

South-Eastern European Monetary
and Economic Statistics from the
Nineteenth Century to World War II

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Published by



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Printing and production

Oesterreichische Nationalbank, Vienna, Austria

Production of data CD

National Bank of Romania, Bucharest, Romania
Bulgarian National Bank, Sofia, Bulgaria

Recommended citation:

South-Eastern European Monetary and Economic Statistics from the Nineteenth Century to World War II, published by: Bank of Greece, Bulgarian National Bank, National Bank of Romania, Oesterreichische Nationalbank, 2014, Athens, Sofia, Bucharest, Vienna.

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Printed according to the Austrian Ecolabel guideline for printed matter (No. 820).



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Foreword by Michael D. Bordo

This cross-national collaboration of scholars from seven South-East European countries puts together for the first time a comprehensive collection of monetary data from the period between 1830 and 1949. The countries covered include Albania, Austria-Hungary, Bulgaria, Greece, the Ottoman Empire, Romania, Serbia and Turkey. For each country, annual and monthly data on several key series for monetary analysis are compiled, e.g. exchange rates, gold reserves, banknotes and central bank discount rates. Each country study uses standardised definitions of each series to facilitate cross-country comparison. The individual country data compilations are preceded by an introduction which provides an institutional and historical narrative on the South-East Europe region and its monetary institutions and standards.

A collection of data like this one is crucial to the writing of the monetary history of the individual countries and of the region. This was the approach followed by Milton Friedman and Anna Schwartz in writing *A monetary history of the United States: 1867–1960*. Statistical series such as these serve as the skeleton for the study. Institutional detail and historical narrative will put flesh on the bones.

As Matthias Morys points out in his excellent introduction, South-East Europe has been relatively neglected in most studies of European economic history. One reason is the relative economic and political backwardness of most of the countries (with the exception of Austria-Hungary) compared to the core countries of Western Europe. This database should serve as an important starting point to help fill the gap in our knowledge. The proposed ‘Monetary History of South-East Europe’ could complement Alexander Gershenkron’s seminal *Economic backwardness in historical perspective*, which first put the economic history of South-East Europe on the global economic history map.

Michael D. Bordo
Professor, Rutgers University and NBER

Foreword by Luis A.V. Catão

This is a wonderful contribution to macroeconomic history, bringing together scholarly research on monetary and financial developments in South-Eastern Europe from the mid-19th century through World War II. Being a focal region in European political history during the period, it is striking that its economic history has been largely neglected by the mainstream literature and its Anglo-Saxon focus on the Atlantic economy. This book thus fills an important gap. Individual country chapters take the reader through a fascinating spectrum of monetary experiments, which put many contemporary policy dilemmas into perspective. The volume's comparative outlook sheds new light on how much national policy choices in fact reflect regional and global trends; it also amply highlights main threats to financial stability, including the perils of 'importing' policy credibility through currency pegs whilst political institutions remain fragile and fiscal discipline elusive. Both students and researchers will benefit from carefully assembled datasets at the end of each chapter, which allow them to build on the book's findings and draw their own conclusions from hard data. Kudos to the central banks of Austria, Bulgaria, Greece and Romania for sponsoring this initiative, as well as to the central banks of Albania, Serbia and Turkey for their valuable contribution to this joint endeavour – hopefully to be emulated by others around the globe.

Luis A.V. Catão
International Monetary Fund and Joint Vienna Institute

Foreword by Nicos Christodoulakis

This landmark volume of monetary history and data series for seven South-Eastern European countries in the 19th and the first half of the 20th century will remove not only several quantitative handicaps faced so far by relevant research initiatives, but also some of the prejudice characterising the debates on whether and to which extent these economies could be ever considered as intrinsically linked to the main European developments. It is evident that not very long after gaining national independence, most of the South-Eastern European economies recognised that their future was best served by adhering to European monetary practices: one reason certainly was the access to much needed capital for financing state-building, but much more important was their drive to become integrated into the European process rather than seeking some fragile regional integration.

To some extent, as data and narratives of this volume show, the experiment worked. Despite structural backwardness, thin domestic markets and lack of industrialisation, the economies achieved a certain degree of stabilisation and low-cost financing, both in the late 19th century and in the early interwar period. But whatever progress they achieved by adhering to monetary stability was shattered in the aftermath of crisis, above all after the Great Crash and the serial collapse of the gold-exchange regimes.

Their domestic weaknesses led several to believe that there was something like a ‘destiny of failure’ that made their efforts look Sisyphean, while others wish to convey a similar judgment for the present difficulties faced by the process of European economic integration. The contributions to this volume show that another factor that proved to be detrimental to the sustainability of monetary integration was the lack of a central mechanism to counteract major common shocks, the consequences of which were impacting disproportionately on the small and weaker countries. After every international crisis, the peripheral economies were confronted by credit shortages and capital flight that handicapped their further development, and their desperate attempts to stabilise public finances led to deep recession and collapse.

The book provides valuable insights into how monetary unions can work more efficiently over the medium and the long term and why the drive of peripheral economies to be an integral part of them should be encouraged and supported. The lesson is too critical for current policy making in the euro area and the European Union at large to be overlooked.

Nicos Christodoulakis
Professor, Athens University of Economics and Business

Foreword by Yannis Stournaras

Ever since its establishment, the Bank of Greece (BoG) has shown keen interest in Greece's economic and monetary history, although its historical publications so far include mainly anniversary editions focusing on the Bank's history. The invitation to establish, together with the Bulgarian National Bank, a network of scholars-researchers in the monetary history and policy of South-East Europe in April 2006 and the BoG's active support and participation were seen as an opportunity to deepen its understanding of Greece's historical experience and identify its key determinants, with a view to reaching safe conclusions that would serve as an input to policy making.

The strengthening of traditional economic links with the countries of South-East Europe through the expansion of the Greek banking system, Greek corporations, trade and tourism in the last few decades underlines the need to not only monitor economic developments in the region, but also understand historical facts and experiences. Besides, the long coexistence of the countries in the region has forged cultural bonds that remain strong to our day.

Learning from Greece's experience and comparing it with the experiences of South-East European countries allow the creation of a valuable historical database, continuously enriched with new data. This will provide economic agents and policy makers with useful information on policy responses and outcomes. Quantitative data are an essential tool in this respect. In this direction, the Bank of Greece considers this book as a first effort to create a reliable and comprehensive statistical database of long-term time series on crucial macroeconomic aggregates. Compiling, processing and checking data and constructing indices for such long and distant time periods is an arduous and long procedure. It also requires in-depth knowledge of the institutional framework of the domestic and international economic system and policy conduct. This database is continuously enriched.

This project is expected to deliver considerable benefits. The BoG hopes that this statistical database will serve as a first infrastructure for the international academic community to systematically develop research in the economic, monetary and banking history of South-East Europe, tapping into existing knowledge and offering new inputs that will provide timely information to economic policy makers.

Athens, November 2014

Yannis Stournaras
Governor of the Bank of Greece

Foreword by Ivan Iskrov

The Bulgarian National Bank (BNB) has long-standing activities in exploring monetary history. While its earlier publications involved a series of the Bank's archival documents from its establishment in 1879 to the collapse of the centrally planned economy in 1990, in 2006 the BNB established the Monetary History Programme, which focuses on selecting studies for the Bank's Finance and Banking History Series. While the BNB's historical publications have so far presented the works of eminent past Bulgarian financiers and economists, which are of interest to contemporary economic policy and practice, the BNB also promotes research on current Bulgarian banking and finance. Moreover, the BNB is one of the central banks of the region which initiated the South-East European Monetary History Network (SEEMHN) by organising its first conference in 2006 and supporting its activities ever since then.

The present publication is the result of laborious efforts and work by the SEEMHN Data Collection Task Force (DCTF) members, whom all national central banks in the region supported by hosting their meetings and providing them with all documents available at their archives and libraries. The data volume provides long-term monetary, financial and macroeconomic indicators, which have been constructed using standard definitions in an effort to enhance cross-country harmonisation, taking also into account national and time specificities. To overcome any data limitations, various data sources were used, digging also into primary ones.

Alongside the process of data collection and construction, SEEMHN members have presented pieces of their work at the network's annual conferences, where they have got valuable feedback and comments. Considered as a useful outcome, their work has been published in central banks' conference proceedings, working papers and other research publications.

Although it was not deliberate, but rather a fortunate coincidence, the Bulgarian National Bank is particularly pleased to see this volume published in 2014, when it celebrates the 135th anniversary of its establishment. The BNB believes that the volume will serve as a statistical hub of South-Eastern European monetary and economic time series. Together with the research that has already been conducted within the SEEMHN, it will further promote the study of monetary and economic history in a comparative perspective outside the narrow scope of the region.

Sofia, November 2014

Ivan Iskrov
Governor of the Bulgarian National Bank

Foreword by Mugur Constantin Isărescu

The book entitled *South-Eastern European Monetary and Economic Statistics from the Nineteenth Century to World War II* is the outcome of cooperation between central bank experts, together with researchers and historians, who sifted through archives, as well as recent literature of the years 2006–2014 in an endeavour to reconstruct statistical and historical data series covering the period from the late 19th century to the mid-20th century.

National Bank of Romania (NBR) has supported the preparation and publication of this book, with a view to sustaining and promoting cultural and research initiatives in most different areas. This long-standing practice started with the establishment of this institution, which will shortly celebrate its 135th anniversary. The Romanian central bank's interest in the South-East European Monetary History Network (SEEMHN) programme was also sparked by the conviction that people will be ready to embark on new avenues only after they have fully comprehended the past.

The support to this programme materialised in the participation of central bank working group members in the annual SEEMHN conferences (where papers on Romania's monetary and banking history have been presented) and in the research conducted at the archives in order to reconstruct the statistical and historical data series on Romania from 1880 to 1947. Furthermore, the NBR backed this project financially by hosting the 2011 SEEMHN Conference in Bucharest and sharing the costs of the publication of this book.

The NBR deems that the book *South-Eastern European Monetary and Economic Statistics from the Nineteenth Century to World War II* provides a good opportunity for disseminating the economic and monetary history of Romania in the context of, and in comparison with, the history of Central and South-East Europe. The book puts the spotlight on national history and supplies researchers with statistical and historical data series on economic history, allowing not only easier access to information on Romania's history, but also serving as a basis for comparative studies.

Bucharest, November 2014

Mugur Constantin Isărescu
Governor of the National Bank of Romania

Foreword by Ewald Nowotny

The Oesterreichische Nationalbank (OeNB) has long-standing links with South-Eastern Europe. At the beginning of the 20th century, its forerunner, the Oesterreichisch-ungarische Bank, had branch offices in cities as far from Vienna as Sarajevo, Ujvidék and Kolozsvár, while employees born in Szabadka or Temesvár would work at the Bank's head office in Vienna. Today, the towns of Sarajevo, Novi Sad, Cluj-Napoca, Subotica and Timișoara are located in Bosnia and Herzegovina, Serbia and Romania, respectively. But the ties are still there, and they are marked by mutual respect and a spirit of co-operation among neighbours.

Given the prime importance of Central, Eastern and South-Eastern European (CESEE) countries for both the Austrian economy and the stability of the Austrian financial market, the OeNB monitors and analyses this area particularly closely. Moreover, the OeNB supports the CESEE area through technical cooperation activities and as a sponsor of the Joint Vienna Institute, an economic policy-oriented training centre for public officials from CESEE, the Caucasus, and Central Asia.

When the idea of creating a network on the monetary history of South-East Europe came up in 2006, it was immediately clear that the OeNB would participate actively in the endeavour. Good policy is based on extensive experience, both over time and in different settings. Over the past years, the South-East European Monetary History Network has succeeded in providing both types of experience: a review of history, and the possibility to compare the experiences of countries that have rarely featured prominently in standard international descriptions of monetary policy. The OeNB has used this opportunity to contribute a set of high-quality historical time series that have not been systematically available until now and that cover the period during which some regions in South-East Europe were part of the monetary area under the responsibility of the OeNB and the Oesterreichisch-ungarische Bank, respectively.

This book is the result of a long and intensive dialogue among researchers from different countries of the region. May it also serve as a useful basis and stimulus for further research. The OeNB is looking forward to the next round of debates and analyses.

Vienna, November 2014

Ewald Nowotny
Governor of the Oesterreichische Nationalbank

Authors' Preface

The South-East European Monetary History Network (SEEMHN), bringing together financial and monetary historians, economists and statisticians, was established in April 2006 on the initiative of the Bulgarian National Bank and the Bank of Greece. Its main objective is to promote knowledge about South-Eastern European monetary history and policy as an integral part of European history. Against this backdrop, the network organises annual conferences that focus on the study of specific phenomena and events connected with South-Eastern European countries, both from a historical and a comparative perspective. Since empirical studies cannot be carried out without reliable data, the SEEMHN Data Collection Task Force (DCTF) worked towards establishing a historical database of 19th- and 20th-century financial and monetary data for the countries in the region. To this end, the seven central banks participating in the DCTF of the SEEMHN (Bank of Albania, Bank of Greece, Bulgarian National Bank, Central Bank of the Republic of Turkey, National Bank of Romania, National Bank of Serbia, Oesterreichische Nationalbank) have agreed to contribute to the joint publication of this data volume presenting harmonised long-run time series on monetary, financial and other macroeconomic variables.

As Milton Friedman and Anna Schwartz pointed out in their *Monetary statistics of the United States* (1970), the measurement of money is ‘...an activity that dates back to the beginning of the republic...’ (p. 1). The present publication places special emphasis on monetary variables that have played a central role in the conduct of monetary policy. These were constructed by the central bankers of the time to guide monetary policy. In addition and to complement the contemporary perspective, the publication also includes reconstructed series based on modern economic concepts like GDP and broad money.

Matthias Morys (University of York) introduces the subject to the reader, providing political and economic background information on the history of South-Eastern Europe prior to World War II. He also points out some parallels between the situation ‘then’ and ‘now’ and the challenges SEE is facing today. Based on the data set provided by the South-Eastern European national central banks and on the country chapters, he puts South-Eastern European historical developments into a pan-European perspective.

The rest of the data volume is divided into eight national contributions of a similar structure. For each country, a complete data set is presented, covering six broad groups of indicators: (1) monetary variables, (2) interest rates, (3) exchange rates, (4) government finances, (5) prices, production and labour, and (6) national accounts and population. Historical data are preceded by a short account of the respective country’s major monetary events, as well as a description of the institutional framework for monetary policy implementation. Detailed explanatory remarks on variables’ definition and description are presented, and the primary and secondary data sources used in the data collection process are discussed in detail. Moreover, at the beginning of each country chapter, an index table provides information on the list of variables, the time span, the time frequency, the unit of account and the variables’ codes. The reader can use this table as a roadmap for a safe data search. The annual data tables are presented at the end of each country chapter. Furthermore, the electronic annual and monthly data tables can be found in the enclosed data CDs as well as on the

websites of the Bank of Greece, the Bulgarian National Bank, the National Bank of Romania and the Oesterreichische Nationalbank.

Most of the existing literature on economic history deals with the advanced countries of Western Europe and the USA. The monetary and financial history of South-East Europe is still largely unexplored. South-East Europe has often been neglected in studies of European economic history. The publication of this data volume aims at filling this gap by shedding light on the monetary history of the individual countries and the region as a whole. To quote Michael Bordo's foreword, '...statistical series such as these serve as the skeleton for the [...writing of the Monetary history of South-East Europe]. Institutional detail and historical narrative will put flesh on the bones'. Luis Catão mentions '...the volume's comparative outlook ...amply highlights main threats to financial stability, including the perils of 'importing' policy credibility through currency pegs whilst political institutions remain fragile and fiscal discipline elusive'. In his own foreword Nicos Christodoulakis states: 'This landmark volume of [South-Eastern European] monetary history and data series ... will remove not only several quantitative handicaps faced so far by relevant research initiatives, but also some of the prejudice characterising the debates on whether and to which extent these economies could be ever considered as intrinsically linked to the main European developments'. Finally, Matthias Morys (Chapter I, Introduction) welcomes this joint effort noting that '...South-Eastern European monetary history is no longer *terra incognita*'. We therefore strongly believe that by making this historical database available to a wider audience for the first time ever, research interest in the financial and monetary economics in this part of Europe will be stimulated further.

All seven central banks fully supported and cooperated in the successful completion of this publication. Four central banks (Bank of Greece, Bulgarian National Bank, National Bank of Romania and Oesterreichische Nationalbank) took a lead in the production of the joint publication of this data volume. From the Bank of Greece Sophia Lazaretou, Aikaterini Procopaki and Vassilis Belecoukias undertook the editing and proofreading process, while Stefanos Tikellis undertook the layout and typesetting of the volume, George Papaconstantinou the figures and Asimena Matthaïou the tables of the volume. The Bulgarian National Bank produced the data CD that accompanies the hard-copy publication. The volume was printed by the in-house printing services of the Oesterreichische Nationalbank, which – together with the National Bank of Romania – also took over the total costs of printing.

Earlier releases of a smaller part of the South-Eastern European historical database were edited by the Oesterreichische Nationalbank (2008, *Workshops*, no 13) and the Bank of Greece (2009, *Working Papers*, no 94).

We would like to thank all participants in the meetings of the SEEMHN DCTF, held successively in Sofia (thrice), Vienna (twice), Athens (twice), Belgrade, Istanbul, Bucharest, Frankfurt am Main, Tirana and Amiens, for their valuable comments and fruitful discussions. All the members of the DCTF brought great enthusiasm and commitment to the hard work of digging deep into the past to collect, build and discuss the presented data series and to better understand past institutions and standards. Among the network members we would like to mention in particular the local teams that organised the meetings as well as Thomas Scheiber, who from the backstage has coordinated the network over the years. We are especially grateful to Matthias Morys, who participated in all meetings of the task force, patiently provided feedback to the authors for more than six years and kindly accepted our invitation to write the introductory chapter. Special thanks are also due to Roumen Avramov, Michael Bordo, Luis Catão, Nicos Christodoulakis, Dragana Gnjatović, Peter

Mooslechner, Nikolay Nenovsky, Şevket Pamuk and Martin Pontzen for their great support and encouragement in every step of this joint endeavour. Last but not least, we would like to thank the Publications and Translation Section and the Printing Works of the Bank of Greece and the Communications and Publications Division of the Oesterreichische Nationalbank for their valuable editorial and technical assistance, without which the production of this publication would not have been possible.

Athens, Bucharest, Sofia and Vienna, November 2014

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LIST OF SEEMHN DCTF MEETINGS

1st SEEMHN DCTF meeting, 14 April 2006, Sofia, Bulgarian National Bank

2nd SEEMHN DCTF meeting, 12 April 2007, Vienna, Oesterreichische Nationalbank

3rd SEEMHN DCTF meeting, 14 March 2008, Athens, Bank of Greece

4th SEEMHN DCTF meeting, 5 December 2008, Vienna, Oesterreichische Nationalbank

5th SEEMHN DCTF meeting, 27–28 March 2009, Belgrade, National Bank of Serbia

6th SEEMHN DCTF meeting, 26 June 2009, Athens, Bank of Greece

7th SEEMHN DCTF meeting, 15 April 2010, Istanbul, Central Bank of the Republic of Turkey

8th SEEMHN DCTF meeting, 12 November 2010, Sofia, Bulgarian National Bank

9th SEEMHN DCTF meeting, 17 March 2011, Bucharest, National Bank of Romania

10th SEEMHN DCTF meeting, 29–30 September 2011, Frankfurt am Main, Deutsche Bundesbank

11th SEEMHN DCTF meeting, 13 December 2012, Tirana, Bank of Albania

12th SEEMHN DCTF meeting, 9 October 2013, Amiens, University of Picardie Jules Verne and CRIISEA

13th SEEMHN DCTF meeting, 9 October 2014, Sofia, University of National and World Economy.

