widely resented for his youth, his seeming arrogance, and his obvious ambition. Without Masaryk's unflinching support, in all likelihood Beneš would not have remained foreign minister in the 1920's or have succeeded to the presidency in 1935. Masaryk's protection of a man so different in temperament can be explained only by Beneš's unshakable commitment to the Czechoslovak republic as conceived by Masaryk. Masaryk and Beneš became the poles upon which the Castle group revolved. The gravitational force holding the group together was their common commitment to the young republic — its liberal democratic political system and social reform legislation at home, its pro-Western orientation abroad.

The Castle included sympathizers from all the major Czechoslovak political parties. At the core of the Masaryk-Beneš forces in the republic stood the parties of the moderate left. Particularly after the ouster of Jiří Stříbrný in 1926, the Czechoslovak National Socialist party followed Beneš's leadership and supported Castle policies despite the occasional restlessness of more nationalistic elements in the party. Masaryk and the Czechoslovak Social Democrats were in general philosophical agreement. The building of the right-of-center „gentlemen's“ coalition in 1926, which excluded those two parties, was therefore a setback for the Castle, even though that same coalition did bring Sudeten-German parties into the government for the first time. And the early reconstruction of the government in 1929, by which the National Socialists and the Social Democrats returned to the coalition, was engineered largely by Masaryk and Beneš.

But the political influence of the Castle was not confined simply to the leftist parties. Masaryk sought confidants through a broad range of parties and interest groups. The chief of the presidential chancellery, Přemysl Šámal, acted as a clearing house for the information flowing to the president and thereby occupied a position of considerable influence in the administration. Groups that cooperated closely with the Castle could also be found in the parties of the center and the moderate right. The dominant faction of the Czechoslovak Agrarians under premiers Antonín Švehla, František Udržal, and Jan Malypetr could be counted as political allies of Masaryk and Beneš despite conflicting

viewpoints on tariff issues in particular<sup>1</sup>. Although anti-clerical attitudes were in full evidence in the Castle, the Czechoslovak People's party attained a close working relationship with the Castle in the late 1920's. That occurred simultaneously with the diplomatic rapprochement between the Vatican and the Czechoslovak government, approximately at the same time as Monsignor Šrámek was functioning as acting prime minister during Švehla's illness in 1928. On the right wing, the National Democratic party certainly could not be considered part of the Castle so long as it followed the leadership of Karel Kramář. In terms of parliamentary delegates the National Democratic party was weak. For a time, however, it included some of the best minds in the country inasmuch as it was the heir of several prewar parties, the most important of which were the Young Czechs. Among the National Democrats there were also factions that desired closer cooperation with the Masaryk-Beneš forces, and the possibilities and limits of that cooperation are the subject of this paper.

The support for the Castle from the major Czechoslovak parties covering a wide political spectrum illustrates the basic fact that the Castle commanded the broad middle ground of Czechoslovak political life. Conciliation was its basic methodology, and consensus its aim. Its policies offered enough to every major interest group that no social class or national group was completely and permanently excluded from its counsels. Only the extreme elements in political life remained permanently outside. It has been observed that the composition of the Castle group was constantly changing. That is true, but the reason for the change lay not in any basic shift in Castle policies. The course charted by Masaryk and Beneš remained remarkably steady throughout the twenty-year existence of the first republic. Rather, membership in the Castle depended on the degree to which any particular group was willing in changing circumstances to compromise some of its interests in order to cooperate in consensus politics.

To what extent was the Czechoslovak financial community willing to follow the lead of the Castle? Although bitter rivalries split the community, the most influential single individual in the world of Czechoslovak finance was Jaroslav Preiss. His position as general director of the Živnostenská Bank placed him at the head of the country's largest bank, whose interests extended into practically every branch of industry and commerce<sup>2</sup>. Given the dominance of banking institutions over Czechoslovak industry, Preiss was far more than just a banker.

<sup>1</sup> Concerning Agrarian cooperation with the Castle in the late 1920's, note two articles by Uhlíř, Dušan: *Republikánská strana lidu zemědělského a maloroľnického ve vládě panské koalice* [Die republikanische Partei d. Landwirte und Kleinbauern unter der Regierung der Herrenkoalition]. *ČSČH* 18 (1970) 195—236. — *Konec vlády panské koalice a republikánská strana v roce 1929* [Das Ende der Regierung der Herrenkoalition und die republ. Partei im Jahre 1929]. *ČSČH* 18 (1970) 551—592.

<sup>2</sup> For a summary of the Živnobank's industrial interests, see: Wagner, Richard: *Panství kapitalistických monopolů v Československu* [Die Herrschaft der kapitalistischen Monopole in der Tschechoslowakei]. *Státní nakladatelství politické literatury*. Prague 1958, pp. 230—234. For Preiss's concept of banks as the foundation for industrial enterprises, see: Preiss, Jaroslav: *Průmysl a banky* [Industrie u. Banken]. Prague 1912.

He served on the boards of directors of more than forty firms, and he became the main figure in the Central Federation of Czechoslovak Industrialists. In the relatively small circle of the Czechoslovak political, financial, and intellectual elite, Preiss was one of the stellar personalities. His personal friendships and associations made it possible for him to wield the influence of his bank without excessive public exposure. He was on close terms with Masaryk and Beneš. But insofar as Preiss was associated with formal politics, it was with Kramář's National-Democratic party, which was generally recognized as the representative of upper-level financial and industrial interests. The politics of the Castle, on the other hand, leaned to the left, and no narrow definition of the Castle could possibly encompass the National-Democratic party as a whole. The relationship of Jaroslav Preiss and the interests that he represented with the circles around Masaryk and Beneš therefore offers a test case for determining the elasticity of the concept of the Castle. To what extent can Jaroslav Preiss and the Živnostenská Bank be counted as members of the Castle group? In what ways did that association change during the twenty years of the first republic? Ultimately, what does the interaction of high finance and high politics reveal about the way in which Czechoslovakia was actually governed? Those questions provide the foundation for this paper.

#### I: 1918—1923

The dissolution of the Habsburg Empire in 1918 created a unique opportunity for state-building in Central Europe. The challenge of creating a new national state in the Czech lands, Slovakia, and Ruthenia united Czechs from various social classes into a common front in the early years of the republic. Although contemporary historians in Czechoslovakia customarily emphasize social conflict in the republic, and particularly the abortive general strike of December 1920, mass demonstrations of social unrest were largely the result of a struggle for power between the moderate and the radical leaders of the socialist movement. Genuine popular enthusiasm for the new state mitigated social discontent in the broad masses of the population. Czech financiers and banks were an essential element in the national coalition, particularly in the formulation and implementation of financial and economic policy. No other institution was so important as the Živnostenská Bank, and no other private individual could match the influence of Jaroslav Preiss.

At the age of forty-seven, Preiss had already fashioned a highly successful career in finance and journalism at the time of the proclamation of the republic. Born the son of a district judge in Přeštice, Preiss studied law at the universities of Prague and Leipzig, and became an economic editor for the *Národní listy* in 1900. In 1902 Preiss began to function as secretary for the Association of Czech Textile Industrialists. He entered the employ of the Živnostenská Bank in 1907 in order to edit the bank's *Finanční listy* and to organize the industrial mortgage division of the institution. In 1908 he became a deputy in the Bohemian Landtag for the National Freethinkers' party. Perhaps most helpful for his reputation

during the first republic was the fact that Preiss was arrested and jailed by the Austrian authorities in June 1916 for high treason and crimes against the military power of the Habsburg Empire. Upon his pardon by the emperor in July 1917, Preiss was named general director of the Živnobank. That position, which he held throughout the first republic, was the fundamental basis for his influence and prestige, although he functioned in many other capacities as well<sup>3</sup>.

Nothing else quite so legitimized an individual's claim to leadership in the first republic as did active service in the „national liberation“ movement during the First World War. From the beginning of his career Preiss had been inevitably associated with the revival of Czech nationalism through his financial and journalistic activity. Loyalty to his bank necessarily implied support of Czech economic development, and the financing of new Czech economic enterprises engendered in him both professional and national pride<sup>4</sup>. During the war the Živnobank struggled to preserve that portion of the Czech national wealth which it controlled or influenced, and its policies were damaging to the Austrian war effort. The basic goal of the bank was to minimize the amount of Czech capital available to the Austrian government. Personnel of the bank barely concealed their negative attitude to the Austrian war loans, and Czech participation in the loans was minimal. On the other hand, the bank warmly recommended local bonds issued in Bohemia and Moravia. The bank also undertook to buy Russian currency, bonds, and stocks, often through the medium of Swiss or Dutch banks. The prosecution in Preiss's trial in 1916 accurately characterized the bank's policies as a speculation on a Russian victory in the war<sup>5</sup>. Before the war Preiss had already shown that he shared the Neo-Slavist sympathies of Karel Kramář. In the early years of the war Živnobank transactions reflected the pro-Russian enthusiasm that spread through a portion of the Czech population.

As the pace of Czech political activity quickened during the last year of the war, Preiss entered the inner circles in Prague that began to chart an economic program for an independent Czechoslovak state. In May and June 1918 he helped to found the Central Federation of Czech Industrialists, stressing that it was necessary for Czech industry to have an organization representing its interests just as did German and Polish industrialists. By the autumn the federation claimed more than 900 member firms, and in the closing weeks of the war it

<sup>3</sup> Národní listy, December 7, 1930. Prager Presse, December 7, 1930.

<sup>4</sup> On the growth of the Živnostenská Bank and its contribution to the development of Czech industry in the last quartercentury of the Empire, see: H o r á k , Josef: Přehled vývoje českých obchodních bank [Überblick über die Entwicklung der tschechischen Handelsbank]. Prague 1913, pp. 117—152.

<sup>5</sup> This information is taken from portions of the legal indictment of Preiss, which was reprinted in: Das Verhalten der Tschechen im Weltkrieg. Vienna 1918, pp. 106—140. I am indebted to Mr. Oswald Kostrba-Skalický for calling this source to my attention. The book was published under German-National auspices as anti-Czech propaganda, but it was in agreement with later Czech depictions of their wartime struggle for national liberation. See: P i m p e r , A n t o n í n : České obchodní banky za války a po valce [Die tschechischen Handelsbanken vor und nach dem Krieg]. Prague 1929, pp. 53, 64—66, 79—81.

urged those firms to withhold their normal contributions from the various commercial organizations in Vienna. Soon after the proclamation of Czechoslovak independence on October 28, 1918, the Národní výbor, which had assumed temporary responsibility for governing the country, informed the federation that all regulations concerning industrial production would be publicized through the federation itself<sup>6</sup>. The Central Federation of Czech Industrialists therefore played a mediatory role between the political authorities and the individual industrialists and thereby contributed to an orderly exercise of authority even though little governmental apparatus existed in the early days of the republic.

Planning economic programs for the republic and founding organizations that helped to effect them was a profitable as well as patriotic service for Preiss and the Živnostenská Bank. The minutes of the executive council of the Živnobank noted on November 6, 1918: „In recent days a striking change has occurred in the normal pattern of our business. From day to day our clients are multiplying as far as savings deposits, general accounts, and the deposit of valuable papers are concerned. Also, in the industrial and trust divisions corporations and firms, whose business we only recently tried in vain to win, are now approaching us.“<sup>7</sup> The growth of the Živnobank was in fact phenomenal. At the outbreak of the war the share capital of the bank had stood at 80 million crowns; in 1919 it was 200 million. Its balances more than quadrupled between 1914 and 1918; its profits doubled; and its dividends increased from 10 to 24 crowns per share<sup>8</sup>. Even allowing for the effects of wartime inflation the figures were impressive. Those for 1918 were particularly strong inasmuch as they reflected the growth of Czech banking activity during the dissolution of the Habsburg Monarchy. Other Czech banks enjoyed a similar rate of growth, but inasmuch as the Živnobank already entered the war as the leading Czech financial institution its absolute dominance increased as a result of the wartime expansion.

The financial strength of the Živnobank undoubtedly exerted a magnetic attraction on corporate and private depositors. But the solid political connections of the bank were fundamental for its growth and development. Some years later the *České slovo* recalled the upheaval of 1918 in a basically laudatory article about Preiss — „At that time just before the end of the war, a lucky stroke brought success for Preiss: After the famous audience with Emperor Charles, Klofáč met with Preiss in Vienna and informed him of his [Klofáč's] strong opinion that even the Emperor had already lost faith in the existence of Austria. Dr. Preiss immediately went to the Vienna branch of the Živnobank and gave

<sup>6</sup> Státní ústřední archiv. Ústřední svaz československých průmyslníků, carton 10, Minutes of meetings of May 31, September 18, and October 18, 1918. SÚA, ÚSČP, carton 24, Letter from the Národní výbor (signed by Alois Rašín, Jiří Stříbrný, František Soukup, and Antonín Švehla) to the Ústřední svaz českých průmyslníků, October 30, 1918.

<sup>7</sup> Protocol of the meeting of the executive council of the Živnostenská banka, November 6, 1918. Quoted by Strhan, Milan: Živnostenská banka na Slovensku v letech 1918—1938. HČ 15 (1967) 178—179.

<sup>8</sup> Pimper: České obchodní banky 61, 124—125, 141.

the order to evacuate all cash and assets from the Vienna branch to Prague. Before that, in relation to Austro-Hungarian banks the Živnobank was only a debtor, never a creditor. So it happened that within a few days when Austria fell apart — at the time Preiss was in Geneva where, along with the Czech delegation, he had a meeting with Dr. Beneš — the Živnostenská Bank did not have a cent in Vienna.<sup>9</sup> Certainly access to the information of political insiders helped the directors of the bank make shrewd decisions.

No politician was more valuable to the bank than the first minister of finance, Alois Rašín. Next to Karel Kramář the most influential member of the National-Democratic party, he was a close associate of Preiss. Rašín was credited with the basic decision upon which the financial stability of the republic rested. In order to combat the inflationary effects of the Viennese government's constant resort to the printing presses, Rašín ordered in February 1919 the closing of the Czechoslovak frontier, the stamping of all currency, and the drastic reduction of the amount of money in circulation. That step established a separate Czechoslovak currency and became the point of departure for the economic stabilization of the new republic. But it was subsequently rumored that the Živnobank exploited its prior knowledge of Rašín's measure in order to import large amounts of Austrian banknotes and securities, to have them stamped as Czechoslovak exchange, and thereby to make a huge profit at the expense of the government<sup>10</sup>.

Regardless of the validity of such charges, it is certain that the government and the Živnobank cooperated closely in the formative years of the republic. Their common goal was the emancipation of Czechoslovak economic life from German influence. That involved the establishment of a strong banking system in Prague independent of the traditional Viennese center and the securing of the shares of Czechoslovak industrial enterprises that were in German hands. A piece of correspondence between Beneš and Preiss during the Paris peace conference illustrates that policy. On February 24, 1919, Preiss wrote to Beneš:

My Friend!

Permit me to communicate the following to you with my heartiest greetings.

Among the industrialists who have come to Paris are Mr. Engineer Adolf Kamborský, a representative of the Škoda Works, and Mr. Director J. Pokorný, a representative of the United Machine Works.

Both of these companies have been hitherto under the influence of the Viennese banks, and the composition of their boards of directors has been predominantly, indeed almost exclusively German. The negotiations with the Škoda Works, about which I have also informed you, are nearing an end, and we have also been negotiating with the United Machine Works about a reorganization, which in my opinion will reach the desired goal. This reorganization will be completed in short order, and these enterprises will be Czechized. At the moment, of course, the matter is not finished, because it is still necessary to complete the appraisals

<sup>9</sup> České slovo, December 6, 1930.

<sup>10</sup> Rudé právo, February 20, 1938.

at the Škoda Works. I think, however, that the unfinished status is not an obstacle for the firms to represent themselves as Czech enterprises.

In the composition of the boards of directors there will be a considerable majority of Czechs. However, a representative of the Bohemian Germans will be admitted too inasmuch as the enterprises are partly dependent on them as far as supplies are concerned. Perhaps we will also take in some Yugoslav, which certainly would not be an obstacle to us. I take it as my duty to inform you in this way.

Here in Prague there is nothing fundamentally new. Your messages I have precisely communicated to the gentlemen, and you can certainly see from the correspondence with them that I have informed them quite correctly. The plans of Mr. Dr. Kramář concerning the Russian question cannot be realized, and an agreement has been reached already about the way in which we should proceed in this matter. The government will inform you directly.

I am glad that I can stay in Prague, and I am very glad that the representatives of the American banks are coming over here so that we can finish negotiations with them.

If you need me, of course, I am at your service.

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Otherwise things in Prague are quiet except for the usual effervescence. Personally I view the situation here calmly if we have enough food supplies. Food supplies of all kinds should be given prime consideration inasmuch as the entire development in our country depends on that question. Therefore I have heard with great pleasure that you are concentrating mostly on this question. That is correct, for without a solution of this problem there is no peace and also no further development with us.

.....  
Yours devotedly,  
Dr. Preiss<sup>11</sup>

That letter, and others like it, affords rarely available documentary evidence from the Prague archives of the close working relationship between Preiss and the political leaders of the country. It also illustrates the national economic policies of the young republic. The general effort to gain control over industrial and commercial enterprises was popularly known as the „nostrification“ program. That policy continued throughout the first republic, although it was most intense in the early years of independence. The effort to bring industrial enterprises into Czech hands very often meant putting them under the influence of the Živnobank, and the bank could count on governmental support for its projects as long as German influence would be minimal. Illustrative of this situation are four separate business projects about which the Živnobank approached the government in 1919 and 1920.

In December 1919 the Živnobank wrote to the Ministry of Industry, Trade

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<sup>11</sup> Ministerstvo zahraničních věcí, 80/8529, Letter from Preiss to Beneš, February 24, 1919.



and Commerce informing it of the possibility of acquiring majority control of the Bantlin'sche chemische Industrie, A. g. The concern was Reich-German and depended on wood in Slovakia and Subcarpathian Ruthenia. The Živnobank outlined the desirability of having this important component of the chemical industry in Czech hands inasmuch as the company produced acetone, which was used in the making of gun powder. The Živnobank sought pledges from the government that wood from state forests would remain available to run the factories. After conferences among various ministries, the government gave the desired assurances. On this basis, the Živnobank responded that it had made arrangements to acquire 56 % of the shares of the company<sup>12</sup>.

In 1920, resulting at least in part from government initiative, the Živnobank proposed the establishment of a company for mining and refining uncommon metals such as nickel, copper, radium, and tin. The Chancellery of the President of the Republic in a letter to the Ministry of Industry, Trade, and Commerce on May 14, 1920, strongly backed the project to the point of urging state subventions for the company. Masaryk's office stressed the need to curtail dependence on Germany, which had traditionally refined much of the ore. Given the support of the presidential chancellery, the Ministry also approved the project<sup>13</sup>. Also in April and May 1920, there was no trouble winning cabinet approval for a Živnobank project to form a company for the import and export of textile products. Besides regulating trade in textiles and raw materials, the company was supposed to strengthen the Czechoslovak balance of payments by exporting to those countries that could pay in hard currency<sup>14</sup>.

On the other hand, the Živnobank encountered government opposition to any project that appeared to run counter to the „nostrification“ program. In 1920 the Ministry of Industry, Trade, and Commerce, the Ministry of the Interior, and the Ministry of Finance delayed approval for the establishment of a company to produce cooking and table oils because Czech concerns would apparently control only 5 % of the stock whereas Viennese interests would own 45 %. When the Živnobank protested that Czech capital would actually own 36 % and that Czechs would be dominant in the management of the company, the government gave its reluctant agreement. At the same time, however, the Ministry of Industry, Trade, and Commerce proposed an inter-ministry conference to formulate policy concerning the establishment of business enterprises in which Czech capital played a minor role<sup>15</sup>. German or Austrian investments were clearly unwelcome in Czechoslovakia.

The young republic sorely needed credits and investments from abroad, however, and it naturally turned to those Western powers that had been instrumental in the foundation of the republic. State loans were floated in France, Britain, and the United States, and Czechoslovak diplomacy encouraged private investments from those countries in Czechoslovakia. A calculation of Beneš's

<sup>12</sup> SÚA, Ministerstvo průmyslu, obchodu, a živností. Fascikl. 20.092/20. Krabice 315.

<sup>13</sup> SÚA, MPOŽ, Fascikl. 21.096/20, Krabice 334.

<sup>14</sup> SÚA, MPOŽ, Fascikl. 18.920/20, Krabice 331.

<sup>15</sup> SÚA, MOPŽ, Fascikl. 42.776/20, Krabice 332.

foreign policy was that Western financial investments in Czechoslovakia would strengthen the interests of the Western powers in supporting the independence of the young republic. Whereas the Živnobank entered into joint business ventures with Western firms, there always existed an element of friction between that aspect of Czechoslovak diplomacy and the interests of the Živnobank. Already in 1919 the bank promoted a project by which it would be the sole private participant in a state monopoly over the explosives industry. Rašín, as Minister of Finance, backed the proposal, but Beneš suggested French and British participation as well. The ultimate resolution of the question divided the shares in the monopoly among a number of participants, with the Živnobank owning only 15% of the stock whereas British-French interests controlled 40%<sup>16</sup>. Rivalries between the Živnobank and Western investors continued in later years of the republic.

In addition to the „nostrification“ program, the effort to establish a strong and stable Czechoslovak currency reflected the general community of interests between the government and the Živnostenská Bank. In the early years of the republic the Ministry of Finance was a preserve of the National-Democratic party. There existed no national bank at the time, and monetary policy was determined by the Bank Office of the Ministry of Finance. No one was more fervently committed to the establishment of a sound currency than was Alois Rašín, who functioned as the country's first minister of finance until the National-Democrats left the coalition in July 1919. Rašín's major competitor as a financial expert among active politicians was Karel Engliš, a professor from Brno. Engliš was also a National Democrat. He belonged, however, to the party's left-wing, which crystallized after the party's exit from the government in 1919, and he eventually abandoned even a formal identification with the party. He was a favorite of Masaryk, and he was to become known as the leading spokesman on financial matters for the Castle. It was largely because of Masaryk's prodding that Engliš became minister of finance in May 1920, although Preiss helped to make the appointment possible by overcoming conservative opposition within the National-Democratic party<sup>17</sup>.

In the early years of the republic, governments changed frequently, and the typical tenure of a minister of finance was little more than a few months. At the same time the exchange rates for the Czechoslovak crown on international money markets fluctuated widely. In Zürich the crown reached a value of 34 Swiss centimes in May 1919 before plunging all the way to five centimes in February 1920. Recovering to 12.7 centimes in June, it settled in a range between 7.5 and 8.5 centimes for several months in 1920 and 1921<sup>18</sup>. The instability of

<sup>16</sup> Strhan: Živnostenská banka na Slovensku 192—195.

<sup>17</sup> Hoch, Karel: Alois Rašín: Jeho Život, Dilo, a Doba [A. R.: Sein Leben, sein Werk u. seine Zeit]. Prague 1934, pp. 308—309. — Klepetař, Harry: Seit 1918 ... Eine Geschichte der Tschechoslowakischen Republik. M.-Ostrau 1937, p. 121.

<sup>18</sup> Přehled hospodářského vývoje Československa v letech 1918—1945 [Überblick über die wirtschaftliche Entwicklung der Tschechoslowakei 1918—1945]. Prague 1961, p. 692.

the crown obviously severely hampered Czechoslovak foreign trade, upon which the country's economy was largely dependent. Whereas it was widely believed in Prague that the crown was undervalued, the fundamental demand among the public was for the stabilization of the crown at some constant level. Engliš made himself the spokesman for that view<sup>19</sup>.

Rašín's hopes and plans, however, went far beyond mere stabilization. For him, the strength of the crown was an „index of the nationality vitality“. It was the litmus test of the practicality of building a Czechoslovak state in Central Europe. In particular, he resented the fact that the Czechoslovak crown followed the German mark in its fluctuations, and he hoped to untie the crown from the mark in international money markets. In order to secure the existence of the country and to increase the value of its currency, Rašín repeatedly called upon his countrymen to make sacrifices and to return to a life of „republican simplicity“, which he equated with American „puritanism“. Rašín helped to popularize an idea that was to become a hallmark of the Czech self-image in the first republic, namely that the country was „an island“ of stability in a turbulent region of Europe and that it could be preserved only by the dedication of people „who love this state and want to secure and build its independence“<sup>20</sup>.

It is only in the light of Rašín's ideas and values that the deflationary policy of 1922 can be understood. Although Rašín did not return to the Ministry of Finance until October 1922, the change of governments in September 1921 already signaled the resurgence of Rašín's influence and the adoption of financial policies with which he was in full agreement<sup>21</sup>. The government embarked on a resolute program to balance the budget and to reduce state expenditures. In the year between November 1921 and October 1922 it cut the amount of money in circulation by two billion crowns, *i. e.* 15 %<sup>22</sup>. This sharply deflationary policy, coming at a time when other countries in Central Europe were caught in spiraling inflation, drove up the value of the crown on the Zürich exchange from its low of 5.1 centimes in October 1921 to a high of 19.2 centimes in October 1922. Already in the late summer of 1921 the crown cut loose from the German mark and subsequently increased and maintained its value while the mark steadily sank to its valueless condition of 1923. The strength of the crown *vis-à-vis* the mark was a source of great pride and satisfaction to Czechoslovak patriots. On the other hand, the exchange rate of the crown could not multiply almost four-fold in the space of a year without severely dislocating Czechoslovak foreign trade. As exports plummeted in 1922, factories reduced production or simply shut down, and unemployment rose to the highest level it reached before the great depression of the 1930's. Despite efforts to reduce prices of goods and

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— Weirich, Marko: Staré a nové Československo [Die alte u. die neue Tschechoslowakei]. Prague 1939, p. 282.

<sup>19</sup> Lidové noviny, April 28, 1921. — Prager Presse, April 10, 1921. — Venkov, April 27, 1921. — Sozialdemokrat, October 1, 1921. — Prager Tagblatt, September 6, 1921.

<sup>20</sup> Hoch: Alois Rašín 321, 332—333, 356—357.

<sup>21</sup> Ibidem 353.

<sup>22</sup> Weirich: Staré a nové Československo, 287—288.

services, the cuts in wages and salaries were even greater, and real income declined<sup>23</sup>.

When Rašín returned as minister of finance in October 1922 in the first government under Premier Antonín Švehla, Rašín would promise only more of the same. In his important Pardubice speech in December 1922 Rašín described his vision of Czechoslovakia as „the first among the small states, the first among equals, but still the first“. Such a goal for one's nation was not chauvinism but rather „true democracy“. In glowing terms he revealed his hope of minting gold ducats with St. Wenceslas on one side and the Czech lion on the other. That would really give the people something worth saving. It would conclusively demonstrate that „we are an independent sovereign state“<sup>24</sup>. Not everyone shared Rašín's commitment to the glories of the state and the nation at the cost of severe economic dislocation. By the beginning of 1923 he was probably the most hated politician in the country. On January 5, 1923, a deranged young leftist shot Rašín, who died after a six-week struggle for life. Rašín's death marked the end of the most extreme phase of the deflationary policy, although the general policy continued under his successor, Bohdan Bečka, who was Rašín's brother-in-law and a vice-president of the Živnostenská Bank<sup>25</sup>.

The politics of deflation marked the climax of the period when the Živnobank won windfall profits from governmental efforts to secure the state. The reserves of the bank grew proportionately in value as the money supply decreased. By 1922 the economic crisis in Austria had effectively destroyed the value of Austrian currency, and the Živnobank exploited the strength of the Czechoslovak crown in order to buy up shares of Czechoslovak industries that had remained in Viennese hands<sup>26</sup>. In that respect, the deflationary policy was consistent with the „nostrification“ program. But within Czechoslovakia tight money policies provoked the bankruptcies of weaker banks and industrial enterprises, and the stronger financial institutions — led by the Živnobank — exploited the situation in order to undercut competition and to spread their influence throughout the industrial sphere. Between 1921 and 1923 the Živnobank's shares in industrial consortiums and syndicates increased in value by a factor of 2.3, from 21.7 million crowns to 51.7 million, and the bank simultaneously strengthened its control over certain other financial institutions<sup>27</sup>. At least until 1923 the building of the Czechoslovak state was tantamount to the building of the Živnostenská Bank.

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<sup>23</sup> The biographer and admirer of Rašín is practically alone in claiming a rise in real wages. Hoch: Alois Rašín, 324—325. For more recent analyses, see: Přehled hospodářského vývoje 158—165. — Olivová, Věra: Postavení dělnické třídy v ČSR v letech 1921—1923 [Die Lage der Arbeiterklassen in der ČSR in den Jahren 1921—1923]. ČSČH 2 (1954) 193—227.

<sup>24</sup> Hoch: Alois Rašín 376—377.

<sup>25</sup> Klepetař: Seit 1918 188.

<sup>26</sup> Prager Presse, December 7, 1930.

<sup>27</sup> Přehled hospodářského vývoje 101.

From 1923 Czechoslovakia enjoyed considerably more political and monetary stability than in the founding years of the republic. The Czechoslovak national coalition under Premier Švehla remained intact until the spring of 1926. From 1923 to 1934 the crown hovered between 15.3 and 16.4 centimes on the Zürich exchange. The crisis atmosphere faded as the young state seemed to become more secure domestically and internationally. Under those conditions the competing interests of various social groups among the Czech population once again began to assert themselves. The strongest political evidence of that process came in 1926 with the dissolution of Švehla's government over the twin issues of agricultural tariffs and clerical salaries. It was also in the mid-1920's that the concept of the Castle assumed greater political significance than it had previously possessed. The question facing Jaroslav Preiss and the bank he directed was how they would align themselves when the range of political possibilities was broader and the differences more subtle.

In December 1930 the *Prager Presse* published an article celebrating Preiss's sixtieth birthday in which it commented on the earlier contributions of the Živnostenská Bank to the founding and the development of the republic. Concerning Preiss, the paper noted: „His plans could be fulfilled only in close connection with politics. This was later highly rewarding, for the Živnostenská Bank was the state bank in the first years of the republic, always prepared to help the state treasury in its difficulties, but also seeking and finding gratitude and reward for this helpfulness. This relationship naturally had to be liquidated later, and this liquidation led to all kinds of resentments and frictions. It created a rift that splits our financial community and also our economic life.“ The paper went on to observe that although Preiss was a powerful hater it would be more constructive to forget old resentments<sup>28</sup>. The *Prager Presse* was a semi-official organ of the state and was regarded as a mouthpiece for the Castle and particularly for Beneš. The article is therefore a reliable indication of the frictions that had developed between Preiss and the Živnostenská Bank on the one hand and the Castle on the other.

The basic problem was that the ongoing process of state-building made it increasingly difficult always to harmonize the interests of the nation with those of the bank. Engliš retained the confidence of Masaryk even while his articles and lectures made him increasingly unpopular at the Živnobank. In 1925 a debate arose about the proposed creation of a National Bank, which would govern monetary policy in place of the Bank Office of the Ministry of Finance, which was still a National-Democratic preserve. Engliš welcomed the National Bank, explaining that it would spell the end of the deflationary policy which had remained a potential threat to business activity. Characterizing deflation as the „upward reevaluation of finance capital“, which threatened to provoke general economic collapse, Engliš emphasized that the National Bank would

<sup>28</sup> Prager Presse, December 7, 1930.

herald an „epoch of stabilization“<sup>29</sup>. But the Živnobank had profited from the deflationary policy, and the creation of the National Bank threatened to diminish its influence over monetary policy. After Engliš returned as minister of finance in December 1925, it was rumored that the Živnobank tried to sabotage Engliš's efforts to float a new state loan within Czechoslovakia<sup>30</sup>. Nevertheless, there were also too many common interests, and compromise was the order of the day between the Živnobank and Engliš's Finance Ministry. The National Bank went into operation in 1926 but with several representatives from the Živnobank circle among its directors<sup>31</sup>. In 1927 Engliš sponsored a tax reform law particularly favorable to the interests of the bank, and thereby won the praise of the bank in its annual report<sup>32</sup>. If the bank was no longer so influential as it had been in the days of Rašín, it was still a very powerful political and economic force.

Despite mounting friction Preiss functioned in the late 1920's as a political ally of the Castle. The Živnobank's investment policy of concentrating on heavy industry created common interests between the Castle and the bank in the late 1920's. The Castle desired a liberal trade policy in order to strengthen the political ties with Austria as well as with the other states of the Little Entente. By the late 1920's Czechoslovak heavy industry was forced also to search for markets abroad, and the Živnobank became more interested in reducing tariffs than it had been in the early years of the republic. But the Agrarians were determined to maintain high agricultural tariffs, and they also used their dominance in the government to further the interests of the Agrarian Bank<sup>33</sup>. Preiss had economic reasons enough for striking an alliance with the Castle. And Preiss's cooperation was even more valuable to the Castle after he personally assumed leadership of the Central Federation of Czechoslovak Industrialists in 1929.

In the same years Preiss was also a personal confidant of Masaryk. The president relied on Preiss for financial advice and for assistance in raising money for Masaryk's disposition fund, which financed various presidential projects<sup>34</sup>. In the same years Preiss tried to move the National-Democratic party closer to the center of the political spectrum and therefore into a better working relationship with the Castle. Kramář's leadership was a growing liability for the party inasmuch as his political philosophy and his personal resentment of Masaryk's and Beneš's success led him into reactionary and untenable positions. During a brief flurry of fascist activity in 1926, Kramář's support of extremist attacks on the Castle were all too obvious. Already in 1925 a group of pro-Castle members of the party had split off to form the National Workers' party under

<sup>29</sup> Lidové noviny, February 1, 1925; March 17, 1925. — Prager Presse, March 15, 1925; April 2, 1925.

<sup>30</sup> Bohemia, February 4, 1926.

<sup>31</sup> Přehled hospodářského vývoje 256—259.

<sup>32</sup> Prager Presse, March 20, 1928. Sozialdemokrat, April 8, 1928; April 14, 1928.

<sup>33</sup> G a j a n o v á, Alena: Dvojitá tvář [Zwei Gesichter]. Prague 1962, pp. 55—57. — Prager Presse, March 20, 1938.

<sup>34</sup> G a j a n o v á: Dvojitá tvář 192—193.

the leadership of Jaroslav Stránský and his newspaper, *Lidové noviny*, became one of the pillars of the Castle.

Realizing that the National-Democratic party was becoming increasingly impotent, Preiss and his chief lieutenant in political affairs, F. X. Hodáček, attempted to fashion a more respectable public image for the party. It was reported that in 1926 Preiss tried vainly to oust the editor of the party's chief newspaper, *Národní listy*. Instead, Preiss himself had to resign from the board of directors of the newspaper<sup>35</sup>. But that setback was only temporary. Preiss and Hodáček, who was the general secretary for the Central Federation of Czechoslovak Industrialists, aligned themselves with moderates in the party known as the „Democratic Middle“, increased their holdings in the company that published the party's newspaper, and eventually forced the conservatives from their editorial positions. This was done with the full knowledge and approval of the Castle, which was kept informed about the power struggle within the National-Democratic party. Preiss also promoted mediation in the dispute between Kramář and Beneš in the hopes that an agreement would associate the National-Democratic party more closely with the centers of political power in the country. Kramář's abstinence doomed those efforts to failure<sup>36</sup>.

The cooperation between Preiss and the Castle occurred in years of economic prosperity and financial stability. In late 1928 the government decided to remove all restrictions on the flow of currency across the frontiers, and the country went formally onto the gold standard in 1929<sup>37</sup>. The potential effects of the Wall Street Crash were not immediately apparent after October 1929. When Preiss forecast economic difficulties in May 1930, he was received in some circles with disbelief, but by December 1930 it was apparent that Preiss's fears were being realized<sup>38</sup>. As the country sank ever deeper into the depression in late 1931 and 1932, the ties between Preiss and the Castle were tested in new ways. Preiss outspokenly advocated a deflationary policy of maintaining a balanced budget and curtailing state expenditures by cutting the salaries of state employees<sup>39</sup>. The Castle apparently accepted those ideas, which became official government policy. As the depression continued, however, opposition to the orthodox economic philosophy of Preiss grew. Calls mounted for more centralized economic planning, particularly among the parties of the moderate left, which were most closely identified with the Castle<sup>40</sup>. Moreover, it became

<sup>35</sup> Prager Tagblatt, December 25, 1926. — České slovo, December 25, 1926. — Národní listy, December 28, 1926. — Národní osvobození, January 28, 1927.

<sup>36</sup> Ga j a n o v á : Dvojitá tvář 54—63.

<sup>37</sup> The Financial News (London), January 7, 1929. — Prager Presse, February 27, 1929. — Večerní Právo lidu, November 7, 1929. — Sozialdemokrat, November 8, 1929. — Prager Presse, January 17, 1930. — Národní listy, January 17, 1930.

<sup>38</sup> Lidové listy, May 15, 1930; May 31, 1930. — Bohemia, May 29, 1930. — Prager Tagblatt, December 13, 1930. — Lidové noviny, December 13, 1930. — Národní listy, December 13, 1930; December 25, 1930.

<sup>39</sup> Montagsblatt, July 25, 1932. For evidence of Preiss's close association with Masaryk in 1932, see: W a g n e r : Panství kapitalistických monopolů 104.

<sup>40</sup> České slovo, May 20, 1932.

apparent that Preiss and Hodáč were not aligning the National-Democratic party so close to the Castle as some had expected<sup>41</sup>.

Although the depression increasingly strained the relationship of Preiss with the Castle, the acid test of that association was the ability to cooperate in defense of the republic. Within hours after the discovery of the Austro-German plans to form a customs union in March 1931, Preiss's residence was the scene of a meeting that included Masaryk; Beneš; Engliš; Hodáč; Vilém Pospíšil, the director of the National Bank; Rudolf Beran, general-secretary of the Agrarian party; and Bohumír Bradáč, the Agrarian minister of agriculture<sup>42</sup>. When the news leaked to the press, Preiss tried to portray the meeting as a purely social occasion and noted that the genius of democratic government allowed leaders of conflicting political viewpoints to remain personal friends<sup>43</sup>. But such a meeting at such a time could not have been purely social, and it was obvious that loyalty to the Czechoslovak state still took precedence over particularistic interests. Through the summer of 1931 Austria, Germany, and even Britain slipped ever more deeply into the financial crisis while Czechoslovakia remained relatively stable. The crown grew in importance as an international medium of payment, but the decline of Czechoslovak exports required remedial action. In October a meeting of Premier Udržal, Beneš, Preiss, and other financial leaders ended with public assurances that the crown was in no danger<sup>44</sup>. Nevertheless, the government soon introduced an increasingly stringent program of exchange controls<sup>45</sup>. It was obvious that Preiss remained a key adviser for the formulation of government policy.

If the Castle is defined as a group of interests that were willing to subordinate other concerns to the development of a liberal republic and an advanced social welfare system in Czechoslovakia, Jaroslav Preiss's actions in the years between 1923 and 1934 qualify him for membership to a limited degree. Certainly he could not be included among the members of the innermost circle of the Castle. The conflicting interests between the state and the Živnostenská Bank, coupled with Preiss's loyalty to his bank, prevented that. But Preiss perceived that it was in the interests of the bank and of the National-Democratic party to be identified with the broad middle of the political spectrum, and he was willing to compromise in order to reach that goal. The question was how far he would go. The twin challenges of the continuing depression and the threat from Nazi Germany eventually provided the answer.

<sup>41</sup> G a j a n o v á : Dvojí tvář 72—73.

<sup>42</sup> The participants were named in newspaper reports, and there does not appear to have been any subsequent denial concerning the authenticity of the list. *Národní politika*, March 21, 1931. — *Polední list*, March 22, 1931.

<sup>43</sup> *Národní listy večer*, March 23, 1931.

<sup>44</sup> *Večerní České slovo*, October 3, 1931. — *Národní politika*, October 3, 1931.

<sup>45</sup> *Financial Times* (London), October 29, 1931. — *Lidové noviny*, November 9, 1931; January 20, 1932. — *Prager Tagblatt*, October 17, 1931; November 8, 1931; January 20, 1932; March 12, 1932. — *Prager Presse*, October 17, 1931. — *Národní listy*, March 12, 1932. — *České slovo*, March 12, 1932.



Although the depression did not strike Czechoslovakia as quickly as it did other Central European states, its full force descended on the country by 1932 and 1933. According to official statistics, unemployment reached a peak of 920,000 in February 1933, and in the same year total industrial production fell to 60 % of what it had been in 1929<sup>46</sup>. At least until the autumn of 1933 Preiss could approve the government's course in dealing with the depression, which consisted basically in cutting state expenditures in order to balance the budget in the face of declining revenues. Briefly in 1932 it appeared that a minority element within the Agrarian party urged devaluation of the currency, but the Agrarian premier of the country and the general director of the Agrarian Bank publicly insisted that the value of the crown would be maintained<sup>47</sup>. When the United States devalued the dollar in April 1933, the directors of the Czechoslovak National Bank stated that no changes would occur with the crown<sup>48</sup>. Through 1933 newspapers of diverse political philosophies celebrated the crown as one of the strongest currencies in Europe<sup>49</sup>.

By the autumn and winter of 1933—1934, however, a new debate arose about economic policy. In a speech in November 1933 Preiss mentioned current negotiations between agrarian and industrial interests within Czechoslovakia, which were aimed at encouraging industrial exports through a policy of lowering the country's agricultural tariffs<sup>50</sup>. That action would have been fully in line with the Castle's foreign policy, for Beneš's hopes of binding the states of the Little Entente through closer trade relations had long been sabotaged by the Czechoslovak Agrarians' insistence on high agricultural tariffs. But other disputes were occurring behind the scenes, as was evident in a public attack on Preiss in *Přítomnost*, which was closely identified with the Castle<sup>51</sup>.

According to a memorandum from the Ministry of Foreign Affairs to Czechoslovak missions abroad, both Premier Jan Malypetr and Beneš concluded by the end of 1933 that the state budget could not be cut further. Relying on Engliš's analysis that the *de facto* value of gold had risen by one-third since 1929, the government decided to cut the gold content of the crown by one-sixth and theorized that the other sixth would be covered by the previously adopted economies<sup>52</sup>. Devaluation became law on February 17, 1934. At the same time, Engliš again emerged from private life, this time to become governor of the

<sup>46</sup> Přehled hospodářského vývoje 681—682. — Annuaire statistique de la République Tchécoslovaque. Prague 1935, p. 199.

<sup>47</sup> Prager Tagblatt, May 12, 1932. — Bohemia, May 20, 1932. — Prager Presse, June 4, 1932.

<sup>48</sup> Prager Presse, April 25, 1933.

<sup>49</sup> Examples include: Národní listy, May 21, 1933. — Právo lidu, July 14, 1933. — Lidové listy, October 13, 1933.

<sup>50</sup> Národní listy, November 25, 1933. — Prager Tagblatt, November 25, 1933.

<sup>51</sup> Přítomnost, December 20, 1933; December 27, 1933.

<sup>52</sup> SÚA, ZTA, krabice 518, folií D-7-C-3. Různé zprávy, č. 9/1934. Ministerstvo zahraničních věcí zastupitelským úřadům Československé republiky.

National Bank, and replaced a man identified with the Živnostenská Bank. The National-Democratic party departed from the government and went into parliamentary opposition. The devaluation of the currency was a major reversal for Preiss and the interests of the Živnostenská Bank. Given the strong capital position of the bank and his own economic philosophy, Preiss resisted devaluation with as much ardor as he had supported Rašín's campaign to raise the value of the currency in the early 1920's. The devaluation of the crown in February 1934 graphically marked the end of Preiss's politics of compromise and the beginning of open and bitter opposition to the government and the Castle.

Since the beginning of the republic all individuals associated with the Castle had agreed that the greatest potential danger from abroad was a resurgent Germany intent on reestablishing its hegemony in Central Europe. It has been seen that, particularly in the early postwar years, the Živnostenská Bank exploited the fear of German influence in order to buy German-owned properties with help from the state. Even though the threat posed by Hitler's Germany was clear to Czechoslovak leaders, the Nazi experiment also fascinated some of them. In the late summer of 1934 Preiss went on an extensive tour through Germany in order to observe the National-Socialist revolution for himself. That trip naturally made him a target for left-wing writers — *Rudé právo* later attributed to Preiss the remark: „To be sure Hitler is only a paint dabbler, but if we only had such a one for ourselves.“<sup>53</sup> Although Preiss did not speak publicly about his trip at the time, he subsequently compared Germany's „rebirth“ under the Nazis with the „Young Germany“ movement of the nineteenth century. While stating that he did not agree with Nazi ideas, Preiss believed that Hitler's strength lay in his understanding of the German psychology. Hitler knew what the Germans wanted. Consequently, Preiss discerned in Hitler's Germany a new enthusiasm for self-sacrifice and creative work<sup>54</sup>. He repeatedly told his own countrymen that those individualist values were the only ones that could bring Czechoslovakia out of the depression. Without them, governmental actions would be of little avail. In defense of Preiss the *Prager Tagblatt*, which spoke for Jewish capital in Czechoslovakia and shared many of Preiss's values, emphasized Preiss's dedication to liberal individualism and his service in the creation of the state. Therefore, Preiss could not approve collectivist philosophies or pan-German expansionism, such as Nazism represented. But Preiss could legitimately admire the popular enthusiasm for hard work, which had long been present in Germany<sup>55</sup>.

That analysis of Preiss's response to Nazism is essential for understanding his political activities within Czechoslovakia during 1934 and 1935. The National Democratic party was isolated from the centers of political power after February 1934, and it was essential for the party to gain a larger popular following if it

<sup>53</sup> *Rudé právo*, February 20, 1938.

<sup>54</sup> *Prager Tagblatt*, June 15, 1938. — *Venkov*, June 15, 1938. — *Prager Presse*, June 15, 1938.

<sup>55</sup> *Prager Tagblatt*, March 24, 1935.

was again to play an influential political role in the republic. There can be little doubt that Preiss encouraged the decision to join with Jiří Stříbrný's proto-fascist National League in order to form the National Union in October 1934. Preiss's longtime collaborator, F. X. Hodáč, led the negotiations for the National Democrats and, with Stříbrný, served as the major public figure in the National Union<sup>56</sup>. Kramář, still the formal leader of the National Democrats, put his stamp of approval onto the project, no doubt in part because Stříbrný was an implacable personal foe of Beneš. The alliance with Stříbrný placed the National Democrats about as far from the circles of the Castle as could be imagined.

National-Democratic strategy amounted to a gamble that Stříbrný's demagogic appeal among Czech voters might prove as strong as was Konrad Henlein's among the Sudeten Germans. The lavishly financed campaign of the National Union prior to the parliamentary elections of 1935 borrowed heavily from the Nazi repertory in Germany. With the slogan „Nothing except the Nation“ (*Nic Než Národ*), with a flag identical to that of the Nazis except that a blue *N* was substituted for the black swastika, with the effort to promote Hodáč as a Führer-type personality, the National Union tried to stir the most visceral chauvinist emotions of the population.

But the tactics were too transparent. It was contradictory to attempt to promote xenophobia among Czechs by duplicating the well-known tactics of Germans. Hodáč, whose culture and polish made him the very image of upper-class life, was hardly an appropriate type for a fascist leader. Political opponents characterized the National Union as little more than a front organization for Živnobank interests and accused Preiss of wanting to build a „gold international“ of capitalists. The Agrarian party's *Venkov* attacked the leaders of the party as „cynics who shrink from nothing that serves their political interests“<sup>57</sup>. Competing for essentially the same voters, General Radola Gajda's National Community of Fascists proclaimed: „We have nothing in common with the ‚National Union‘, with the Hodáč-Preiss clique, or with Stříbrný, Locher, and Company.“<sup>58</sup> Hodáč and Stříbrný optimistically entertained hopes for a sweeping electoral victory. When the National Union was able to increase the number of its deputies only from fifteen to seventeen, they refused to serve as parliamentary deputies. The alliance had won only six percent of the vote.

The parliamentary elections of May 1935 confirmed the impotence of a once-proud party. The National Union graphically demonstrated its own political isolation in December 1935 in the presidential election that made Beneš Masaryk's successor. After the collapse of a hasty effort to build a coalition against Beneš, the National Union was the only parliamentary group actually to vote for Beneš's erstwhile opponent<sup>59</sup>. But the Živnobank still wielded great economic power even if its political influence had largely evaporated. Throughout the

<sup>56</sup> Klepetař: Seit 1918 371—373.

<sup>57</sup> Venkov, May 17, 1925.

<sup>58</sup> Gajdová: Dvojitá tvář, photocopies of political posters between p. 144 and p. 145.

<sup>59</sup> Klepetař: Seit 1918 410.

depression years the bank continued to pay dividends although it did have to reduce the amount from the levels reached in the late 1920's. The rearmament program that began in Czechoslovakia in the mid-1930's brought new profits to the bank inasmuch as its investments were concentrated in heavy industry. As Western investors rushed to sell their holdings in Czechoslovak industry in the late 1930's, the Živnobank, like other Czech banks, endeavored to acquire the shares at bargain prices<sup>60</sup>. Demonstrating its wealth and strength, the Živnobank built an imposing new headquarters building during the depression years. The annual speeches of Preiss to the stockholders of the Živnostenská Bank and to the Central Federation of Czechoslovak Industrialists were still eagerly awaited for their analyses of the economic situation.

During the last years of the republic Preiss never wavered in his economic philosophy. Among financiers and industrialists the second devaluation of the crown in September 1936 met with more ambivalence than had the first devaluation. But the attempt to increase taxes on those industries that were profiting from rearmament only solidified Preiss's opposition to the course that economic policy had taken since 1934<sup>61</sup>. He firmly resisted any movement toward a government-directed economy and believed that „real prosperity“ could develop only in the private sphere and not as a result of government expenditures<sup>62</sup>. Always an individualist, he argued: „Collective responsibility is no responsibility at all because in that context in the final analysis no one is responsible.“<sup>63</sup> The political systems in Nazi Germany and the Soviet Union he characterized as „children of the same spirit“. Labeling them both „socialism“, he defended „democracy“ as the only (and better) alternative<sup>64</sup>. The man who had toyed with Marxism in his own student days had long since abandoned his youthful infatuations.

Preiss obviously had little sympathy for Czechoslovakia's rapprochement with the Soviet Union. The National-Democratic withdrawal from the coalition in February 1934 had removed the last major obstacle within Czechoslovakia to the *de jure* recognition of the Soviet Union, which had followed within four months. Nor did Preiss support the Czechoslovak-Soviet treaty of alliance, which Beneš had signed in Moscow just three days before the 1935 parliamentary elections. In these policy differences with the Castle, Preiss maintained the same anti-Soviet and anti-socialist viewpoints that he had held since the foundation of the republic. Masaryk and Beneš had long hoped to establish formal relations

<sup>60</sup> Král, Václav: Otázky hospodářského a sociálního vývoje v českých zemích 1938—1945 [Fragen der wirtschaftlichen u. sozialen Entwicklung in den böhmischen Ländern]. 3 vols. Prague 1957—59, vol. 2, pp. 10—11.

<sup>61</sup> Official explanations tied the devaluation of the crown to that of the French franc. Central European Observer, September 16, 1936. For Preiss's criticism of taxation policy, see: Národní listy, March 21, 1937. — Prager Presse, March 21, 1937.

<sup>62</sup> Národní listy, March 21, 1937. — Prager Presse, March 21, 1937. At another time Preiss succinctly expressed his viewpoint in the remark: „The belief that state-organized production can secure the prosperity of a nation is a utopia.“ Prager Tagblatt, June 15, 1938.

<sup>63</sup> Národní listy, March 21, 1937. — Prager Presse, March 21, 1937.

<sup>64</sup> Der Prager Illustrierte Montag, June 21, 1937.

with the Soviet Union but had been held in check by a combination of domestic and international considerations in the 1920's. The onslaught of the depression and the rise of Nazism in Germany tipped the balance, however, and allowed the Castle to effect policies that the conservatives could no longer prevent.

Preiss himself began to redefine some of his ideas on foreign policy in the mid-1930's. From being a founder of the republic and a participant in the effort to reduce the influence of German and Austrian finance in Czechoslovakia, Preiss began publicly to advocate friendlier relations with Germany by 1937. In actuality, Beneš's French orientation had never enjoyed the full support of the Czechoslovak financial community, and already in the late 1920's Preiss had called for friendlier relations with those countries in Central Europe that were Czechoslovakia's major trading partners<sup>65</sup>. By the late 1930's Preiss made little attempt to conceal his criticisms of Beneš's foreign policy. Preiss repeatedly reminded his listeners that Czechoslovakia was a small state dependent on the export trade and therefore vulnerable to the attitudes of its neighbors<sup>66</sup>. He was clearly sceptical about efforts to redirect Czechoslovak foreign trade overseas and away from other countries in Central Europe. Whereas Germany, Austria, and Hungary had accounted for 47% of Czechoslovak foreign trade in 1929, their share dropped to 24% by 1937. But the real value of Czechoslovak imports and exports in 1937 was only about 40% of what it had been in 1929<sup>67</sup>. It seemed vain to hope that American and Asian countries could replace Czechoslovakia's natural trading partners in Central Europe.

In his speeches in the late 1930's Preiss always stressed the need for realistic analysis rather than wishful thinking in the formulation of foreign policy. He clearly believed Beneš's strategy to be outdated. Before Ostrava industrialists in May 1937, Preiss observed: „In this international process let us travel the paths that have been shown us, for example by the Swiss, the paths that obtain for us friends everywhere, or at least do not create enemies for us anywhere . . . . While preserving all the sympathies that we have for those who contributed to the work of our liberation, we must seek paths not only to them, but also to an attachment to, or an inclination towards, or at least a toleration by all nations.“<sup>68</sup> A year later in June 1938 Preiss was even more specific about his hopes for an understanding with Germany: „. . . while maintaining our loyalty to our allies and especially our genuine sympathies for the French and English people we desire just as genuinely a friendly relationship to all European states, especially to Germany and Italy with whom we are bound by old cultural and economic relations.“<sup>69</sup> But Preiss also emphasized his loyalty to the Czechoslovak state and its sovereignty and independence. The question was how it could best be

<sup>65</sup> Preiss, Jaroslav: O vývoji a úkolech československého průmyslu [Über die Entwicklung und die Fragen der tschechoslowakischen Industrie]. Prague 1928, p. 29.

<sup>66</sup> Prager Presse, March 21, 1937. — Národní listy, March 21, 1937; May 16, 1937.

<sup>67</sup> Přehled hospodářského vývoje 358, 364—365.

<sup>68</sup> Národní listy, May 16, 1937.

<sup>69</sup> Prager Tagblatt, June 15, 1938. — Venkov, June 15, 1938. — Prager Presse, June 15, 1938.

preserved. Discounting the likelihood of war in the near future, Preiss hoped that „Czechoslovakia will not become the object of international negotiations, because parties who do not know us well would then be making decisions about us, and they would not forget their own interests in the process.“<sup>70</sup>

For some historians it could be tempting to dismiss Preiss's statements and actions in the depression years as simply the self-serving tactics of the general director of Czechoslovakia's largest bank. Certainly the political and economic policies that he advocated were those that he thought would further the business interests of the Živnostenská Bank. Preiss's calls for further personal sacrifices could find little appeal among the thousands of unemployed, especially when Preiss himself was the image of personal prosperity. For the cartoonists of *Rudé právo* and other leftist newspapers, he was the prototypical capitalist. But, rightly or wrongly, Preiss believed that his ideas were best for the society and the country. At the basis of his philosophy lay the conviction that the strength of the nation rested on the industriousness and the frugality of the individual. Preiss sought to nourish the spirit of individualism — even at the expense of the suffering of individuals — in an age that was moving toward ever greater collectivization.

In the spring of 1938 at the age of 67 Preiss announced his intention of retiring from the active directorship of the bank<sup>71</sup>. That would have been the most convenient course of action for him from the standpoint of his personal interests. But after the Munich conference and during the German occupation Preiss continued to play a leading role in the country's economic affairs. Less than two weeks after the German seizure of Prague in March 1939 Preiss told a shareholders' meeting of the Živnobank that the closer ties with the German market would probably mean higher production for Czechoslovak industries. Then he added: „The fact that the capital that is managed by the bank is nothing else than the savings of the people and, in part, the fuel of our commerce and industry obligates the institute to remain true to its calling.“<sup>72</sup> Salvaging the salvageable appeared to be the motivation for Preiss's activities in the Protectorate. In 1940 and 1941 Preiss and the Živnostenská Bank became the victims of newspaper attacks in Prague — the bank still employed Jews, Preiss had sent New Year's greetings „to the Jew, Pick“<sup>73</sup>. In the general reckoning of accounts after the war Preiss was brought to trial, but he died already in 1946. Along with other industrial enterprises and financial institutions, the Živnobank was nationalized in 1945, and its former headquarters now houses the State Bank of the Czechoslovak Socialist Republic.

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<sup>70</sup> *Ibidem*.

<sup>71</sup> Prager Presse, April 10, 1938. — Národní listy, April 10, 1938.

<sup>72</sup> Prager Tagblatt, March 26, 1939.

<sup>73</sup> Vlájka, January 6, 1940; January 31, 1940. — Prager Abendblatt, January 8, 1941. — Národní práce, March 27, 1941. — České slovo, March 29, 1941. — Večerní České slovo, March 21, 1941. — Večer, June 17, 1941.

#### IV

The purpose of this paper has been to test a definition of the Castle through an analysis of the relationship of Jaroslav Preiss and the Živnostenská Bank with the circles around Masaryk and Beneš. There must be a tentative nature to the conclusions inasmuch as the major Prague archives are not yet open for general historical research for the entire period of the first republic. Nevertheless, the available documentation and the existence of a wide variety of newspaper reports already supply a great deal of information. It is possible that additional documentary evidence in the future will merely confirm the general outlines of existing evidence.

If the Castle was that group of leaders in Czechoslovak political, financial, and intellectual life that followed Masaryk's and Beneš's vision of the republic, it is possible to include even Jaroslav Preiss in the group until the depression years. To be sure, the social ideas of Masaryk and Beneš were considerably to the left of Preiss's. But the early years of the republic witnessed a closing of ranks among Czechs of various socio-economic backgrounds and ideological values for the purpose of securing the new state. Only the national minorities and the communists stood clearly outside the new order. As conflicting economic interests fragmented the Czech national coalition in the mid-1920's, Preiss aligned himself generally with the Castle, for it was clear that more was to be won for the Živnobank and the National-Democratic party through cooperation than in outright opposition. That policy continued through the early depression years until Preiss lost in the debate about the devaluation of the crown in February 1934. Thereafter, the Castle led Czechoslovak policy along a course that deviated ever more from Preiss's liberal economic and anti-Soviet philosophy. The National-Democratic party entered a political alliance with Jiří Stříbrný's anti-Castle movement. In the last years of the republic Preiss grew ever more vocal in his critique of the Castle's foreign and domestic policies, and he blamed the debacle of 1938—1939 at least in part on Beneš's decisions. Preiss and his bank therefore moved from practical identification with the Castle in the early years of the republic to outright opposition by the mid-1930's. In broader terms that signified a growing conflict between high finance and the political leadership of the country. The close cooperation of Czech leaders in various spheres had been essential for the founding of the republic. Cooperation was also indispensable for its preservation. The split between the Živnobank and the Castle under the impact of the depression and the threat from Nazi Germany was therefore an indication of some internal dissolution even before foreign powers cooperated at Munich to destroy the first Czechoslovak republic.

## RESÜMEE

Jeder Zeitungsleser in der Ersten Tschechoslowakischen Republik wußte, daß der Begriff „die Burg“ auf die politischen Kräfte um den Präsidenten T. G. Masaryk hinwies. Aber es war nicht immer klar, wer zu diesen Kräften gehörte und wer nicht, von wem die Politik der „Burg“ bestimmt wurde, oder sogar was diese Politik war. Masaryk hat es öffentlich bestritten, daß eine solche Konstellation überhaupt existiere, aber er betonte auch, daß er sich verantwortlich fühle, seine Ideen und Überzeugungen den Führern der Regierungskoalition und der politischen Parteien gegenüber auszudrücken. Grundsätzlich kann man durch eine Betrachtung der politischen und sozialen Ideen Masaryks zu einer Definition der „Burg“ gelangen. Der Sinn von Masaryks politischer Aktivität lag darin, einen selbständigen tschechoslowakischen Staat mit einer liberaldemokratischen Verfassungsform und einem fortschrittlichen sozialen Fürsorgesystem aufzubauen. Diejenigen Personen, politischen Parteien oder Interessengruppen, die bereit waren, unter Masaryks Führung dieses Ziel zu verfolgen, konstituierten die „Burg“.

Obwohl Masaryk und sein Mitarbeiter Edvard Beneš etwas links von der Mitte des politischen Spektrums standen, umfaßte die „Burg“ ein breites Spektrum. Die Beziehungen zwischen der „Burg“ und der tschechischen Finanzwelt sind besonders wichtig für eine Analyse des Regierungssystems. Die einflußreichste Figur unter den tschechischen Finanzmännern war Jaroslav Preiss. Als Generaldirektor der Živnostenská Bank hatte er die Leitung des weitaus größten Finanzinstituts während der ganzen Zeit der Ersten Republik. Seit 1929 auch der Vorsitzende des Zentralen Verbandes tschechoslowakischer Industrieller, übte Preiss seinen politischen Einfluß hauptsächlich hinter den Kulissen aus. In der Öffentlichkeit war es nicht klar, wie Preiss und seine Bank zur „Burg“ standen. Auf der einen Seite hatte Preiss enge persönliche Beziehungen zu Masaryk und Beneš, auf der anderen Seite wurde er identifiziert mit der National-Demokratischen Partei Karel Kramářs, des erbittertsten Gegners des Präsidenten und des Außenministers. Die Frage, inwieweit Preiss und seine Bank in die Reihen der „Burg“ eingeordnet werden können, stellt eine gute Probe für die Elastizität des Konzepts der „Burg“ dar.

Auf Grund von tschechischen Zeitungen und Dokumenten von bestimmten Ministerien lassen sich drei Perioden in der Entwicklung der Beziehungen zwischen Preiss und der „Burg“ feststellen. In den Gründungsjahren der Republik bis 1923 arbeiteten Preiss und seine Bank sehr eng mit der Regierung zusammen. Der Živnostenská Bank brachte der Versuch, die neue Republik vom deutschen und österreichischen Finanzwesen so unabhängig wie möglich zu machen, große Gewinne ein. In den folgenden Jahren zwischen 1923 und 1934 traten die politischen und sozial-ökonomischen Unterschiede zwischen den verschiedenen tschechischen Parteien stärker hervor. Innerhalb der National-Demokratischen Partei übte Preiss seinen Einfluß dahingehend aus, daß die Partei wenigstens ein korrektes Verhältnis zu den politischen Machtfaktoren, besonders der „Burg“, besaß. Er wußte, daß für seine Bank mehr in Zusammenarbeit gewonnen werden konnte als in irrationaler Opposition. Der Wendepunkt kam im Februar 1934 mit der



Abwertung der tschechoslowakischen Krone. Diese Entscheidung bedeutete eine schwere Niederlage für Preiss und die Nationaldemokratie. Die Partei trat aus die Regierung aus und Preiss unterstützte den Versuch, eine neue Volksbewegung nach dem Muster der NSDAP ins Leben zu rufen. Die parlamentarischen Wahlen vom Mai 1935 zeigten, wie machtlos die Nationaldemokraten geworden waren. Aber in ökonomischer Hinsicht blieben die Živnobank und ihr Leiter sehr einflußreich. In den letzten vier Jahren der Republik äußerte Preiss immer offener seine Kritik an der Innen- und Außenpolitik Benešs. Von einem relativ engen Mitarbeiter der „Burg“ wurde Preiss zu einem ausgesprochenen Gegner. Angesichts der Interessen, die er repräsentierte, zeigt der Fall Preiss eine gewisse Dissolution innerhalb tschechischer Führungskreise, noch bevor ausländische Mächte die Republik von außen her zerstörten.