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REGIME CHANGE AND ITS INFLUENCE ON BOSNIAN ECONOMY AFTER THE FIRST WORLD WAR¹

Abstract: The dissolution of the Habsburg Empire in 1918 brought tectonic changes in Bosnian economic life. System that was created over the period of 40 years vanished, and in its place came new order that made a long-lasting impact on economic and social life. One of the most significant changes occurred in agrarian legislature, with the so-called Agrarian reform, which saw a termination of feudal relations in agriculture, although at high cost for country which oversaw this reform. Moreover, big changes happened in the ownership of industrial enterprises, because by laws enacted immediately after the war, all property of citizens and countries that (previously) waged war against Serbia in the previous war, were confiscated and nationalized. Therefore, large industrial enterprises such as Zenica Steel works, Privileged state bank, Eisler and Ortlieb wood industry and many other companies changed their owners and entered an unstable period which prevented them from working as it was intended. Another big change was a change in currency, which impoverished many citizens. After the war Austro-Hungarian Krone was changed by Serbian dinar, but conversion was conducted in manner that was favourable to dinar owners, and henceforth people who had Krone savings and entered the new state lost considerable wealth. Changes that happened and are discussed in the Paper did not open possibilities for any new development. Yugoslav period of Bosnian history was the period of economic stagnation which is easy to prove just by

¹ This paper is a part of an ongoing project "Everyday life in Bosnia and Herzegovina between 19th and 20th Century" funded by the Federal Ministry of Education and Science.

comparison of statistic tables. The new authorities did not have capabilities to use the long-awaited freedom for any substantial advance of economy.

Keywords: *World War One, Industry, Agrarian reform, agriculture, nationalization, banking*

The end of the First World War brought tremendous challenge for Bosnian economy. This challenge was amplified by the state of society, which was still in 1914 adapting to modern ways in business. For example, only prior to the outbreak of the war Bosnian banking begun to expand, due to the fact that even the most conservative parts of Muslim society finally caved in and accepted the role of banking in the development of modern world. Bosnian economy prior to the war was in a very difficult position. In one segment, it was purely exploitative, oriented in forestry and mining, in other words, it was a victim of political relations between Austria and Hungary, which was obvious in railway construction, tariffs, customs regulations etc.²

Bosnia and Herzegovina was on the front line of the war for almost a year and half. This state of instability and war devastation contributed to economic depression in all spheres of economy. According to some sources, Bosnia and Herzegovina had total losses of 360.000 people in the war.³ It was further aggravated by the large number of refugees; more than 90.000 people were internally displaced from summer 1914 until the Serbian and Montenegrin defeat 1915/1916.⁴ After-war economy was a big victim of war and post-war migrations. Firstly, people that were internally displaced during the war stopped their activities which contributed to downfall of economic production, especially in agriculture. Second problem was expulsion of foreigners after the war, which was out in place in May of 1919 with "Order of expulsion". This order was formulated in order to expel all citizens of countries that were part of former war-time adversaries. Problem was two-fold. In the expelled group, there were also citizens from allied nations such as Czechoslovakia and Poland. During the Austro-Hungarian rule, lack of

² Juzbašić, Dževad. *Izvještaj Hermanna von Sautera o odnosima Bosne i Hercegovine i Monarhije u svjetlu austro-ugarskih ekonomskih suprotnosti*. U: Politika i privreda u Bosni i Hercegovini pod austrougarskom upravom. ANU BiH, Sarajevo, 2002. 87-139.

³ Group of authors, *Bosna i Hercegovina od najstarijih vremena do kraja drugog svjetskog rata*. Štab vrhovne komande oružanih snaga Republike Bosne i Hercegovine. Sarajevo, 1994., 244.

⁴ Hauptmann, Ferdo. *Privreda i društvo Bosne i Hercegovine u doba Austro-Ugarske Vladavine (1878-1918)*. U: Prilozi za istoriju Bosne i Hercegovine II. ANU BiH, Sarajevo, 1987., 203.

skilled labor in Bosnia and Herzegovina was remedied by immigration of deficient professions. After the war many were forced to leave, though some left on voluntary basis. This exodus created problem of regular work and maintenance of several branches of economy. For example, during 1919 86 Railway workers from Czechoslovakia expressed their desire to return to their motherland. Since their departure would create big issues in railway function People's Government of Bosnia and Herzegovina wrote to the Ministry of railways of Czechoslovakia to order these workers to postpone their decision because replacement labor was not available yet. The compromise was reached in solution where mentioned workers would not immediately leave Bosnia, but during longer period of time.⁵

In addition, due to the poor war-time harvests, winter of 1918/1919 saw huge famine that threatened the existence of a large number of people. The scarcity of food, in first line cereals, was augmented by the particularism of regional governments, which saw Bosnia and Herzegovina, and other parts of the Kingdom of Serbs, Croats and Slovenes (SCS) as foreign country and prevented trade. Free flow of goods between these provinces was normalized in the spring of 1919. Since organized trade was not in place by that time county officials tried to smuggle cereals and food abroad. For example, People's government of Bosnia and Herzegovina tried to trade salt from Tuzla for grain from Czechoslovakia. County of Prijedor offered to export lard to Czechoslovakia in exchange for other goods. Town in Vojvodina, Sombor, exported maize to Bosnia, and for compensation it received lumber. Therefore, the post-war period offered great challenge for authorities and also for the ordinary people who struggled to survive. Even though the government authorities condemned the trade by means of compensations, it had very little choice in the first few months after the war and reluctantly accepted the inevitable.⁶ In order to secure sufficient quantities government had to approve requisitions of cattle, wheat and grain. This in turn led to unhappiness among the peasantry, because requisitions were conducted in unfavorable terms for peasants, both in terms of prices and way in which it was organized. Therefore, by the middle of 1919 requisitions were cancelled, and free trade was promoted, that was followed by sharp increase in prices and market speculations.⁷ Aforementioned examples show deterioration of economic situation and even destruction of free market economy in favor of goods exchange which was a huge step back in economic practice. These problems arose primarily because of war exhaustion and lack of authority and order in the months following the war.

⁵ Šehić, Nusret. *Bosna I Hercegovina 1918-1925*. Institut za istoriju. Sarajevo, 1991., 326.

⁶ Šehić, N. (1991.), 294-295.

⁷ Šehić, N. (1991.), 296.

The production output of most industrial enterprises decreased substantially in period after the war. Metallurgic production in Vareš and Zenica Mills dropped from almost 300.000 metric cents to 35.940 and 47.090 respectively. Cellulose production in Drvar produced 6.493 metric cents down from 130.000 prior to the outbreak of war.⁸ The overall decrease in industrial output was fate of most industrial systems. For example, output of Zenica Mill never broke the record production of 1912. Instead, like in many other cases this system changed owners many times in years after the war without serious planning and strategy. After the Kingdom SCS was formed on March 18th, 1919 this company was nationalized. Only two years later Jadranska banka (Adriatic bank) became the leading stockholder. Two years later it changed owner again, and company *Grajnica* joint stock company took majority of shares, but this change also lasted for only one year, when *Šipad* bought these stocks. Only a few months later company came under the control of Ministry of forestry and mining.⁹ Available literature points to fact that main purpose of heavy industry in period of 1918-1941 was defense of the newly formed country. Therefore, it can be argued that Bosnian economy was centrally planned and organized as part of larger national economic system. This system, unfortunately, never met its potential due to the lack of funds and long-term planning.

Several mines were closed after the war ended, partly because their production was connected to the economy of Austria-Hungary and Germany, but also due to the fact that many skilled workers abandoned the newly-formed state and left for their countries of origin. One such example was iron mine in Ljubija, Prijedor. This mine was opened in 1916 to serve the war needs of Central powers. This mine, which had the finest iron ore in the country ceased operations at the end of 1918. It was closed for more than three years and resumed its operations in April 1922.¹⁰

General deterioration of economic situation in Bosnia and Herzegovina happened, as shown, partly due to objective difficulties, but its roots can also be traced to bad planning and neglect of the central government of the Kingdom SCS. There are numerous contemporary proofs from that time that can support this thesis. One such proof is Memorandum of Bosnian MPs sent to the cabinets of several Ministries including that of Construction, Finance, Trade and Industry etc. In this letter, members of Bosnian branch of National Radical Party demanded significant increase in investments for roads and railways. They pointed out, that Bosnian roads which were once regularly maintained and in very good con-

⁸ Hauptmann, F. (1987.), 205.

⁹ Lazović, Uroš. *Metallurgijska industrija*, in: *Bosna i Hercegovina kao privredno područje*. Sarajevo, 1938., 312-313.

¹⁰ Đaković, Luka. *Rudarstvo i topioničarstvo u Bosni i Hercegovini*. Univerzal. Tuzla, 1980., 64.

dition are now in appalling state. Among other complaints they also demanded that National Bank should grant credits to states according to number of inhabitants. For example, they argued Croatia received more than double amount of credits per capita compared to Bosnia and Herzegovina, which was contradictory to real needs of population.¹¹

Bad planning and poor enforcement of law in years after the war was immediate cause of crisis that struck entire Kingdom of SCS in 1925. Even though agricultural and industrial production recovered after the war, several poor decisions made this recovery only temporary respite. For example, country allowed its currency *dinar* to gain too much value, and fought against inflation without measure, therefore creating financial crisis. Furthermore, too many enterprises were formed without solid economic background. These firms created a great burden on the economy and as they collapsed they created many bankruptcies. In 1926 70% of all firms did not meet their financial obligations and in the entire Kingdom of SCS more than 5.000 companies bankrupted in a very short period of time between 1924 and 1926.¹²

In sector of finance, the First World War had a devastating effect on money institutions, their operations and finance in general. One of the first problems to struck the Bosnian economy was the post-war monetary crisis. As legal currency of Austria-Hungary, *krona*, was the only legal tender in country during the dissolution of the Monarchy. Problem with it was that by the war's end it lost value more than any other European currency.¹³ Therefore, after the war, the process of exchange of krona for dinar was initiated, and it ended in 1920. At first, krona conversion was set to be 50% value of dinar, however, at the end it was exchanged for only 25% of dinar (one dinar for four kronas). This conversion value favored the dinar owners from Serbia. Krona owners from Bosnia and Herzegovina and other parts of the newly formed state lost a lot of money during this process, which affected the possibility of post-war development.¹⁴

In sector of banking good example is the Privileged State Bank of Bosnia and Herzegovina, the largest bank in the country. It lost 20% of its personnel during the war. On 10th of May 1919. Law for assets treatment of enemy countries

¹¹ *Memorandum of people representatives from National Radical Party from Bosnia and Herzegovina 31. March 1926.*, published in "Sloboda" nr. 52. Sarajevo, 3. quoted from: Kosier, Lj. S. Bosna i Hercegovina, Ekonomski fragmenti i konture. Beograd, 1926, 459.

¹² Kosier, Lj. S. Bosna i Hercegovina, Ekonomski fragmenti i konture. Beograd, 1926, 461.

¹³ März Eduard, Austrian banking and financial policy. Creditanstalt at a turning point, 1913-1923, St. Martin's press, New York, (1984.), 208.

¹⁴ Šehić, N. (1991.), 298-299.

subjects was enacted. It meant nationalization of German, Austrian and Hungarian companies.¹⁵ Therefore, the bank was put under the control of government authorities. Even though it resumed its operations in 1921 it lost privileges and consequently its market share. On list of eleven most powerful banks in Kingdom of SCS in 1918, it was on the fifth place. However, only three years later it was on the last place on this list. It is also important to underline that this bank was one of many banks with foreign capital. Significant were also banks such as *Privileged Agrarian Bank* with Hungarian capital and *Austro-Bosnian Bank*. Bad conduct in process of nationalization was admitted even by contemporary Serbian bankers such as Ljubomir Stefan Kosier, who in 1924 wrote about these mistakes:

“Purpose of nationalization is not to destroy companies, to weaken their position and ruin their connections, public trust... purpose of nationalization should have been to place our nation in controlling position of that company. In case of State bank, all this could have been done in period of few months. But to jeopardize entire business was exactly against our national interests. First class institution such as State Bank should have kept their international relations, business ties with buyers of Bosnian prunes (Privileged State Bank was a leading plum and prune exporter in Bosnia and Herzegovina prior to the outbreak of the war (A/N Muhamed Nametak). Now, we have drawn the attention of International community on us, but in wrong manner, and only now government officials instruct Yugoslav Bankers to go to international market and ask for foreign credits because we are not able to meet our needs.”¹⁶

Misconduct in the process of nationalization made a huge disfavor to Bosnian economy, not only because prosperous companies were harmed, but also their international relations were destroyed and therefore the market for Bosnian goods was reduced. Another important fact is that reputation of Yugoslav economy was tarnished, after the nationalization ended it was much harder to receive foreign loans and find partners outside for projects of development. Consequently, in banking sector interest rates went extremely high, much higher than before the war. Therefore, development itself was hampered by wrong policy.

Other tendency in after-war banking was emergence of ethnic centered banks. During the Austro-Hungarian rule, especially in the mandate of joint finance minister Kallay (1882-1903) government worked actively to bypass ethnic element in banking, often giving the most lucrative businesses to foreign banks.

¹⁵ ABIH, PBZ BiH, Dvadeset i treća redovna generalna skupština Privilegovane zemaljske banke za Bosnu i Hercegovinu, (1922.), 12.

¹⁶ Kosier, Ljubomir S; Ristić Vasa. Vodeće institucije u nacionalnom bankarstvu Bosne. Zagreb (1924.), 58-59. (Text translated by the author of this paper.)

This policy changed somewhat before the outbreak of the war, and ethnic banks started getting big projects, such as railways, absolution of serfs, entering the mortgage loans business etc. However, only after the war did these banks become the cornerstone of Bosnian banking. On the one side was *Serbian Central Economic Bank*, and on the other side *Croatian Central Bank* and *Muslim Central Bank*. Central government in Belgrade did not pay enough attention to Bosnian and Muslim economic needs. Therefore, Muslims and Croats tended to cooperate in banking business. This cooperation culminated in 1924 with fusion of Muslim and Croatian central banks in *United Central Bank*. Some economists saw this fusion as an act of political cooperation, because on political plan leading Muslim and Croat politicians fought vigorously against Serbian centralism that aimed to control all strings in the newly formed Kingdom of SCS.¹⁷

In terms of railway construction, the First World War had perhaps the most profound effect. The Bosnian Representative House (Sabor) approved a big plan of railway expansion in 1913. This plan sought to modernize existing narrow-gauge railway network, as well as to make new lines that would connect Bosnia with the modern, standard gauge European railway network. Additional benefit to this was the fact that the plan was made so that Bosnian financial and construction systems would have certain share in it. For example, most banks based in Bosnia and Herzegovina sought to secure certain share in project funding that would grant them profit through interest rates. Also, banks that were more powerful had their own construction companies, and they tried to put them in this plan too. BHBG (Bosnien Herzegovinische Bau Gesellschaft) was one such company. It was owned by Privileged State Bank of Bosnia and Herzegovina, that secured its share in funding the line between Bihać and Bosanski Novi. The bank also tried to secure construction business on this line for the BHBG.¹⁸

Hungarian response to the Privileged State Bank was founding of the Privileged Agrar and Commercial Bank in 1909. Just as the State Bank had its construction company, the Agrar and Commercial Bank founded *Union Bau Gesellschaft*. This company also attempted to get into the railway business. Claiming that the State Bank is an exponent of Austrian capital it demanded compensation for itself as an exponent of Hungarian interests. It was awarded big contract, construction of railway tunnel on the line Banja Luka – Jajce. Needless to say this contract never materialized due to the outbreak of the war.¹⁹

¹⁷ Kosier, Lj. S.; Ristić V. (1924.), 65-66.

¹⁸ ABiH, Fond PBZ BiH, An das Executiv Komitee der Privilegirten Landesbank für Bosnien und Hercegovina, Bahnbau betreffend, (29. January 1914.) – Incomplete document.

¹⁹ Bosansko-Hercegovački Kompas 1912.-1913., Sarajevo, (1913.), 298.

Agriculture

This sphere of economy was followed by many controversies in the period of the Austro-Hungarian administration. During the entire period 1878-1918, the administration was accused of malpractice of Agriculture, especially towards the Serbian peasants. Hard living and working condition was accentuated by the so-called Agrarian question, which assumed unsolved land ownership issues between the tenants (called *kmets*), and landlords (called *agas*).

The administration that came to power in 1878 did not solve this problem to *kmets*' liking, by paying their debts and taking land from *agas*. Instead it opted for gradual absolution by promoting facultative process of *kmet* absolution. This meant that *kmets* who made agreement with *agas* could *buy* *agas*' land and own that land without any obligation towards *agas* anymore. This gradual process lasted the entire period of Austro-Hungarian rule and had only modest effect even though it managed to decrease the number of landless agrarian population significantly. At the beginning of the Austro-Hungarian rule, *kmets* made 38,2 % of the entire population.²⁰ Last census in 1910 showed that their share in the entire population dropped to 27,6 %.²¹

The administration was accused not only for problems in this regard, but also for deliberate destruction of important agriculture branches such as plum production, which was the single most important crop in Bosnia and Herzegovina. Since most of the plum and prunes production, and their trade, was in the hands of foreign merchants, domestic manufacturers and traders often complained to these conditions. However, the truth was elsewhere, in the period of Austro-Hungarian administration not only that the Bosnian plum production and trade prospered, it also became renown on the international market. Bosnian prunes were exported to Austria, Hungary and Germany and this trade brought significant profit to both merchants and producers. The government also founded several Agricultural stations, institutions which aimed to introduce modern technologies in agriculture, by distributing the best seeds for crops, ploughs and other material. These stations also had schools where students were educated in the most modern ways of growing crops, cattle etc.²²

²⁰ Bericht über die Verwaltung von Bosnien und Herzegovina. Sarajevo, (1913.), 48-49.

²¹ Jarak, Nikola. *Poljoprivredna politika Austro-Ugarske u Bosni i Hercegovini i zemljoradničko zadrugarstvo*. Naučno društvo NR Bosne i Hercegovine. Građa knjiga 1, Odjeljenje Privredno tehničkih nauka, knjiga 1, Sarajevo, (1956.), 35.

²² Jarak, N. (1956.), 77-78.

New authorities failed expectations upon forming of the Kingdom of SCS. Immediately after the war it seemed that agricultural production soared and that was indeed the case. However, what some failed to see was that this situation was only temporary and was caused by the high demand for agricultural products after the war. High demand lasted until European agriculture recovered and soon Europe was overwhelmed by high import of American cereals. Price index for the period before and after the war illustrate this change. If prices in 1914 were 100, in January of 1924, they were 228, and they reduced significantly in 1926 to 143. It was obvious in 1926 that the period of prosperity was only temporary and caused mostly by outside factors.²³

Twenty years after the war one agronomy engineer reviewed agriculture policy with the following words: “All this post-war work with regard to livestock breeding is marked with dilettante experimenting. Austrian administration, at least worked in tandem with university professors. Currently this practice is unknown to us”.²⁴ All data indicate that number of livestock decreased significantly after the war. For example, cattle data from 1933 showed that number of cattle decreased by more than 35 % in respect to data from 1910. Similar tendency appeared in other areas, such as beekeeping and fruit-growing. Statistical data from 1933 showed that number of bee hives decreased by staggering 70% in relation to numbers from 1895.²⁵ The biggest problem, apart from bad planning, was inadequate funding. In 1930’s the budget for livestock breeding in Vrbaska banovina was only one third of the amount needed, and even the money that was granted, it came with many delays and obstacles which put further problems for development.²⁶ When it comes to fruit-growing, which was so important for Bosnian economy, plum and prune production results were also disappointing. One contemporary critic testifies this: “Administration in Sarajevo remained, but it was left without any funds. Bosnia and Herzegovina was totally neglected, initiative and funds were in hands of Ministry of agriculture (of Kingdom SCS), in whose focus was revitalization of fruit-growing in Serbia.”²⁷ Important process in the post-war period was execution of agrarian reform. Immediately, as the Habsburg

²³ Perin, Đoko. *Ekonomski razvitak sela od 1878. do 1928.* in: *Napor Bosne i Hercegovine za oslobođenje i ujedinjenje.* Oblasni odbor Narodne odbrane. Sarajevo, (1929.), 301.

²⁴ Janković, Milan, Džuverović Josip; *Stočarstvo i stočarska proizvodnja u Bosni i Hercegovini,* in: *Bosna i Hercegovina kao privredno područje.* Sarajevo, (1938.), 56.

²⁵ Ibid, 53-54.

²⁶ Ibid, 55.

²⁷ Bubić, Šerif. *Voćarstvo u Bosni i Hercegovini,* in: *Bosna i Hercegovina kao privredno područje.* Sarajevo, (1938.), 40.

Monarchy was collapsing many peasants tried to take the land. In that process they also attacked and burned the homes and property of landlords, and refused to pay their rent. At the same time national and religious intolerance erupted. In order to appease peasants, regent Alexander issued the Manifesto of January 6th 1919, in which he promised the execution of the agrarian reform soon.²⁸ The following month, on February 25th, the government formally abolished serfdom²⁹ (even though many landlords and opponents of the reform claimed that serfdom, as it existed in Middle ages, was not similar to landlord-tenant relations in Bosnia and Herzegovina. They insisted that these relations were legally sanctioned by contract). Agrarian question was the most important socioeconomic problem of the new state, Kingdom of SCS. Its execution was complicated, and it could not move on smoothly because it was subject to various political and religious influences. Due to the fact that more than 90 % of landlords were Muslims, and more than 90 % of tenants were Christian (predominantly Serbs) two diametrically opposed groups fought for and against the radical execution of the reform. Radical reform aimed for solution in which all land that was cultivated by tenants (kmets) would pass into their ownership without any compensation to landlords. Therefore, like the previous Austro-Hungarian administration, the new government, although more inclined towards peasants' demands, opted for compromise. In order to gain support of the *Yugoslav Muslim Party* for the Kingdom of SCS first constitution, the government agreed to solution in which it promised to pay 255.000.000 dinars for compensation for the land taken from the landlords and additional 25.000.000 dinars for beys' land. In all, 8,5 million dunams passed into the hands of peasants with this reform. Around 150.000 peasant families were included in this reform.³⁰

It is generally accepted as a fact that compensation for the land taken was inadequate. Average price of one dunam was 33-34 dinars, while at the same time the market price of land was much higher. One example for village of Japage, near Han Pijesak shows that price per aro was as high as 400 dinars, therefore, landlords got around one tenth of the land value in compensation.³¹

Even though, execution of agrarian reform granted land to peasants and enabled them to use all profit of their work for improvement in land cultivation, any

²⁸ Gaković, Milan. *Rješavanje agrarnog pitanja u Bosni i Hercegovini (1918-1921)*. Prilozi. Institut za istoriju radničkog pokreta. Sarajevo, (1970.), 31.

²⁹ Ibid, 32-33.

³⁰ Ibid, 109-110. 1 Dunam equals to 1000 m².

³¹ Erić, Milivoje. *Agrarna reforma u Jugoslaviji 1918-1941. god.* Veselin Masleša. Sarajevo, (1958.), 440, 451.

significant economic effect of the reform was absent. There were many reasons for that development. Firstly, organized agricultural policy in terms of national strategy was absent. Some critics of the economic policy argued that both government and the peasants acted as if agrarian reform was the only aim in regard to improving the country's agriculture. Instead, it should have been only one of the measures in process of modernizing the Yugoslav agriculture.³² Investment in agriculture was extremely low. The budget of Ministry for agriculture in the post-war period was under 2% of the national budget, in spite of the fact that agriculture was country's main economic branch.³³ Secondly, the rapid growth of population meant that the average size of properties that were cultivated decreased, while their total number increased. This had an effect on efficiency, because most families had to invest all of their income just for plain survival, so no investment in machines was possible. Thirdly, absence of strong banks after the war opened way for expansion of high interest rate loans. Problem with bad loans was that if crops would fail in one year that would automatically cause hundreds of bankruptcies. That is what caused big crisis in mid 1920s: "Debt has swapped across country like pandemic."³⁴ In contrast to Austro-Hungarian period, when the highest interest rate was limited by law at 12%,³⁵ interest rates after the war were much higher. Bigger banks had interest rates from 16-24 %, while the smaller ones had interest rates as much as 28 %. Interest rates, that were so high, not only hindered the development, but they also encouraged banks from other parts of Kingdom of SCS to open their branches in Bosnia and Herzegovina and to suck the capital out of state.³⁶

In addition to problems mentioned above, it is essential to note that character of the new State, Kingdom of SCS was different to the previous State, Austria-Hungary. Many writers, after the war, acknowledged that Austro-Hungary was a country that advocated strict compliance to the existing laws. That was the case during the entire period of Austro-Hungarian administration. However, after Bosnia and Herzegovina joined the Kingdom of SCS, situation somewhat changed to worse. The following quotation will best serve to illustrate the character of this change:

³² Krulj, Gojko. *Gradska privreda* in: *Napor Bosne i Hercegovine za oslobođenje i ujedinjenje*. Oblasni odbor Narodne odbrane. Sarajevo, (1929.), 337-338.

³³ Erić, M. (1958.), 518.

³⁴ Kosier, Lj. S. (1926.), 456-457.

³⁵ Schmid, Ferdinand, *Bosnien und die Herzegovina unter der Verwaltung Österreich-Ungarns*. Verlag von Veit & Comp. Leipzig, (1914.), 327.

³⁶ Šehić, N. (1991.), 313.

Old government advocated on first place, state and law. New administration, in that regard, proved to be much weaker. In its core weak and loose, it advocated state and national policies very weakly, and laws and public order were not in place. In such circumstances people developed behavior of noncompliance to the laws, and of non-fulfilling their legal obligation. Authorities especially demoralized people with distribution of free food, forests and other goods in very unhealthy form. With these actions appetite for undeserved goods developed.³⁷

Conclusion

The end of the First World War created numerous opportunities for the newly formed Kingdom of SCS. All South Slavs for the first time formed a common state, which had all prerequisites for solid economic development. Excellent strategic position, long Adriatic coast, abundance of minerals, forests and ores, and thanks to the unification of the country, a big market. However, new state also faced many challenges for its progress. The war left scars that needed time to heal. These scars were not merely material devastation, but they were also caused by poor ethnic relations. The poor state of interethnic relations plagued Kingdom of SCS during the entire time of its existence and they reflected on the economy a lot, especially in regard to execution of the agrarian reform. In area of industry and traffic, the results of the war perhaps were the most detrimental since it stopped the big railway construction plan that started just before its outbreak. In years after, and even to this day, underdevelopment of Bosnia and Herzegovina was often addressed to poor traffic condition. Therefore, it is safe to argue that outbreak of the war had a significant consequence to the development of Bosnian economy, not only in post-war years but many years later. It is hard to find any significant improvement in this period, and to this day it is considered as the period of stagnation in economy. The opportunity that arose, to develop national economy in the best interest of population, was unfortunately not realized.

³⁷ Perin, Đoko. (1929.), 300. (Text translated by the author.)