

THE FINANCIAL AND ECONOMIC SITUATION IN UKRAINE IN THE AUSTRO-HUNGARIAN AND RUSSIAN EMPIRES AT THE END OF THE 18TH CENTURY AND THE BEGINNING OF THE 20TH CENTURY

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Abstract

This paper describes the financial and economic situation of Ukraine, which since the XVIII until early XIX century was divided between the two empires – the Austro-Hungarian (Western Ukraine) and Russian (Central, Eastern and Southern Ukraine). Austro-Hungarian and Russian feudal landlords and the owners of large estates, manors and production, determined the structure of production in Ukraine for exporting it abroad and imports. Virtually, they had influence on the entire economy, finance, credit system in the Empire with a state support of both governments.

Keywords: Ukraine, the economy, Austro-Hungarian Empire, Russian Empire, Galicia, accounting, agriculture, industry, trade fairs, finance, trade and monetary relations, capital accumulation, landlords, estate, dominiyi.

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Introduction

At the end of the 18th century Ukrainian lands were divided and ruled by the Russian Empire and the Austro-Hungarian Empire. The Ukrainian lands at the beginning of the 19th century were in bad state. Russian and Austrian governors regarded Ukraine as the colonial part of the industrially developed central regions of their empires. The industry on the outskirts was developing extremely slowly. The serfdom and the other forms of the exploitation of the peasants were an obstacle to the development of the industry, farming and domestic market (Chajkovskyj, 1997).

During this time West European countries undergo industrial revolution which couldn't but affect the economic development of the countries in Central and Eastern Europe including Ukraine. On the territories of the Left-bank Ukraine the agriculture is developing with the small and medium farms being the basis of it. On the Right-bank areas there were big landed properties specializing in growing crops and beets. The regions of Ukrainian Steppe were the most successful, because most of the territory belonged to Ukrainian peasants. Animal husbandry developed successfully in this region as well, especially horse and sheep breeding. People started to export cattle and other agricultural products (Panchuk, 2009).

Landlords get a huge profit out of production of alcohol and sugar refining which at that time were very popular trades. An important place in Ukrainian industry belonged to cloth production. Such branches of industry as production of iron, glass, paper, coal-mining industry and others played secondary role. The peculiarity of economy at the beginning of the 19th century was its rationalization, which was the evidence of appearing new age – age of industrialization.

During the first half of the 19th century the development of Ukrainian industry underwent the first two stages – the small commodity production and manufactory and only began to enter into the third stage – the stage of industrial production. The number of medium and big manufactories and enterprises increased and they existed simultaneously with workshops of labourers and craft workers. At that time in Ukraine there were more than 220 sugar mills owned mostly by landlords. They were the owners of the cloth manufactures as well (Strishenets', 2009).

A significant role in the strengthening of economic and commercial relations was played by trade fairs. Fairs had large commodity circulation and they were the places of trade and exchange. Foreign goods were sold at such trade fairs as well.

The foreign trade was developing simultaneously with the domestic trade. Ukraine exported to other countries such agricultural production as wheat, flaxseed, wool, leather, fat, butter, cattle, horses, swine, sheep, honey, wax, etc.

A lot of different goods (wine, silk, fruit, clothes, footwear, coffee, tea, spicery) were imported to Ukraine, some of which were consumed in Ukraine and other part was sold off in Russian provinces. With the development of the capitalist relations the machine production increases, in particular the production of agricultural machines, different equipment and machinery.

1. Financial and economic situation in Ukraine at the end of the 18th century and the beginning of the 20th century

1.1 Ukrainian economy during the Austro-Hungarian government

During 1772-1774 Galicia, Bukovina and Transcarpathian region appeared to be under the rule of the Austro-Hungarian Empire. At the end of the 18th century and the first half of the 19th century the big landed properties with adjoining villages, small towns, industrial enterprises, mills, inns, trade fairs and market places were the centres of Eastern Galicia, Bukovina and Transcarpathian region (Zadorozhnyj, 1989). Landowner's husbandries produced marketable bread, fed out cattle, processed raw materials. As a result of this regions became specialized in these branches of production. Generally West Ukrainian lands were retarded agricultural regions with weak industry. But with the development of the commodity-money relations each region had its own socio-economic specificity.

Landowner's husbandry was more and more involved in commodity-money relations as its main function was production for the sake of money. The sources of profit were serfdom and quitrent, rent, tribute, lease payments. Money terms of these obligations formed an income which determined the capital value of the estate.

The transformation of the serfdom into money demanded entrepreneurial initiative and agility. Now the landowner was at the same time an owner, an entrepreneur, an accountant and a trader. But most of them, of course, didn't manage with all those duties. That is why commodity-money relations had to be changed. Under the influence of economic and political processes in Western Ukraine in 1848, the Austro-Hungarian Empire eliminates the serfdom, and as the result new capitalist relations have developed. The increase of vendibility of the agricultural production became an important feature of strengthening of capitalism. At this time bread and cattle export beyond Western Ukraine is being intensified. The considerable proletarianization of the peasantry in Western Ukraine became the negative result of the development of the capitalist relations. This led to mass migration of peasants to America.

The reform of 1848 created conditions for the development of the capitalist relations in the industry, but as the colonists were interested in agricultural production for their own empire, the predominant part of agricultural production was preserved within its general structure. At the beginning of the 20th century in agriculture of Galicia and Bukovina 75 % of inhabitants were employed, and in Transcarpathian region – 85%. In industry and transport – 9 % (Lanovyk, 2002).

The increase of the domestic market favoured the improvement of the transport routes. Thus in 1861 the railway Lviv-Peremushl was built for the first time in Ukraine. In 1872 the railroad Lviv-Zolochiv-Ternopil-Pidvolochisk was built to enter the eastern market of foreign trade. In order to inspire reprocessing of the agricultural products, in particular for the alcohol production, landowners' right to produce and sell it was eliminated in 1875.

The establishment of the factory industry took place in the last quarter of the 19th century. The development of the oil industry involving foreign capital (French, English, American, and German) was a very important moment. In 1881 in order to attract capital into the oil industry in Carpathian region newspaper "The Gamburger Berzenale" wrote: "Why we look for the happiness in America or Asia, when it is so close to us... it is Galicia an Austrian province in the centre of Europe, where the oil regions, from the point of view of location, are the same as in Pennsylvania". But the skilled workers were mainly Poles. Ukrainians were not allowed to master leading professions or to be employed to the state service.

The increase of the marketability of the production encouraged the trade development, main forms of which were the trade fairs and market places. At the same time the market of capitals began to emerge. During that time a number of economic institutes were established. Western Ukraine had all necessary conditions for the development of the industry, including natural conditions and favourable economic location. In spite of this, it was developing very slowly because of the colonial nature of its economy. Austrian government regarded it as the product market of the Austrian industry and turned it into the source of cheap labour.

Austria supported Galicia's backwardness. As a result a number of branches of manufacturing industry couldn't withstand competition with cheaper production of developed western provinces of the empire. That is why manufacturing industry in Galicia declined and only mining industry and oil, timber, and food industries developed.

The peculiarity of Galicia's economy was the predominance of the foreign capital. Foreign enterprisers created banks and companies, they owned the main branches of industry. The major part of oil 64% exported to Austria and its provinces in a raw state. The rest of oil underwent primary conversion at the enterprises in Galicia – in Drogobych and Boryslav. Ozokerit production played an important role as well. But the production of it decreased because of the machinery backwardness and an insufficient demand for it on the world market. Western Ukraine gave 64 % of salt to the Austro-Hungarian Empire. Its production was a state monopoly and this gave the opportunity to maintain high prices on the European market.

Thus at the end of the 18th century the state capital was fully predominant in production of salt and tobacco and iron-ore industry in Western Ukraine where approximately 70 % of workers were employed. In connection with economic and military and communication needs of the Austro-Hungarian Empire the building in whole and highways in particular gained considerable development.

However the "inviolability" of the eastern borders of Habsburg Monarchy was protected by Austrian bureaucrats and army. This retarded the development of domestic market and interfered with the foreign trade.

In spite of the mentioned disadvantages, it must be noted that the agrarian reform encouraged the economic development and gave the opportunity to intensify the agriculture and to establish industrial society.

1.2 Ukrainian economy during the time of Russian yoke

The war of 1648-1654 didn't end with the final victory of Ukrainians. A completely independent national state has not been established as well as the social opportunities for free economic development which began to obtain elements of commodity-money relations. The result of the war was the military treaty with Russia which possessed traits of empire and neighbouring Ukrainian territories with the developed economic infrastructure were a very considerable factor. Russia interpreted the military treaty with Ukraine in its own way and step by step strengthened its influence on Ukraine, made it politically and economically dependent but only in Left-bank lands.

The main means of production became the possessions of Moscow landowners and manufacturers. Ukrainians were deprived of the rights for their property and were turned into hired labourers for new foreign owners. Moscow invaders introduces their own methods of management, organization and payment for labour. The management traditions of Ukrainian manufacturers were ruined and only their labour was used.

Political weakening of Ukraine in the 13th century and encroachment of the neighbouring countries on its national wealth created the preconditions for its colonization. The colonial nature of Ukrainian economy was spread by the imperial policy of Russia which sought the political influence throughout the Black Sea. Thus, Central, Eastern and Southern Ukraine turned into Russian colony with all corresponding consequences.

During the first half of the 19th century in Europe the industrial production and commodity-money relations were quickly developing. The manufacturers become the capitalists and independent workers are being employed because of the need to earn their living. These processes could not but be reflected on the economy of colonial Ukraine as its foreign trade relations with Europe were not broken off.

The elimination of the serfdom in 1861 gave the peasants personal liberty and the right to redeem the land from the landlords. The rich peasants displayed greater initiative. They began to set up manufactures and to strengthen their intensification. The landowners of Right-bank Ukraine quickly redirected their husbandries into capitalist way intensively developing sugar production. This led to the destruction of

the feudal systems of landowning and encouraged the development of marketable agricultural industries.

The development of capitalism in Europe and Western Ukraine induced Russian government to attract foreign capitals into the mining industry in Eastern Ukraine. Western European enterprisers had personal advantages such as high profits, cheap labour forces, etc. Huge profits which could be obtained very quickly encouraged the influx of foreign capital – French, English, German and Belgian – into the coal-mining industry, the ore mining industry and the metallurgical industry.

From 1860 the centralized management of Russian economy is being strengthened by the State Bank which performed credit operations and regulated the activity of all banks and the whole financial system. The offices of this bank were set up in major Ukrainian cities – Kyiv, Kharkiv, Odesa and others. The whole purpose-oriented bank system is developing where considerable capitals used for financing the industry, agriculture and trade were concentrated. In 1897 the currency reform was implemented and the banknotes began to be freely exchanged for gold coins.

During 1860-1890 the industrial revolution basically came to its end. The big capitalist enterprises were established in the major branches of industry. The machinery, steam power, coal fuel, using new technologies and scientific researches were the basis for these enterprises. But these branches of industry were major not so for Ukrainian economy as for Russian imperial policy.

The machine building industry was developing very slowly. Benches and other equipment for the factories, steam engines and vans were imported. In 1900 65 enterprises, which mainly belonged to the foreign investors, produced means of agricultural production. As far as the agricultural industry was developed in Ukraine so the production of means of agricultural production was developing more rapidly in Ukraine than in Russia.

At the end of the 19th century and the beginning of the 20th century the transport machine building is being developed as well as the chemical industry. On the basis of the greater concentration of production the monopoly concerns were established.

Russia encouraged the penetration of foreign capital into the economy of Ukraine and into industry in particular. In 1923 in Ukraine there were 83 foreign companies which owned 70% of coal and ore mining, 90 % of cast iron and coke smelting, and 80 % of machine production (Lanovyk, 2002).

World War I led to economic dislocation in Russian Empire. A lot of branches of industry decreased their production and the railways did not provide the transportation of the agricultural loads. The war caused the crisis in the agricultural industry. The financial system was ruined. In order to get out of the crisis Russia applied to its allies for the loans. This has intensified its dependence from English, French and American capitals.

1.3 The reasons for weakness and manifestation of national creating of the state and formation of the economic system of UNR

Political and economic dependence of Ukraine during the long historical period, the exploitation of the natural sources and labour forces of Ukrainians formed their national consciousness and irreconcilability to their colonial status. Revolutionary situation in Russia gave the opportunity for Ukraine to become independent.

At the head of national state was the Central Board which started to organize the state power in Ukraine by the Decree from October 20, 1917. It proclaimed Ukrainian State which had federal relations with Russia. Besides, it eliminated private property for the land, which became the property of the whole nation. Also it implemented eight-hour working day.

The act of establishment of national and territorial autonomy of Ukraine was very significant. From the national point of view it was a positive moment because all Ukrainian lands – Kyiv, Chernigiv, Volyn, Podillya, Poltava, Kharkiv, Katerynoslav, Kherson and Tavria were gathered within one territory.

From the economic point of view, the economy was getting rid of colonial status, thus, it became possible to implement and develop national economy. The government of Ukrainian National Republic started the economic reforms, in particular it introduced own currency system and financial and credit system. The national Ukrainian currency unit has been put into circulation, the national bank has been established, and foreign economic relations have been set up. However not all political and capitalistic powers supported these processes. Thus, neither The Central Board nor the Directory couldn't complete the process of national creation of the state and formation of the national economic system.

2 Conclusion

Conclusions. In this article the authors concentrate on the economic state of Ukraine at the end of the 18th century and the beginning of the 20th century, the once powerful Christian state of Ukraine-Rus that eventually was transformed into two colonial appendages of metropolitan empires. The political and economic dependence of Ukraine on Russian and Austrian empires, ruthless exploitation of its natural resources and human capital has shaped the national consciousness and the intransigence to the colonial state in Ukraine. The revolutionary situation in Ukraine has opened an opportunity for independence and statehood, gradual economic development of Ukraine.

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This paper describes the financial and economic situation of Ukraine, which since the XVIII until early XIX century was divided between the two empires – the Austro-Hungarian (Western Ukraine) and Russian (Central, Eastern and Southern Ukraine). Austro-Hungarian and Russian feudal landlords and the owners of large estates, manors and production, determined the structure of production in Ukraine for exporting it abroad and imports. Virtually, they had influence on the entire economy, finance, credit system in the Empire with a state support of both governments.

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