REVOLUTIONARY CURRENCIES

New Money and New States in the Early European Interwar Period

Revolutionary changes in the European monetary systems during the interwar period still receive limited historiographical attention at the transnational level. The aim of the panel held at the 54th *Deutscher Historikertag* in Leipzig (19-22 September 2023) was therefore to complement the histories of national economies and counter a Western-leaning narrative on the economic history of new monetary orders by focusing on East Central and Eastern Europe as well as former German colonies.

Johannes Gleixner (Munich) opened the panel with an overview of challenges in economic historiography regarding the question of space. He criticised the fact that existing research mainly deals with this question on a regional level, treating East Central Europe and Eastern Europe as separate units instead of regarding the spatial frame of reference as a methodological issue. Sebastian Teupe (Bayreuth) then outlined the problem of money in economic historiography in relation to the matter of space, pointing out the need to think openly about this relationship. He stated that the concentration of economic historiography on nation states was problematic for the European interwar period, indicating the need for a transnational perspective.

In the first lecture of the panel on the German inflation from an Eastern European perspective, Teupe criticised the fact that this occurrence is commonly treated as a Western problem. From a monetary point of view, the German inflation was anything but unique since it exhibited many similarities with hyperinflations in Eastern European countries, thereby proving that it was in fact a European phenomenon rather than a national one. A comparative perspective, Teupe said, would show that the question of violence and fragility of national sovereignty was of central importance. Money printing as a factor of stabilising national sovereignty exposed inflation as an existential threat to the survival of the state. In addition, a transnational perspective was essential due to the relative values of currencies and their relationship to inflation expectations. Teupe illustrated his arguments using the case of Upper Silesia in the interwar period, showing that although the economic entanglement between Poland and Germany was supposed to be contained by way of currencies, the idea of borders limiting monetary flows was unrealistic. Furthermore, he emphasised that exchange rates cannot be equated to national currencies and nation states. In summary, Teupe insisted that while the Eastern perspective may not be crucial for understanding the German inflation as such, it is nevertheless important for its analysis as a European phenomenon on a transnational level.

Mischa Suter (Geneva) demonstrated that the monetary turmoil during the interwar period was not limited to Europe by examining currency transitions in Tanzania. He expressed reservations concerning the theory of currency revolutions in the 19th century, arguing in favour of replacing it with a focus on transitions between currencies. In African history, 'revolution' often meant a transition from one colonial power to another, and currencies functioned as laboratories of monetary regimes. Suter exemplified this theory using the afterlife of the German rupee, which was introduced as a copy of the Indian original. Although it did not feature a gold standard like the Indian rupee, the two circulated in parallel. The German rupee was nationalised at the beginning of the 20th century, which included the establishment of a local central bank. According to Suter, this shows that monetary policy was an instrument for cementing racial hierarchies, and that state power was used for private capitalist gains. Taxes and labour conscriptions acted as levers of the colonial cash economy, as they served to obtain the colonial currency for taxes. The need to pay soldiers during the war led to a significant reduction in the radius of the German rupee's use. To compensate for the resulting cash supply problems, the currency's issue was expanded with improvised banknotes, resulting in its collapse after the war. However, its transition into the East African shilling under British mandate through a succession of currency transitions was remarkably slow, and due to the deflation of the sterling, the exchange rate of the new colonial currency was overvalued. Suter concluded that the monetary turmoil in interwar Europe should be placed in perspective by recognising the currency turbulences in East Africa, which represent an indication of larger historical entanglements.

In the following, Max Trecker (Leipzig) took a closer look at the monetary crisis and stabilisation in Hungary. He emphasised that Hungary was an agricultural country relying on an influx of foreign capital despite rapid economic growth before the First World War. Government measures like price controls could not prevent price increases and declining production, leading to inflation. After Mihály Károlyi became prime minister, this inflation eventually decreased due to state measures, the anticipation of resuming imports, and financial consolidation. By late 1920, however, prices were rising again while the standard of living deteriorated. Under the government of Pál Teleki, the old korona was replaced by a new one to stabilise the currency. But this stabilisation attempt failed owing to the extensive government sector. An attempt at stabilisation through austerity measures was likewise unsuccessful due to declining political confidence and support, causing inflation to accelerate once again. According to Trecker, the main reasons for the failure of these first two attempts were the economic consequences of peacetime, the catastrophic situation of the country's agriculture, delayed normalisation of foreign trade relations, and limited support from political power brokers. After the onset of hyperinflation, the new prime minister Bethlen asked the League of Nations for international loans, which marked a political turning point. Subsequent austerity measures received the necessary political support, resulting in stabilisation of the financial sector and the state finances. Inflation abated and eventually turned into slight deflation, and the end of the economic and financial transition period was ultimately marked by the introduction of the pengő as the new currency. Trecker summarized that the primary reasons for this success were political support and financial help from the outside.

Thea Don-Siemion (Cambridge) subsequently offered insights into the Polish hyperinflation and the difficulties of peace-making in Central Europe during the interwar period. She pointed out that hyperinflation was a link in the broader political and economic context of Eastern Europe, especially regarding the connection between its dynamics and armed conflicts such as border wars. Don-Siemion's approach to these events used structural break analysis to identify critical breaking points in economic history and make them transparent. The key findings of her research demonstrate the role of conflict in fuelling inflation, which led to the linking of the hyperinflations in Poland and Germany. The Polish hyperinflation was initially fuelled by the Silesian Uprisings. The securing of this industrial region for Poland in the third uprising led to a brief period of stabilisation before the Treaty of Rapallo functioned as a new inflationary stimulant. An initial attempt at stabilisation under Finance Minister Jerzy Michalski was thwarted by Marshal Józef Piłsudski, who abused his power as interim head of state. The need to reduce military expenses as a measure against the inflation ultimately led to Piłsudski forcing the Polish government to resign, setting a precedent for further governments to not cut military spending. In conclusion, the Polish hyperinflation can be characterised not only as an economic but also as a geopolitical problem due to the constraints of the state's capacity and the ability to promote political interests with the means of military action. Her research findings led Don-Siemion to draw parallels to the current war in Ukraine, stating that interwar Poland can be seen as an antecedent of Ukraine in terms of the trilemma of fiscal sovereignty, economic stability, and national independence.

Finally, Johannes Gleixner showed that the failure of deflationary politics in Czechoslovakia was actually a success. He emphasised that while Czechoslovakia serves as a model for the study of successful economic history because it is considered a typical East Central European economy, it is simultaneously unusual in that it stands out in the wider European context. Its monetary policy in the interwar period was an experiment that worked, albeit in a different way than expected. Large amounts of inflated Austrian crown banknotes were circulating in Czechoslovakia after the First World War, prompting the new state to break free from the Habsburg currency at a very early moment and to take drastic measures to reduce the amount of money in circulation. The introduction of the Czechoslovak crown by Finance Minister Alois Rašín was accompanied by strict deflationary policy but implemented flexibly in reality. As the coverage of the growing amount of money in circulation decreased, the introduction of the new currency led to an immediate but short-lived deflationary effect. A „second“ or actual deflation then set in after the Czechoslovak crown was disentangled from the closely linked German mark in anticipation of German hyperinflation. At the core of the subsequent success of Czechoslovakia's monetary politics, however, were foreign-denominated bonds that enabled the stabilisation of the new currency. In his concluding remarks, Gleixner claimed that it was not the Rašín experiment as such but rather these subsequent decisions that decided over and retroactively shaped the success of earlier policy. Economic policy in Central and Eastern Europe should therefore be seen as dependent in the long term on political decisions taken at the regional level.

The subsequent discussion highlighted that the factors behind German inflation need to be considered as broader phenomena such as the creation of states, the cost of stabilisation leading to the acceptance of inflation (which in turn leads to further destabilisation), and national sovereignty. The costs of stabilisation and national sovereignty can be directly linked, like in the case of Hungary. Furthermore, the panel participants emphasised that the question of sovereignty must be answered empirically, as the colonial context shows. Doubts were expressed as to whether it was possible to speak of a tipping point at which inflation – which stimulated investment and had a positive effect on the economy – turned into destructive hyperinflation, since some of the initially positive effects of inflation continued in hyperinflation, and political factors also played a role.

Overall, the panel made an important contribution to understanding the changes in monetary systems and the emergence of new currencies during the interwar period. It succeeded in pointing out the importance of economic entanglements within Europe and beyond in the context of the revolutionary situation of the early 1920s. It thus demonstrated the great potential offered by a transnational perspective in economic historiography.

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