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Memories of a Central Bank

Oesterreichische Nationalbank. Since 1816

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OESTERREICHISCHE
NATIONALBANK

Curtains up for the OeNB bicentennial

Get ready for a journey into the past of Austria's central bank! Our journey begins in June 1816, when Emperor Francis I established a “national bank” that was to be financed and ultimately run by private stockholders—quite an innovation at the time. But the even bigger innovation was that this bank, called the “privilegierte oesterreichische National-Bank” (OeNB), would enjoy exclusive rights like a note-issuing monopoly.

Precursors

Paper money first came into use in Austria in 1762, when the OeNB's predecessor, the Wiener Stadtbanco, was instructed by the forerunner of the finance ministry to issue paper florins to fill the war-depleted state coffers. The Stadtbanco had been established in 1705 for the purpose of managing public debt and lending to the government, very much in line with the tasks of the first central banks that were emerging at the time.

Among still extant central banks, the first true central bank to arise was the Swedish Riksbank, founded in 1668, followed by the Bank of England in 1694. Interestingly, operations strictly prohibited by the statutes of present-day

euro area central banks—directly financing the government—were one of the paramount tasks of the initial central banks, including the OeNB. (In Austria, monetary financing of public debt was outlawed in 1955, long before the launch of the euro.)

Continuity and change

Many of the principles and responsibilities of the early years of the OeNB's existence have retained their basic relevance, though the focus has shifted over time. Austria's euro payment transactions settled through banks' accounts with the OeNB today are a case in point. Cashless payment services were originally restricted to the bank's shareholders; later—until the 1970s, when access was limited to the banking sector—they were principally open to everyone.

Since mid-2010, the government has been the sole owner of Nationalbank shares. The OeNB's first shareholders were wealthy upper-class private bankers, merchants and nobility, and some middle-class investors—like Ludwig van Beethoven. Well after the switch to the euro, the OeNB's stockholders still included Austrian banks, in-

Payment services refer to transfers of funds between accounts, i.e., to noncash payment transactions administered by a bank.

Globally, the OeNB was the first **central bank** to be called a **national bank**—national being a reference to having authority throughout the multiethnic territories under the Habsburg crown. In 1816 the price stability mandate of modern central banks **of issue**—the main banks possessing the right to issue currency for use as money in a given country—was still a thing of the future, as was the role they came to play as the banker's bank in the second half of the 19th century.

insurance companies and representatives of labor and industry in addition to the Republic of Austria.

Having shed its bureaucratic legacy, the modern Nationalbank primarily serves as an expert organization for monetary policy-making and prudential supervision, and as a provider of services. In performing its tasks, it is committed to modern management and regular business reviews to stay on track. The latest of these efforts was a streamlining review, launched in 2014 and supported by a corporate consultancy firm, in search of the adequate institutional response to the changes to the Nationalbank's policy-making environment brought on by the financial crisis of 2008 and its aftermath—such as a historically low level of interest rates and deeper integration through a European banking union. The objective of this review, the first to involve every single business area and all organizational structures of the OeNB, was to ready the bank to respond incisively to new challenges in Austria and in Europe as a lean, efficient and highly effective institution.

A cutting-edge employer from the start

The OeNB was already quite a leading-edge employer when the horse-drawn carriage was the fastest means of urban transportation: within a decade of its establishment, the bank had hired a company doctor to see to its employees' well-being and had established its own pension system. Providing an old-age pension for staff was a remarkable in-

novation at the time and presaged a social benefit that was made available countrywide only much, much later. But it was also the remnants of this system of special retirement benefits that repeatedly sparked a public debate about the OeNB from the 1990s onward, leading to comprehensive internal reforms and the adoption of new laws that raised the retirement age and cut pensions.

Women at the bank: not from the start

Initially, the bank hired only men; women did not make it onto its payrolls until the 1850s, and at first only as housekeepers with cleaning duties. After a few decades, the printing works started to take on women, too, but the Nationalbank almost celebrated its first centennial before taking the first female office clerks on board. Until the 1920s, women still had to quit their jobs at the OeNB when they got married, and not until the 1970s were they paid the same as men. The OeNB has since been certified in various areas for its flexible working conditions, e.g., for enabling the reconciliation of work and family life. Even so, women held only one fourth of all line management positions in 2014.

Banknote history

In 1956 the OeNB was the first central bank in the world that succeeded in simultaneously printing sheets of banknote paper front and back. The OeNB was also the



One of many steps in printing a banknote: the intaglio printing plate mounted on a printing roll is being cleaned.

first central bank to use special foils with a tilting effect (“Kinegram®”), which made the 5,000 Austrian schilling note issued in 1989 especially counterfeit-proof. And it was a graphic designer working for the OeNB, Robert Kalina, who won the competition to design the first series of euro banknotes.

Banknotes also afford intriguing insights into the kind of issues central bankers are dealing with on a day-to-day basis, for instance in connection with the first major counterfeiter of Austrian banknotes: Peter Ritter von Bohr. He and his wife were brought to justice toward the mid-19th century after having produced and circulated forged banknotes for two years in Vienna. Or take money transports, which also make for great stories: stories of money stored in wooden casks and transported by horse-drawn carriage in the early years; stories of train rides in early railway times; stories of money transports that were fraught with peril in the aftermath of World War II, before transportation routes had been rebuilt.

Building history

Even the OeNB’s building history has its share of dramatic moments, such as the great fire that damaged parts of the headquarters on Otto-Wagner-Platz in Vienna’s ninth district in 1979. After the fire, many staff members had to be relocated for four years to temporary sites, one

of which happened to be the Grand Hotel on Vienna’s Ringstrasse.

At the end of 2014, the Nationalbank employed about 1,100 persons, mostly in Vienna. In its most expansive period—during the time of the dual monarchy—the Austro-Hungarian Bank had employed more than 3,600 persons in 2 head offices, 104 branch offices and 179 contract offices, so the nearest office might have been located in a town even closer to readers than they might suspect.

Unlike the remote institution it used to represent, the OeNB today actively reaches out to the public, opening its doors in more ways than one, for example through numerous events it organizes every year or by operating a Money Museum with appealing exhibits. The current crowd-puller is a specimen of the largest gold coin in Europe, a Vienna Philharmonic gold coin with a face value of € 100,000 and a weight of some 31 kilograms.

Put to the test

The 200-year history of the OeNB is replete with the challenges of each era: hyperinflation, the stock market crash in 1873, wars and reconstructions, and several currency changeovers.

When all is said and done, the public’s trust and confidence still have to be earned every single day: this challenge has grown all the more difficult since the financial,

According to a state agreement (“convention”) between Austria and Bavaria signed in 1753, silver florins were struck with a standardized fine silver weight of 11.6945 grams. This standard was later adopted by most other German regions except Prussia and governed the minting of **Convention standard florins** in Austria until 1857.

From the florin to the crown to the schilling ... to the euro

1811	Introduction of Vienna standard florins (= devaluation of paper florins)	1 florin (Vienna standard) = 60 kreutzer	5 Convention standard florins = 1 Vienna standard florin
1816	Readoption of the Convention standard (including devaluation)	1 florin (Convention standard) = 60 kreutzer	2.5 Vienna standard florins = 1 Convention standard florin
1857	The Austrian standard florin replaces the previous currencies	1 florin (Austrian standard) = 100 kreutzer	1 Convention standard florin = 1.05 Austrian standard florins
1892/1900	The crown replaces the florin (with finality on issue of banknotes in 1900)	1 crown = 100 hellers	1 Austrian standard florin = 2 crowns
Jan. 1, 1925	The schilling replaces the crown	1 schilling = 100 groschen	10,000 paper crowns or 0.694 gold crowns = 1 schilling
Mar. 17, 1938	The reichsmark replaces the schilling	1 reichsmark = 100 reichspfennigs	3 schillings = 2 reichsmarks
Dec. 21, 1945	The Austrian schilling is reestablished as legal tender	1 schilling = 100 groschen	1 reichsmark = 1 schilling
Jan. 1, 1999/2002	The euro is introduced (cash changeover in 2002; dual circulation until Feb. 28, 2002)	1 euro = 100 cent	13.7603 schillings = 1 euro

Lithuania joined the euro area in 2015, bringing the number of member countries to 19 and making the euro the currency of over 330 million people.

For a detailed scholarly analysis of Austrian monetary policy from 1816 against the backdrop of economic history, see **The Quest for Stable Money. Central Banking in Austria 1816–2016**, written by **Clemens Jobst and Hans Kernbauer** (published by Campus in 2016).

economic and debt crisis that emerged in 2008, when the OeNB had to assume a firefighting role to contain the crisis. Wielding a set of flexible monetary policy instruments, it was able to put out big fires to help overcome the crisis. Moreover, the Nationalbank called for and developed new rules to stabilize the economy and financial markets and implemented the necessary reforms.

On a more critical note, the central bank did not always exercise the right—or perhaps the best—policies. In retrospect, the wisdom of the harsh schilling-stabilization course chosen during the Great Depression may be doubted. While the policy earned the Austrian schilling the label “Alpine dollar,” it did not serve Austria’s economy well. Conversely, and more recently, the OeNB’s hard-currency policy after World War II and the schilling peg to the Deutsche mark adopted in 1980 marked an economically successful era for Austria.

Adopting the euro, starting a new era

The focal points of the OeNB’s tasks today are the euro and euro area monetary policy—which the Nationalbank shapes as an integral part of the Eurosystem and which it implements in Austria—and the Eurosystem’s primary objective of maintaining price stability. In addition, the OeNB plays a key role in banking supervision. In the European banking union, which was conceived to ensure that banks are stronger and better supervised, the OeNB has also assumed other crucial tasks to safeguard financial stability in cooperation with the domestic Financial Market Authority and with the European Central Bank. The core business areas of the OeNB also include handling Austria’s integration with international payments systems and efficiently providing the general public with euro banknotes and coins. Moreover, Austria has become a logistical hub for the flow of euro banknotes to and from Eastern European countries.

Curtains up

We hope this brief journey into the past has piqued your interest. Read on and expect to find descriptive visuals and great images, vignettes of workaday life at the central bank and previously unpublished material—in short, anything but a dull chronicle. Consult timelines with short summaries for quick orientation. Look forward to unusual and unexpected viewpoints to gain fresh insights into Austria’s central bank and find the OeNB’s history from 1816 to 2016 brought to life with unique and personal tales of events that have shaped the bank through time.

Step right up, come right in and see for yourselves.

Let me add that this book is the result of painstaking research in a large number of archives, collections and records, and that it has benefited from the comments and suggestions of numerous observers and former and current central bank employees. My sincere thanks go to everyone who contributed to this book, above all to the team of authors, editors and designers who nurtured the book through its many stages at the OeNB and at Christian Brandstätter Verlag.



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