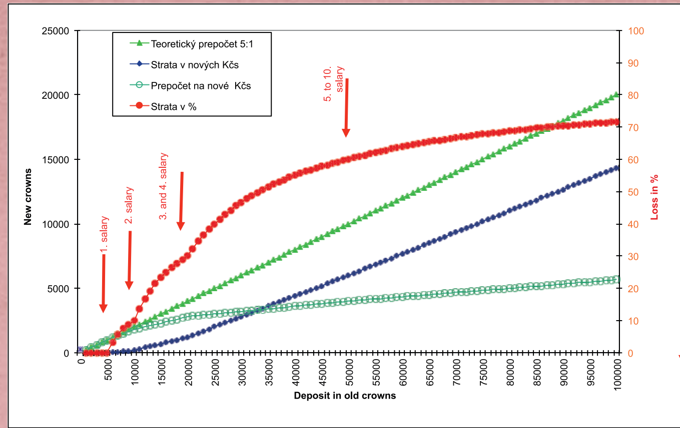
Food voucher for the employed, 1952

People had just four days to exchange money

Agitation meetings at companies dealt with the importance and advantages of the monetary reform



"Our currency is robust and no currency reform will be implemented, these are all just hoaxes spread by class enemies,"

President **Antonín Zápotocký** in his radio speech on 29 May 1953, on the eve of the reform's announcement amidst the panic atmosphere of a buying craze and evident preparatory measures.

food and clothing increased 67 and 61%, respectively, of the earlier free market prices.

- Losses were compensated by increased pensions, wages, and child allowances – those on low incomes were roughly compensated for higher prices with increased food rations for May 1953. The wages of civilians, which after recalculation exceeded 1,200 new crowns did not increase. In contrast, the wages of uniformed security service employees increased considerably, even up to 3000 new crowns.

MONETARY REFORM MISTAKES

- Unclear explanation of the regulations. People felt they had lost more than was the case, which sometimes led to suicide or destruction of old money.
- A non-factual ideologised rationale for the reform, which concealed the real underlying reasons.
- That the reform took place eight years after the war cast doubt on its rationale: there was no longer a clear reason for the annulling blocked account and devaluation of post-war savings.
- Unavoidable losses from exchanging unused marital loans, compensations for houses flooded by the Orava dam, cash reserve of disabled tobacconists, and Darex vouchers (Darex – the forerunner of Tuzex – sold goods for vouchers exchanged for gold or hard currency).
- Erroneous payment of wage advances in May 1953.
- Refusal to exchange lossless old 300 crowns to those considered private entrepreneurs.
- The 1953 monetary reform resulted in a stable currency, which in Slovakia endured until replaced by the euro in 2009 and continues to be used in Bohemia and Moravia. The reform was milder than in Germany (1948), Romania and Bulgaria (1952), and the overall reforms in Poland (1950 and 1953), but harsher than in the USSR and Austria (1947).

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Recommanded websites: **www.upn.gov.sk; www.enrs.eu**

ÚSTAV PAMÄTI NÁRODA

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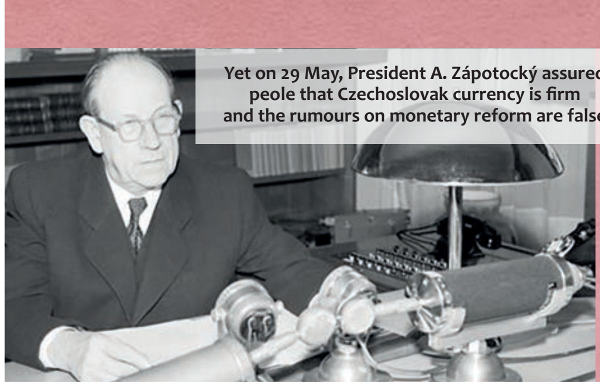
THE MONETARY REFORM 1953

The monetary reform of 1953 aimed to resolve the disruption to currency caused by World War II, and exacerbated thereafter by the burdens of economic recovery, excessive investments and defence costs, and increasing heavy industry's share in the economy. The reform had a fundamental impact across all areas of life. The causes of monetary reform took root in the late 1930s. Czechoslovakia had high defence expenditures, and by 1938 the inflation rate reached 13%. After the occupation of Bohemia and Moravia, the situation was exacerbated by German looting, financed by the issuance of fiat currency. Slovakia had initially avoided such developments to a certain degree, but following the Slovak National Uprising (SNP) on 29 August 1944 it was obliged to provide the German occupiers about CZK 1 milliard every month.

1950 s


Yet on 29 May, President A. Zápotocký assured peole that Czechoslovak currency is firm and the rumours on monetary reform are false


Cooperative store


Annual market in Bratislava

New paper currency. The final proposal by I. I. Dubasov from 6 February 1953


The cancellation of the rationing system and monetary reform essencially contributed to the broader goods exchange between cities and villages. The farmer markets were one of the tools of such exchange

1953


Shop windows lured people to reduced prizes

The pattern with the date of printing in May 1953

The October 1945 monetary reform aimed to reduce currency circulation by blocking all deposits, and forced deposits of all paper money on blocked accounts with severe limitations on withdrawing cash. The architects of the reform expected Germany to cover the debts and damage caused by reparations. These reform measures thus intended to improve the currency's health, and then to release the blocked accounts. People were promised that they wouldn't lose anything, which whilst being morally justified, was an unrealistic expectation. The worsening of international relations led to a proposal in 1947 to anulate the major part of blocked accounts. However, this was rejected by the Communist Party as being socially unacceptable and a vote loser. In 1947, the Liquidation Monetary Fund was established with a thankless task – to seek funds to back the currency. While the Cold War had thwarted hopes of reparations from West Germany, neither could they be obtained from East Germany, which was economically weak and already giving reparations to the USSR, which was not willing to share reparations with its allies. The partial release of blocked accounts, especially for social reasons, returned to circulation war-depreciated money. After February 1948, the currency was further hampered by the development of heavy industry and large construction projects with long investment return periods, as well as excessive defence costs.

In 1949, food, clothing and footwear were only legally available under the rationing system on the controlled market at low prices. Since that year, a legal free market had also sought to meet purchasers' needs in addition to the rationed goods, but at double to ten-times the normal price, i.e. close to black market prices. It had been expected that the rationing system would end after both markets' (controlled and free) prices converged. A concept in 1951 sought its elimination together with increased household prices and compensated subsequently by higher wages, but without interventions in the currency. However, Soviet advisers changed this plan in summer 1952 based on their own experience of the reform in 1947, and the intention to repeat it due to the uncovered misuse of indiscrete untimely disclosing of rules. Independent of this, however, the very structure of money in circulation suggested the currency's correction.

THE REFORM MEASURES SOUGHT TO ADDRESS SIMULTANEOUSLY MULTIPLE ISSUES, AND AS SUCH WERE DIFFICULT TO UNDERSTAND:

- Annulling of blocked accounts.
- 5:1 denomination ratio between the old and new currencies, which restored the low pre-war economic figures and created a more efficient currency system. There were no winners or losers.
- Devaluation of cash and savings from 0% (a small part of cash and savings) up to 90% (most cash, some savings). The real conversions rates of 1:1 – 10:1 were multiplied by the denomination ratio of 5:1 to 5:1 – 50:1. Therefore, the devaluation loss appeared greater than it was, i.e. 80 to 98% instead of 0 to 90%.
  Those entitled to food ration cards could exchange 300 old crowns in the denomination ratio 5:1, hence without any loss, but any higher amounts at 50:1 (a 90% loss). Deposits established before 15 May 1953 were recalculated according to bands determined as multiples of the average monthly wage (5000 old crowns). The first saved wage was recalculated without loss, the second at 20% loss, the next two – 50%, the fifth to tenth – 80%, and other saved wages (bands at over 50,000 old crowns) – 83%. The graph illustrates losses from the conversion of a specific deposit.
  The average recalculated deposit was 12 973 old crowns, i.e. two-and-a-half times average wages. High value deposits were rare since they could not have derived from everyday wages. Deposits established after 15 May 1953 lost 90% because they were considered as attempts to save money which had been hidden for speculative reasons.
- Price reform – some industrial goods fell by 7%, prices of some goods and services remained unchanged, while