Financial History Review 24.1 (2017), pp. 1–2.
doi:10.1017/S0968565017000105

Introduction to the special issue on the financial and monetary history of South-East Europe

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The interlinkages of financial institutions and the state in South-East Europe are at the core of the three articles which build this special issue of the *Financial History Review*. The articles were presented at the 10th conference of the South-East European Monetary History Network on 'Financial development and economic growth in South-East Europe – a historical and comparative perspective', which was jointly organized by the Oesterreichische Nationalbank and the University of Vienna in September 2015. In addition to being selected and commented on by the organizers of the conference, the articles underwent the journal's standard refereeing process.

In the first article, Matthias Morys provides a cross-country analysis of monetary reform in four countries that became autonomous within and later independent from the Ottoman Empire during the nineteenth century. The central question of the article is why the establishment of a national monetary system including national coinage and a central bank came relatively late in the process of state formation, at times not until several decades after independence. To understand the process, Morys suggests an innovative approach, i.e. a concept of successive stages of monetary reform. He identifies five stages of monetary reform followed by all four countries: first, enactment of a national budget, followed by a Coinage Act, the issue of government bonds, the foundation of a national bank of issue and – finally – convergence to the gold standard. Future research could use this concept to examine whether other emerging financial systems followed a similar path. Turning to the empirical results, Morys argues that from the viewpoint of the newly independent countries the establishment of a unified national currency was not necessary, at least not immediately, as fiscal reforms could be implemented and foreign lending obtained without the costly implementation of national coinage and establishment of a central bank. As a result, both reforms were undertaken relatively late and only when it became clear that they would help manage national debt and support the financial development of the private sector, as the banks of issue in all four countries not only served as monetary authorities but played an important role as commercial lenders and lenders to the government as well.

The second article, by Michael Pammer, compares the relative yields of Austrian and Hungarian government bonds between the 1880s and World War I. As Austria and Hungary together formed an economic and monetary union at the time, Pammer contributes thereby to the literature on the pricing of sovereign debt in monetary unions. In order to be able to interpret yield differentials a proper understanding of all characteristics of the bonds is necessary. As Pammer shows, these varied substantially: gold and paper bond were traded, nominal interest rates ranged between 4 and 6 per cent, some bonds related to 'old debt' backed by Austria and Hungary, while other bonds had been issued under the sole responsibility of one or the other part of the monarchy. Pammer starts with the observation of a relatively stable interest rate premium of Hungarian government bonds compared to Austrian government bonds and that fiscal and economic fundamentals cannot explain the difference. For some periods of time, different tax treatment may account for part of the interest rate premium. Moreover, Austrian bonds attracted not only Austrian, but also foreign, in particular German, investors and might thus have been more liquid than Hungarian bonds. Moreover, the use of bonds receipts might have impacted the price. More specifically, Austria used a relatively large share of bond receipts for productive infrastructure investment and this was rewarded by investors.

In the last article, Irfan Kokdas uses probate inventories and other records of local courts to study informal credit markets in the Ottoman Balkans. His main conclusion is that local conditions mattered and that generalizations over the whole Empire should be reconsidered. The claim is based on an evaluation of the impact of tax-farming institutions and concentration in land ownership on the social composition of lenders and borrowers in informal credit markets between *c.* 1685 and *c.* 1855 in three Ottoman cities (Salonika, Vidin and Ruse) located in what are today Greece and Bulgaria. The existing literature suggests that the introduction of different tax-farming systems (*iltizâm, malikâne, eshâm*) – a manifestation of the pre-modern characteristics of the Ottoman Empire – and the consolidation of large landed estates led to an increasing concentration of wealth in the hands of local political and military elites. In turn, the high returns generated by their investment in tax farming and land allowed elites to play a dominant role also in local informal credit markets. Kokdas' article challenges this consensus view, as he finds that in fact moneylenders with different social backgrounds – such as civilians (merchants and artisans), janissaries (rank-and-file soldiers) and on occasions religious functionaries – provided the bulk of informal credit to local communities (including elites) in the three urban areas.

Even though attention has increased recently, South-East Europe is still often left outside the focus of international economy history. Dealing with diverse subjects and periods, the articles included in this special issue show how the experiences from the region can contribute to broader debates in economic history.