

## Special exhibit

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**“A state of shock and panic which seized minds and emotions in Bavaria when the idea was first put forward of a bank which would also have the authority to put banknotes .... into circulation.”**



*“ May God save our King and his royal household! May He shield our country from war, plagues and crop failure. May He safeguard those few and precious pieces of gold and silver which have remained ours following the years of war (ie the Napoleonic Wars of 1792-1815) and inflation! This contented land of ours has long been spared the scourge of paper money. May He rid our soil of any seeds that would allow this stubborn weed to take root and grow tall ....”*. This quotation originating from an unknown author vividly demonstrates Bavaria’s then deeply entrenched aversion to paper money, which was regarded as having as much potential to cause human suffering as the three other scourges of mankind mentioned in the text.

Such a viewpoint was perfectly justified, as evidenced by France and Austria where irresponsible monetary policy had resulted in negative developments. In both of these countries a situation had arisen where ever-increasing quantities of paper money were being issued in a wholly uncontrolled manner. In the space of just five years France experienced a 45-fold increase in the amount of paper money in circulation and the rapid decline in the value of these notes had disastrous economic and social consequences. Austria took the same course of action to finance its activities in the aforementioned Napoleonic Wars, the result being that by 1811, the country was close to bankruptcy. Bavaria was directly affected by this unfortunate outcome. Under the terms of the 1805 Treaty of Pressburg (also known as the fourth Peace of Pressburg), Austria was forced to cede the Tyrol and the principalities of Brixen and Trento to Bavaria. In all of these regions, Austrian paper money was in circulation, a circumstance which presented Bavaria with a problem. The answer to this predicament was as simple as it was clever: *“The [Austrian] banknotes shall and must, at least for a certain amount of time, be accepted by public cash offices, merchants, exchange agencies and for all payment transactions, though*

at a rate of 2 percent below the Augsburg exchange rate." And so it was that efforts began to weed out and remove unwanted Austrian paper money from Bavarian soil.

Even so, the overall trend could not be halted. In 1820, the German encyclopedia "Brockhaus",



concluded: "To many ears "paper money" is such a frightening concept that the mere mention of it induces horror". Notwithstanding this, in 1834, King Ludwig I of Bavaria signed the Banking Act. This move was followed one year later by the official establishment in Munich of the *Bayerische Hypotheken- und Wechsel-Bank*, answerable to the State government and invested with powers to strictly regulate the issuing of banknotes, albeit in the shadow of "a state of shock and panic which seized minds and emotions in Bavaria when the idea was first put forward of a bank which would also have the authority to put banknotes into circulation". The "scourge of paper money" had finally infiltrated Bavaria and the occasion was duly celebrated with the issue of a commemorative coin.

The Bank was charged with ensuring that sufficient cover was always available for the notes in circulation, the sum of which was never to exceed four-tenths of the Bank's own capital and never to amount to more than 8 million guilders. Up to the time when the Bank relinquished its banknote mandate, these requirements served to protect those using paper money but at the same time prevented the Bank from expanding. In order to boost popular confidence in



Counterfeit of a banknote from the first series issued in 1836 (half its original size)

the new money, highly unprofessionally produced counterfeits such as the one pictured above were tacitly "accepted" by the Bank in exchange for coins.

Exactly 40 years were to pass before Bavaria was disturbed by yet more upheaval, this time in the form of the new standard imperial currency. Introducing the imperial Mark in January 1876, Bavaria was in fact the last member country of the German Empire to adopt this "new" currency already created in 1871. Unsurprisingly, the Prussians were blamed for all of the problems which accompanied this currency changeover: "As a Bavarian recently stated: *Of each and every example of a Bavarian coin I will put one aside and see to it that, when the day comes, these coins are placed beside me in my coffin so*

*that the good Lord can tell that I am not a Prussian"* (Taken from the *Das Bayerische Vaterland* newspaper of 31 December 1875).

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Further reading (in German)

D O A Klose, F Jungmann-Stadler, Königlich Bayerisches Geld. Zahlungsmittel und Finanzen im Königreich Bayern. Munich 2006.

A Pick, Das Papiergeld Bayerns. Staatspapiergeld, Banknoten, Notgeld – Geschichte und Katalog. Regensburg 1989.

A Pick, Papier-Lexikon. Regensburg<sup>3</sup>1992.