

### **What can we learn from a balance-of-payment reconstruction? Austria-Hungary, 1880-1913**

Austria-Hungary is arguably the only country for which we are in a position to reconstruct the balance-of-payments (bop) during the Classical Gold Standard period (1870s-1914). Advanced economies such as the UK, France, and Germany adhered so successfully to this system of fixed exchange-rates that they did not bother to produce statistics that would allow economic historians today to decompose the bop into the balance of trade, net capital exports, net interest and dividend payments, remittances, transport and tourism. Poor countries, on the other hand, were sceptical about their ability to maintain fixed exchange-rates but they did not have the administrative capacity to collect the relevant data. Austria-Hungary, economically backward but much larger than other peripheral economies and famous for its thorough bureaucracy, left behind a substantial amount of statistics which allows us to produce a highly reliable bop for the period 1880 to 1913.

My paper contributes to two debates in economics and economic history: First, we find evidence in support of the so-called Lucas paradox, i.e. that poor countries often export capital to richer countries even though conventional economic theory suggests the opposite. Second, the data show the overarching importance of remittances in poor countries' efforts to sustain fixed exchange-rates.