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Monetary Separation and European Convergence in the Balkans in the 19^{th} Century

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Luca Einaudi

Italian Prime Minister's Office

Balkan countries have built their national currencies in the course of the nineteenth century and early twentieth century under the dual and apparently conflicting tension between separation and convergence. On one side the progressive political emancipation from the domination of the three Empires, the Habsburg, the Ottoman and the Tsarist, pushed towards distinct national currencies, as different as possible from those of the previous rulers and from each other. On the other side the desire to belong to the core group of the most advanced European nations pushed towards monetary harmonisation, identified for several decades, from 1865 to the First World ar, with the Latin LMU. The conflict between the aspiration to rapid modernisation and economic growth and the bleak economic and financial realities help to explain how this project never really succeeded and disappeared from public sight for most of the twentieth century, only to reappear after the collapse of the political and economic bloc built by the successor regime of the Russian Empire.

Just like Italy and Germany until the 1860s and 1870s, Balkan countries had a chaotic monetary circulation composed of diverse coins, originating from distant as well as neighbouring countries, belonging to different periods, different monetary and metallic systems, often old and worn. In such a situation the repeated attempts to reform the coinage to achieve a better regulated circulation encountered the usual difficulties; how to finance the operation and withdraw forms of depreciated paper money, how to prevent the new coinage from being hoarded and exported following Gresham's law. In addition to this, the difficult development of the project of European monetary unification in the 1860s and 1870s introduced further obstacles.

This paper is essentially based on materials from French diplomatic, monetary and banking archives and from numismatic sources. It attempts to provide a view from Western Europe of the monetary transformation of the Balkans in the nineteenth century.

1. Leaving the Empires: the Difficulty of an Early Construction of Balkan Currencies before 1865

All the new Balkan states attempted to assert national sovereignty in the monetary field as much as in all the other classic fields of Nation building (political and economic institutions, language, legal system, units and weights, etc.). In order to do so they worked to remove the symbols of the former occupying powers, removing their coinage and currency and possibly also all the other various types of foreign currencies circulating alongside it. This was a situation similar to that of Italy before 1862 or of some German states, where hundreds of different types of coins, from different periods and with variable levels of wear and tear coexisted in a chaotic cohabitation.

Greece attempted as early as 1831 to prohibit Ottoman coinage from its territory, only obtaining an increased foreign circulation, given that only a minimal amount of national currency had been minted.[1] Serbia counted 33 different currencies in its territory in 1819 and included 12 of them in an official currency exchange rate list.[2] Multiple accounting was also common, associating existing national and foreign currencies with older ones, which had become by then abstract units of account or "imaginary" money.

For newly formed states of limited size finding enough metal to mint was difficult, not to talk about creating a national Mint, something which was increasingly expensive and technically demanding as the nineteenth century progressed. The absence of free mintage meant that the rules of bimetallism as encountered in France had little relevance in smaller states. Overall many monetary reforms were decided only on paper, without leading in practice to significant monetary issues. It was particularly the case with the Greek monetary laws of 1829 introducing the Phoenix, with the 1833 reform introducing a Drachma aligned to Mexican silver and with the 1862 reform, aligning the drachma to the franc (see table 1). When monetary reforms were decided, the withdrawal of old coinage was not necessarily decided for all currencies and cohabitation of different types of coins (national and foreign) continued anyway.

In other states the population was too limited for the government to be able to afford a separate currency (Montenegro) or the level of political autonomy was insufficient to allow minting rights until the 1860's and 1870's (Rumania, Serbia, Bulgaria and even Hungary).

[1] Leconte, Le bréviaire des monnaies de l'Union latine, p. 226.
[2] Gnjatovic, Introduction of Limping Gold Standard in the principality of Serbia, pp. 45–56, in: Roumen Avramov and Sevket Pamuk, Monetary and Fiscal Policies in South-Eastern Europe, Historical and Comparative Perspective, First General Meeting of the South-Eastern European Monetary History Network, 13–14 April 2006, Sophia.

2. How the Creation of the Latin Monetary Union Became an Opportunity for the Establishment or the Convergence of Different National Currencies

The appearance of an international standard widely accepted in Europe and with further prospects of becoming the global international monetary standard of the time helped Southeastern European states to focus on a single project.

The LMU was formed in 1865 by France, Italy, Belgium and Switzerland in order to provide a common response to the difficulties of managing separately their national divisionary silver coinage against massive operations of arbitrage between silver and gold and between different national coinages. It was initially only a technical response to the difficulties of managing bimetallism after a protracted period of massive gold inflows (1848–1965). This movement had reduced the price of gold and was crowding out of circulation silver coins whose market value as bullion had risen above its legal value as currency.[3]

The solution devised by the four founding members of the Monetary convention of 1865 was to remove most of the silver coinage from the free operation of the market, by reducing its real silver value below both legal and market value (reducing its silver finenesse from 900/1000 to 835/1000). In this way no arbitragiste would find any profit in removing those coins from circulation as currency. Furthermore the mintage of these coins, reduced in effect to tokens, would be reserved to the governments and subjected to a ceiling of 6 francs per inhabitant, to prevent any temptation to overissue what was in effect a debased coin. In order to maintain bimetallism alive, a priority of the majority of French institutions, it was however necessary to keep an intact representative of the silver coinage side by side with the gold pieces. Therefore the silver 5 francs/5 lire piece, also known as *écu* or *scudo*, was kept at 900/1000 fineness. The *écu* was initially left to the free play of the market, together with gold coinage, allowing private operators to mint it freely on their own account, following the fluctuations of the price of silver and gold.

The additional advantage of the Monetary Convention was to facilitate commerce between neighbouring countries, through a 1 to 1 exchange rate. In fact, the Convention of 1865 was neither Latin, nor monetary, nor even really a full union. The name had been introduced by the British press, keen to keep its distances from any Continental supranational agreement, especially if reached under the French influence. The Convention was really a limited coinage agreement for public cashiers to accept each others silver and gold coins at a par. It did not concern bronze coinage, banknotes, bank deposits, nor any National Bank

[3] For a history of the Latin Monetary Union see Einaudi, Money and Politics. For bimetallism and the gold standard see Flandreau, L'or du monde, la France et la stabilité du système monétaire international, 1848–1873, Paris, L'Harmattan, 1995.

of Issue. No central authority was formed to manage the agreement. The modifications of the monetary circulation of the four funding members necessary for the LMU was minimal, given that their coinage had already been harmonised under Napoleon I and only a part of the divisionary silver coinage had to be reminted at 835/1000. Each country preserved its coins, its symbols and the name of its currency (as can be seen from the 1887 poster indicating which LMU coins were acceptable in France and which were not). In fact it should have been named the "Post-Napoleonic Silver and Gold Coinage Agreement", but "Latin Monetary Union" was a far more fascinating name.

This arrangement however lost rapidly its purely technical nature, moving from the Finance Ministries to the realm of foreign politics and struggle for international influence. Against the opposition of the French Finance Ministry and of the Bank of France, the French Government, under the leadership of the Vice President of the Council of State Félix Esquirou de Parieu and the Foreign Affairs Ministry, extended its purpose to "a larger and more distant perspective, that of a uniform monetary circulation for the whole of Europe."[4] As a consequence the Monetary Convention of 1865 included the article 12, inviting other countries to join the Union, provided that they had accepted its monetary system and the obligations connected to it. Furthermore the French Foreign Affairs Ministry conducted a global diplomatic campaign to invite membership and participation to an International Monetary Conference in Paris in 1867, to further the cause of International Monetary Unification.

The conclusion of the 1867 International Conference, attended by most European States, the USA, Russia and the Ottoman Empire, was a unanimous call for the adoption of universal money trough the gold standard and an extended LMU system with a gold coin acting as a pivot, a 25 francs piece equal to 25 lire and pesetas, 10 Austrian florins, 5 US dollars and 1 British pound. Apparently the march towards a universal currency was proceeding quickly. In reality British and Prussian resistance to international monetary unification already existed and the question of the abolition of bimetallism in favour of the gold standard was far from resolved in France and elsewhere and was to be debated for more than thirty years all over the world.

The French initiative received a particularly warm response from Southeastern Europe. All Balkan governments at some point saw the LMU as an opportunity, decided to adopt the LMU style system and passed laws accordingly. The weakness of existing national or imported coinage reduced the opportunity cost of reminting, and the added credibility of a modern international coinage promised a more rational system, internationally accepted, reducing transaction costs and possibly facilitating access to the western European capital markets.

[4] Speech by Parieu to the delegates of the Conference discussing the creation of the LMU in 1865. Einaudi, Money and Politics, p. 42.

Romania passed legislation in March 1867, before the Paris Conference met, and started minting bronze coinage at Birmingham with Heaton, Watt & Co, for 3,95 million francs, followed in the early 1870's by silver coinage produces at the Brussels mint.

Greece passed legislation in April 1867 to adopt the LMU system for silver coinage and completed it in 1876 concerning the gold coinage. Mintage started in Paris in 1868 with numerous difficulties.

Austria-Hungary reached an agreement with France immediately after the conclusion of the International Monetary Conference of 1867. The agreement however only concerned the 25 francs gold coin, because Austria wanted the gold standard while the French delegation was unable to commit to it because of the delaying tactics of the French Treasury, a staunch supporter of bimetallism. The 25 francs coin was never minted by France and therefore Austria started minting from 1870 to 1892 some gold trade coins, of 20 francs/8 florins and 10 francs/4 florins. These coins however were not included in the ordinary Austro-Hungarian monetary system but belonged to a parallel system, dedicated to international trade and whose price in terms of national currency was changed daily at the stock market.[5] They neither belonged to a gold monometallic system nor to a bimetallic system.

Serbia adopted LMU type legislation in 1873 and started minting in 1874. The new currency circulated alongside Austrian ducats with legal course.

Bulgaria adopted legislation in June 1880 and started minting bronze in 1881 and silver in 1882.

When these various states' applications for LMU membership were introduced, the French Government acted as the informal watchdog and coordinator of access to LMU membership. Only Greece was ultimately successful in its bid for membership, but its experience within the Union, together with the Papal and Italian behaviour, convinced France to refuse any further enlargement of the Union to other Balkan states

3. Greece in the LMU

By associating itself to the LMU, Greece expected to obtain monetary stability, to end monetary scarcity through a new coinage integrated by French currency, to reduce exchange rate fluctuations and to improve its solvency in the international capital market in Paris.[6] The Greek accession to LMU was successful essentially because of its speed: had the decision been delayed until a few months later it would have never been accepted as we shall see. It was an early application,

[5] Haupt, L'histoire monétaire de notre temps, p. 132.

[6] Lazaretou, Greek Monetary Economics in Retrospect: the Adventures of the Drachma, Economic Notes, vol. 34, no .3, 2005, pp.331–370, see p. 338.

accompanied with the commitment to mint immediately the full set of LMU coinage and offering to France the complete control of the quality and quantity of the new coinage, which would be produced in France. These guarantees were in fact still insufficient, as the effects of inconvertible paper currency and unfaithful French agents proved later on, but Greece had already managed membership starting 1 January 1869, by the time the French Government had second thoughts.[7] Initially the French government consented and considered mintage in Paris a sufficient guarantee because it was looking for new members to boast the project of Universal Money and already supported Greece politically. Despite that, the Swiss government expressed its disappointment through their representative Feer-Herzog, fearing difficulties and violations, given the poor state of Greek public finances.

Problems immediately arose. The Greek government had contracted operations in Paris to the firm Erlanger and Cie, which was supposed to buy silver on the market, have it minted in Paris and transported to Greece and to distribute it to Greek banks at its own cost, financing the whole operation from the seignorage on the coins. At the end of 1868, however, Greece went on inconvertible paper money to finance the uprising of Crete against the Ottoman Empire and the financial mechanism unravelled. The French financiers decided to suspend the operation considering that their profit was lost and placed the Greek coins in the Parisian market at a price below par, thanks to the LMU provisions. The French Government was furious about the immediate breach of confidence and the Belgian Government argued that such violations threatened the very existence of the monetary union.

Together with the evidence of the Papal and Italian problems, the Greek case was showing how dangerous it was to enter into a monetary union with states with unsound public finances and large quantities of paper money which could lead to inconvertibility at any time and then flood France with debased divisionary silver coinage.

The Papal States had applied for membership of the LMU and had obtained access to the French market for their coinage while negotiations were taking place. Profiting from French goodwill, the Papal Government delayed all negotiations while it minted 30 million lire of divisional silver coins, more than ten times more than the maximum of 6 francs per inhabitant mandated by the Convention. This cheap form of public finance sustained the ailing Roman State, but immediately migrated to France; it was replaced in Rome by inconvertible paper money, moving through the Papal trade deficit and the payments to the French troops protecting the Pope from the Italians. Once the negotiations ended in December 1868, the Papal Government dropped its pretence, acknowledged overissuing but refused to take back its coinage, provoking a political crisis in France, an

[7] For a detailed account of Greece in the LMU in 1868–1874 see Einaudi, Money and Politics, pp.105–111.

immediate exclusion from LMU negotiations and the withdrawal of Papal currency from the French public, with a loss between 5% and 20% for the holders.

In Italy the war of 1866 with Austria had similarly precipitated public finance problems and forced the adoption of a depreciated inconvertible paper currency. Italian silver currency migrated to France as well, and encumbered French circulation, preventing the Imperial government from completing its programme of new monetary issues. It would take until 1882 for Italy to resume full convertibility.

Considering all those problems the French, Belgians and Swiss decided in 1869 to neutralise as much as possible existing difficult members of the LMU (Greece and Italy) and to refuse all other dubious candidates, starting from the Pope and the Balkans, regardless of all guarantees they would offer in terms of monetary control.

Greece was asked to submit itself to draconian controls. The Swiss wanted guarantees about the withdrawal of small banknotes and obsolete coinage so that the new issue would be substituted and not added to the monetary stock, so as not to leave room for re-export to northern Europe of the new LMU drachme. The French insisted also that French governmental representatives should follow the production of new coins in France, accompany the transport until Greece and verify all the boxes at the moment of delivery to the National Bank of Greece. The Greek Prime Minister Delyannis had to intervene directly to break the deadlock, promising that Greece would raise a loan, abolish the *cours forcé* and withdraw small paper money. After the Greek drachme were sold in Paris it took almost two years before the French agreed to end the controversy and authorise new issues. At that point it was August 1870; the Franco-Prussian War and its consequences blocked everything for another three years. Greece received its divisionary silver coinage only in 1874–1875, and the silver *écus* and gold coins in 1876.[8]

By then the expansionist phase of the LMU was over. Its success had been doomed first by the British Chancellor's refusal to join a Monetary Union without the French abandoning bimetallism (and a general hostility of public opinion to change the Pound). The creation of a United Germany in 1871 followed by the creation of a German mark, which was incompatible with the LMU and firmly rooted in the gold standard, was the last nail on the coffin of the project of Universal coinage. France was not willing anymore to offer access to its monetary market to anything which was not good gold (agreement to receive trade coins: Austrian gold francs-florins in 1872 and Russian francs-roubles in 1887). New

[8] Lazaretou attributed the delay to a governmental decision following war and the imposition of a fiat money, but the true story was not public and can only be reconstructed through the diplomatic despatches held at the Quai d'Orsay and the papers of the French Finance Ministry, dutifully copied by hand in the volumes of the Question Monétaire held in the archives of the Bank of France. Lazaretou Sophia, Monetary system and macroeconomic policy in Greece, 1833–2003, in: Bank of Greece, Economic Bulletin, no. 22, January 2004, pp. 33–66.

mintage of silver *écus* at full 900/1000 finenesse was first limited by the LMU from 1874 to 1879 and then completely prohibited within the Union, in reaction to the overissue due to the collapse of silver prices from 1872 onwards. The old stock of *écus* was kept in circulation, giving birth to the so-called limping bimetallism, with an effective dominance of gold. In 1893 Italian divisionary silver was renationalised and Italy withdrew 75 million lire of it from its northern partners and Greece had already done so at the end of the 1870's.

The door of the LMU was continuously kept closed for Balkan states, considered of too little interest from the economic point of view and too weak and dangerous from the point of view of public finances and paper money. Even more than Greece, the other Balkan countries could not afford a national currency of adequate amounts in gold, (or even in full fineness silver, until the collapse of the price of silver).

4. Romania, Bulgaria and Serbia

The reason for the scarce interest shown by France towards the Romanian request to become a member of the LMU in 1867 was the perceived backwardness of the country and the reduced bilateral trade. The prospects of promising increases were also limited by the distance and the joint Turkish and Russian influence over the region. The often recalled French cultural influence in Romania was not sufficient to overcome those economic arguments.

In a letter from the French Foreign Affairs Minister to the French Finance Minister, reviewing all the replies to the French offer to join the LMU or participate in an International Monetary Conference to discuss monetary harmonisation, the Romanian case was discussed[9]. Romania had just passed a new law introducing the LMU coinage as the new Romanian Monetary System. The French representative in Bucharest was informed of the new law by the Romanian Foreign Minister who requested the admission of his country to the LMU.

The French Minister of Foreign Affairs transmitted to his counterpart at the Treasury his sceptical evaluation: "D'après ce que m'écrit le Baron d'Avril, il ne serait question pour le moment que de frapper de la monnaie de billion, le monnayage des espèces d'or et d'argent devant être réglé ultérieurement de commun accord avec la Porte [Ottoman Empire]. En cet état de choses la demande du gouvernement roumain me parait tout au moins prématurée et dans tous les cas en dehors des considérations d'ordre politique que je n'examine pas ici, nous

[9] Archives de la Banque de France, La Question Monétaire, Vol. I, folio 543, 16 Feb. 1867.

aurions à apprécier s'il serait dans notre convenance d'admettre la monnaie moldo-valaque dans la circulation monétaire de l'Empire."[10]

The President of the French Commission des Monnaies, Jules Pelouze, explicitly opposed the admission of Romania, because its initial intention was only to mint bronze pieces, which were not included in the Convention, but more generally because Romania could not be trusted either to respect the qualitative nor the quantitative limits of LMU, for lack of a sufficiently organised public administration. In Pelouze own words:

"Le nouveau système monétaire des Provinces Unies ne concorde pas avec celui qui a été adopté par le quatre puissances signataires du traité. Cet état de choses serait un premier obstacle à ce que la Roumanie fut admise dans l'Union. En second lieu il importe de remarquer que par la suite de cette convention les Etats associés sont pour ainsi dire solidaires et que chacun d'eux est intéressé 1) à ce que les fabrications effectuées par les autres gouvernements soient convenablement exécutés; 2) à ce que la quantité de monnaie d'argent à 835/1000 stipulée pour chacun d'entre eux ne soit pas dépassée.

Avant d'admettre une nouvelle puissance dans l'Union monétaire, il est donc nécessaire de s'assurer qu'elle présente toute le garanties désirables, garanties qui n'existent pas, si faute de posséder des établissements et une administration très organisés, cette puissance pouvait confier la fabrication de ses monnaies à des entreprises privées sans exercer sur elles une surveillance suffisante."[11]

Serbia had clearly not perceived fully the new state of mind of the French administration in the 1870's and 1880's, opposed as a matter of principle to any enlargement of the LMU.[12] It probably took at face value the excuses advanced by the French government to refuse its applications for membership and applied three times. The first request was in 1874 just before its first silver coins were being minted in Vienna. A second attempt was made in 1879 offering to mint in Paris gold coins and silver *écus* (5 dinara pieces), as the French had previously requested from new LMU applicants. France only minted a small fraction of the gold contingent and then suspended the operations, claiming that the transformation of the Paris Mint requested some work. The Serbs then completed the silver issue in Vienna and the bronze one in Birmingham. The French then refused the third

[10] Letter of the French Minister of Foreign Affairs to the French Finance Minister, 16.2. Feb. 1867, Archives de la Banque de France, La Question Monétaire, Vol. I, folio 548–549.

[11] Letter of Jules Pelouze, President of the French Commission des Monnaies to the French Finance Minister, 3 May 1867, Mss, 1p, Archives de l'Hotel de la Monnaie, Fonds Union Latine, K2, dossier 18.

[12] For a view from Serbia see Gnjatovic, Introduction of Limping Gold Standard in the principality of Serbia.

application in 1880 arguing that they could not accept this new coinage because it had been minted outside French control.[13]

The Bulgarian application was introduced in 1880, after the newly independent state had passed its monetary law (27 May, 9 June 1880), introducing the lev, a currency based on LMU prescriptions, but this project was unsuccessful like all the others, regardless of which continent they came from.

Epilogue

Even after the dream of LMU membership vanished for most countries in the 1880's, the completion of a modern monetary circulation slowly continued using LMU types of currency. The main difference was that generally all issues were concentrated in the hands of the governments without free private access to the mints. This was necessary to prevent private speculations, to reserve to the weak public budgets all the profits of seignorage, extended by the depreciation of silver. Often however the State had little profit to make given that it was simply reminting old foreign or national coinage already on its territory, without any arbitrage on the metal markets. Furthermore opening the mints to the public was generally not an option given that most of the issues were taking place in foreign mints, for lack of adequate modern local infrastructures (table 3).

Despite the collapse of the international price of silver, this metal continued to be predominant in most countries in the area. In the early 1880's Romania minted substantial quantities of silver *écus*, not being bound by LMU restrictions, mainly reusing silver roubles already in its territory. It was followed on a similar path by Bulgaria (which however kept a large circulation of unreformed roubles for some more time)[14], while Serbia minted mainly divisionary coinage (see table 5). Periodically, limited issues of divisionary silver, bronze or nickel coins took place, on a declining path, until the 1912 Balkan wars increased again issues. Montenegro started minting some coinage in 1906, but it was based on the Austrian reformed system of 1892 and was similar but incompatible with the LMU standard and therefore somehow isolated from the rest of the Balkans.

Sudden but temporary mintage of gold coinage, attempted by some governments, was insufficient to permit the adoption of the gold standard. Serbia

[13] Leconte, Le bréviaire des monnaies de l'Union latine, p. 245. The archival material al the French Ministry of Foreign Affairs relating to this issue can be found in. Sous-direction commerciale, affaires diverses antérieures à 1902, ADC 582, Relations de la Roumanie et de la Serbie avec l'Union Latine.

[14] Avramov, The Bulgarian National Bank in a Historical Perspective: Shaping an Institution, Searching for a Monetary Standard, in: Roumen Avramov and Sevket Pamuk, Monetary and Fiscal Policies in South-Eastern Europe, Historical and Comparative Perspective, First General Meeting of the South-Eastern European Monetary History Network, 13–14 April 2006, Sophia, pp. 93–108.

minted 9 million dinara, equivalent to merely 5 francs per inhabitant in 1882, without any further issue until the First World War. Greece minted 11 millions drachme in 1884 (6,5 francs per inhabitant) to prepare the resumption of specie payments the following year. However that effort lasted for barely a few months and Greece as well did not try to resume issue of gold, even when it managed to get back to a gold standard in 1909. Bulgaria made its attempt to go on gold in 1897 but it remained largely theoretical and in 1899 a financial crisis forced the inconvertibility of gold banknotes. Indeed it seemed a waste of resources to have an independent gold coinage when it was so difficult to maintain it in circulation. Often new issues entered the reserves of national banks never to leave them, except to be melted and reminted on a different standard after a few decades. It was more effective to call gold from abroad through the exchanges, through emigrant's remittances or through loans, given that anyway a mix of foreign gold coinages existed everywhere around Europe. The only substantial and protracted monetary issue of the area was provided by Hungary which minted 140 million gold francs of trade coins between 1870 and 1892.

To compare the total issue of LMU standard coins with an overall estimated monetary circulation in 1885, please see tables 5, 6 and 7, which also allow a comparison with larger European states. Overall the growing weight of paper money appears clearly, even if the 1885 estimates for Greece over-emphasize the temporary high weight of foreign gold circulation.

Paper standards were a necessity until sustained economic growth and peace created the economic conditions for a successful stabilisation. Greece was forced to go on inconvertible paper circulation briefly in 1868–1869, again in 1877–1885 and 1886–1909,[15] and also enlarged its monetary circulation minting in 1893 cupro-nickel coins outside the reach of the LMU. Austria-Hungary was also on a paper standard for most of the second half of the nineteenth century, as well as Italy (1866–1881 and 1889–1900). Paper standards were not only the advancing signs of a century of inflation, they also announced the inevitable dematerialisation of money, which started in the nineteenth century and continued in the twentieth.

After the first world war the currencies of the LMU, or assimilated to it, were almost all destroyed by the different levels of depreciation produced by the various degrees of monetary financing of the military conflict. The LMU formally disbanded in 1926, but it had lost any real substance already in 1914. Nevertheless, as late as 1926 some of the States creating a new currency looked at the LMU system as an anchor (Albania and Poland). It was a proof of the long standing attraction of a common monetary system. The stabilisation of the mid 1920's destroyed the LMU and the brief temptation of European federalism of 1925–1930 (Briand, Streseman, etc….) was shattered by the Great Depression which opened

[15] Lazaretou, Greek Monetary Economics in Retrospect: History and Data, in: Roumen Avramov and Sevket Pamuk, Monetary and Fiscal Policies in South-Eastern Europe.

the age of triumphant Totalitarianism. For a large part of the Balkans this continued until 1989–1891. Only after that date the convergence path towards a common European currency started anew. Seen from that point of view, the inheritance of the missed opportunity of the LMU in the Balkans is, after all, and despite all its limitations, still positive, fostering modernisation and convergence.

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Table 1: Transformation of National Currencies in Southeastern Europe

	Name of the currency	Established	Currency aligned to	Metallic system	Par of the exchange rate
Greece	Before 1829 Ottoman, Spanish and other				
	Phoenix Drachma LMU drachma	1829 1833 1867	Russian ruble Mexican piastre LMU	Silver standard Bimetallism 15,5/1 Bimetallism 15,5/1	1 phoenix = 20 kopecks 1 drachma = 1/6 piastre 1/1 with the franc
Romania	Before 1867 Russian, Ottoman and foreign currencies				
	Leu	1867	LMU	Bimetallism 15,5/1	1/1 with the franc
Serbia	Before 1868 Ottoman, Austrian and foreign currencies				
	Dinar	1868	LMU	Bimetallism 15,5/1	1/1 with the franc
Bulgaria	Before 1880 Russia, Ottoman and foreign currencies				
	Lev	1880	LMU	Bimetallism 15,5/1	1/1 with the franc
Austria-Hungary	Pre 1857 Austrian florin (gulden) and silver standard				
	Florin and thaler Florin trade coin Korona	1857 1870 1892	German Münzverein Gold LMU Similar to LMU	Silver standard Parallel standard	1,5 florin = 1 Vereinsthaler Florin = 2,5 francs
Montenegro	Various foreign currencies before 1906				
	Perper	1906	Austro-Hung. korona	Paper	1/1 with the Austrian korona
Albania	Pre 1928 Ottoman and foreign currencies				
	Lek	1926	LMU	Paper	
Hungary	Austro-Hungarian korona until 1918				
	Pengö	1926		Paper	
Czechoslovakia	Austro-Hungarian korona until 1918				
	Koruna	1921		Paper	
Yugoslavia	Serbian dinar, Montenegro perper and Austro-Hungarian korona until 1918				
	Dinar	1920		Paper	

Sources: Elaboration of the author on various numismatic sources. Dates are referred to the beginning of new issues and not to the adoption of a new monetary law. The adherence to various metallic systems is purely theoretical.

Table 2: The LMU Standard Defined in 1865

	Total standard weight	Standard finenesse	Pure gold or silver content	Gold value in pounds
Gold	Grams	Thousands	Grams	£
100 francs	32.2581	900	29.0323	3.9649
50 francs	16.1290	900	14.5161	1.9824
20 francs	6.4516	900	5.8064	0.7930
10 francs	3.2258	900	2.9032	0.3965
5 francs	1.6129	900	1.4516	0.1982
Silver				
5 francs	25.0000	900	22.5000	Fluctuating with the price of silver
2 francs	10.0000	835	8.3500	
1 francs	5.0000	835	4.1750	
50 centimes	2.5000	835	2.0875	
20 centimes	1.0000	835	0.8350	

Table 3: Public and Private Mints Employed for Monetary Issues on Behalf of Balkan Governments in the 19th Century and Early 20th Century

Greece	Egina, Paris, Strassburg, Vienna, Birmingham, Bordeaux, Athens, Poissy
Romania	Paris, Brussels, Bucharest, Hamburg, Birmingham, Poissy, Vienna, London
Serbia	Vienna, Paris, Birmingham, Bulgaria
Bulgaria	Birmingham, Kremnitz
Albania	London, Rome, Vienna

Table 4: The Balkans in and around the LMU

	Latin Monetary Union			Germanic Monetary Union	Scandinavian Monetary Union
	Member	Entirely alligned	Alligned for gold		
France	1865-1926				
Italy	1865-1926				
Belgium	1865-1926				
Switzerland	1865-1920				
Greece	**1868-1926**				
Spain		1868-1914			
Pontifical State		1866-1870			
Romania		**1867-1914**			
Serbia		**1873-1914**			
Bulgaria		**1881-1914**			
Poland		1926			
Finland			1878-1914		
Russia			1886-1895		
Austria-Hungary			**1870-1892**	**1857-1867**	
German States				1838-1871	
Sweden			1868-1872		1872-1926
Denmark					1872-1926
Norway					1875-1926

Table 5: Total Cumulated Issues of LMU Type Coinage in the Balkans (1865–1914)

		Greece	Romania	Serbia	Bulgaria	Austria	Hungary
In millions of francs	Gold	12.0	10.7	10.0	5.0	38.9	140.9
	Full silver écus (900/1000)	15.5	49.1	2.0	23.7	0.0	0.0
	Reduced silver (835/1000)	20.0	60.9	29.6	36.0	0.0	0.0
	Total	47.5	120.7	41.6	64.7	38.9	140.9
In % of national LMU type issue	Gold	25.3	8.9	24.0	7.7	100.0	100.0
	Full silver écus (900/1000)	32.6	40.7	4.8	36.6	0.0	0.0
	Reduced silver (835/1000)	42.1	50.4	71.2	55.7	0.0	0.0

Source: Calculated by the author from mint figures reported by Leconte, Le bréviaire des monnaies de l'Union latine.

Table 6: Ottomar Haupt's Estimate of the Real Monetary Circulation in Some Southeastern European States in 1885 (Includes Foreign Coinage)

In million (lei, drachme, florins)	Romania	Greece	Austria-Hungary
Gold coinage at the National Bank	2	28	69
Gold coinage in circulation	13	20	10
Silver coinage at the bank	32	5	130
Silver coinage in circulation	15		2
Divisionary silver coinage	30	11	35
Bronze coinage	6	4,5	12
Uncovered banknotes	78	39	
Uncovered State banknotes			338
Banknotes			165
Total in national currency	176 million lei	107.5 million drachme	779 million florins

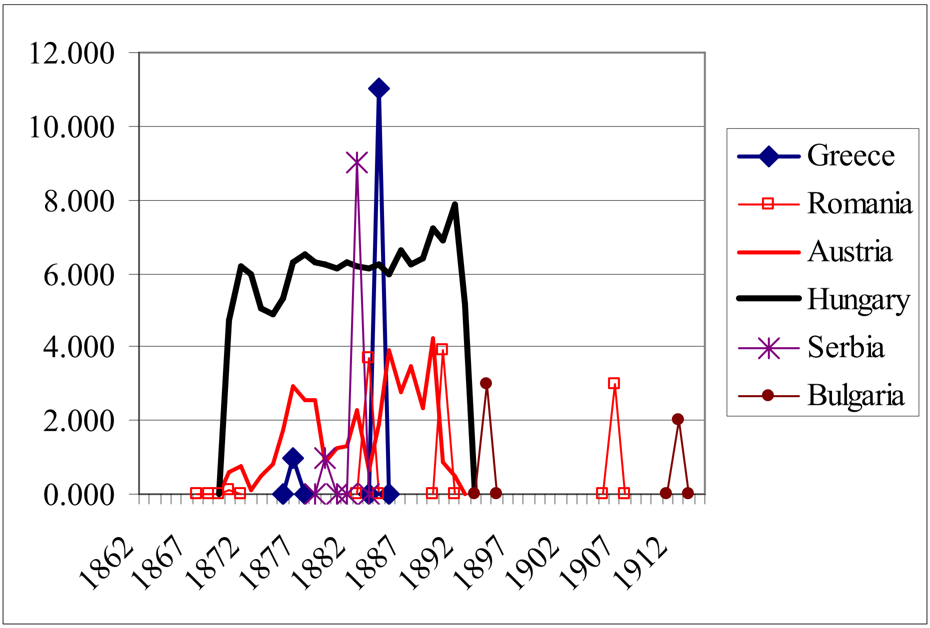
Source: Elaborated from Haupt, Ottomar, L'histoire monétaire de notre temps, Paris, Truchy, 1886. Haupt wrote to national banks of issue and local experts of the time to gather information on the monetary question, being interested especially in the bimetallism-gold standard debate.

Table 7: Real Monetary Circulation in Francs per Capita in 1885, According to Haupt

Francs per capita	Romania	Greece	Austria-Hungary	Italy	UK	France
Population in millions	5.5	2.0	39.0	30.0	36.0	38.0
Gold coinage	2.9	24.4	5.0	18.5	76.6	117.2
Silver coinage	8.5	2.5	7.6	3.3	-	91.8
Divisionary silver coinage	5.5	5.6	2.0	5.7	15.0	6.5
Bronze coinage	1.1	2.3	0.7	2.5	1.0	1.6
Uncovered banknotes	14.2	19.9	26.0	28.3	8.2	17.7
Total per capita in francs	32.2	54.7	41.3	58.3	100.8	234.8

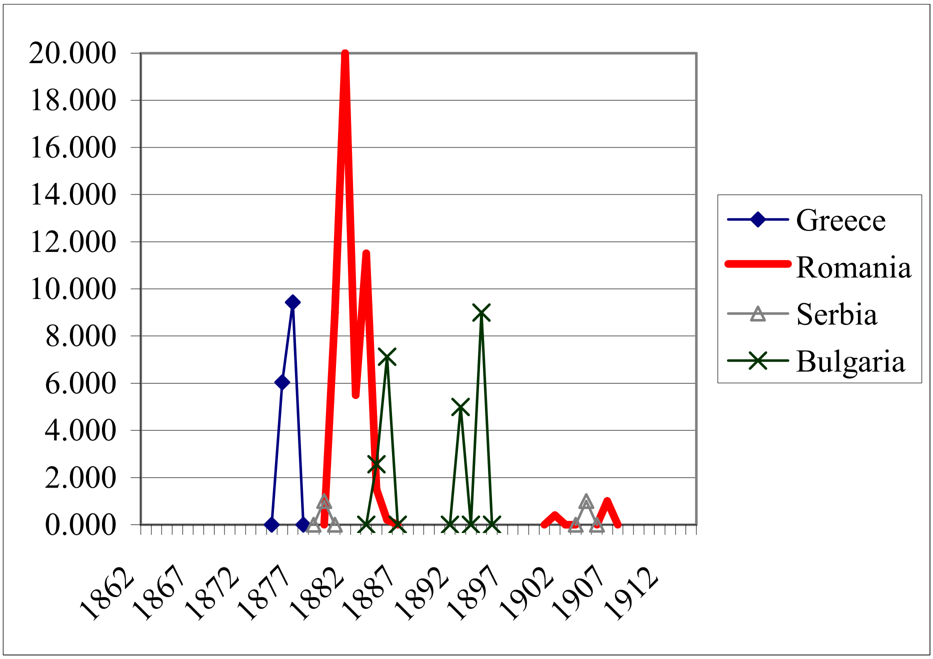
Source: Elaborated from Haupt, Ottomar, L'histoire monétaire de notre temps, Paris, Truchy, 1886.

Chart 1: Annual Gold Monetary Issues – Based on the LMU Standard in the Balkans (1862–1914)



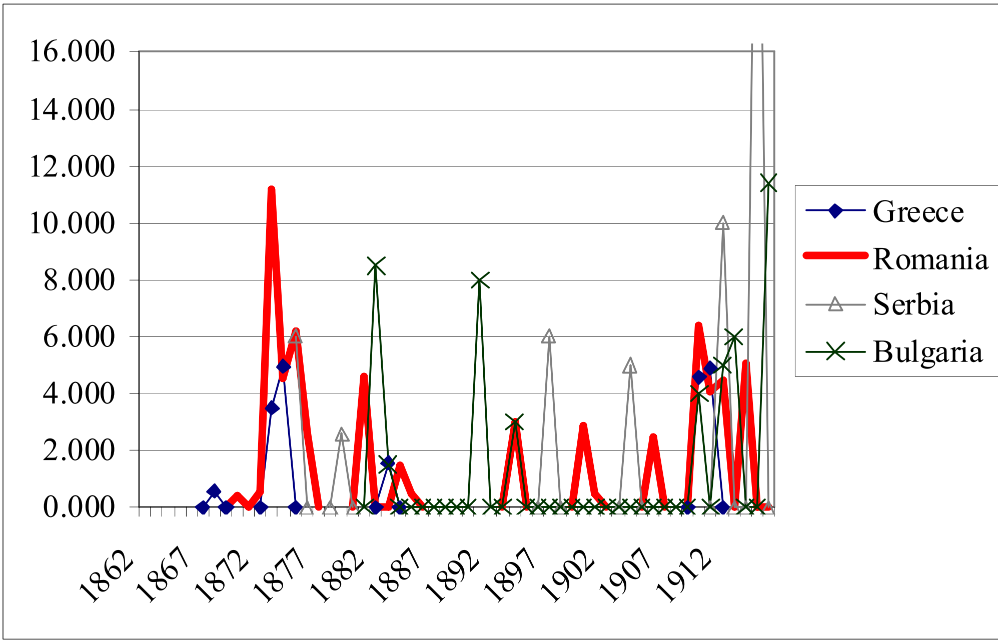
Source: Calculated by the author from mint figures reported by Leconte, Le bréviaire des monnaies de l'Union latine.

Chart 2: Annual Silver Écus Monetary Issues – Based on the LMU Standard in the Balkans (1862–1914)



Source: Calculated by the author from mint figures reported by Leconte, Le bréviaire des monnaies de l'Union latine.

Chart 3: Annual Divisionary Silver Monetary Issues Based on the LMU Standard in the Balkans (1862–1914)



Source: Calculated by the author from mint figures reported by Leconte, Le bréviaire des monnaies de l'Union latine.