

---

## **Ostrava Brewing Industry in the Era of Capitalism**

Changes of Traditional Handicraft and Small-Scale Production into Modern Industrial Mass Production (1830–1948)

Brewing beer in the Czech Lands has a centuries-old tradition and beer is a significant component of stereotypical images of Czechs and the Czech state. Despite that, the Czech historiographic production has not paid due attention to the economic development of this typically “Czech” field of production in a capitalist system and during the industrial era. At the same time, from the 19<sup>th</sup> century the Czech Lands and mainly Bohemia itself became, due to the aforementioned long-lasting tradition and also due to the favourable geographic location, a genuine centre of the brewing and malting industry in the Central European landscape; in fact, the region has continuously maintained the position to date.

Brewing beer played an important role in the process of industrialisation and urbanisation in the 19<sup>th</sup> century. As one of the branches of food industry, it had a strategic importance in industrial areas and urban agglomerations with respect to supplying their inhabitants with the commodity which made an important component of a food composition, primarily in large groups of paid labourers. At the same time, this was closely connected with a technical and technological modernisation and industrialisation of the brewing industry as such. Beer-brewing experienced a swift technical and technological transformation between the 1840s and the beginning of the 20<sup>th</sup> century. As a result of this transition, the traditional handicraft small-scale production, which was connected with the originally agrarian economy to a certain extent, was transformed into a modern large-scale production that was concentrated primarily in industrial centres of the so called second wave, i.e. in areas connected to coalmining, metallurgical and engineering industry. Hand in hand with this, also the internal structure of the brewing industry, ownership relationships and forms of enterprise were gradually transformed. At the same time, the brewing industry represented an outstanding economic potential in modern times due to its connection to a dynamic development of economy and fast population growth. Traditional ownership structures were, however, not always able to make the most of these opportunities despite the fact that they could clearly benefit from preferential pole positions. In addition, they were perceived more as an impediment of the modernisation process in the brewing industry.

Using the example of the Ostrava region, one of the most significant industrial areas of the Cisleithan part of the Habsburg Monarchy, the submitted publication attempts to fill up the above mentioned gap and to cover the process of a transition within the brewing industry and the beer trade from late-feudal economy to market-capitalist economy. At the same time, individual models of manufacturing and trade, which were formed here over centuries, are observed—specifically the burger (urban) model and the manorial nobility (rural area) model. Considerable attention is paid also to the legal framework within which these models operated and which was generally referred to as propination or the propination law. The exclusive monopoly system of brewing beer and its sales on tap had a different form in different Central European lands but it became part of land constitutions only in Bohemia, Moravia and in Silesia (and within the Habsburg Monarchy also in Galicia). This was related mostly to an economic hegemony of feudal large estates in these lands and to a political power of aristocracy and nobility. This resulted in an anachronous survival of privileged monopolies, regulation of the market and delayed industrialisation of the brewing industry compared to the general development. The whole system was shaking in its foundations as early as in the revolutionary year of 1848 when patrimonial administration and serfdom were abolished. However, it was

eventually removed; the liberalization in the brewing industry was set off only together with the acts which abolished propination and which were issued in individual crown lands by newly elected diets in 1869.

The crash in Vienna stock market and the following lengthy recession caused that the transition from pre-industrial to industrial beer brewing was getting completed in the Czech Lands only from the middle of the 1880s. The basic attributes of beer brewing were a method of bottom fermentation, building lager cellars with natural cooling compartments followed by artificial refrigeration, using the power of a steam engine, replacement of direct heating for the brewing equipment with steam pans, propagation of brewing yeast culture, and securing plentiful sources of good quality drinking water. This very new phase in the development of the brewing industry in the Central European landscape was characterised by an application of knowledge from physics, chemistry and biology upon the beer production starting from raw materials up to the final product. This, however, did not apply only to medium-sized and large businesses. It was the medium-sized companies such as breweries in the Ostrava region which represented an important element of transition and stabilisation during the change from a handicraft small scale production into a factory large-scale production.

The significance of medium-sized companies was most clearly demonstrated in a process of concentration both in the brewing industry and also in the whole food industry. The competition between breweries in the capitalism of free competition led to a steady decrease of the overall number of breweries with a simultaneous growth of production. A liberal-market environment caused mostly a gradual edging of traditional owners (burghers with the right to brew beer, owners of large estates) out of the market which started entrepreneurial careers of brewers mostly from German speaking Jews who surprisingly quickly worked their way up amongst the elites of the so called new bourgeoisie. A speedy development of the industry caused by a rising competition required such volumes of investment in the last decades of the 19<sup>th</sup> century that even bourgeois entrepreneurs were forced to seek new sources of capital and to transform their family businesses into share-holding companies. At the beginning of the 20<sup>th</sup> century, bank capital started to be applied in the brewing industry together with the increasing number of share-holding breweries. An interest in this industry on the side of banks was caused by a long-term stability of investment which balanced out a lower level of profit.

Medium-sized companies made a strong transition group between small businesses, the existence of which was permanently threatened with free competition, and large breweries striving for oligopolisation or monopolisation of the market. The main tool in competition was creation of the widest possible customer network which required considerable capital as well as investment into further technical and technological modernisation of production. In connection to this, inn and pub concessions played an important but ambivalent role in the last third of the 19<sup>th</sup> century. They created an important mediation link on the way from a beer producer to a beer end-point consumer. Observation of relations between breweries and tradesmen in hospitality business proves to be more than well founded since their interaction affected development in the brewing industry in a decisive way mainly at the turn of the 19<sup>th</sup> and the 20<sup>th</sup> century. All this was amplified by the completed industrialisation in the brewing industry, growing demands of organised industrial workers and raising demands of state fiscalism. At the beginning of the 20<sup>th</sup> century, balancing out the sum total of all these economic pressures led to a regulation of the market in a form of cartel agreements between breweries and in attempts to reach a contract-based division of the market.

Economic nationalism became immanent part of the competition in the brewing industry in the Czech Lands at the turn of the 19<sup>th</sup> and 20<sup>th</sup> century. It was initially introduced in an

aggressive Czech form into the Ostrava region as well as into other areas. This resulted in a foundation of a shareholding brewery whose founders and representatives belonged to the Old Czech, respectively, Young Czech political party. The company was the biggest success in the economic programme of the Czech national politics in the Ostrava region at that time. Once the company became established in the regional market, the original strategy, which accented Czech national interests during the foundation of the brewery, got limited to political proclamations in daily press and to using national themes even before World War I. Under cartel agreements, genuinely economic interests of Czech shareholders finally prevailed and a pragmatic co-operation with breweries owned by German or German-Jewish capital was not a hindrance.

Notwithstanding this, similar strategies, which converted beer into a particular “political issue”, proved to work and they could initiate an adequate response in a substantial part of consumers. The brewing industry (and generally the food industry) created, thanks to the consumption characteristics of their goods, ideal conditions to fulfil economic strategies during formulations of which paradox cross-breeding of theoretical postulates of economic liberalism and political democratism occurred together with the effort towards their compatibility with a distinct ideology. Beer as a matter of daily consumption and a matter of consumption of the widest social strata was raised here up to a means of “popular vote”, which was reflected e.g. in a selection of brands under which the beer was sold. The fact that this was beer and not another food produce was determined by a prerequisite of a more certain profitability and returns of investment and also by much bigger possibilities and impact of marketing and promotion. A successful business plan of the social-democratic party, which ran their own brewery in the Ostrava region fruitfully until the crisis of the World War I, also confirms that nationalism was not the only ideology upon which a similar strategy could have been constructed. Economic targets of the brewery owned and run by socialists were defined on a social and political level and regarding marketing the company profited from its connection with workers movement.

The years of the Great War and the disintegration of the Danubian Monarchy critically scarred the development of the 20<sup>th</sup> century brewing industry in the Czech Lands. The damage caused by controlled war economy could not be compensated for until the end of the capitalist manufacturing system in Czechoslovakia despite a promising growth which could be observed in individual companies, including those in Ostrava, in the period of a short interwar economic boom. Also marking the boundaries of succession states linked to an establishment of customs barriers had a negative impact on the Czech brewing industry—even though most of the production always found its market in the nearest vicinity of breweries. Eastern parts of the Czechoslovak Republic could only partly recompense the loss of Austrian, Polish, and also German markets. Economic and social disproportion between the east and the west of the new state could not be eliminated significantly in such a short time. This launched changes in ownership structures in those breweries that focused a noticeable part of both their production and investments on Slovakia and Carpathian Ruthenia. Such changes had a widespread impact and this also concerned Ostrava breweries.

Strengthening of the influence that the bank capital had on the brewing industry in the Ostrava region during the largest economic recession and the related largest global political crisis of the 20<sup>th</sup> century was fatal. It paved a way to a capital control over individual companies, their gradual centralisation and inclusion into a state controlled economy of totalitarian regimes. At the same time, also clear targets of institutionalised economic nationalism were followed. In case of the Nazi regime, it was done in a very refined way that gave the impression of legitimacy on the outside. Its representatives did not resort to arbitrary rule in the form of confiscation but using sophisticated methods they applied an extra-economic pressure; they manipulated the

---

capital according to their needs and to maximise their own profit. In a subsequent development, this fact enabled the communists and their collaborators to prevent a renewal of the capitalist system in the pre-war form and it facilitated a climax of the so called nationalisation process in the Ostrava brewing industry after the World War II.