

# Origins of Slovak economic statistics: Establishment and operation of the Economic Cycle Research Department of the Slovak National Bank

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## Introduction

In the first half of the 20th century, various institutes studying economic growth, business cycle and other issues were established in the United States and Europe. Some operated as independent entities while others were incorporated within a variety of different institutions such as statistical offices, central banks or universities.<sup>1</sup> This study presents a brief overview of the development and activities of a research institute in Slovakia during the hectic years of the Second World War.

The first section of our contribution concentrates on the institutional development of this institute, which began as the Study Department of the Slovak National Bank (SNB). In 1940 the Economic Cycle Research Department was established within the SNB. This department's function was to observe and study economic movements and to prepare reports that could be used to improve regulation and support for economic development. For these purposes the SNB requested data from different companies related to their area of economic activity. The second section of our contribution focuses on the cooperation between the SNB Economic Cycle Research Department and similarly oriented foreign institutions, in particular the Institute for Business Cycle Research in Berlin and the Hungarian Institute for Economic Research. We highlight Imrich Karvaš's efforts to promote independent business cycle research and its further developments in Slovakia, which resulted in the Economic Cycle Research Department being spun off from the SNB in 1944 as the independent Institute for Economic Research.

Particular attention is paid to the publications issued by the SNB Economic Cycle Research Department and the successor Institute for Economic Research. These are made up primarily of regular economic reports, reports on prices and wages, as well as various analyses of national income or economic, foreign-exchange and export capacities of Slovakia. They give basic data on price and wage indices or an inception of an inflationary spiral. We briefly touch upon the intentional alteration of the statistical data that the department supplied

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<sup>1</sup> For developments in Germany, a model country for Slovakia, see KULLA, Bernd. Die Anfänge der empirischen Konjunkturforschung in Deutschland 1925-1933. In *Volkswirtschaftliche Schriften*, Heft 464, Berlin: Duncker & Humblot, 1996, pp. 1-35 or *Institut für Weltwirtschaft an der Universität Kiel 1914-1964*. Kiel: Schmidt & Klaunig, 1964, pp. 1-66.

to its German partners. In this context we also tell the dramatic stories of the SNB Governor Imrich Karvaš and the Economic Cycle Research Department Director Vojtech Krajčovič.

Finally, we mention documents produced by the SNB Economic Cycle Research Department and the Institute for Economic Research that are of considerable importance for learning about economic developments in Slovakia between 1939 and 1947.

## I.

The year 1939 saw profound geopolitical changes in Central Europe, which had a serious impact on Czechoslovakia as well. On 14 March 1939, the Slovak Republic was declared to exist under the protection of the German Reich and on the following day Bohemia and Moravia were transformed into a German Protectorate. Since all the former Czechoslovak central government bodies had been seated in Prague, the new situation in Slovakia urgently required the creation of new, Slovak state authorities. The Slovak National Bank was established on 4 April 1939 under the governorship of Imrich Karvaš, a renowned expert respected in Europe, who put great emphasis on the development of specialised economic research. For this purpose a Study Department was created in the Slovak National Bank upon its establishment. The organisation and orientation of this department was inspired by the study department of the former National Bank of Czechoslovakia. In September 1940 this department was renamed the National Economy Department and reported directly to the governor. From its inception, the Study Department started to supply the SNB and other central government bodies with monthly economic reports and various analyses of national income, the country's economic, foreign-exchange and export capacities, or tax burden that fell on people. The preparation of these reports and analyses was particularly difficult at the beginning since there were no statistical data available and, due to the annexation of fertile southern Slovakian lowlands to Hungary, dramatic changes had also occurred in the economic sectors of transport, agriculture and industry. Therefore, in its calculations and projections the Study Department had to rely on data from older publications by various authors, for example by Hugo Meszáros,<sup>2</sup> or on estimates by the Agriculture Council for Slovakia or the Central Association of Slovak Industry. Unlike several members of the Slovak Government, the

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<sup>2</sup> MESZÁROS, Hugo. *Národný majetok Slovenska (National Property of Slovakia)*. Bratislava, 1936.

department considered as most reliable the data and calculations of the former Czechoslovak State Statistical Office.<sup>3</sup>

The economic reports issued from August 1939 by the SNB Study Department were a continuation of the monthly reports published by the former National Bank of Czechoslovakia. However, the new reports were only intended for the SNB Bank Board members, members of the Government, representatives of central economic bureaus and German economic authorities. As Imrich Karvaš said: *“For the interests of the war economy, the Government adopted a decision in the first year of the war prohibiting any publication of statistical papers on the economy. At the same time, economic censorship was imposed which also monitored compliance with this prohibition. The Ministry of Economy was responsible for it. These were confidential measures that all countries introduced when they went to war.”*<sup>4</sup> An example of these prohibiting measures was a decree of the Ministry of Interior of 5 February 1940 which wrote: *“All periodicals in the Slovak Republic shall suspend the publication of articles, essays or papers concerning price levels, a rise in prices of items necessary for life, shortages of ordinary food products, or which would directly or indirectly initiate or support any wage movements. Such articles, essays and papers may only be released after preliminary censorship and if they contain an approval clause of the Presidium of the Ministry of Economy in Bratislava.”*<sup>5</sup> Eventually, all economic statistics were declared strictly confidential and secret by a resolution of the Government of the Slovak Republic of 17 August 1941.<sup>6</sup>

The management of the Slovak National Bank decided to create, at Karvaš's initiative and based on similar foreign institutions, an institute, which would monitor economic movements, study and analyse them for the purposes of the regulation and optimal development of the economy. Thus, on 4 October 1940 an Economic Cycle Research Department<sup>7</sup> was established in the SNB in accordance with Government Regulation No 267/1940 Coll. Imrich Karvaš had already considered the idea of establishing a similar

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<sup>3</sup> Archives of Národná banka Slovenska, fonds “Slovak National Bank” (hereinafter the “ANBS, f. SNB”), Výpočet národného dôchodku Slovenska (Calculation of the Slovak national income) of 19.12.1939, inventory no (hereinafter the “Inv. No”) 2125, series 1045

<sup>4</sup>SCHVARC, Michal – HALLON, Ľudovít. *Kauza Karvaš. Štúdie a dokumenty k zatknutiu, zavlčeniu a internácii guvernéra Slovenskej národnej banky na území Nemeckej ríše. (The Karvaš Case. Studies and documents about the arrest, displacement and internment of the governor of the Slovak National Bank in the German Reich.)* Bratislava: Institute of History, Slovak Academy of Sciences, 2014, p. 134.

<sup>5</sup> SCHVARC – HALLON, *The Karvaš Case*, p. 139.

<sup>6</sup> ANBS, f. SNB, Korešpondencia guvernéra SNB Imricha Karvaša so Štátnym úradom štatistickým (Correspondence of the SNB Governor Imrich Karvaš with the State Statistical Office), 16.4.1942, Inv. No 2137, series 1058.

<sup>7</sup> ANBS, f. SNB, Organizačný štatút odboru pre výskum konjunktúry z roku 1940 (Organisational Rules of the Economic Cycle Research Department, 1940), Inv. No 2115, series 1045.

institute in the inter-war years. His first attempt in this area was the opening of the Institute for National Economy of Slovakia and Ruthenia in 1932. His initiative to create an institute for business cycle studies was inspired by the activities of the Institut für Konjunkturforschung established in Berlin in 1925 by Professor Ernst Wagemann.<sup>8</sup> After the Slovak Republic was declared in 1939 and Imrich Karvaš was appointed as governor of the SNB, the SNB Study Department worked quite closely with the Institut für Konjunkturforschung in Berlin. Professor Ernst Wagemann visited Slovakia in spring 1940 to carry out research near the town of Piešťany. During this trip he was accompanied by Governor Karvaš, met the highest representatives of the Slovak state and gave a lecture on *Liberalism and the managed economy in the world economy*<sup>9</sup> at the Slovak University on 9 May 1940. Karvaš's discussions with Wagemann prompted implementation of the idea that the SNB's research into business cycles in Slovakia should be supported by law. The Study Department of the SNB had no legal power to require any entities to supply reports and other data. Therefore, it used to happen that "*economically active entities were not willing enough to make voluntary reports to the Slovak National Bank and supply it with the information it required.*"<sup>10</sup>

The Economic Cycle Research Department gathered economic information and reports both from Slovakia and abroad, analysed them and made them available for scientific and practical use. The department was also responsible for producing reports and offering information and consultation services to economic, political and scientific circles. For these purposes, the SNB was empowered to request information from economic entities on matters related to their industrial sector. As the name of the department suggests, its mission also included studying and analysing the progress of the business cycle. The department was led by Vojtech Krajčovič who first became its head. Later, on 1 July 1941, at the age of 27, he was appointed its director. Imrich Karvaš was keen to promote Krajčovič to this position because of his theoretical knowledge in the area of macroeconomics and good command of languages (he spoke English, German, French and Hungarian).<sup>11</sup> It is interesting that almost all employees of the department were graduates from Prague or Bratislava Universities who had spent longer or shorter periods studying in Berlin, Paris or London. They were hired purely on the basis of their specialist knowledge, without regard for their political and

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<sup>8</sup> KULLA, Bernd. Die Anfänge der empirischen Konjunkturforschung in Deutschland 1925–1933. In *Volkswirtschaftliche Schriften*, Heft 464, Berlin: Duncker & Humblot, 1996, ISBN 3-428-08693-7.

<sup>9</sup> *Weekly Slovák*, year 22, 1940, No 109, 10.5.1940, p. 8.

<sup>10</sup> *Weekly Slovák*, year 22, 1940, No 258, 30.10.1940, p. 8.

<sup>11</sup> MAZÚR, Miloš. Vojtech Krajčovič. In *Biatec*, 2003, year 11, No 4, p. 25.

religious orientation. This was quite extraordinary in the then totalitarian regime. Many staff members of the department were strictly left oriented. Some participated in the communist movement (e.g. Ján Púll) and after the Second World War became prominent representatives of the newly installed communist regime.<sup>12</sup>

A consultation board was established alongside the Economic Cycle Research Department bringing together representatives of the Ministry of Finance, Ministry of Economy, the Agriculture Council for Slovakia, the Central Association of Slovak Industry, and chambers of commerce in Slovakia.<sup>13</sup>

The Economic Cycle Research Department cooperated with similar specialist institutions abroad. We have already mentioned the Institute for Business Cycle Research in Germany (in 1941 renamed to the German Institute for Economic Research – Deutsches Institut für Wirtschaftsforschung). The heads of the institutes, Vojtech Krajčovič and Ernst Wagemann, entered into extensive correspondence and exchanged their scientific findings.<sup>14</sup> Cooperation also developed very well with the Hungarian Institute for Economic Research (Magyar Gazdaságkutató Intézet), led by Dr Istvan Varga. The Slovak and Hungarian institutes shared their publications and information about statistical methods used for the calculation of national income and classification of economic sectors.<sup>15</sup> Collaboration with other institutions should be mentioned as well, including the National Economy and Statistical Section of the Reichsbank in Berlin (Volkswirtschaftliche und Statistische Abteilung der Reichsbank), the Reich Statistical Office in Berlin (Statistisches Reichsamt), and the Institute for the World Economy at the University in Kiel (Institut für Weltwirtschaft an der Universität Kiel).

## II.

The Economic Cycle Research Department of the SNB produced monthly economic reports in Slovak and German for the Slovak National Bank and central government authorities. The reports consisted of a text part and tables. The text described basic price movements, information about metal and coal extraction, developments in industry and agriculture and data on tourism. Tables included data on central bank loans, giro and cheque

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<sup>12</sup> ANBS, f. SNB, Osobné štatusy zamestnancov Slovenskej národnej banky (Personal status of employees of the Slovak National Bank) 1942–1944, Inv. No 502, series 80.

<sup>13</sup> ANBS, f. SNB, Korešpondencia Poradného zboru odboru pre výskum konjunktúry (Correspondence of the Consultation Board of the Economic Cycle Research Department) 1940–1941, Inv. No 2117, series 1045

<sup>14</sup> ANBS, f. SNB, Korešpondencia Vojtecha Krajčoviča s prof. Ernestom Wagemannom (Correspondence of Vojtech Krajčovič and Professor Ernest Wagemann) 1940–1942, Inv. No 2137, series 1058.

<sup>15</sup> ANBS, f. SNB, Korešpondencia Vojtecha Krajčoviča s Dr. Istvanom Vargom (Correspondence of Vojtech Krajčovič and Dr Istvan Varga) 1940–1942, Inv. No 2137, series 1058.

accounts, deposits with different groups of banking institutions, state income, and price indices.<sup>16</sup> From 1941 onwards, larger (quarterly, half-yearly and annual) *Reports of the Economic Cycle Research Department of the Slovak National Bank* were issued, dealing in more detail with state finance, money and capital markets, prices, wages and remuneration, industrial output, agricultural production, transport, and foreign trade.<sup>17</sup>

Alongside its regular publications, the SNB's Economic Cycle Research Department issued occasional specialised brochures. For example the *Special pocketbook of business cycle research No 1 – Prices* is a unique, highly professional document. It includes methodology for the calculation of price indices, in particular the wholesale price index, retail price index and cost of living index. Its authors conducted a very detailed analysis of price movements, wages and remuneration, and household consumption. In the conclusion of the work they presented arguments for introducing fixed and regulated prices. This document became one of the source materials for the setting of stable price and wage levels in Slovakia between 1941 and 1944.<sup>18</sup>

The staff members of the Economic Cycle Research Department also wrote several papers on the economic capacity of Slovakia. Of particular note is the book by Vojtech Krajčovič entitled *The structure of the Slovak economy*, whose publication in German (*Die Struktur der slowakischen Wirtschaft*), aroused considerable interest amongst foreign, particularly Swiss, entrepreneurs.<sup>19</sup> A paradoxical situation arose in which, on the one hand, economic statistics on Slovakia were strictly confidential and censored, however, on the other hand, foreign entrepreneurs who wanted to export to or run business in Slovakia required reliable information. It is not surprising then that some sensitive information occasionally leaked from the Economic Cycle Research Department.<sup>20</sup> In response to strong interest from foreign investors, as well as for propaganda purposes, the Slovak Ministry of Economy issued a German – Slovak publication in 1942 entitled *The economic picture of Slovakia /*

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<sup>16</sup> ANBS, f. SNB, Hospodárske správy (Economic reports) 1939–1944, Inv. No 2133, series 1046–1055.

<sup>17</sup> ANBS, f. SNB, Správy odboru pre výskum konjunktúry (Reports of the Economic Cycle Research Department) 1939–1944, Inv. No 2135, series 1056–1057.

<sup>18</sup> ANBS, f. SNB, Zvláštny zošit pre výskum konjunktúry č. 1 – Ceny (Special pocketbook of business cycle research No 1 – Prices), Inv. No 2136, series 1057.

<sup>19</sup> ANBS, f. SNB, Korešpondencia Vojtecha Krajčoviča so Schweizerische Zentrale für Handelsförderung (Correspondence between Vojtech Krajčovič and Schweizerische Zentrale für Handelsförderung) 27.1.1942, Inv. No 2137, series 1058.

<sup>20</sup> ANBS, f. SNB, Upozornenie riaditeľa Úverového odboru SNB Jozefa Trnovca na únik informácií z Odboru pre výskum konjunktúry SNB (Notice by Jozef Trnovec, Director of the SNB's Credit Department, of the information leakage from the SNB's Economic Cycle Research Department) of 20.9.1941, Inv. No 2137, series 1058.

*Wirtschaftsbild der Slowakei*. The staff members of the SNB's Economic Cycle Research Department were closely involved in the production of this volume.<sup>21</sup>

Two other works by Vojtech Krajčovič also aroused a favourable response in expert circles. These works dealt with the issues of national income generation and formed part of his habilitation (associate professorship) thesis at the Slovak University. The second of them, *The national income of Slovakia*, published in 1944, was the most important of Vojtech Krajčovič's works. After being forgotten for a longer time, it has returned to a place at the centre of interest of Slovak economic historians.<sup>22</sup>

In 1942 Imrich Karvaš proposed the restructuring of the SNB's Economic Cycle Research Department as an autonomous Institute for Economic Cycle Research, because he believed that "*only this can guarantee the independence of the institute and its further development*".<sup>23</sup> After lengthy discussions, the department was spun off from the Slovak National Bank in 1944 in accordance with Act No 81/1944 Coll. and renamed as the Institute for Economic Research.<sup>24</sup> The new institute should have been financed, according to a set formula, by the Slovak National Bank and central government bodies represented on the Institute's Board of Trustees. Staff members of the SNB who worked in the new institute remained employees of the SNB.<sup>25</sup> The Institute for Economic Research operated until 1947 when it was merged with the State Statistical and Planning Office.

The last notable publication prepared by the staff members of the Institute for Economic Research was the *Slovak statistical handbook* published in 1947. This book is one of the most essential sources for the understanding of the Slovak economic structure between 1939 and 1944 and in particular in the transitional post-war period of 1945–1947, as its authors tried to sum up the volume of war damage. It counts as one of the few comprehensive and reliable statistical publications in Slovakia prior to 1993.<sup>26</sup>

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<sup>21</sup> *Hospodársky obraz Slovenska (The economic picture of Slovakia) / Wirtschaftsbild der Slowakei*. Bratislava: Ministry of Economy / Concordia, 1942.

<sup>22</sup> KRAJČOVIČ, Vojtech. *Národný dôchodok. (National income)* Martin: Matica slovenská, 1942. Krajčovič, Vojtech. *Národný dôchodok Slovenska. (Slovak national income)* Bratislava: Slovenské nakladateľstvo a vydavateľstvo, 1944.

<sup>23</sup> ANBS, f. SNB, Zápisnica z porady konanej dňa 18. októbra 1942 o organizácii Ústavu pre výskum konjunktúry (Minutes of a meeting held on 18 October 1942 concerning the organisation of the Institute for Economic Cycle Research), Inv. No 2118, series 1045.

<sup>24</sup> ANBS, f. SNB, Štatút Ústavu pre výskum hospodárstva z 12. decembra 1944 (Statutes of the Institute for Economic Research of 12 December 1944), Inv. No 2120, series 1045.

<sup>25</sup> ANBS, f. SNB, Korešpondencia týkajúca sa financovania Ústavu pre výskum hospodárstva 1944 – 1945 (Correspondence concerning the funding of the Institute for Economic Research 1944–1945), Inv. No 2122, series 1045.

<sup>26</sup> *Štatistická príručka Slovenska 1947. (Slovak statistical handbook 1947)* Bratislava – Martin, 1947.

### III.

The statistical reports of the SNB's Economic Cycle Research Department that were submitted to its German partners were intentionally altered by order of Governor Karvaš, so that Germany did not have precise knowledge of the economic capacity of Slovakia. Shortly after the outbreak of the Slovak National Uprising, Imrich Karvaš, who participated in the anti-fascist movement, was arrested by the Gestapo on 3 September 1944. He was accused, among other acts, of falsifying statistical reports. Imrich Karvaš denied this accusation when he was interrogated by the Gestapo at their office in Brno on 20 September 1944, stating: *"It is obvious that statistical data and works have been available to the allied Reich every month. Relevant information has been delivered directly to the German Embassy by the Ministry of Foreign Affairs, and the Reich's representative on the national bank's Board has received it from the bank's Directorate. It is thus impossible that Slovakia would hold back from the Reich any information about its economic productivity. The truth is that the Economic Counsellor at the German Embassy has always had all statistical surveys at his disposal."*<sup>27</sup> The modification of statistical and economic data that were sent to Germany is also mentioned in the memoirs of Peter Zaťko, Director General of the Central Association of Slovak Industry and a close colleague of Imrich Karvaš.<sup>28</sup> Even though the Gestapo were unable to prove most of the accusations, Imrich Karvaš was sentenced to death in February 1945. However, he had the good fortune to survive.

Similarly dramatic was the fate of the director of the Institute for Economic Research, Vojtech Krajčovič. Having made an agreement with the former Minister of Foreign Affairs Ferdinand Ďurčanský, he planned a fairly extensive study trip to Hungary, Croatia, Germany and Switzerland in 1944. Therefore, he applied to the then Governor of the SNB Rudolf Kubiš for permission to travel abroad and draw an allowance for the trip. Rudolf Kubiš declined the request on 3 November 1944 as the Institute had ceased to be under the Bank's competence from 15 August 1944 and was now the responsibility of the special Board of Trustees. Undaunted, Vojtech Krajčovič decided to travel to Croatia in mid-November 1944 without any official approval. In Croatia he was arrested together with other four persons and accused of attempting to contact the local resistance movement and of multiple attempts to bribe authorities. In his statement he claimed to be in the country to study the local economic

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<sup>27</sup> SCHVARC, Michal – HALLON, Ľudovít. *Kauza Karvaš*, Dokument č. 11, Zápisnica z výsluchu I. Karvaša na úradovni Štátnej tajnej polície (gestapo) v Brne 19. – 20. septembra 1944 (*The Karvaš Case*, Document No 11, Record of the interrogation of I. Karvaš at the State Secret Police bureau (Gestapo) in Brno on 19 and 20 September 1944), p. 134.

<sup>28</sup> TEREN, Štefan (ed.). *Národohospodár Peter Zaťko spomína. (National Economist Peter Zaťko Remembers)* Liptovský Mikuláš: Tranoscius, 1994, p. 102.

situation. Croatian police nevertheless contended that Krajčovič wanted to get to the coast and travel to Great Britain with the help of British officers. The Slovak Embassy in Zagreb realised that the situation was serious and tried to arrange the repatriation of the arrested persons to Slovakia at the beginning of 1945. As the Gestapo was starting to sniff around the case, there was a serious risk that Krajčovič and his co-detainees would be executed. Referring to the Slovak – Croatian agreement on mutual assistance in criminal matters, Ambassador Viktor Bečko took steps to have them handed over to Slovakia. Unfortunately, he was not successful. Krajčovič was first interned in Sarajevo and Zagreb and then transported to Vienna and deported to Germany. He was held at the Mauthausen concentration camp and sentenced to death there. Before the sentence could be carried out, the camp was liberated by an allied army and Krajčovič was set free. His health had deteriorated during the months he had spent in prison and he decided to undergo a treatment in France, more specifically in Paris. He never returned to Slovakia because of the rise to power of the Communists there.<sup>29</sup> Information about his subsequent activities is hard to come by: all that is known is that he immigrated to the United States in 1946 where he set and led an émigré organisation called the Committee for Liberation of Slovakia.<sup>30</sup>

## Conclusion

Regardless of the very short period for which the SNB's Economic Cycle Research Department and the Institute for Economic Research operated, these institutions laid the foundations of economic statistics in Slovakia. Reports, papers and publications issued by the department are essential sources of information on the development of the Slovak economy between 1939 and 1945. They include basic data on price and wage index developments or on the occurrence of an inflationary spiral in 1943-44. Several staff members of the department later became outstanding personalities of Czechoslovak economics, such as Štefan Heretik, Adela Hornová and others.

Economic research focussed on monetary issues only returned to Slovakia in 1993 when the Institute of Monetary and Financial Studies was established as part of the National Bank of Slovakia (the NBS - Národná banka Slovenska). Current economic research in the NBS is carried out primarily by the Research Department with input from other units (e.g. the Economic and Monetary Analyses Department or the Statistics Department). Research is

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<sup>29</sup> MAZÚR Miloš. Vojtech Krajčovič. In *Biatec*, 2003, year 11, No 4, p. 25.

<sup>30</sup> VARINSKÝ, Vladimír. Vznik organizácií Bielej légie na Slovensku. (The establishment of the White Legion's organisations in Slovakia) In: PEŠEK, Ján a kol. *Kapitolami najnovších dejín. (Through the Chapters of Recent History)* Bratislava: Institute of History, Slovak Academy of Sciences, 2006, p. 176.

intended to serve the needs of the National Bank of Slovakia, the economy of the Slovak Republic and the implementation of economic policy. Most research is applied research with potential applications in the economic policy of the Slovak Republic and the euro area. Key topics are monetary developments, macroeconomics and financial stability. As part of its tasks, the Research Department prepares research studies across the spectrum of underlying macroeconomic risks and financial sector developments. It also analyses the effects of economic and monetary policy measures on developments in the Slovak national economy and its interactions within the economic and monetary union. In its activities, the department cooperates with partner institutions in Slovakia and abroad.