

Renner, Dermata, Herbák, Clujana – Different Iterations of a XXth Century Company in Transylvania (1911–1948)¹

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ABSTRACT

A company, which was founded at the end of the “long 19th century”, at the twilight of empires in East Central Europe. A company, which experienced transfers of sovereignty from a state to another several times, changes of legal systems and even the change of a social order (from capitalism to Soviet-type dictatorship). The article tries to find answers to the questions of how such a company confronted these changes and how flexible is a legal person to such vicissitudes?

KEYWORDS

capitalism in Romania, Cluj-Napoca, company histories, Dermata, nationalization.

Renner, Dermata, Herbák, Clujana – Diferite iterații ale unei societăți comerciale din secolul al XX-lea în Transilvania (1911–1948)

REZUMAT

O societate comercială, care a fost înființată la sfârșitul „lungului secol al 19-lea”, la apusul imperiilor din Europa Centrală și de Est. O societate comercială, care a cunoscut de mai multe ori transferuri de suveranitate de la un stat la altul, schimbări de sisteme juridice și chiar schimbarea ordinii sociale (de la capitalism la dictatura de tip sovietic). Articolul încearcă să găsească răspunsuri la întrebarea conform căreia cum s-a confruntat o astfel de companie cu aceste schimbări, cât de flexibilă este o persoană juridică la aceste vicisitudini?

CUVINTE CHEIE

capitalism în România, Cluj-Napoca, istoria societăților comerciale, Dermata, naționalizare.

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I. GEOGRAPHICAL AND HISTORICAL CONTEXT

A joint-stock company (*Aktiengesellschaft*) was founded in 1911 in the Austro-Hungarian Dual Monarchy by German and Hungarian-Jewish families in the historically multi-ethnic and multi-religious region of Transylvania.² The company was active in the leather industry. It had its headquarter in the capital town of this region, the present-day Cluj (*Kolozsvár* in Hungarian, *Klausenburg* in German,³ *Klojznburg* in Yiddish).

The whole province became part of Romania in 1918/1920. But, despite the seemingly less than favourable historical context, the company kept on flourishing. Later, in 1940, a part of this region, Northern-Transylvania was returned to Hungary, according to the Second Vienna Award, only for this territory to become part of Romania once more in 1944/1945 at the Second World War's conclusion. All these territorial moves are just one of the lines of fracture in the story of the company.

Legal reforms, i.e., the replacement of formerly applicable law without perfect symmetry (when compared to norms previously in force), due to the changes of sovereignty, can also be important factors and fractures affecting a company.

And finally, characteristically to this region, there was a fundamental shift in the social order as well. After several decades of the capitalist order, at the end of the Second World War, the occupying Soviet army also brought the Soviet-type dictatorship, a new totalitarian political organization whose ultimate goal was nationalization, the abolition of private property.

The various names of this company reflect these differences. Initially, it was named *Renner*, after the German family of craftsmen and entrepreneurs who brought leather processing expertise into the company. Second, under Romanian rule in the interwar period, and in a full expansion process, it changed its name to *Dermata*. Third, the nationalized company (the state-owned enterprise) took the designation *Herbák János*. The last name, that of a Transylvanian Hungarian communist activist, was deliberately chosen and reflected the ethnic composition of the town (until the end of the sixth decade of the 20th century, there was a Hungarian majority in Cluj). The fourth and final change signalled an open nationalist shift in communist Romania, at which time the Romanian name *Clujana* was given to the enterprise.

How was this company subjected to these fundamental changes? How did it react and adapt? The scope of my research is to find some answers to these questions. I will conclude my analysis in the year 1948, with the nationalization of the Dermata Joint-Stock Company, while the subsequent period shall form the subject of a future study.

² *Ardeal* in Romanian, *Erdély* in Hungarian, *Siebenbürgen* in German. Transylvania is the eastern-most corner of Central Europe since the most eastern gothic cathedral is situated very close to this region's borders, in the present-day Braşov (*Brassó*, in Hungarian, *Kronstadt*, in German).

³ The Transylvanian Saxons used the form *Kleusenburch*.

II. FOUNDATION

The original name Renner Brothers & Co. Leather Factory highlights the Renner family's contribution, but in reality, the history of the company, accurately recorded by legal documents, is much more complex.

The Renner family originated from Deggingen, Baden-Württemberg. Johann (János) Renner (1856–1920), nicknamed “Hanzi” (from the German Hans), moved to a small town in Transylvania, Reghin

(*Szászrégen* in Hungarian, *Sächsisch-Regen* in German). Here he married the daughter of a butcher: a sensible decision by a craftsman, whose trade was tanning hides: the convenient conjugal arrangement contributed to the constant supply of leather. For the skilled and talented Johann Renner, who brought with him his skills and craft from Germany, the local market proved to be too narrow, and he reached other Transylvanian marketplaces. In 1904, in Turda,⁴ he won the gold medal for the superior quality of the leather he produced. The rooster on the decorative medal—the “golden rooster”—later became the company's emblem he would go on to found. This trademark survived all the later succession of states and all changes of political and legal regimes. Johann Renner finally moved to Cluj, one of Transylvania's most important cities, where he opened a tannery. The city did not have significant industries at that time, with only two factories in operation: a match factory and a tobacco factory. He rented a building on the right bank of the Someş river (thus providing the water needed for the workshop). When the building was subjected to enforcement by the owner's creditors, Johann Renner used all the resources he had to purchase the land and the buildings to retain the workshop's location. The Renner brothers, mentioned earlier, who would be the future company's namesakes, were Johann's sons.

During the formation of the early company, the other significant players were the Farkas family, a Hungarian-Jewish family. Mózes Farkas was born on January 14, 1881, in the town of Huszt, in present-day Ukraine. He graduated from high school at the Unitarian Gymnasium in Cluj and earned a law degree from the same town's Franz Joseph University. In 1907 he became an attorney-at-law. According to some sources, Mózes Farkas's younger brother, József, ran a shoemaker's shop, so the Farkas family already had previous ties to the leather industry. According to the memoirs of writer István Nagy (1904–1977),

“[i]n 1910 in the Unio Street there was the prosperous law office of Dr. Mózes Farkas. In Malom Street, there was a small shoemaker's shop, that of József Farkas, which later grew to become a boot factory during the First World War. For a few weeks, I also split the laces for the boots there.”⁵

4 Torda in Hungarian, Thorenburg or Torembrih in German, another small town in Transylvania, near Cluj.

5 István Nagy: Egy kolozsvári nagyüzem múltjából, *Korunk*, 1957/2-3, p. 244–255, p. 251. Other sources cite their father as the owner of the shop. The Transylvanian Lexicon, published in 1928 in the article dedicated to Mózes Farkas, links the shoemaker's shop to the father of the brothers Farkas. Kálmán Osvát (ed.) (1928): *Erdélyi lexikon*, Szabadsajtó Könyv- és Lapkiadó Rt., Nagyvárad, p.88.

The historian László Bányai (1907–1981) in his accounts shows that his (Bányai's)

*"grandfather raised the elite of shoemakers in Transylvania. But there was one of them, different from everyone else. The man who showed up for work to learn shoemaking in my grandfather's workshop was already a law graduate. That was Mózes Farkas, who, according to the regulations of the time, was required to do so before setting up a leather factory. [...] The company he founded was the first great stage in the dizzying development of the capitalist mechanized industry in Cluj. At the same time, he sealed the fate of hundreds of small workshops, including that of my grandfather."*⁶

The entrepreneurial idea behind the new business was this: to set up a company based on the Renner family's professional knowledge and the business acumen and good relations of Mózes Farkas. The Renner Brothers & Co. Leather Factory was born in the form of a limited partnership (*Kommanditgesellschaft*) in 1910 when this territory was part of the Austro-Hungarian Monarchy. The general partners of the company, with a joint mandate of representation, were Rezső Hecht, József Farkas (the brother of Mózes Farkas), Frigyes Renner, and Emil Renner (sons of Johann Renner). Mayer Rosenfeld was appointed by proxy to exercise the company's signature. The limited partner was the *Polgári Takarékpénztár Részvénytársaság* (the Citizens' Savings House Joint Stock Company).

The company acquired a plot of land in Cluj and secured financial support in the form of state subsidies for industrial development. These were considered contributions of the Farkas and Hecht families, as they were probably instrumental in obtaining this aid. A year later, in 1911, the limited partnership had already been transformed into a joint-stock company (*Brüder Renner & Companie Lederfabrik Aktiengesellschaft*). The applicable company law was the 1875 Hungarian Commercial Act. The company built its first significant building in 1912. The Hungarian government granted the entrepreneurs the subsidies to stimulate the development of Cluj's industry, a tax exemption for a duration of ten years.

The company's capital initially had a value of 200,000 crowns (the Austro-Hungarian Empire's currency), which was divided into 400 shares, each with a nominal value of 500 crowns.

The principal shareholders at this time were the members of the Farkas, Renner, and Hecht families. During the Balkan Wars (1912–1913), they sought to secure the army's shoe supply business, but the company's newly appointed director, baron Elemér Bornemissza, failed to close the deal. The outbreak of the First World War, on the other hand, resulted in a massive increase in the company's activity, at which time Mózes Farkas took over the position of the general director. Farkas can be considered as the archetype of the modern manager. In an external review (drafted at the request of a bank in 1924 as an annex to a loan documentation), Mózes Farkas was characterized as an excellent leader with exceptional skills. The company's share capital has been repeatedly increased, with the shareholder structure becoming increasingly complex.

6 László Bányai: Családi emlékezet. Önéletrajzi töredék, *Igaz Szó*, 1976/4, p. 297–303, p.302.

III. BREAK AND CONTINUITY: ADAPTATION OF THE COMPANY TO THE REALITIES OF INTERWAR ROMANIA

Following the succession of states in 1918–1920, when according to one of the post WWI peace-treaties (the 1920 Treaty of Trianon), Transylvania became part of Romania, Mózes Farkas managed to integrate the company into the new political and social order. Two prominent politicians of the National Party, at the time the most significant political block of Romanians from Transylvania, were quickly appointed as members of the board of directors. They were the former Romanian Prime-Minister Alexandru Vaida-Voievod (1872–1950)⁷ and the jurist, later university professor Emil Hațieganu (1878–1959).⁸

The development of the company can be illustrated by the increase in the number of employees. In 1918 the company had almost 800 employees, and this number would grow continuously: in 1925, more than 1,200, in 1930 2,000, in 1938, almost 3,000 people.

The success of the adaptation to the Romanian sovereignty is indicated by the fact that the tax exemption, received for an initial ten years in 1912, and which expired accordingly in 1922, was successfully transformed into Romanian government business support (state aid): thus a partial tax exemption was again obtained, this time for a new period of 30 years. (Based on the company's turnover for 1920, this subsidy amount can be estimated at approximately 30 million lei). If nationalization (1948) had not taken place, the company could have continued to benefit from this subsidy until 1952.

It is interesting to note that the Romanian Government provided this subsidy based on Act III of 1907, a Hungarian legal norm still in force in Transylvania, which had as its object of regulation the local industry's development. There were, of course, also those who opposed awarding the state subsidy disputing its legality: Act III of 1907 would have allowed such a subsidy only for a maximum period of 15 years. Critics also claimed that these subsidies were not even necessary, given that the company was profitable. As an example, for 1920, it declared a profit of 1,991,644 lei. Others formulated the clear-cut position that the subsidy was, in fact, intended for the personal benefit of the shareholders and not for that of the company or the workers.⁹

IV. THE SHAREHOLDERS' AGREEMENT OF 1926

Due to the company's growth and the widening of the shareholders' number, the founding shareholders no longer held the majority of votes in the general meeting and therefore could exercise control of the company alone.

⁷ Vaida-Voievod was the prime minister of Romania between December 1919 and May 1920 (and fulfilled this dignity again in 1932 and 1933 for subsequent short periods).

⁸ According to the available information, this was decided in the general assembly of June 30, 1921.

⁹ In this period, the main shareholders were: dr. Mózes Farkas, Dezső Hecht, Frigyes Renner, Richárd Hecht, Emil Renner, dr. Aurél Dobay, Zoltán Hajdú, Pál Magyar, Virgil Desilla, Sándor Vajda, dr. Iulian Pop, dr. Emil Hațieganu, József Farkas, Zsigmond Szana, Pál Engel, Gyula Bors and Ritter (Knight) Maximilian Anschau.

Related to this state of affairs, I have uncovered an extraordinary and exciting written instrument in the company archive during the course of my research, dating from the year 1926. It is a so-called “syndicate contract” of the Renner Brothers & Co. Leather Factory Joint-Stock Company. The syndicate contract is the term used for a shareholders’ agreement in the Austrian and the Hungarian legal systems. The shareholders’ agreement is a confidential contract concluded between (some of the) shareholders to coordinate their activity related to the company (usually in a covert way). The scope of such an agreement can also be the exercise control over the general meetings’ decisions. It is a legitimate method of coordinating shareholders’ activity, widely used even today.

From this contract, it seems clear that for the shareholders’ management of the Renner Brothers & Co., at least two groups of shareholders were bound through shareholders’ agreements. The first group was controlled by Gyula Boros, based in Vienna, the “Boros group”, and the second was led by Dr. Mózes Farkas, the “Farkas group.” Regarding the relations between the two interest groups (syndicates), we can draw conclusions from the contract: they were characterized by limited cooperation without excluding the rivalry extant between them. The Farkas group’s shareholders’ agreements face the fact that the two circles of shareholders have in the general assembly a majority of the votes only together. In order to cooperate, they agreed to conclude another shareholders’ agreement between them. Unfortunately, the latter contract between the two groups of shareholders—at least so far—has eluded discovery.

Regarding the 1926 agreement, the contracting parties, respectively the members of the Farkas group were Dr. Mózes Farkas, József Farkas, Jenő Farkas, Dezső Hecht, Frigyes Renner, and Emil Renner, all domiciled in Cluj.¹⁰ We can see that this group is formed practically by the founders of the company.

This shareholders’ agreement concluded in Hungarian is in itself a curiosity in the field of the history of law. Firstly, due to their confidentiality, such covenants have only rarely been made public. Secondly, this contract proves that at the beginning of the 20th century, shareholders used these contracts with a high degree of confidence, so we can conclude that such agreements were widespread. Thirdly, the contract proves the private law’s organic survival in force before the period of state succession from 1918–1920: the legal basis of this contract was constituted by the Hungarian Act no. XXXVII of 1875 on trade,¹¹ which continued to regulate joint-stock companies, under the fictitious name Transylvanian Commercial Code (even though no legal instrument with this official name was ever adopted, Transylvania in 1875 being a part of the Kingdom of Hungary, itself a member of the Dual Monarchy of Austria-Hungary) and which was repealed only after the Second World War. Fourthly, we can assume that Mózes Farkas, himself an astute attorney, drafted the contract.

10 The contracting parties held the following number of shares in the Renner Brothers & Co. Leather Factory: Dr. Mózes Farkas 30,464, József Farkas 27,531, Jenő Farkas 7,031, Dezső Hecht 27,531, Frigyes Renner 27,650, Emil Renner 27,650.

11 This act was the second modern Hungarian Commercial Code, the first act on companies adopted in 1840.

It is clear from this agreement, which governed the cooperation of the contracting parties, in force for the period 1927–1932, that Dr. Mózes Farkas played a crucial role:

“[t]he leader and representative of the Farkas group is Dr. Mózes Farkas. He leads the group’s affairs, and he represents in relation to third parties and other groups of shareholders.”

The group members submitted their shares to Dr. Mózes Farkas (“Dr. Mózes Farkas is obliged to keep the shares received deposited, in the safe of the Renner Leather Factory.”) These shares were inalienable, could not be used as collateral, and it was forbidden to establish any rights over these shares in favour of third parties. The shares could be sold exclusively between members of the group. The purpose of these contractual provisions was the protection of the group’s influence over the company. In order to achieve this goal, it was crucial to keep the shares within the group. The agreement also provided that

“in the interests of ensuring that more effective unitary measures are taken, the group members hereby empower Dr. Mózes Farkas to exercise the right to vote to which they are entitled in the name and on their behalf during this contract.”

This mandate may be revoked by the group “only unanimously and only if Dr. Mózes Farkas exercises the right to vote contrary to those decided by the group.”

Consequently, the signatories of the shareholders’ agreement voted in the general meeting through a single proxy: Mózes Farkas. The mandate itself is a guarantee that the voting agreement will not be infringed. The shareholders giving the mandate will not participate at the general meeting, or they will have a passive presence, and they cannot exercise their voting rights differently as agreed by the group.

However, the group’s decision was also binding on Mózes Farkas. These specific contractual provisions prevented the violation by Mózes Farkas of the shareholders’ agreement and the infringement of the group’s decisions. In case of a hypothetical infringement, revocation of the mandate was conditioned to group members’ unanimous vote. Therefore, if Mózes Farkas infringed the voting arrangement agreed by the shareholders’ group, he maintained its group representative quality if any member of the group backed him. It is clear that Mózes Farkas had a dominant role in this contract. However, we will see later that this provision was not unbalanced because Mózes Farkas was constrained to respect the group’s decision under a severe penalty. Nevertheless, in general, the acceptance of such contractual terms by the other signatories also attests confidence vested in him and perhaps his efficiency in promoting shareholder interest.

For the syndicate group, the preparation of the decisions to be adopted within the joint-stock company’s collective bodies (board of directors, general assembly) was vital. To this end, before the actual debate in the company’s decision-making fora, the members of the group undertook to participate in a syndicate gathering to prepare these decisions:

"[i]n all matters in which, the general meeting, the board of directors, the executive committee or the supervisory board are called to decide in a meeting, under the law, the articles of association or based on a contract that has been concluded or will be concluded with another group of shareholders, the members of the group will decide in advance in a gathering. Decisions will be taken by a majority vote. Everyone shall be entitled to a number of votes equal to the number of shares held."

The basic question in the case of these confidential cooperation agreements is how they can be enforced in the event of opposition, and what are the consequences of breaching the shareholders' agreement? The contracting party which would prevent Dr. Mózes Farkas from exercising his right to vote in his place at the general meeting, or which would vote against the validation of the decision previously reached by the syndicate gathering in the bodies of the joint-stock company, "shall be obliged in each case to pay a contractual penalty of 500,000 lei, i.e., five hundred thousand lei, not subject to judicial reduction, to each party that is not at fault." The contractual penalty clause is an ancillary obligation that consolidates the contract and guarantees compliance with the obligations assumed, whereby the debtor accepts the payment of a predetermined amount of money if, for a reason attributable to him, he does not fulfil his contractual obligations or fulfils these obligations in a manner inconsistent with those set out in the contract.

Concerning the leader of the group, Mózes Farkas, there were specific sanctioning clauses: if he proved to be contrary to the decisions of the group or voted against this decision, in such a case, he will be obliged, in each case, to pay to members who are not at fault for a contractual penalty of 1,000,000, i.e., one million lei.

Due to these clauses, a state of equilibrium was created by correlating the interests within the contract.

The parties also agreed that the shares held as a deposit should, at the same time, be a pledge for securing current or future claims arising against shareholders of the company and for claims arising under the shareholders' agreement. Thus, if a member of the syndicate group was at the same time a debtor of the company, his shares guaranteed this claim. Moreover, they guaranteed eventual penalties arising from the breach of the shareholders' agreement as well. The contract also protected the interests of the joint-stock company, not only the interests of the shareholders' group members. In case of termination of the contract, Mózes Farkas was obliged to remit the shares in deposit to each shareholder severally, provided that there were no unpaid claims of the shareholder to the shareholder's syndicate members or the company.

V. ACQUISITION OF THE SHARES OF THE TURUL FOOTWEAR FACTORY

In 1930, at Mózes Farkas's initiative, a competing company from Timișoara (present-day Romania) was acquired: the Turul Footwear Factory, established in 1901. Following this acquisition, the general assembly renamed the company Dermata Leather and Footwear Factory Joint-Stock Company. Contrary to first appearances, the separate legal personality of the Turul was maintained, but there was an operational

integration (starting with 1937, when the affiliated company took the name of the First Footwear Factory from Banat).

According to the report of the board of directors of Dermata for 1932, it made a profit of 21,670,564 lei. From the bearer shares submitted for participation in the 1933 general meeting of shareholders, it appears that Mózes Farkas held the most shares, numbering 25,124, but just 45 shareholders registered at the general meeting were seeking to exercise a total of 140,245 votes. Among the shareholders, many came from Vienna, but in addition to the predictable ones, domiciled in Bucharest or Budapest, shareholders from Prague, Chernivtsi, Munich, or London also attended the general meeting.

VI. ON THE PERSONALITY OF MÓZES FARKAS

According to the last will of Mózes Farkas, dated 1932, his shares in Dermata and Turul companies were to be left to a foundation (a fund) to be set up for this purpose, and the dividends collected by the trust were to be used for the benefit of factory employees. According to the handwritten notes belonging to Mózes Farkas, the will had to be handed over to the (new and definitive) general manager of Dermata; only he had the right to open it. The desired purpose was to create for the clerks and labourers of Dermata a pathway to participate in the company's management and use the profit in their interest. Farkas intended that labourers and clerks obtain membership on the board of directors and the supervisory board through these shares. The method planned to be used for this was an election by secret ballot, held at separate meetings of clerks and of labourers. Only workers and officials who have been in the service of Dermata for at least ten years were eligible to participate and vote. Another condition was the lack of any case or suspicion of disloyalty. Military service, illness, furlough, and the strike did not constitute an interruption of the period of service. The executive and supervisory board positions attached to these shares, according to Farkas Mózes's concept, should be distributed 50%-50% between company clerks and workers.

It seems that this act of last will did not, however, produce effects. A subsequent revocation of the will remained legally possible. Further research is required to ascertain why such a progressive will, truly extraordinary for that era, was never implemented. Nevertheless, this attitude undoubtedly characterized the personality of Mózes Farkas.

According to the information discovered so far, the shares were, in the end, inherited by the widow and children of Mózes Farkas. The conclusion should also not escape us, that even if this will had been effective, its outcomes would ultimately have been erased by the nationalization measures implemented after the advent of the Soviet-type dictatorship, only a few years after the death of Mózes Farkas. It is absurd, but it is also true: the rights that were at least theoretically intended for Dermata labourers and clerks would have been taken over by the state, apparently on behalf of workers, but in reality, these would have been exercised only in the interest of the state, by the Soviet-type dictatorship established in Romania, and its nomenklatura.

In 1934 an event took place that may also allow us to outline our image of Mózes Farkas more precisely. The new Law for the Employment of Romanian Personnel in

Enterprises in 1934 led to rumours among the labourers and officials of Dermata about impending mass layoffs of minority (ethnic Hungarian) workers by the factory management—under pressure from above—in the coming weeks:

"[i]n the slums of Cluj, misery is indescribable, and thus other families would have thickened the ranks of the hungry as a result of this measure."¹²

The news also spread that the minority (ethnically non-Romanian) employees of the factory will be obliged to take a Romanian language exam as a precondition for continuing their employment.

In an interview with the Hungarian language Cluj newspaper *Ellenzék* (The Opposition), Mózes Farkas said: "I have never fired a single clerk or labourer on the grounds of national affiliation." Asked if minority employees must take the Romanian language exam, he answered: "I will answer by asking a question: Is there such a measure imposed by any provision of the law?"

Then he set out his economic vision:

"[e]very new chimney of a factory that rises in this country extends to the people a means of subsistence, and besides, it is a valuable factor of the economic development of the state. Such a purely economic and industrial entity cannot in any way be allowed to be drawn into the realm of political struggles because the consequences are predictable. Leather and shoes are manufactured between the walls of our factory, not politics. We work without forgetting that we live within the borders of Romania. I do not know if private employees must take the language exam or not, but that does not mean anything to us. I have always strived for my employees to know the language of the state. We organized separate courses for those who did not know the Romanian language; they have been running for months and have shown completely satisfactory results. [...] We make shoes in order for the workers to have bread, so we provide bread in order for shoes to be made."¹³

VII. SHAREHOLDER STRUCTURE AND INTERNAL STRIFE (1940)

Because the company had issued bearer shares, we cannot easily follow the shareholder structure. However, before the general assemblies, summaries were drawn up. Thus, we have a document from April 6, 1940, according to which the company issued 160,000 shares, of which 26,647 belong to Mózes Farkas (16,65%), 21,037 to József Farkas (13,14%), 6,162 to Frigyes Renner (3,85%), 5,076 to Emil Renner (3,17%).

The internal functioning of joint-stock companies is often not free from various conflicts. Information about Dermata from 1940 has been preserved, as Mihály Dávid, the resigning executive director of the Raw Leather Centre (ODAMP) and one of the former leading officials of the Dermata factory, "initiated a lawsuit of millions for compensation." The raw leather centre's purpose was to purchase raw hides from

¹² *Ellenzék*, 13 September 1934, no. 3.

¹³ *Ellenzék*, 13 September 1934, no. 3.

slaughterhouses for distribution between different leather factories. The general manager of the raw leather centre, and thus the executive director's superior, was Dr. Mózes Farkas. In this context, conflicts arose between them, which led to the dismissal of Mihály Dávid on the initiative of the Dermata company. Mihály Dávid

"considers the dismissal illegal, which is why he is initiating a compensation procedure, with claims amounting to millions against the Dermata factory. The Cluj Labour Court set the deadline for judging the claim on August 12."¹⁴

The dispute it seems that was never solved by the Romanian courts. The documentary evidence faded away. On August 30, 1940, following the Vienna Arbitration, Northern Transylvania and Cluj were restituted to Hungary. The case was discontinued before the Hungarian judiciary.

VIII. THE DEATH OF MÓZES FARKAS (1941)

Dr. Mózes Farkas died at the age of 61 from a long illness in Budapest on August 17, 1941.¹⁵ In the late afternoon of August 20, 1941, he was interred in Cluj on a Wednesday after a commemorative service held in the Dermata factory's courtyard. At his hearse, led by Kálmán Rimanóczy, President of the Union of Industrialists of Transylvania, were present representatives from almost every industrial enterprise in Cluj. The director of the same organization, Sándor Böszörményi, held the eulogy, evoking the enormous merits of the deceased, expressing at the same time the sincere condolences of his collaborators.¹⁶ According to the newspaper *Ellenzék*, the funeral rites were performed by Chief Rabbi Mózes Weinberger. In the courtyard of the factory building, opposite the workers' houses, in front of the coffin, on behalf of the board of directors and the supervisory board spoke Kálmán P. Szentmártoni, director of the Unitarian College in Cluj; on behalf of factory management, director Dr. Zsigmond Gál; on behalf of the National Union of Industrialists, Dr. Sándor Böszörményi; on behalf of the women employees Ákosné Báza; on behalf of the repair workshop staff József Muschitz; on behalf of the clerks Géza Venczel; on behalf of the Corps of Engineers chief engineer Miklós Jámbo; on behalf of the laborers Lajos Ábrahám; on behalf of the Bástya (Bastion) Sports Association director Dr. Károly Jászai; and later Izsó Diamant (another key figure of the industrial life of the region and also a collector of fine arts who was killed in 1944 in Budapest during the German occupation and the terror regime of the Arrow Cross Party) gave commemorative readings and a eulogy.¹⁷ Dr. Mózes Farkas rests in the old Orthodox Jewish Cemetery in Tordai Street, Cluj.

¹⁴ *Brassói Lapok*, 2 August 1940, no. 2.

¹⁵ His brother, József Farkas, died in 1942.

¹⁶ *Magyar Gyáripar*, 1941/9, no. 8.

¹⁷ *Ellenzék*, 21 August 1941, no. 8.

On November 15, 1941, the late Dr. Mózes Farkas revocation as a member of the board of directors and the cessation of his right to signature was recorded in the trade register.¹⁸

In October 1944, the Soviet Army entered Cluj, bringing with them the menace of radical changes.

IX. A SNAPSHOT OF THE COMPANY BEFORE NATIONALIZATION

Even before the moment of nationalization, we still have an overview of the shareholder structure. Mózes Farkas's eldest daughter, Gabriella, inherited no shares. His son, born out of wedlock, István, had 3,291 shares (2,05%), and his two remaining legitimate daughters, Zsófia and Hedvig, each had 10,359 shares (6,47%-6,47%). On the other hand, one of the daughters of József Farkas, Magda, had 1,366 shares (0,85%), while his other daughter, Edit, who lived in Paris, had 5,651 shares (3,53%). It is, however, not entirely clear how many of these shares were received from the estate of the deceased or through other means, such as being acquired through purchase or as a donation, etc. The Renner brothers had the same number of shares as in 1940 (Frigyes had 6,162, and Emil 5,076 shares). In the company's archives, there is an internal memo from October 1947, which contains a list of shareholders who would like to sell the shares they held. The names of the Renner brothers are also on this list. Interestingly the Soviet Union had come to hold 980 shares (0,61%), acquired as war compensation from German shareholders.

Mózes Farkas's heirs no longer had any role to play in running the company. However, Magda Farkas was the last member of the Farkas family to be on the board of directors before the company's nationalization. The fate of Magda Farkas, niece of Mózes Farkas, exemplifies the ravages of the new "Communist" order that took over Transylvania after the Second World War. Magda Farkas's husband was the Communist politician Sándor Jakab (Alexandru Iacob),¹⁹ who worked as a deputy of the finance minister Vasile Luca.²⁰ Along with Luca, a victim of a communist purge and show-trial, Jakab was also arrested and convicted. According to Imre Tóth (1921–2010), a former communist activist, mathematician, and university professor, Sándor Jakab

"had made many enemies in the highest circles, everyone hated him to the same measure, everyone, ministers and members of the Party's Political Bureau, because he criticized them in front of everyone, without hesitation. He called them stupid, incompetent, good for nothing. He considered himself a reformist Communist, and he certainly was one. When they proved it, a general joy erupted: finally, this unbearable character disappeared from the landscape. [...] Jakab survived, but they tortured

18 *Központi Értesítő*, 1942/1, no. 36.

19 In 1937, Magda married Dr. Endre Klein, an attorney-at-law. Witness to the marriage was Mózes Farkas. Sándor Jakab was the second husband of Magda Farkas. Magda Farkas survived the Holocaust by going into hiding in the countryside.

20 An ethnic Hungarian from Transylvania, his original name being László Luka (1898–1963). He died in prison.

this man more than anyone else. He remained in solitary confinement in a cell for 12 years. He did not know that Stalin was dead; they were still playing with him. [...] In the end, he was already so weak that he could move only on all fours, leaning on his elbows, and so sucked that swill up from the bowl, like a dog. He did not go insane, but he was not far from it either.”²¹

The treacherous logic of the Soviet-type political system creates situations in which people loyal to the regime are also persecuted due to various internal struggles. In this context, however, we are interested in his (Jakab's) wife's fate. According to Imre Tóth,

“Magda Farkas was the gentlest, most delicate, and most adorable being in the world. She was the daughter of the owner of the Dermata shoe factory.”²² She was wealthy. She had a magnificent, modern four-story building in Cluj, on the Majális Street. [...] Magda was also arrested along with Iacob. She went insane during the investigation. She was beyond cure. Her older sister, who lived in Paris, managed to take her to a closed asylum in Israel.”²³

X. NATIONALIZATION

The great achievement of Mózes Farkas's life, the Dermata factory, was nationalized under Law no. 119/1948 for the nationalization of industrial, banking, insurance, mining, and transport enterprises. It was maintained in operation as a Soviet-type state-owned enterprise.²⁴

The Soviet-type nationalization is a specific process directed against the so-called exploiting social class, the bourgeoisie, whose assets must be taken by the state to create the desired ideal society. It is a way of ownership transfer based on the unilateral decision of the state. In this context, companies' private ownership must be replaced by state ownership through a takeover called nationalization. According to this concept, after the economy's nationalization, the state will operate a planned economy in its quality of sole actor directing the economic processes. The purpose of nationalization is to achieve a socialist economic order, abolish exploitation, and eradicate the exploiting classes. The Communist Party before 1948 had as its principal goal the

21 Sándor Jakab (1913–1997) emigrated to Sweden in the 1980s and died there. For details see Imre Tóth: *În viață sunt lucruri care nu se fac. Și care totuși se fac... Péter Várdy în dialog cu Imre Tóth*, Humanitas, București, 2014.

22 József Farkas.

23 Tóth (2014).

24 For details, Emőd Veress: *Towards a Legal Theory of Nationalization. Controversies of Company Law History in Central and Eastern Europe*, *Romanian Journal of Comparative Law*, 2014/1, p. 185–201.; Emőd Veress (2022): *Nationalization, Collectivization, Reprivatization and Privatization in East Central Europe: Arguments for a General Theory*, in Pál Sárý (ed.), *Lectures on East Central European Legal History*, Central European Academic Publishing, Miskolc, p. 241–269.

acquisition of power. However, once power was fully seized, they started to put their program into practice.

In the first months of 1948, the first Soviet-type constitution of Romania was adopted. According to its texts, the Romanian People's Republic was founded by the people's struggle, led by the working class against fascism, reaction, and imperialism.²⁵ This constitution created the legal basis of nationalization. Article 11 from the new constitution stated that "when the general interest requires, means of production, banks and insurance companies owned by private individuals or legal entities may become State property, namely property of the people, subject to the conditions provided by law." According to the 1948 Constitution, work is the underlying factor of the State's economic life²⁶ (in contrast with capital or property in general). Labor was the duty of every citizen.

The state adopted the main regulation on nationalization, Law no. 119/1948, with astonishing swiftness. In just one morning, June 11, 1948, this law was adopted by the Romanian Workers Party Central Committee, the Government, and the Grand National Assembly. The party newspaper, *Scântea* (The Spark), stated that "the nationalized enterprises belong to the state, the state belongs to the working people; therefore, the factories belong the working people."²⁷ As a result of the law, the Romanian state immediately nationalized 8,894 enterprises, from which 3,600 were of local interest. Our subject company, still called *Dermata* at that time, was between the nationalized companies of great importance: of national interest.

Soviet-type nationalization is fundamentally different from acquiring property through the means of private law, for example, through a contract of sale, exchange contract, or even a donation contract. A contractual relationship is based on the principles of equality between the contracting parties, so any transfer of property is not possible without mutual consent, for example, of the seller and the buyer. The consent of the former owner is indispensable for a valid formation of such a contract. These means of private law had only a very subsidiary and limited role in creating the new social order based on state ownership. There are some cases when the state acquired the property through donations, but the grantor's free will is more than questionable in these cases.

Also, it is fundamentally different from expropriation (also called the eminent domain) on account of public utility. Article 10 of the 1948 Constitution envisaged a just compensation in case of expropriation because of public utility. Article 11 on nationalization does not impose such a rule. So, there was no constitutional requirement to grant compensation in case of nationalization, and in fact, compensation was not granted. Compensation would have a preservation effect on the exploiting class. Just compensation is a measure that would lead to a return to capitalism, a revival of capitalism.

Nationalization also meant a radical break from the past. Not shares were nationalized, but instead, the means of production themselves. This solution is based on

²⁵ Article 2 of the 1948 Constitution.

²⁶ Article 12 of the 1948 Constitution.

²⁷ *Scântea*, 19th June 1948, no. 1149.

Marxist terminology, and it refers to productive (value-producing) assets. This text of the fundamental law encompassed all immovable or movable properties used directly or indirectly as a means of production. Thereby a breach occurred in the company's legal personality, which ceased to exist without a successor. The new legal entity, the new organizational form, was practically integrated into the state administrative apparatus as a *sui generis* structure of the command economy. The former company's creditors could no longer formulate claims against the newly formed entity, and even mortgages were erased as a consequence of nationalization.

Dermata was nationalized as an enterprise producing various chemicals (an absurd distortion of reality specific to, and emblematic of, the Soviet-type dictatorship), according to Annex 18 of Law no. 119/1948. Consequently, the Farkas family, and the efforts of Mózes Farkas, faded from its history. That history continues, however, even after 1948. It shall form the subject-matter of a further study.