

EÖTVÖS LORÁND UNIVERSITY
FACULTY OF HUMANITIES

PhD THESIS

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**The Initial Moves of the Currency Reform
of Sándor Wekerle and the Austro–Hungarian Monarchy
1889–1893
Decision-making and Realization**

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I. Introduction

After the revolutions in 1848 the financial state of the Austrian Empire was not characterised as stable. This unsteadiness was partly caused by economic reasons such as improper fiscal policy and expenses caused by the wars. Moreover, because of the amount of metal exploited in Australia gold lost its previous standing and silver became the standard precious metal. In the 1850s Austrian governments tried to change the economic situation of Austria and to improve the opportunities relating to the market, thus in 1853 the country joined Zollverein. In order to make commercial account easier the members of the customs union signed a contract so-called Viennese coin convention in 1857. According to this treaty the countries concerned regulated their currency to silver. In this way Austria used taler in commerce and from 1858 Austrian worth forint was used in public cash flow.

The Austro-Hungarian Monarchy carried on using silver-based forint as legal currency from the birth of the country. In 1867 the creators of the compromise act claimed that the currency of the Monarchy had to be regulated in accordance with gold: realization came twenty-five years later. The monetary experts of the Monarchy made efforts to install a gold-based monetary system, but carrying it into effect had to be waited for.

In the 1860s and 1870s owing to the new mines, exploiting silver rose by rapid leaps in world economy, thus silver dominated over gold on the market. Therefore gold was appreciated again, and so it started a process in the course of which several countries in the world turned to gold-based monetary system again.

In the Monarchy the procedure of currency arrangement had to be waited for until the appearance of Sándor Wekerle. Between 1887 and 1889 Wekerle as the Financial Secretary of State carried out a tax reform and along with it he put the balance of finances to rights. After these he started to prepare then to perform the currency reform. His own will was not enough to fulfil this process but instrumentality from Austria was needed. The Austrian Minister of Finance, Julian Dunajewski was a serious opponent to Wekerle, meanwhile the personnel of the Austrian Ministry of Finance favoured and supported the currency arrangement. After the replacement of the Austrian Minister of Finance in February 1891 when Emil Steinbach took over finances, Wekerle strengthened in his position and in addition he found a partner in carrying out the reform. After the continuous discussion between the Austrian and the Hungarian, the numerous replacements and some deals in the background, success attended Wekerle's efforts in 1892.

II. The aim, bibliography and sources of the research

In our doctoral dissertation we intended to present the preparations for and the initial moves of the currency reform started and controlled by the Minister of Finance and Prime Minister, Sándor Wekerle. The aim of our dissertation is to describe the history of the Monarchy while joining the international gold standard system with regard to both Austria and Hungary between 1889 and 1893. We wished to carry out our work leaning on the extant historical literature but based on our own research.

Numerous works on Sándor Wekerle have been published so far, in a complex perspective. From an academic point of view, the most outstanding and most thorough work is the biography in German written by Géza Andreas von Geyr. On the other hand, there has not been published any historical literature on Sándor Wekerle in relation to the currency reform initiated by him. We therefore shone the spotlight on the period of Wekerle's career when he initiated the currency arrangement and managed it until signing of the conversion. This subject cannot be explained without the Austrian relation since finances was one of the common matters of the Empire.

We consider two monographs on the currency reform of the Austro-Hungarian Monarchy published back at the time of dualism as the best-known works on the subject. The first one was written by Alexander Spitzmüller the former official of the Austrian Ministry of Finance, and the other one was written by a Hungarian economist, Frigyes Fellner. The majority of the works on the currency arrangement was published at the time of the Monarchy. We can find some literature that were written between the two world wars and dealt with the Austro-Hungarian Bank. These works mention the matter of gold-based currency briefly. In the socialist era in Hungary there was no work worth mentioning on the topic. In Austria, in honour of the 150-year-old central bank they started a sequence of books on the history of the institution noted down by its librarian, Siegfried Pressburger.

Following the government change, György Kövér wrote about the reform in his work on the Austro-Hungarian Bank and most recently a monograph on the krone monetary system was written by Péter Molnár.

Since the time of dualism until now several works have been published about the matter of currency, but a synthesis that treats with the case based on documents in the archives has not been published yet. We tried to cover the lack of this basic research with our work. In addition to research in domestic archives – Eötvös Loránd University Archives (ELTE Archives), Hungarian National Archives (MNL OL), Library of the Hungarian Academy of

Sciences (MTAKK) and National Széchényi Library (OSZKK) – we managed to complete our dissertation with foreign sources. Because of the nature of the subject sources in archives can be found in Austria besides Hungary. We carried out research in archives of the German capital: das Politisches Archiv des Auswärtigen Amts (PAAA), das Geheime Staatsarchiv Preußischer Kulturbesitz Berlin Dahlem (GStAPK), Bundesarchiv – Berlin-Lichterfelde (BA) és Staatsbibliothek zu Berlin. In the capital of Austria we searched in the following archives: Österreichische Staatsarchiv (ÖStA), Haus- Hof- und Staatsarchiv (ÖStA HHStA), Österreichische Nationalbibliothek, Das Bankhistorische Archiv der Oesterreichischen Nationalbank (OeNB-BHA) and Archiv der Universität Wien (UAW).

III. The outline of the Dissertation

The aim of our work was to present and describe the institution of the currency arrangement, the preparations for and the creation of the currency acts, and the ratification of treaties on currency conversion in January 1893 and all the events in detail. In the meantime we also managed to track the currency-related policy of the Austro-Hungarian Bank. Parallel to this, we examined the role and function of Sándor Wekerle and others who had been connected to the reform. As the creation of the Crown Monetary System was a milestone in the life and work of Sándor Wekerle, it is impossible to study the start of the currency arrangement without highlighting his role in it.

Chapter I of this Dissertation is the Introduction in which we explained our choice of topic and introduced our goals.

In Chapter II we described our researches in Berlin and Vienna, listed all archives we visited during the researches. We briefly noted the documents we examined in the archives and characterized Sándor Wekerle in the historiography. We examined all the works published since the Dual Monarchy, which had discussed his three periods as Prime Minister or Minister of Finance in Hungarian and foreign languages as well. Thus, we created a complex picture of Wekerle.

In Chapter III we presented the German diplomats who served as ambassadors in Vienna or as consuls in Budapest at that time. During our work we underlined the importance of German persons practicing their service in the Monarchy. They had sent secret political and even financial reports to Berlin, and with the help of these reports we managed to lend tone and colour to the Dissertation.

Chapter IV contains the early life and career of Sándor Wekerle and his career at the Ministry of Finance. We explicated his work as Financial Secretary of State. Due to the constant headline deficit the government needed more income to create financial balance. Thanks to his concept of the renewal of old levies, incomes have increased; thus, he managed to create financial balance rapidly.

Chapter V is a longer outlook on international currency policy, with special attention to the Prussian Kingdom, the Latin Monetary Union, the German Empire, the Romanian Kingdom and the international monetary conferences.

In Chapter VI we outlined the Austrian and Hungarian monetary policy between 1848 and 1892 as well as the changes in the policy of the Austro-Hungarian Bank and in monetary emission caused by the Austro-Hungarian Compromise of 1867. In accordance with the international trends shown in Chapter V, the Monarchy intended to change its archaic monetary policy – the policy which induced economical difficulties.

The monetary policy of Sándor Wekerle as Financial Secretary of State was described in Chapter VII. Based on archive documents, we adopted a new perspective on the start of currency arrangement compared to the point of view of former studies, because the Austrian Ministry of Finance had started preparations and negotiations on currency arrangement way before Wekerle.

In Chapter VIII we outlined the effect of the appointment of Sándor Wekerle as Minister of Finance on his policy. We presented the efforts of Tisza and Wekerle to win the Austrians for the currency arrangement. We also described the negotiations relevant to the currency reform.

Chapter IX explains the role of Wekerle in the monetary policy of the government of Count Gyula Szapáry. We described the changes of personnel in the Austrian Ministry as well as the secret negotiations between the central bank and the governments. We also described the mintage of the new silver- and copper coins.

In February 1891 the Austrian Minister of Finance Julian Dunajewski was replaced with Emil Steinbach with high hopes by Prime Minister Taaffe and the Emperor. The consequences of this change and how Wekerle and the central bank started to work with the new minister are explained in Chapter X.

Between 1857 and 1868 the German Empire and the Austro-Hungarian Monarchy jointly issued a coin named ‘Vereinsthaler’, minted in Austria. In Chapter XI we revealed the cooperation between the Ministry of Finance of the German Empire and that of the Austro-Hungarian Monarchy to take the coin out of circulation. The events related to the

‘Vereinsthaler’ in view of the process of the currency arrangement have been unheard of so far. The delay in engaging the commercial contract due in 1891 between the Germans and Austro-Hungarians was caused by this issue as well, which clearly shows the importance of the events related to ‘Vereinsthaler’.

In Chapter XII we described the changes of personnel in the senior management of the Austro-Hungarian Bank in 1892. These changes resulted significant turnarounds in terms of the currency arrangement. The replacement of the Secretary General in 1891 and the replacement of the governor in March 1892 affected the process of currency arrangement in a positive way. The organization, circumstances and management of the currency surveys held in March 1892 was also described in this Chapter.

Chapter XIII shows the processes which led to the birth of the Austrian and Hungarian acts on currency. We underlined the importance of the contract the governments planned to engage with the Rothschild group about the monumental conversions, which transactions took place in domestic and foreign bank institutions.

In Chapter XIV we outlined that Count Gyula Szapáry was overthrown by his own government members, and the emperor, in the midst of religious policy battles, appointed the successful Minister of Finance, Sándor Wekerle, to lead the cabinet.

The new Prime Minister, who was Minister of Finance as well in one person, was characterized in detail in Chapter XV. We marked the following events at the start of his term: the participation of the Monarchy at the international monetary conference in Brussels in November and December 1892, attended by a number of other European countries. We also described the contract with the Rothschild group about issuing debentures in the value of nearly one billion Crowns. The contracts were signed by the Hungarian and Austrian governments separately in January 1893.

Chapter XVI is a brief outlook, because the process of the currency arrangement of the Monarchy had not ended in January 1893, but lasted until 1914 (until 1918 actually) and they never succeeded to finish it.

In Chapter XVII, the final chapter of our work, we summarized our experiences, our impressions of Sándor Wekerle and his role related to the currency arrangement. We described our point of view related to the turnarounds and participants of the events.

Apart from documents from Hungarian archives, we synchronized our dissertation with documents from foreign archives as well. Based on the researches in the archives, some statements in existing literature had to be superseded. For example, based on existing literature, the institution of the currency reform was clearly connected to Sándor Wekerle.

However, documents in the archives of Vienna show that officials in the Ministry of Finance of Austria had at least as much role in the institution of the reform as the Hungarian minister. The strengths and merits of Wekerle can be traced in other aspects, such as sharing the difficulties of the reform, having Gyula Kautz appointed as governor of the Austrian-Hungarian Bank, organizing currency surveys, focusing on Hungarian interests, engaging conversional contracts.

We consider the description of the withdrawal of the Austrian minted ‘Vereinsthaler’ from circulation as a novelty as well, which process we discussed in a separate chapter. The coins played a key role in the reform, because the influx of mass quantity of raw silver into the Monarchy could have made the introduction of the gold monetary system much more difficult.

The financial condition of the state prevented the Monarchy from buying raw gold, the country managed to purchase it through debentures. Based on sources, we revealed both Austrian and Hungarian contracts engaged in January 1893 with the Rothschild group.

IV. Publications by the author on the subject of the Dissertation

A chapter in a book:

Görög-Staub Károly – Patay Géza: Wekerle Sándor. Helikon Kiadó, Budapest, 2011. pp 270–294. The biographies of the persons in the book.

Essays:

Ezüst vagy arany? Rendszerváltások a magyar pénzügyekben, az 1892. évi valutareform nemzetközi előzményei. In Első Század. Editors: Faragó Gábor – Csajányi Melinda – Hegedűs Zsuzsa. Különszám. Rendszerváltások. Válogatás az ELTE BTK Történettudományi Doktori Iskolájában született tanulmányokból. Budapest, 2010. pp 23–54.

Wekerle Sándor alakja a historiográfiában. In Visszatekintés a 19-20. századra. ELTE BTK. Új- és jelenkori magyar történeti program. Editor in chief: Erdődy Gábor. Editors: Cúthné Gyóni Eszter – Wirthné Diera Bernadett. ELTE Történelemtudományok Doktori Iskola, Új- és Jelenkori Magyar Történeti Program, Budapest, 2011. pp 33–47.

Wekerle Sándor politikai karrierjének kezdeti szakasza – az államtitkárságtól a pénzügyminiszterségig. *Gazdasági Élet és Társadalom. A Wekerle Sándor Üzleti Főiskola Tudományos Folyóirata*. Edited by Fülöp Vince. Budapest, 2011. I-II. szám. pp 249–268.

Adalékok az 1892. évi magyar valuta-enquête történetéhez. In *Mából a tegnaptól. Képek Magyarország 19. és 20. századi történetéből*. Főszerkesztő: Erdődy Gábor, Editors: Cúthné Gyóni Eszter – Wirthné Diera Bernadett, ELTE Történelemtudományok Doktori Iskola Új- és Jelenkori Magyar Történeti Program, Budapest, 2012. pp 11–28.

Die Währungsreformen des Deutschen Reichs 1871-1873 und der Österreichisch-Ungarischen Monarchie 1892-1914 im Vergleich. Donau-Institut Working Paper Serie: Gesammelte Beiträge zur Tagung Wirtschaft und Wohlstand in Mitteleuropa im Vergleich. 1867 bis zur Gegenwart, 2012. <http://www.andrassyuni.eu/donauinstitut/publikationen/donauinstitut-working-papers/donauinstitut-working-papers-serie/gesammelte-beitrges-zur-tagung>

A tiszta ezüsttallértól a sánta aranymárkáig. Porosz valutapolitika az 1850-es és 1860-as években. *Acta Academiae Agriensis Nova Series Tom XL. Sectio Historiae. Tanulmányok a 70 éves Kaló Ferenc tiszteletére*. Editor in chief: Gebei Sándor. Edited by Kiss László. Eger, 2013. pp 53–73.

Vom Silberstandard zur hinkenden Goldwährung: Währungsreformen des Deutschen Reiches und der Donaumonarchie im Vergleich. In (Hrsg.) Walsch, Christopher: *Einhundertfünfzig Jahre Rückständigkeit? Wirtschaft und Wohlstand in Mitteleuropa von 1867 bis zur Gegenwart. Mitteleuropäische Studien Band. V.* Gabriel Schäfer Verlag, Herne, 2013. pp 54–71.

Recensions:

Wolfgang Fritz: *Finanzminister Emil Steinbach – Der Sohn des Goldarbeiters*. Wien – Berlin, 2007. *Klió*. 2009. 2. szám. pp 79–82.

Aranyhullám – Guido Thiemeyer: *Internationalismus und Diplomatie. Währungspolitische Kooperation im europäischen Staatensystem 1865-1900*. München, 2009. *Aetas*. 26. évf. (2011.) 2. szám. pp 188–192.

Reviewal:

Beszámoló a külföldi kutatásokról. In MOMA – Modern Magyarország. ELTE BTK Új- és Jelenkori Magyar Történeti Tanszék Új- és Jelenkori Magyar Történeti Doktori Program. Editor in chief: Erdődy Gábor. pp 345–357.