Wartime and Peacetime Inflation in Austria-Hungary and Italy (1914–1925)

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Wartime and Peacetime Inflation in Austria-Hungary and Italy (1914–1925): An Introduction

ANDREA BONOLDI

"The fluctuations in the value of money since 1914 have been on a scale so great to constitute, with all that they involve, one of the most significant events in the economic history of the modern world". So runs the opening to John Maynard Keynes' *A Tract on Monetary Reform*, first published in 1923[1]. Keynes highlighted a phenomenon that was being openly debated at the time and which he himself had pointed out in *The Economic Consequences of the Peace* (1919): all the countries that took part in the First World War underwent a steep rise in prices which persisted even after the war to varying degrees, and in some cases amounted to hyperinflation[2].

There were many underlying causes of the phenomenon: expansion of the money supply because of a need to finance a rapid growth in public spending; intense exploitation of production factors connected with the war economy; problems of production and transportation; and turmoil on the international commodity and capital markets. In the United States, the United Kingdom, France and Italy wholesale prices went on rising until 1920, partly because of a bias in public spending in favour of the social groups that had suffered the effects of war most keenly. Thereafter prices began to fall, though at differing rates[3]. In other countries–Austria, Poland, Hungary and Germany–inflation forged ahead to the point of hyperinflation, chiefly owing to the weakness of political institutions and finance markets, the sluggish revival of production, the obligations incurred under peace treaties, and last but not least, uncertainty surrounding the economic agents' expectations[4]. This all had major consequences for the distribution of wealth, for investments and for growth, as well as repercussions on the political sphere[5].

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[1] John Maynard KEYNES, A Tract on Monetary Reform, London 1923, p. 1. For Keynes's positions on inflation, about which he was far more vigilant than the common view of him would have it, see Thomas M. HUMPHREY, Keynes on Inflation, in: FRB Richmond Economic Review 67, 1981, pp. 3–13; Joan O'CONNELL, On Keynes on Inflation and Unemployment, in: The European Journal of the History of Economic Thought 23, 2016, pp. 82–101.

[2] Actually inflation extended beyond the warring nations and became a global phenomenon: "If there is a single experience that truly gives concrete meaning to the idea of a single unitary world economy in World War I, it was the ubiquity of inflation" (Adam TOOZE – Ted FERTIK, The World Economy and the Great War, in: Geschichte und Gesellschaft 40, 2014, pp. 214–238, here: p. 223; on the pattern of global prices ibidem, p. 224, Table 2; cf. also Earl J. HAMILTON, The Role of War in Modern Inflation, in: The Journal of Economic History 37, 1977, pp. 13–19.

[3] In Italy consumer prices did not begin to diminish until 1921. Keynes also commented on the risks associated with over hasty deflationary policies. KEYNES, A Tract, pp. 2–3.

[4] On these points see, amongst others, Costantino BRESCIANI TURRONI, Le vicende del marco tedesco, Milano 1931 (English edition IDEM, The Economics of Inflation: A Study of Currency Depreciation in Post-War Germany, London 1937); Thomas SARGENT, The Ends of Four Big Inflations, in: Robert E. HALL (ed), Inflation: Causes and Effects, Chicago - Lon-

Table 1. *Wholesale price trends in various belligerent nations 1913–1922 (index number, 1913=100)*

Year	UK	France	Italy	Germany	USA	[Austria]
1913	100	100	100	100	100	100
1914	100	102	96	106	98	99
1915	127	140	133	142	101	164
1916	160	189	201	153	127	336
1917	206	262	299	179	177	668
1918	227	340	409	217	194	1,094
1919	242	357	364	415	206	2,725
1920	295	510	624	1,486	226	5,414
1921	182	345	577	1,911	147	16,506
1922	159	327	562	34,182	149	491,337

Source: KEYNES, A Tract, p. 3; Felix BUTSCHEK, Statistische Reihen zur österreichischen Wirtschaftsgeschichte. Die österreichische Wirtschaft seit der industriellen Revolution, Wien 1996, Table 8.2 (prices refer to Austria at current borders). We lack any wholesale price series for Austria, so for comparison's sake alone the consumer prices have been included, though not present in Keynes.

The extent and impact of such processes were amplified by the fact that the economic and financial structures, the habits of operators and the theories that currently obtained had formed over a long period when there had been relatively little fluctuation in prices, reflecting international consolidation of the gold standard monetary system[6]. Referring to a general price index, Keynes noted that between 1826 and the outbreak of the Great War the fluctuation above and below the baseline value of 100 had been at most thirty points[7]. That is not to say, however, that the question of variations in the purchasing power of currency was completely absent from public discussion. From 1873 to roughly 1895 there had been a marked general deflationary trend, followed in the period leading up to the war by a rising trend in many countries' prices[8]. But when politicians and economists discussed such issues they often started from a faulty view of the problem[9]. In the German-speaking world, for example, in academic circles, in the media and in politics, right through into wartime the prevailing theory was that inflation essentially

don 1982, pp. 41–97; Gerald D. FELDMAN ET AL. (eds), Die Erfahrung der Inflation im internationalen Zusammenhang und Vergleich / The Experience of Inflation, Berlin - New York 1984; Peter M. GARBER - Michael G. SPENCER, The Dissolution of the Austro-Hungarian Empire: Lessons for Currency Reform, IMF Working Paper no. 92/66, Washington 1992.

[5] On the cause and effect relation between social conflict and inflation in this period, see the differing assessments in Forrest CAPIE, Conditions in Which Very Rapid Inflation Has Appeared, in: IDEM (ed), Major Inflations in History, Aldershot - Brookfield 1991, pp. 3–56, here: p. 44, while for the case of Italy see Michele FRATIANNI - Franco SPINELLI, Storia monetaria d'Italia. Lira e politica monetaria dall'Unità all'Unione Europea, Milano 2001, pp. 264–265.

[6] On the general functioning of the gold standard, see Barry EICHENGREEN - Marc FLANDREAU (eds), The Gold Standard in Theory and History, London - New York ²1997. On certain crucial aspects of how the system took root in Europe, see Marc FLANDREAU - Jacques LE CACHEUX - Frédéric ZUMER, Stability without a Pact? Lessons from the European Gold Standard 1880–1914, in: Economic Policy 13, 1998, pp. 116–192.

[7] KEYNES, A Tract, p. 10.

[8] Robert TRIFFIN, The Myth and Realities of the So-Called Gold Standard, in: EICHENGREEN - FLANDREAU, The Gold Standard, pp. 140–160, here: p. 151, Table 8.1.

[9] Cf. for example Robert B. BARSKY - J. Bradford DELONG, Forecasting Pre-World War I Inflation: The Fisher Effect and the Gold Standard, in: The Quarterly Journal of Economics 106, 1991, pp. 815–836.

depended on an out of kilter balance of payments due to increasing internal demand and restrictions on trade. Not that these were marginal issues; but that was to overlook the role of an enormous expansion of the money supply occurring during the war, with the aim of financing public spending[10].

The fact is that what would become dramatic at various stages of the twentieth century, and is even now a major concern for many economies and those responsible for economic and monetary policy, took off with a bang during the First World War. There had, of course, been some fairly important inflationary episodes beforehand, often connected to wars or major political upheaval[11]. But the intensity and duration of inflation occurring during and after the Great War was of an entirely different order. Thus, whoever analyzes that period's documentation with present-day sensibility cannot fail to note that the attention paid to the inflation issue by academic and political milieus was far from proportionate to the problem. The very concept of inflation was something scholars disagreed over, such that a leading economist like Arthur Cecil Pigou (1917) urged caution in using the term[12].

Two points do need pondering, however, when it comes to how inflation was perceived during wartime. The first is that public opinion at large understood inflation to be caused primarily by rising food prices and speculation which the State could and should curb by price control policies. Such a view–no doubt in part deliberately fomented–played down the major inflationary effect of increased public spending financed by issuing currency[13]. The second point is the widespread expectation that returning to a state of peace would see prices–and exchanges–reverting automatically to their previous level. This did not happen, and the consequences were considerable[14]. Lastly, we should not forget that on top of all this, at least initially, the duration of the war had been generally underestimated[15].

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[10] Ludwig VON MISES, Die allgemeine Teuerung im Lichte der theoretischen Nationalökonomie, in: Archiv für Sozialwissenschaft und Sozialpolitik 37, 1913, pp. 557–577. For an assessment of inflation in post-war Austria see the recent Nathan MARCUS, Austrian Reconstruction and the Collapse of Global Finance, Cambridge - London 2018, pp. 35–45. On the problem of interpreting inflation in Germany during and after the war, see BRESCIANI TURRONI, The economics of inflation, pp. 42–47. Concerning 1920s hyperinflation, Forrest Capie himself notes the "*relatively* little contemporary attention" in economic journals of the period: Forrest H. CAPIE, Introduction, in: IDEM (ed), Major Inflations, pp. ix–xiii, here: p. ix.

[11] See for example CAPIE, Major Inflations; Peter BERNHOLZ, Monetary Regimes and Inflation: History, Economic, and Political Relationships, Cheltenham [2]2015 and more specifically on wartime inflation, HAMILTON, The Role of War.

[12] "…it appears that the only really satisfactory way of defining inflation would be to make a schedule of the various sorts of action that, for the purposes of the definition, are to be regarded as Government interference with currency and banking, and the fruits of which are to be called inflation. But, when we are driven to an arbitrary plan of this kind, there is obviously much to be said for abandoning the term inflation altogether, and so dispensing with the need for any definition". Arthur C. PIGOU, Inflation, in: The Economic Journal 27, 1917, pp. 486–494, here: p. 490.

[13] FRATIANNI - SPINELLI, Storia monetaria d'Italia, pp. 248–249.

[14] Ibidem, p. 255.

[15] Ibidem, p. 229. Just to show how economists too fell into that delusion, in late 1916 Luigi Amoroso wrote: "The economists had reckoned the cost of a war in thousands of millions of lire, from which calculation they concluded that the game was too mad for it to be prolonged for more than the odd week or month at most. In actual fact the cost is way above the boldest forecasts, and the war has been going on for years". Luigi AMOROSO, Il costo della guerra, in: Giornale degli Economisti e Rivista di Statistica 53/6, 1916, pp. 489–512, here: p. 489 (translated by the author). As soon as Italy entered the war, Luigi Einaudi, though an enthusiast for intervention, cautioned: "the war will be long and expensive. What with material riches destroyed, savings not made and present enjoyment forfeited, the sacrifice to be borne will be severe. It would be

Over the war years Austria-Hungary and Italy–countries fairly comparable in per capita GDP and economic structure–thus experienced higher inflation than the main other combatant nations (with the exception of Russia): the mean annual rate of increase in consumer prices over the period 1914–1918 was 66.83 per cent in the part of the dual monarchy corresponding to present-day Austria and 22.61 per cent in the Kingdom of Italy[16].

It emerges especially from the essays by Anatol Schmied-Kowarzik, Ágnes Pogány, Andrea Leonardi and Andrea Bonoldi in the present volume how one of the common factors underlying this phenomenon was that the great shock caused by war-related demand was delivered to two economic systems that broadly lagged behind the United Kingdom, France and Germany[17]. Though they had made marked progress in the pre-war decades (in terms of per capita GDP and economic structure), this had not caught up the gap by which Austria-Hungary and Italy lagged behind the more advanced economies. Again, during the war the dual monarchy had only limited access to financial and material aid from abroad, and saw its per capita GDP contract by almost 40 per cent. In light of that fact, it is remarkable how, at least until 1917, Austria's production mechanism managed to ensure its armed forces were well supplied. Again, as Eleonora Belloni relates in her paper, with state coordination some Italian sectors of industry underwent rapid growth during the war, rising to the military demand. However, at the war's end some marked imbalances in financing and dimensioning would create serious difficulties for the ensuing years.

To meet their war budget the two countries (especially Austria-Hungary) could only resort to taxation increases to a limited extent. This was partly due to the respective tax systems' lack of elasticity, there being a low incidence of direct taxation, and partly to political reasons. However, as Richard Lein's essay describes in detail, issuing war loan mobilized large resources, but since these still failed to meet the need, they resorted to increasing the monetary circulation, suspending the laws limiting national bank lending to the state. Thus by 1918 the volume of paper money had gone up nearly four times in Italy versus 1913, and over thirteen times in Austria-Hungary. The reserves in gold and gold-equivalent foreign currency had fallen dramatically, also because wartime had made

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arbitrary to name a figure; but we all know that the sacrifice we will have to make will amount not to various hundreds of millions, but thousands of millions". Luigi EINAUDI, Guerra ed economia, in: La Riforma sociale, Juny-July 1915, pp. 454–482, here: p. 475 (translated by the author). On the positions taken by Italian economists over the financing of war spending, see Rosario PATALANO, How to Pay for the War: Military Spending and War Funding in Italian Economic Thought (1890–1918), in: Fabrizio BIENTINESI - Rosario PATALANO (eds), Economists and War. A Heterodox Perspective, London - New York 2017, pp. 150–172.

[16] Felix BUTSCHEK, Statistische Reihen zur österreichischen Wirtschaftsgeschichte. Die österreichische Wirtschaft seit der industriellen Revolution, Wien 1996, Table 8.2. We lack price series for the whole of Austria-Hungary. However, since the price of food in Hungary grew appreciably less than in Austria, the overall inflation figure is likely to come out lower (see Ágnes Pogány's study in this volume). On Italy ISTAT, Il valore della moneta in Italia dal 1861 al 2017, www.istat.it/it/files//2018/04/Nota_informativa_valore_moneta_2017.pdf [accessed 12 October 2018].

[17] Stephen BROADBERRY - Mark HARRISON, The Economics of World War I: An Overview, in: IIDEM (eds), The Economics of World War I, Cambridge et al. 2005, pp. 3–40, here: pp. 7–11.

inroads into such reserves in order to gain resources from abroad. Going by calculations at the time, the ratio in Austria-Hungary between reserves and circulation had shrunk from 62.66 per cent in late December 1913 to 1.63 per cent at the end of 1918; in Italy it had gone from 72.75 per cent to 19.88 per cent[18].

In Austria's case the extreme difficulty of maintaining food supplies as of late 1917 certainly weighed heavily in the inflation process, as the government was aware[19]. In his chapter Schmied-Kowarzik puts forward a rather bold hypothesis: namely, that a decisive factor in the Austrian crown's loss of purchasing power was disruption of the internal supply system as bartering and the black market became widespread. Be this as it may, by the end of the war the consumer price index (taking 1913 as 100) had risen to 1106.72 in Austria (taking July 1914 as 100, it rose to 536.5 by the end of 1918 in Hungary), and 268.1 in Italy[20].

But against many people's expectations–or hopes–, the price rise did not stop with the end of hostilities. Apart from the cost of reconstruction, there was deep-seated social hardship to be staunched, as much in the dissolved and defeated dual monarchy as in victorious Italy. Public spending on salaries, pensions and to curb primary commodity prices thus swelled the post-war public deficit, with repercussions for prices and circulating currency. Add to this the climate of political uncertainty which was reflected both in a home demand for money and in foreign exchange rates and capital flows. As the international commodity and capital markets opened up again, although some forms of exchange control were preserved, wild fluctuating of exchange rates, fueled by speculation, finished by affecting prices and circulation[21]. Hence Austria's 1922 hyperinflation–with an annual consumer price increase rate above 2,800 per cent and a depreciation of the crown amounting to 1,227 per cent against the dollar–stemmed from a combination of turmoil in the state budget, a rapidly worsening exchange rate, and the influence of economic operators' expectations. Against such a background the weight of widespread home and foreign skepticism as to any stable political and economic set-up emerging proved decisive[22]. As Walter Iber shows in his essay, Austria only managed to get free of

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[18] Giovanni SANTOPONTE, Il mercato monetario e la guerra 1914–1916/18, in: Giornale degli Economisti e Rivista di Statistica 59/8, 1919, pp. 1–75, Table II. In the case of Austria-Hungary Walré de Bordes' figures, based on a more restricted conception of reserves, arrive at a somewhat different picture for the two time-points: 52.16 and 0.80 per cent. Jan VAN WALRÉ DE BORDES, The Austrian Crown: Its Depreciation and Stabilization, London 1924, p. 53.

[19] Cf. Siegfried PRESSBURGER, Der österreichische Noteninstitut 1816–1966, II/IV, Wien 1976, pp. 1937–1939.

[20] See also the data given in the essays by Ágnes Pogány and Andrea Bonoldi.

[21] Cf. Fritz WEBER, Zusammenbruch, Inflation und Hyperinflation. Zur politischen Ökonomie der Geldentwertung in Österreich 1918 bis 1922, in: Helmut KONRAD - Wolfgang MADERTHANER (eds), ...der Rest ist Österreich. Das werden der Ersten Republik, II, Wien 2008, pp. 7–32; Herbert MATIS, "Notleidende Millionäre bevölkerten damals Österreich". Die Währungs- und Geldpolitik in der jungen Republik, in: KONRAD - MADERTHANER (eds), ...der Rest ist Österreich, pp. 33–48.

[22] A shrewd contemporary observer, Jan van Walré de Bordes–who had access to first-rate sources and liaised with League of Nations Commissioner to Vienna, Zimmermann–concluded his work on depreciation and stabilization of the crown with the judgement: "The extraordinary depreciation of the Austrian crown was at bottom a psychological development. There was a total lack of confidence". VAN WALRÉ DE BORDES, The Austrian Crown, p. 197.

the trap of hyperinflation thanks to outside support when the League of Nations intervened[23]. By an agreement signed in Geneva on 4th October 1922, the British, French, Italian and Czechoslovak governments undertook to grant a loan of 650 million gold crowns. At the same time Austria was guaranteed political and economic independence with territorial integrity, while the government pledged to restore equilibrium in the public accounts within two years, not to take out any further loans from the bank of issue, and to reinstate this last on a fully independent footing[24]. This kind of intervention, though hotly debated by Austrian public opinion, certainly had innovative features, and was regarded as a success by the League of Nations. In his Foreword to van Walré de Bordes' work on depreciation and stabilization of the Austrian crown, Henry Strakosch–a naturalized British but Austrian-born financier and First Chairman of the Financial Committee of the League of Nations–wrote:

> The reconstruction of Austria is probably the first of the League's many achievements which has made a deep impression upon the public mind. Its history is too full of dramatic contrast to pass unnoticed even by the most casual observer. A state of confusion, untold suffering and privation is transformed, as by magic, into a condition of order and comfortable sufficiency in less than a year[25].

While the stabilization was an undeniable success–despite public ructions lasting until 1924–the overall effect on the Austrian economy was controversial, as Iber emphasizes, and various grave structural problems remained unsolved. Notable among these last were the persistently high unemployment rate and the steep decline in the main banking institutes' capital assets which would return dramatically to the fore during the 1930s crisis[26]. Although in some respects Hungary fared differently from Austria after the war, she too experienced hyperinflation which set in later than in Austria, between 1923 and 1924; it was partly triggered by the fact that the central European capital market had given new confidence to the stabilized Austrian currency, causing resources to flow out of Hungary. The process of stabilization, described by Ágnes Pogány in this volume, was based on a December 1923 agreement following largely on the lines of the Austrian operation[27].

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[23] See also MARCUS, Austrian Reconstruction, pp. 78–139.
[24] VAN WALRÉ DE BORDES, The Austrian Crown, pp. 28–29.
[25] Henry STRAKOSCH, Foreword, in: VAN WALRÉ DE BORDES, The Austrian Crown, pp. ix–xii, here: p. ix. On Strakosch see Philip L. COTTRELL, Norman, Strakosch and the Development of Central Banking: From Conception to Practice, 1919–1924, in: Philip L. COTTRELL (ed), Rebuilding the Financial System in Central and Eastern Europe 1918–1994, Aldershot 1997, pp. 29–73.
[26] In 1925 the seven main Viennese banks' capital assets, expressed in crowns, were barely 15.9 per cent of their 1913 value. Fritz WEBER, Vor dem großem Krach. Österreichs Banken in der Zwischenkriegszeit am Beispiel der *Credit-Anstalt für Handel und Gewerbe*, Wien - Köln - Weimar 2016, p. 519, Table 139. In her chapter Ágnes Pogány describes the capital assets difficulties of the main Hungarian banks as well.
[27] The monetary position in Czechoslovakia was quite different. The new government pursued a severely deflationary policy which brought stability to the currency but caused difficulty in terms of employment and incomes. Josef FALTUS - Alice TEICHOVA, Die Nachkriegsinflation. Ein Vergleich 1918–1923, in: Alice TEICHOVA - Herbert MATIS (eds), Österreich und

In Italy, likewise, inflation did not cease with the war's end, though it did not take such a dramatic form as in Austria and Hungary. In 1919 the consumer price growth was actually only 1.51 per cent, but the next year it rose to 31.41 per cent, dropping back to 18.31 per cent in 1921 and stabilizing in 1922[28]. In his essay Andrea Leonardi points out that after the war was over Italy continued to need material and financial resources from abroad to cope with reconstruction and the expense of annexing the territories conquered. There was also a widespread expectation that the end of hostilities would bring an economic rebound and a drop in prices. When that failed to happen, social tension began to mount: between mid-1919 and 1920 there were demonstrations on many hands; factories and agricultural land were occupied. In such a climate the government maintained the so-called 'political price' of bread. The policy caused the state mounting costs and accounted for 18.85 per cent of the whole public spending in the tax year 1920–1921, which was clearly reflected in inflation. An additional difficulty arose with exchange rates, where the heavy terms of repayment on loans from the United Kingdom and USA during the war forced the value of the lira down. When the Giolitti government decided to rescind the bread subsidy regulations in late 1920, it marked an important turning point. Thus in 1921 the money in circulation diminished, the lira exchange rate improved while consumer prices began to fall as of 1922[29]. Nevertheless, monetary stability was short-lived. From 1924 on, inflation began to grow again: 3.52 per cent that year, 12.34 per cent in 1925, 7.85 per cent in 1926. 1926 marked the beginning of Mussolini's drastic deflationary policy by which the lira revalued sharply on the international markets. The declared aim was to rejoin the gold standard in full[30]. But the short-term cost of that operation (unemployment, and cuts in production) were not offset by the expected long-term advantages. In a short while the Great Depression would hit Italy like other countries, laying bare the fragility of a banking sector bogged down by tied-up capital which largely depended on operations undertaken during the war or just after[31].

Analyzing wartime and post-war inflation in Italy as well as in Austria-Hungary (and successor states) has thrown light on the birth and spread of an economic phenomenon that brought major consequences, some of them long-term. The peculiar wartime

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die Tschechoslowakei 1918–1938. Die wirtschaftliche Neuordnung in Zentraleuropa in der Zwischenkriegszeit, Wien - Köln - Weimar 1996, pp. 131–166.

[28] For these data see the essay by Andrea Bonoldi.

[29] On the post-war lira exchange dynamics, see Gabriella RAITANO, I provvedimenti sui cambi in Italia nel periodo 1919–1936, in: Ricerche per la storia della Banca d'Italia, VI: La bilancia dei pagamenti italiana, Roma - Bari, 1995, pp. 276–288, as well as Andrea Leonardi's essay in this volume.

[30] Andrea RIPA DI MEANA, Il consolidamento del debito e la stabilizzazione Mussolini, in: Franco COTULA (ed), Ricerche per la storia della Banca d'Italia, II: Problemi di finanza pubblica tra le due guerre, 1919–1939, Roma - Bari 1993, pp. 285–331; FRATIANNI - SPINELLI, Storia monetaria d'Italia, pp. 285–305.

[31] Giuseppe GUARINO - Gianni TONIOLO (eds), La Banca d'Italia e il sistema bancario 1919–1936, Roma - Bari 1993; Antonio CONFALONIERI, Banche miste e grande industria in Italia 1914–1933,2 vols., Milano 1994-1997; Stefano BATTILOSSI, Banche miste, gruppi di imprese e società finanziarie (1914–1933), in: Giuseppe CONTI - Salvatore LA FRANCESCA (eds), Banche e reti di banche nell'Italia postunitaria, I: Persistenze e cambiamenti nel sistema finanziario e creditizio, Bologna 2000, pp. 307–352.

conditions, an easily defined timespan, certain similarities between the countries considered, and the focus on a specific economic factor like inflation give this research area something of the quality of so-called 'natural experiments of history'. Those historical settings accentuated a number of social dynamics, the mechanisms behind which can be better understood by the comparative approach[32]. But although that approach confers added value, one should not underestimate the problems connected with the quality and compatibility of data, where one must proceed with caution.

During the war Austria-Hungary and Italy had higher inflation than other countries because the impelling demands of war coincided with a relatively under-developed production structure, an inflexible tax and finance system, and considerable (though different) restrictions on exchanges with abroad. The disruption of the system of institutional rules governing tax and monetary policy likewise tempted governments to resort to monetary ploys as a way of financing public spending. Lastly, the public actors–and the economists–failed to grasp all the implications of inflation, which only exacerbated the phenomenon. Although it is true to say that wartime inflation was more virulent in the dual monarchy than in Italy, the causes behind the phenomenon were largely similar. However, after the war other factors came into play and the currencies' loss of purchasing power followed different routes. Although Italy was moving towards a major institutional change–the rise of fascism–she managed within a few years to curb the inflationary dynamics to a considerable degree. Austria and Hungary, by contrast, had to reckon with the expectations of their own people and the international markets, where there was a prevailing lack of confidence in the ability of the economic and institutional systems to hold. The reopening of the capital markets, the need to borrow from abroad, and a faltering attempt to get on top of the public accounts caused a (slightly out of phase in the two countries) acceleration in currency devaluation and loss of purchasing power on the home markets, which culminated in hyperinflation. The only way out was the operation conducted by the League of Nations and a change of currency. In the space of a few years all the countries involved in this process would be saddled with the Great Depression, the effects of which were definitely amplified by the deep scars left by inflation.

The essays collected in this volume differ slightly in their approach and interpretation, yet may be expected to contribute not just greater knowledge of a crucial period in the history of the countries concerned, but also a better understanding of inflation as a historical phenomenon in general[33]. Last but not least, they are an example of liaison among Italian, Austrian and Central European historians–a practice which, though not

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[32] Jared DIAMOND - James A. ROBINSON (eds), Natural Experiments of History, Cambridge 2010.

[33] This book stems from the exchange of ideas generated on 11th and 12th November 2016 by an international workshop "Inflazioni di guerra: politiche monetarie e andamento dei prezzi in Austria-Ungheria e Italia (1914–1923) / Kriegsinflationen: Geldpolitik und Preisdynamik in Österreich-Ungarn und Italien (1914–1923)" [Wartime inflation: monetary policy and price trends in Austria-Hungary and Italy (1914–1923)] at Trento University's Department of Economics and Management, as part of the broader university project "Wars and Post-War: States and Societies, Cultures and Structures" 2015–2016.

without virtuous examples[34], does need more vigorous promotion than has recently been.

[34] Concerning the period considered here, see for instance Nicola LABANCA - Oswald ÜBEREGGER (eds), La guerra italo-austriaca (1915–18), Bologna 2014, Maddalena GUIOTTO - Helmut WOHNOUT (eds), Italien und Österreich im Mitteleuropa der Zwischenkriegszeit / Italia e Austria nella Mitteleuropa tra le due guerre mondiali, Wien - Köln - Weimar 2018 and Andreas GOTTSMANN - Romano UGOLINI - Stefan WEDRAC (eds),Österreich-Ungarn und Italien im Ersten Weltkrieg / Austria-Ungheria e Italia nella Grande Guerra, Wien 2019.