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# TRANSILVANICA

## Early Banknotes of the Habsburg Empire and Their Influence on Money Circulation in Transylvania

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A Bancozettel from 1762, the first paper money issued in Austria, emitted by Wiener Stadt-Banco.

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### Introduction

BASED ON the study of some seemingly disparate subjects, such as the development of money signs, the history of banks, the history of commercial exchanges and the history of culture and civilization, the idea of a synthetic approach emerged. Thus, linking all these aspects, we defined the research area as being money circulation in Transylvania, with an emphasis on the appearance and use of paper money between 1762 and 1848 under the influence of monetary developments and regulations in the Habsburg Empire.

The research of the monetary instrument during its transition from commodity money to currency as a symbol of value has been undertaken in terms of the monetary theory. This required the definition of certain aspects of a general character regarding the monetary standard, the monetary system, and

the means and conditions of issuing currency as the legal tender in the whole Empire. We also used this approach from a historical point of view, its originality consisting of its interdisciplinarity, which also gives it a unique character.

We defined this theoretical itinerary of banknotes by means of the following monetary milestones: 15 January 1762—Imperial Patent issued by Empress Maria Theresa, whereby the first banknotes were put into circulation; 18 February 1811—Imperial Patent which led to the devaluation of banknotes and their exchange; 1 June 1816—Main Patent and Banking Patent issued by Emperor Francis I, which lay at the foundation of the Privileged Austrian National Bank (Privilegierte Österreichische Nationalbank).

The article begins with the presentation of the issue of the first banknotes in the Habsburg Empire, the presence of paper money in the money circulation in Transylvania, the depreciation of the first issues, the establishment of the Privileged Austrian National Bank and its impact on banknote issue and circulation. It continues with a description of money circulation in Transylvania until the Revolution of 1848–9, with a focus on the changes in the circulation and use of the new monetary instruments, i.e. the notes of the bank of issue following the extension of prerogatives granted to it. In the last part of the article we synthesized a series of conclusions regarding the topic of each section.

The studied bibliographic material is extremely broad, including documents, archives and other sources, yearbooks, statistics, periodicals and indexes, monetary legislation, general works and specialized works, which is why this research required an extended period of time.

## The Issue of the First Banknotes of the Habsburg Empire

**T**HE PRINTING of banknotes is a common solution for the elimination of state budget deficits, the provision of an increased amount of money in circulation, necessary for the development of various industries (textiles, food, mining, metallurgy), the payment in money of workers (artisans, journeymen, apprentices and the preindustrial urban proletariat, i.e. former farmers who migrated to the city), the provision of money to cover exceptional needs, caused by the numerous internal conflicts and wars specific to the period of the establishment of absolutist monarchies.

In 1762, Austria was in the final phase of the Seven Years' War against Prussia, and therefore almost on the verge of economic and financial collapse. In 1759, under the influence of the progressive financial policies promoted in Western European countries, Count Ludwig von Zinzendorf proposed a series of mod-

ern measures, meant to financially support the state, and among the first was the issue of banknotes. We can see these measures as the initial acceptance, in money circulation, of exchange and payment instruments other than gold and silver coins. This proposal was eventually accepted, and thus the Wiener-Stadt-Banco, founded in 1705,<sup>1</sup> the successor of Banc del Giro, founded in 1703,<sup>2</sup> printed the first Austrian banknote, dated 1 July 1762,<sup>3</sup> after the Monetary Convention signed between Austria and Bavaria on 21 September 1753, marking for the monetary economy of the Habsburg Empire the transition from commodity money to money as signs of value.

It was issued on behalf of the state, based on the Patent of Empress Maria Theresa (1740–1780), of 15 January 1762,<sup>4</sup> basically a note<sup>5</sup> without any cover and without the requirement of convertibility, circulating obligatorily under the Patent that required it; it is a paper note to the bearer without payment deadlines, issued with monetary functions, constituted as a means of payment at the disposal of the state, circulating as long as the power and authority of the state so require. What makes it essentially different from the actual paper money is that in the latter case a series of principles of issue guarantee must be respected.<sup>6</sup>

These banknotes, issued in denominations of 5, 10, 25, 50 and 100 florins, are known under the name of *Bancozettel* and the bank of issue, entrusted by the state with their issue and circulation, gradually gained the investors' confidence, as long as it managed to retain its independence from the government.

In the following period, these banknotes suffered repeated depreciations, losing their purchasing power as a result of a complex of circumstances arising from a poor general economic and monetary situation, following the numerous armed conflicts (the Seven Years' War—Austria once more tried to get back Silesia, the Franco-Austrian wars) for whose funding an appeal was launched to issue banknotes.

Banknotes were originally issued to a total of 12,000,000 florins and supplemented in 1771 with another issue of 12,000,000 florins.<sup>7</sup> Thus, their number exceeded the needs of the circulation, at this time reaching Transylvania,<sup>8</sup> which had been a Great Principality since 1765, governed from Vienna, like the other provinces.

These first monetary issues continued to depreciate amid increasing inflation. For example, in 1799, *Bancozettel* with the face value of 100 florins was exchanged at the pay offices of the state for only 92 florins in silver coin. During the Napoleonic Wars, the government took control of the issue of paper money, the supply of banknotes in circulation increasing from 44 million florins (gulden) in banknotes in 1796 to 942 million florins in banknotes, the depreciation being over 15% in 1810.<sup>9</sup>

By 1811, “as long as the wars with Napoleon lasted, 1,060 million florins were issued in so-called notes. . . . Actually bankruptcy followed naturally, because the value decreased, so 100 silver florins cost 960 paper florins,”<sup>10</sup> which also meant that 100 paper florins amounted to 10.42 silver florins.

Despite government assurances regarding the future control of the issue of banknotes, they continued to depreciate rapidly due to excessive issues, which determined the population to label them “Vienna currency” (*Wiener Währung*).

The concept of convertibility that appeared with the issue and use of paper money lost, at this stage, its meaning of exchange of banknotes for an equivalent amount of silver or a corresponding number of silver florins (in the case of the Austrian monetary system, based on metallic silver standard). This happened because it circulated at a forced rate, breaking with the very manner of its appearance as a sign of value, namely, that handwritten promise of the bank to store and repay on demand the precious metal coins whose value later became the face value of banknotes.

Simultaneously with the banknote issuance, there was an increase in the amount of small bronze coins of low value, further exacerbating the difficulties already present in money circulation.

Notable in this regard is the annex in Romanian to the Ordinance of the Gubernium of Transylvania (administrative body composed of 12 members, with the role of helping the governor of Transylvania to administer the province) of 16 April 1807, announcing the issue of bronze coins of 30 and 15 farthings with a power of circulation only in the hereditary provinces of the empire: “Circular about bronze money of 30 and 15 farthings which will be ordained to go around.”<sup>11</sup>

These banknotes, subject to a constant process of depreciation, entered into the money circulation in Transylvania which, although benefiting from some autonomy as a Grand Duchy, was subject to monetary decisions made at the imperial court. This is confirmed by George Barițiu’s account about the diet session of 9 July 1810, convened in Cluj, which received the imperial order of devaluation of the Austrian imperial currency, stirring strong opposition among the privileged: “During that diet, the financial catastrophe occurred, very memorable throughout the entire monarchy, therefore also in Transylvania. Meanwhile the diet was ready to submit some naive imposition to the imperial court, because following the incessant warfare, the value of paper money had decreased greatly.”<sup>12</sup> “In 1797, in Sibiu, a bucket of wheat cost 2 florins 11 kreuzers, in 1801 it cost 3 florins 12 kreuzers, and in 1806, 12 florins 12 kreuzers”<sup>13</sup> (the necessary food supply for the armies caused a sharp increase in grain prices), which means a price increase in 1801 of 47.87% as compared to 1797 and a depreciation of 32.37%, at the same time a price increase in 1806 of 474.4% as compared to 1797 and a

depreciation of 82.59%, and in 1806, as compared to 1801, prices increased by 288.46% and the depreciation was of 74.26%.

In these circumstances, the state proceeded, by a Patent dated 18 February 1811,<sup>14</sup> to an explicit devaluation of the currency, which was aimed at the legal reduction of the par value of its currency: “a big sealed envelope was sent from Vienna to all municipal prefectures, carrying a strict order that, under the harshest of punishments, none was to open it until 15 March 1811, when the members of each municipality were to be summoned to the prefect and, in their presence, open the envelope at the same time throughout the monarchy. The envelope contained the royal patent according to which money was devalued to 20%, that is the state paid 2 fl. [florin] for 10 fl., for 100 fl., only 20 fl., for 1000 fl., 200 fl.”<sup>15</sup>

Thus, the holder of a banknote of 100 florins received in exchange a banknote with the face value of 20 florins called *Einlösungsschein*, and a banknote of 100 florins amounted, respectively, to a devalued banknote of 500 florins. This was in keeping with the Ordinance of the Gubernium of Lower Austria in six points, based on the Decree of Francis I of 22 June 1811, which established the period from 15 July to 31 October for the exchange of banknotes of 500 florins for the ones of 100 florins.<sup>16</sup>

Of the 1060 million florin banknotes in circulation throughout the monarchy until that date, in Transylvania were exchanged only 20 million florins, although Transylvania represented around a tenth of the Habsburg Empire.<sup>17</sup>

## Currency Devaluation: Its Effect on the Circulation of Banknotes

**T**HE DEVALUATION was officially announced by the Patent dated 18 February 1811. It was an explicit devaluation, a measure taken by the state aimed at the legal reduction of the par value of the currency, carried out through the approval of the loss of purchasing power of the currency as a result of inflation (we use the term *inflation* although it came into the language of businessmen, of bankers in particular, only at the end of 19<sup>th</sup> century, being linked to disturbances in money circulation in this period, when the monetary systems were based on the simultaneous circulation of precious metal coins and signs of value, respectively of banknotes, which could always be converted into gold or silver, according to the standard they contain). The effect of its application was a sharp decline in prices, in relation with the devalued currency. Instead of “Vienna currency,” as it had been called until then, the currency called “Convention” was introduced, whose unit was worth 2 ½ times the old one.<sup>18</sup>

Thus:

1 Convention florin = 2 ½ florins Vienna currency;

100 florins Convention currency = 250 florins Vienna currency.

The name of “Convention currency” refers to the silver thaler and florin, placed into circulation pursuant to the agreement concluded between Austria and Bavaria in 1753 (under this, from 233.87 g of silver, metal pieces worth 20 florins were minted, “mostly thalers, that amounted to 20 florins and 12 farthings”).<sup>19</sup>

Vienna currency was represented by the imperial florin, weighing 12.34 g of 0.900 fine silver, subdivided into 50 farthings.<sup>20</sup>

Successive devaluations occurred, affecting banknotes of lower denominations, followed by their replacement in circulation with banknotes corresponding to the Convention currency system.

On 12 November 1811, the Ordinance of the Gubernium of Lower Austria in four points was issued, based on the Decree of Francis I from November 1811, which set the exchange period of banknotes of 10 zlotys between 24 November and 30 April 1812: “Circular given by the King of Lower Austria. The banknotes of 10 zlotys are exchanged for appropriate banknotes according to the new system” (Convention currency system).<sup>21</sup>

On 10 December 1811 the Circular of the Gubernium of Lower Austria in four points was issued in Vienna, based on the Decree of 6 December 1811 issued by Francis I, which set the exchange period for banknotes of 5 zlotys between 20 December 1811 and 31 May 1812: “Circular given by the King of Lower Austria. The banknotes of 5 zlotys are exchanged for appropriate banknotes according to the new system” (Convention currency system).<sup>22</sup>

*Anticipationsschein*, banknotes worth 20 florins face value, equivalent to *Einlösungsschein*, were issued and entered into circulation during the Napoleonic Wars, worth 45 million florins. The increase in the number of both banknotes in circulation made their value reach the amount of 528 million florins in 1816, which is 316 million more than in 1811, the year of the currency devaluation.<sup>23</sup>

The increased volume of banknotes in circulation should also be seen as a result of monetary forgeries which invaded the circulation channels. The banknotes issued in 1762 by the Wiener-Stadt-Banco were easily counterfeited by the French, despite having a number of security features made possible by the printing techniques of that time (use of a bicolor pattern, the series of the banknotes and the handwritten signature of the bank managers, the text layout, different font styles, different letter sizes etc.). This happened in 1806 during the occupation of Vienna, when Napoleon, ignoring the death penalty warning they carried, ordered his troops under General Clark to copy the metal plates used for the printing of banknotes and to confiscate the originals, subsequently printing such counterfeit banknotes in Paris and Italy.<sup>24</sup>

## The Establishment of the Privileged Austrian National Bank

**W**HEN THE political balance in Europe was restored, at the end of the Napoleonic Wars, the Habsburg Monarchy was faced with serious economic challenges. Ethnic and religious disputes combined with the economic deficiencies caused by the wars and the army upkeep, and by the political and economic interests of the nobility and aristocracy. Under these circumstances, the government had to regain the confidence of the business community, primarily by trying to solve the continuing currency depreciation which had generated high inflation.

The option of setting up a national bank as a sole bank of issue seemed to be the best, given that it had the possibility to control loans and money circulation by issuing paper currency as the medium of exchange and payment, just like the precious metal coins, and by means of the discount policy (handling the discount rate). The establishment of the bank of issue is also closely linked to the increasing role of banknotes in money circulation, amid increasing demands for money as a result of the new climate of economic development, specific to the Industrial Revolution.

Under these circumstances, the current production of precious metal could no longer satisfy the demand for coins, and the authorities resorted, in compensation, to the autonomization and development of banknote issuance, whose role became particularly important in the economic activity, in developing and conducting commercial transactions.

Thus, on 1 June 1816, Emperor Francis I issued two Imperial Patents, which became known in history as the Main Patent and the Banking Patent, on the basis of which the Privileged Austrian National Bank (Privilegierte Österreichische National Bank) was founded, as a state bank with the following mandate: to issue banknotes redeemable on demand in coin raffles, and to discount the bills of exchange and mortgage loans.<sup>25</sup> “After our patent of June 1 through which we ordained the making of a Bank Institute under the name of the Privileged Austrian National Bank.”<sup>26</sup> Count Johann Philipp Graf von Stadion, finance minister at that time, was the one who drew up and finalized a draft of its establishment.

Only with the establishment of the Central Bank granted by the emperor with the exclusive privilege of issuing paper money which could at any time be converted into silver (1. Privilegium) did the stabilization of the monetary system of the Habsburg Monarchy occur—it was a transition from the Vienna currency system to the Convention currency system—while restoring the confidence of traders and the population in these signs of value, the banknotes.

The union between the state and the bank was formed on the basis of the privilege of issuance which the State conferred to the bank of issue. The royal

right to mint coins remained an attribute of state sovereignty, and the state granted the Central Bank this right only for the issue of banknotes and over a limited period of time. By virtue of this privilege, from a patrimonial point of view, the Central Bank became the monetary metal stock holder necessary for convertibility.

Under these circumstances, the bank of issue could trace and achieve its objective of maintaining or increasing the value of banknotes. This institution was to remain totally independent of governmental financial objectives. The silver reserve of the bank (as stock required for convertibility) was to guarantee the coverage of banknotes in circulation for situations that required their conversion to silver coins.

Consequently, in order to exploit this project, they withdrew the old banknotes from circulation. Supplying the monetary circulation with banknotes and also covering the budget deficit were to be done by contracting a loan secured by state bonds from the bank of issue, which was to issue banknotes on account of the loan. The bonds were issued by the state with an annual interest of 2.5%, payable in silver money, for the redemption of which the state was to annually submit the amount of 500,000 silver florins.<sup>27</sup> In exchange for this loan, the state ensured and guaranteed to the Central Bank the exclusive right to issue banknotes.

Regarding the banknotes that would circulate, in paragraph 16 (8) of the second part of the statutes it is stated that the National Bank has the right, under the privilege granted—which in a first phase was to last until 1842,<sup>28</sup> but was later extended—to issue on the entire territory of the monarchy, implicitly in Transylvania, and to withdraw from circulation these notes with the role of means of exchange and payment; reference is made to the obligation of their receipt on payment, an obligation which does not include private individuals, but their exchange on request with their equivalent in silver coins is mandatory for all state exchange houses (paragraph 16 and 17):

*16. The National Bank holds this right as long as its Privilege remains valid throughout the whole of the Austrian Monarchy, to produce and issue banknotes that will circulate as a means of payment, which is favored by laws and cannot be exchanged for private things. All State exchange houses must receive these as they are worth silver money and are denominated according to their value.*

*17. Banknotes are assignants—paper money— guaranteed by the Bank of issue and by all its houses to be paid to their holder the equivalent in silver money, according to the established exchange rate.*



## The Consequences of the Establishment of the Privileged Austrian National Bank on the Issuance and Circulation of Paper Money

**W**ITHIN THE countries joined together under the Habsburg monarchy, where most localities were rural, some regions were gradually transformed into prosperous commercial centers, which made it necessary to develop a viable system of trade flows. Transactions in money played a vital role in this process of establishing internal markets.

In this context, the Privileged Austrian National Bank founded a network of branches that provided and ensured the supply of cash and credits. Initiated in Vienna, this network included small development areas of industry and trade in Central and Eastern Europe, as well as areas in the northern Mediterranean.

In what Transylvania is concerned, the first branches of the National Bank of Austria were established only in the years of absolutism, namely, in 1854 in Braşov and in 1855 in Timișoara, branches that dominated and influenced the credit market in Transylvania, greatly contributing to the development of capitalist production relations, although the beneficiaries of the credits provided by them were mainly the enterprises which, by their products, could not compete with Austrian goods on the markets of the Romanian Principalities and the Balkan Peninsula.<sup>29</sup>

The effect of the Patents of 1 June 1816 and 15 July 1817 was a depreciation of banknotes, in a first phase up to 40%, which meant that in exchange for a banknote bearing the face value of 250 florins (*Einlösungsschein* and the equivalent during the Napoleonic Wars—*Anticipationsschein*) one received a banknote bearing the face value of 100 florins (Convention currency), and later the depreciation was even higher, respectively decreasing by 92%, i.e. a banknote of 100 florins was exchanged for a banknote bearing the face value of 8 florins.<sup>30</sup>

Banknotes in circulation were covered by the silver reserves and coins stock of the bank, the proportion of the coverage decreasing however from 74.6% in 1818 to 10.3% in 1831. The increase in the number of banknotes in circulation, in contrast with the policy of the bank, would soon seriously affect the flow of monetary transactions.

## The Main Banknotes and Coins in Circulation in Transylvania between 1818 and 1848

**I**N THE first half of the nineteenth century, in Transylvania were in circulation coins characteristic to the Convention currency system of the Habsburg Monarchy, adopted following the establishment of the National Bank of Austria, in 1818. There were the main ones, made of silver, the trade ones, made of gold, and fractional coins and banknotes, some of which, in a small amount, belonged to the old Vienna currency, while others were issued by the bank of issue. Beside these, there were also gold coins, and silver and brass coins of various origins, primarily from the Romanian Principalities, as well as banknotes. As to paper money, the banknotes that were in circulation, although to an insignificant extent, were banknotes issued after the devaluation caused by the Patent of 18 February 1811, namely *Einlösungsschein* in denominations of 1, 2, 5, 10, 20 or 100 florins.<sup>31</sup>

Following the establishment of the Privileged Austrian National Bank, the banknotes issued by it, under the privilege granted by the emperor, circulated both among the authorities and private individuals, being the equivalent of the Convention florins, in the Convention currency system. According to the statutes and rules of operation of the bank of issue, adopted through the Patent of 15 July 1817, these banknotes continued to be issued in denominations of 5, 10, 50, 100 and 1,000 florins.

Evidence of banknote circulation in Transylvania during this period is given by the following documents:

*In 1829, when the priests' standard of living became a burning issue not only on account of the stolae insufficiency in 1777, but also because of the devaluation of currency, Bishop Nestor Ioanovici requests (25 April 1829) from the Stewardship Council the approval that in his eparchy the stolae taxes be collected from the eparchy members, according to the stolae of 1777 but in Convention currency, or according to the rate of 250 fl. in banknotes or in Vienna currency . . . During its meeting on 3 December 1831, the Consistory obtains the royal approval, making it known to the clergy, meaning that "henceforth each priest should be free to ask stolae for priestly services and receive them in silver coin, or the equivalent of 250 fl. in the bank, but not over the taxed table from 1777"—in effect only from 1832.<sup>32</sup>*

*I foreordain that from the income of these two aforementioned estates (Sâmbăta de Sus and Poiana Mărului), each year half should be given, through the church and school curators, for the church service and as alms for the remembrance of the souls. Remembrance services shall be organized with distribution of candles and*

the usual pomp, and to the priests a *sarindar* shall be given every year, and to the church Archimandrite 100 fl. v. c. (Vienna currency), paper money. Also, the ones in Șchei are to be given 100 fl. v. c. paper money, and the small church in Șchei and the non-Uniate church of old Brașov (the Orthodox Church, not united with Catholic Rome) are to get 50 fl. v. c. paper money, for the deceased to be remembered in their prayers every Saturday of the year and for them to pray for the salvation of our souls.<sup>33</sup>

As regards the priestly taxes to the Archpriests we have more information. After the declared rescript of the eighteenth century, each priest was obliged to give to his Archpriest 100 *OCA* (about 100 kilos) of pure wheat, or 2 florins. The Bishop of Vrșac intervenes so that this contribution would be paid according to the priest's choice, either in kind, or in two fl. Convention coin (silver) or in Vienna currency according to the rate of 250 fl. in notes. The Hungarian Court Chancellery (25 July 1833), in agreement with the Stewardship Council, proposes that this request be exempt and that the resolution extend to the other non-Uniate eparchies. The king consents in his rescript of 10 January 1834.<sup>34</sup>

Therefore, during its meeting of 13–25 April 1834, when unionist disturbances had already begun in the eparchy, a circular order is given that the *stolae*—the ones of archpriests for receipts of marriage and the priestly ones for functions—no longer be taken from people in silver, but in currency, i.e. in paper money.<sup>35</sup>

So, in June 1834, the Orthodox bishop was in the pleasant situation to report to his dominion about the offer of Rășinari commune in the service of culture. They granted 2000 fl. c.c. [Convention currency] for the upkeep of their schools and for an even better educational guidance of their youth; and the bishop demanded that this capital be invested in a publicly administered foundation. This leading and open-minded Romanian commune offered yearly, from its "Allodial house," the amount of 100 fl. Vienna currency (in paper), to outfit the assessors of the Orthodox Consistory from Sibiu.<sup>36</sup>

Around the same time, when the bishop took the lead of the eparchy (3 February 1835) . . . This village, small in numbers, confessed as to how it had been conned into accepting the union in exchange for favors such as doing only 12 days of work on the land for the nobleman; giving only the tenth part of the crops sowed in autumn and nothing from the spring ones; of the lambs, goats and bees again the tenth part; the estate or land allowed to serfs by the present nobleman, who had curtailed it somewhat, was to be granted as when they were state serfs; that, under the title of tithe for calves, they will no longer pay 15 fl.; but only 3 fl; for distilling brandy, they will pay an annual tax of only 2 fl. paper currency.<sup>37</sup>

## The Quantitative Decrease of Banknotes in Money Circulation As a Result of Repeated Depreciations

**D**UE TO numerous depreciations of the paper money, the number of banknotes in circulation decreased in favor of coins. Some examples regarding the situation of coin issues are relevant in this respect:

TABLE 1. THE ISSUANCE OF COINS DURING 1816–1848

Coin	Metal	Issue period 1816–1848	Total coins	Value in kreuzer
¼ kreuzer	copper	1848	6,652,000	1,663,000
½ kreuzer	copper	1848	6,652,000	3,326,000
1 kreuzer	copper	1848	5,451,600	5,451,600
2 kreuzer	copper	1848	7,755,000	15,510,000
3 kreuzer	silver	1848	17,214,000	51,642,000
6 kreuzer	silver	1848	206,684,000	1,240,104,000
10 kreuzer	silver	1848	18,771,000	187,710,000
20 kreuzer	silver	1848	95,256,000	1,905,120,000
Total kreuzer				6,434,730,000
½ thaler	silver	1848	83,842,000	
1 thaler	silver	1848	3,890,000	

SOURCE: Author's calculation using Krause L. Chester, Clifford Mishler and Bruce R. Colin, *Standard Catalog of World Coins* (Wisconsin: Krause Publications, 1991), 130–139.

According to the same source, in 1848, 1 florin = 60 kreuzers, and 2 florins = 1 Convention thaler, which means that the total amount in Convention thalers, in coins, put into circulation between 1816 and 1848, was of:

$$6,434,730,000 \text{ kreuzers} \div 60 = 107,245,500 \text{ florins}$$

$$107,245,500 \text{ florins} \div 2 = 53,622,750 \text{ thalers}$$

adding to this amount:

$$53,622,750 + 83,842,000 \div 2 + 3,890,000 = 99,433,750 \text{ Convention thalers in coins.}$$

Knowing that in 1848 the total amount of money in circulation throughout the monarchy was 360 million thalers,<sup>38</sup> deducting from this the value in Convention currency of coins minted between 1816 and 1848, we obtain the value in thalers (Convention currency) of the banknotes in circulation at that time:

$$360,000,000 - 99,433,750 = 260,566,250 \text{ value of the banknotes in circulation denominated in Convention thalers.}$$

Considering the fact that out of 360 million thalers, 10,000,000 thalers represents the total amount of money that circulated at that time in Transylvania,<sup>39</sup> i.e. 2.8%, it means that the value of banknotes circulating at that time in Transylvania was

$$260,566,250 \times 2.8\% = 7,295,855 \text{ Convention thalers.}$$

## Conclusions

IT SHOULD be noted that, in the eighteenth century, the Habsburg Empire acted to establish a single monetary system, suspending the right of territories to produce their own currency. Under such conditions, Transylvania, which had been under the rule of the House of Habsburg since 1691, adopts the norms of the Austrian monetary system. Under these circumstances, in Transylvania, the currencies of the empire are the only ones accepted as means of exchange and means of payment. The Austrian silver florin, also called gulden, remained the only standard coin in this monetary system, and after the adoption of gold monometallism it remained in circulation as the main coin, alongside the gold crown.

The main channel of penetration of paper money in Transylvania was trade, or rather its reorganization and development, as part of the Austrian economic expansion plan towards the east, influenced by the following factors, listed roughly in the order of their importance during the eighteenth century: an economic policy of the mercantilist type, promoted by Austria; the reorganization of trade in Transylvania according to mercantile principles; the development of manufacturing; the emergence and development of industrial branches; production growth; the increase in the number of cities; urban population growth, demographic change; the granting of commercial privileges; the increase in the number of foreign merchants; the economic and monetary crisis; the abolition in 1784 of the customs borders between Transylvania, Hungary and the Timiș Banat, under the reign of Joseph II.

It can be stated that the establishment of the Privileged Austrian National Bank in 1816 marks the boundary between the issuance process and the circulation of paper money, the bank being the authorized banknote issuer (under the privilege granted and subsequently renewed) according to the monetary principles of the nineteenth century.

Thus, the period preceding this monetary landmark has the year 1762 as a starting point, the year of issue of the first Austrian banknotes (*Bancozettel*), in response to the economic, financial, political and military challenges of the time,

without any coverage and without the requirement of convertibility, circulating mandatorily under the patent that required it. The increasing need for money leads to the repeated issuance of uncovered banknotes, supersaturating the channels of money circulation, eventually causing successive depreciations of the paper money. For Transylvania, an important moment is the currency devaluation of 1811, with all the subsequent consequences. This is the period of the Vienna currency system.

The period immediately following the establishment of the bank of issue is marked by the adoption of the Convention currency system, the issue of paper money also involving a rediscounting of the bills of exchange.

We can conclude that in this period of almost a century monetary developments are the product of decisions made by the various aforementioned political factors, while the inhabitants of Transylvania, regardless of ethnicity, social or cultural status, could not participate in decisions on any aspect concerning money circulation.



## Notes

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## **Abstract**

### **Early Banknotes of the Habsburg Empire and Their Influence on Money Circulation in Transylvania**

This paper presents a number of issues regarding money circulation in Transylvania, starting with the second half of the eighteenth century, under the influence of monetary regulations introduced in the Habsburg Empire in order to establish a single monetary system throughout its territory. The study focuses on the appearance and circulation of paper money in the transition from commodity money to currency as a symbol of value. The monetary itinerary begins with the appearance and circulation of the first banknotes (*Bancozettel*), followed by their repeated depreciations, the establishment of the Privileged Austrian National Bank and by the repeated renewal of its prerogative of issuing banknotes, by the transition from the Vienna currency system to the Convention currency system, by the ongoing efforts to ensure their convertibility under the pressure of a continuously increasing money demand. These monetary aspects are determined by historical, political, economic and social evolutions, reflected in a monetary item representative for the stability and authority of the Habsburg Empire, able to capture the spirit of the time and to withstand its passage, remaining an emblem, a glimpse into life and history.

## **Keywords**

banknotes, monetary system, money circulation, bank of issue, monetary regulations, currency convertibility