

Editorial

On 27 March 2009, in the year of its 125th anniversary, the National Bank of Serbia had the honour to host the Fourth Annual Conference of the South-Eastern European Monetary History Network (SEEMHN). The previous three annual conferences were held in Sofia (BNB) in 2006, Vienna (OeNB) in 2007 and Athens (BoG) in 2008. The Belgrade conference gathered more than 30 economists, representatives of central banks and economic historians from 11 countries: Austria, Bulgaria, England, France, Germany, Greece, Romania, Russia, Serbia, Slovenia and Turkey. The National Bank of Serbia is a SEEMHN member since the network's foundation and its representatives took part in all previous SEEMHN conferences.

The South-Eastern European Monetary History Network (SEEMHN) was established in April 2006 at the initiative of the Bulgarian National Bank and the Bank of Greece, with the main objective of spreading knowledge about economic history of South-Eastern European countries as an integral part of European experience. The network focuses particularly on financial and monetary history and brings together representatives of central banks, economists and economic historians. Furthermore, the SEEMHN Data Collection Task Force was established within the network, aimed at the creation of a database with 19th and 20th century financial and monetary statistics of SEE countries. A set of data has already been published as an annex to the 2007 conference proceedings, released by the OeNB (2008, Workshops, No 13).

Since the 19th century, when a special delegate of the Ministry of Finance of the then Principality of Serbia embarked on a several-month trip across western European countries to carry out a pan-European research of central bank experiences, the National Bank has been making efforts to intensify cooperation and exchange knowledge with other central banks and financial institutions in the region and world-wide, endeavouring to become part of the European system of central banks.

The main theme of the Belgrade conference was *Economic and Financial Stability in Southeastern Europe in a Historical and Comparative Perspective*. The theme proved topical against the backdrop of the current economic crisis that weighs heavily on the global economy and economies of the region alike. The presented lessons from economic history of different states offer particularly valuable guidance now when all countries and governments are looking for solutions to the current crisis. At four sessions (*Financial Stability and Monetary Policy*, *Financial Stabilisation in the Interwar Period*, *Business Cycles and Financial Stability*, *Hyperinflation and Stabilisation*) 17 working papers were presented.

Matthias Morys (University of York) and *Martin Ivanov (Bulgarian Academy of Sciences)* attempt to construct for the first time business cycle indices for SEE countries from their late 19th century independence to the present day and explore the two key issues: how developed was the common business cycle among SEE countries and to what extent was the business cycle of individual SEE countries and/or SEE as a whole synchronised with that of major European economies.

All Coşkun Tunçer (*LSE and Ondokuz Mayıs University*) analyses the importance of the gold-related monetary regime as a determinant of investors' decisions and tries to answer the controversial question "what did guide the investors' decisions" by relying on the Ottoman case. He comes to the

conclusion that the gold standard did not serve as a good housekeeping seal of approval, while the Ottoman Public Debt Administration gave investors a sign of credibility and commitment to debt repayments.

Kalina Dimitrova (Bulgarian National Bank) and Luca Fantacci (Bocconi University, Milan) examine the interaction between fiscal and monetary policies in Bulgaria in the period between the country's independence and the outbreak of the Balkan wars and the ensuing financial instability resulting in a deviation from the established monetary standard. This study draws on a broader research into the specific transition of Balkan countries from the bimetallic system to the gold standard.

Branko Hinić, Milan Sojić and Ljiljana Durđević (all National Bank of Serbia) analyse monetary conditions in the Kingdom of Serbia from the foundation of the central bank until World War I. They underscore that the Privileged National Bank of the Kingdom of Serbia managed to establish and maintain relatively stable monetary conditions, which was particularly important in light of the circumstances prevailing at the time. Such an assessment is based on the fact that relatively low and stable interest rates throughout the period contributed to lowering and stabilisation of market interest rates, as well as the National Bank's success in safeguarding the relative stability of the domestic currency

Martin Pontzen (Deutsche Bundesbank) studies the cause of the 1931 German banking crisis, including the less highlighted banknote coverage and the less frequently examined resuscitative procedure used to initiate recovery. He underlies it would be worth revisiting the use of a less flamboyant yet rather effective resuscitation tool – the transfer association (*Überweisungsverband*) of 1931 which was successfully applied during the most dramatic turmoil in German banking history.

Dominique Torre (University of Nice Sophia-Antipolis – GREDEG – CNRS) and Elise Tosi (CERAM Business School) discuss the causes of failure of French economic missions to implement a sound monetary and financial system in Romania between 1928 and 1933. The paper gives a significant contribution to the recent efforts of historians and economists to explain the role of “money doctors” during the interwar period.

Kiril Kossev (Oxford University) analyses finance and development in Southeast Europe during the 1920s and 1930s and presents aggregate data on international financial flows and their relative importance for industrial growth of four Balkan countries (Bulgaria, Greece, Romania and Yugoslavia). The paper fosters better understanding of the structural changes that SEE economies experienced and assesses the contribution of the state in contrast to private and international investment.

Adriana Aloman, Elisabeta Blejan and Brîndusa Costache, (all National Bank of Romania) analyse the impact of the 1929–33 crisis on the Romanian economy. The crisis was rather specific as it combined general issues with the local ones. Special emphasis is placed on the National Bank of Romania's role as an issuing house.

Žarko Lazarević (Institute for Contemporary History, Slovenia) provides a comprehensive insight into Slovenian banking in the 1930s. He also focuses on the Great Depression that deeply affected banking in Slovenia and other parts of the Yugoslav state at the time.

Xavier Breuil (Société Générale Historical Archives) presents the collections inherited by the historical archives of Société Générale and other merchant, high and deposit banks. He considers these archives a source for creating a database that would enable further examination of economic and financial stability in the Balkans.

Dragana Gnjatović (Faculty of Geo-Economy, Megatrend University) analyses foreign long-term government loans of the Kingdom of Serbia in volatile political and economic conditions in the Balkans in the 1862–1914 period. Special attention is paid to the phenomenon of foreign government loans issued below par, as well as to the relationship between the stability of government finances and effective interest rates.

Yuksel Görmez and Serkan Yiğit (both Central Bank of Turkey) focus on the economic and financial stability in Turkey, covering a long time span from the early years of the young Republic, the country's independence in 1923, early liberalisation period (1945–1960), planned economy of the 1960s, second liberalisation initiative in the 1980s, lost years of the 1990s, up until the re-structuring and reform periods after the destructive economic crisis of 2001.

Vesna Aleksić (Faculty of Geo-Economy, Megatrend University) examines the impact of foreign capital on the economy of the Kingdom of Yugoslavia in general and the Serbian economy in particular during the interwar period. She concludes that the influence of major international capital was much more significant than indicated by data on the net capital stock volume. The author also focuses on the role of the Kingdom of Yugoslavia's National Bank during the Great Banking Crisis of the 1930s.

Đorđe Đukić (Faculty of Economics, University of Belgrade) and *Mališa Đukić (Belgrade Banking Academy, Union University)* analyse the current global financial crisis, the deepest since the 1929–1933 period, as well as the behaviour of short-term interest rates. After providing a general analysis of the effects of the crisis on the behaviour of short-term interest rates in the U.S. and Europe, they investigate its impact on interest rates in the Serbian banking sector.

Dimitrios Sideris (Bank of Greece) examines the degree of convergence of the new European Union member states – the six Central and Eastern European countries – with the eurozone, in an attempt to evaluate their readiness to adopt the euro. The study examines whether these countries form an optimum currency area with the eurozone, by applying the theory of generalised purchasing power parity to explain the long-term real exchange-rate behaviour of a group of economies with respect to base currency.

Alexandre Sokić (Ecole Supérieure du Commerce Extérieur, Pôle Universitaire Léonard de Vinci) writes about the essentiality of money and money demand in conditions of hyperinflation. The paper enables better understanding of the well-known failure of Cagan inflationary finance models with perfect foresight and provides theoretical support to alternative functional forms of money demand. Further research may be conducted as to the choice of appropriate demand for real cash balances in hyperinflation contexts.

Mario Jovanović (Ruhr-University Bochum) analyses the Serbian foreign exchange market in the 2004–2008 period and its impact on the real economy. Emphasis is placed on the efficiency of the Serbian foreign exchange market and the National Bank of Serbia's intervention policy.

I sincerely hope that all working papers presented in this compendium will add value to the field of economic history and set a firm basis for further research efforts aimed at exploration of various economic phenomena. Lessons learnt from the past will help us better tackle the challenges posed by the rapidly changing economic environment and provide us with a valuable analytical framework for overcoming the current global downturn and preventing any future crisis episodes.

The South-East European Monetary History Network will continue to promote the exchange of views and ideas, presenting the countries' specific experiences *through the prism of monetary history*.

The Fifth SEEMHN Conference was held on 16 April 2010 in Istanbul. The topic of the conference was *Monetary Policy during Economic Crises: a Comparative and Historical Perspective*. Proceedings from the conference are yet to be published. The Sixth Annual SEEMHN Conference will be hosted by the National Bank of Romania, on 18 March 2011 in Bucharest. The topic of the conference will be *Monetary Policies and Banking Institutions in South-Eastern Europe between National Objectives and European Patterns – a Historical and Comparative Perspective*.

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on behalf of the Scientific Committee and the Organising Committee of the Conference

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