



The Slovak koruna will be replaced by the euro

Part 3

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During the first months after the end of World War II, the monetary situation was quite complicated, because Slovak crowns (Ks), Protectorate crowns (K), Reichsmarks (RM), Hungarian pengő (Pgő), Czechoslovak crown notes of the year 1944, marks of the Allied armies and rarely also Soviet rubles were in circulation in the territory of the then Czechoslovakia.

The Czechoslovak crown currency (Kčs) was restored on 1 November 1945, thereby becoming the legal tender in the entire territory of Czechoslovakia. The exchange of the new currency Kčs for the currency units Kč, K and Ks was set at the rate 1:1. The post-war currency reform took place in a hard economic, currency and financial situation, because it was necessary to face also the existing inflationary tendencies.

MONETARY DEVELOPMENTS IN CZECHOSLOVAKIA IN 1945 – 1953

The situation of 1945 partly reminds of monetary history of World War I, but this time without the need of canceling the convertibility of gold for banknotes, because free convertibility did not exist at that time. The post-war development of the monetary situation in Czechoslovakia was considerably influenced by the nationalization of banks, as well continuing concentration of banking.

The Slovak system of banks in the renewed Czechoslovakia was made up by the banks Tatra banka, Slovenská banka, Sedliacka banka, Stredoslovenská banka, Ľudová banka and Myjavská banka at that time.

THE 1945 MONETARY REFORM

The aim of the 1945 monetary reform was to successfully introduce a new monetary unit, i.e. to put into circulation Czechoslovak money and gradually put into practice monetary policy according to principles set by the government of Czechoslovakia.

The amount of currency in circulation in the territory of Czechoslovakia was supposed to be such that it be in line with the objective needs for building up Czechoslovak economy. That aim was supposed to end up in a gradual growth of the purchasing power of the Czechoslovak crown. The introduction of the Czechoslovak currency as currency in circulation eliminated monetary plurality, i.e. the existence of several currencies in the territory of Czechoslovakia, thereby fulfilling one of two aims. The second aim – to maintain the volume of currency in circulation at a sound level – was not easy, because it was considerably influenced by the new post-war political and economic orientation of Czechoslovakia, as well as by a new concept of the implementation

of monetary policy, without setting a fixed monetary program.

The issue of currency, the monetary system and credit system was included in the Košice Government Program of 5 April 1945, but without mentioning an independent monetary policy. Although the concept of the development of finance and banking as well as the currency issue in Slovakia was shaped in Czechoslovakia, the first idea of the concept and of the currency issue had been declared in a broader context as early in 1944.

The monetary reform was declared by the President of the Republic by the Decree No. 91 of

Table 1 State notes and banknotes (1945 – 1953 monetary period)

Denomination	Dimensions in mm	Validity
5 Kčs	80 x 44	1. 11. 1945 – 31. 5. 1953
5 Kčs	80 x 44	25. 5. 1949 – 31. 5. 1953
10 Kčs	103 x 54	1. 11. 1945 – 31. 5. 1953
10 Kčs	103 x 54	26. 6. 1950 – 31. 5. 1953
20 Kčs	117 x 67	1. 11. 1945 – 31. 5. 1953
20 Kčs	127 x 60	21. 12. 1949 – 31. 5. 1953
50 Kčs	140 x 72	1. 11. 1945 – 31. 5. 1953
50 Kčs	140 x 75	17. 12. 1948 – 31. 5. 1953
50 Kčs	145 x 65	21. 12. 1950 – 31. 5. 1953
100 Kčs	153 x 83	1. 11. 1945 – 31. 5. 1953
100 Kčs	146 x 76	1. 11. 1945 – 31. 5. 1953
500 Kčs	165 x 95	1. 11. 1945 – 31. 5. 1953
500 Kčs	165 x 95	21. 6. 1946 – 31. 5. 1953
1000 Kčs	165 x 95	1. 11. 1945 – 31. 5. 1953
1000 Kčs	180 x 87	1. 11. 1945 – 31. 5. 1953
5000 Kčs	190 x 87	3. 5. 1946 – 31. 5. 1953

Source: V. Novotný, M. Moulis: Papierové platidlá, Hodonín 2000.



The 100 crown state note of 1945.



The 500 crown state note of 1946.



The 1000 crown banknote of 1945.



The 1000 crown state note, the so-called London issued.

19 October 1945. In order to restore to health the economy, the reform regulated the blocking of deposits and the obligatory custody of securities. The stock of tied deposits was 287.1 bn. Kčs as at 15 November 1945. That large amount of funds had to be prepared not only in terms of monetary policy, but also in terms of politics and economy. The reform measures provided for an exchange of 500 Kčs of cash per person, meaning that a considerable monetary restriction was imposed, as a result of which the amount of currency in circulation was reduced to 19 bn. Kčs. A Currency Liquidation Fund was established in 1947 to administer tied deposits. The fund influenced the development of the currency in addition to the National Bank. The period until 1948 can be classified historically as a provisional monetary solution. The business of tied deposits, whose release had inflationary effects, continued until the monetary reform in 1953.

In the monetary period of 1945 – 1953, money printed in England, the so-called London issue (seven denominations from 5 Kčs to 1000 Kčs), and money printed in the printing office of the National Bank circulated. State notes with a denomination of 500 Kčs and 1000 Kčs were declared banknotes after they had been issued.

An important factor of the post-war monetary development was the setting of the Kčs exchange rate. The Czechoslovak crown to US dollar exchange rate was 1 USD = 50 Kčs and 1 Kčs represented 17.773 mg of pure gold content.

As the central control of the economy and of the monetary situation made itself felt, the real purchasing power of the crown stopped to serve as “support” in the monetary policy of the National Bank and the functioning of the capital and foreign exchange market was impaired. The issuing policy of the central bank was subordinated to the needs of the budget and in monetary policy the circulation of money was influenced by the National Bank, the Monetary Liquidation Fund, National Economy Fund and the Ministry of Finance.

The activities of those four entities were not coordinated. The monetary policy control differed from the ideas of the Czechoslovak Monetary Office in London and ultimately the monetary development did not correspond to the expectations of the authors of the decree of the President of the Republic on the renewal of the Czechoslovak currency. The amount of currency in circulation was growing, which set the stage for open inflation. On 1 July 1950, the universal Czechoslovak State Bank (ŠBČS) was created. It included issuing banking and commercial banking, enjoyed a monopoly position in the provision of loans for operations, but also a privileged position in the ensuring of the payment transactions. It was subordinated to the Ministry of Finance.

THE 1953 MONETARY REFORM

The economy continued to do badly and people increasingly spoke of the need of a system change in the monetary relations and thereby also in the



situation of the currency. At that time, the efforts consisted in getting Czechoslovak finance and banking under central, i.e. directive control and in creating a new system of money circulation control. The situation ended up in a monetary reform on 30 May 1953. Means of payment in the total value of 52.1 bn. Kčs were withdrawn from the Czechoslovak territory within the reform and they were exchanged for new money (printed in the Soviet Union), but at a considerably reduced rate. Old cash money in the amount of up to 300 Kčs of new money was exchanged for citizens who did not employ anybody at the rate of 5:1. The cash of employers was exchanged at even less advantageous terms – at the rate of 50:1. All deposits above 50 thousand crowns were also converted at the same rate (50:1). State securities were abolished and policies of insurance and the tied deposits from the 1945 monetary reform were annulled (in the amount of 80 bn. Kčs). The amount of currency in circulation decreased considerably and it reached only 3.8 bn Kčs at the end of 1953; the stock of saving deposits amounted to 3.4 bn Kčs.

The gold content of the crown – 0.123426 g of pure gold – formed the basis for determining the exchange rate of the Czechoslovak crown against other currencies. The setting of the dollar-crown exchange rate at 7.20 Kčs for 1 USD represented a systematic violation of the then value relationships, because the exchange rate was based on a calculation differing from that applied to prices and wages, which led to an undervaluation of the dollar, i.e. unjustified revaluation of the crown.

CZECHOSLOVAKIA AND THE POSITION OF THE ŠBČS IN PERIOD UNTIL 1992

The time period after the 1953 monetary reform until 1960 can be characterized by attempts to put in order the monetary situation with a focus on the definition of the money function and its effects in a socialist state. Categories like money, capital and foreign exchange market were replaced by central planning. But as early as in the 2nd half of the 1950s there were attempts to use also other instruments – indirect control instruments – due to the ill success of centrally planned economy and banking. More emphasis started to be put on the bank loan and the role of the ŠBČS in achieving the set export targets. In the first half of the 1960s, the economic problems were so tense that ways had been looked for, how to make the system's functioning more effective. However, attempts to create an autonomous monetary policy failed. In 1965, the ŠBČS was exempted from subordination to the Ministry of Finance. The situation in monetary policy, in the monetary development, above all however the "value relations" were supposed to be fixed by administrative measures. The so-called reconstruction of prices as at 1 January 1967 can serve as an example. Another major field that required a solution was foreign exchange and the exchange rate issue. As a result of the setting of the exchange



50 Czechoslovak crowns of 1948.



One-crown state note of 1953.



Five-crown state note of 1953.

rate of the Kčs against other currencies on the basis of gold parity without considering gold money, the exchange rate of the Czechoslovak crown against other currencies had virtually no meaning. The foreign exchange sphere was regulated and thereby put out of touch with the development of prices in the world. In practice, the official exchange rate of the crown was evened up – recomputed separately for nonconvertible currencies, later on represented by the Transferable Rouble, and for freely convertible currencies, represented by the US dollar as the world reserve currency. A so-called internal reproduction price adjustment, i.e. an exchange rate coefficient of 2.25 for socialist countries and a coefficient of 3.75 for non-socialist countries, was added to the official exchange rate of the nonconvertible Czechoslovak crown. After including the exchange rate



100 crown banknote of 1953.



25 crown banknote of 1958.

for 1 USD, while the crown-dollar exchange rate was officially set at 7.20 Kčs. The reproduction cost was taken into account in the foreign exchange sphere until 1989.

Because the balance of payments was interconnected with the development of the currency, the control of foreign exchange economy passed to the administration of the ŠBČS in 1969. The currency issue came to the fore in the early 1970s. According to Act No. 144/70 Coll. on the ŠBČS, the State Bank was directly influenced by government activities, but it was less dependent on other central bodies of state administration. The ŠBČS presented to the government a currency plan, as a separate plan with respect to the system of other central plans. That procedure was supposed to ensure better management of money and foreign exchange. The money function was still subordinated to central planning and the economic policy of the state. Efforts of the ŠBČS to assess the influence of economic results on currency continued also in the 1980s. Thanks to the ŠBČS, Czechoslovakia did not incur such debts towards foreign countries as e.g. Hungary or Poland did. The gross foreign debt in convertible currencies recorded a quite favorable development until 1985, the stock of foreign exchange liabilities being equivalent to 5 bn. USD at the end of 1989. The overall state of imbalance of the Czechoslovak economy was negatively reflected in the financial and monetary field and conditions for a qualitative change of the whole economic system were gradually taking shape.

coefficient, the US dollar equaled 27 Kčs. But each import was further increased by a 15% surcharge, so that in real terms the importer paid 31.05 Kčs

Table 2 Paper money (valid from 1953 to 1993)

Issue	Denomination	Dimensions in mm	Validity
1953	1 Kčs	101 x 51	1. 6. 1953 – 31. 5. 1960
1953	3 Kčs I.	110 x 56	1. 6. 1953 – 31. 12. 1972
1953	5 Kčs I.	126 x 61	1. 6. 1953 – 31. 12. 1972
1953	10 Kčs I.	129 x 65	1. 6. 1953 – 31. 12. 1963
1953	25 Kčs I.	138 x 70	1. 12. 1958 – 31. 12. 1971
1953	25 Kčs II.	140 x 69	1. 12. 1958 – 31. 12. 1971
1953	50 Kčs I.	147 x 74	1. 6. 1953 – 31. 12. 1967
1953	100 Kčs I.	156 x 80	1. 6. 1953 – 31. 11. 1967
1960	10 Kčs II.	132 x 65	1. 2. 1961 – 30. 6. 1988
1961	3 Kčs II.	113 x 56	1. 12. 1961 – 31. 12. 1972
1961	5 Kčs	123 x 60	1. 12. 1961 – 31. 12. 1972
1961	25 Kčs II. a	140 x 69	2. 5. 1962 – 31. 12. 1972
1961	100 Kčs II.	164 x 80	1. 12. 1962 – 7. 2. 1993
1964	50 Kčs II.	150 x 74	1. 4. 1965 – 30. 6. 1991
1970	20 Kčs I.	132 x 58	1. 4. 1971 – 30. 6. 1991
1973	500 Kčs	152 x 67	1. 11. 1973 – 7. 2. 1993
1985	1000 Kčs	157 x 67	1. 10. 1985 – 7. 2. 1993
1986	10 Kčs III.	132 x 67	1. 7. 1986 – 31. 7. 1993
1987	50 Kčs III.	142 x 67	1. 10. 1987 – 31. 7. 1993
1988	20 Kčs II.	137 x 67	1. 10. 1988 – 31. 7. 1993
1989	100 Kčs III.	147 x 67	1. 10. 1989 – 31. 12. 1990

Source: V. Novotný, M. Moulis: *Papierové platidla, Hodonín 2000.*



In 1989, an act on the Czechoslovak State Bank was issued, giving the ŠBČS the powers of a bank of issue with the possibility to perform independent monetary policy. A single exchange rate was introduced. The purchasing power of the crown was decreased and the currency weakened in 1990. The crown was devaluated by 18.6% against convertible currencies. At the same time, however, the crown was revaluated against the Transferable Rouble by 10%. In 1990, the crown was devaluated by more than 50% against the US dollar. The crown exchange rate was devaluated at the end of the year once more to 28 Kčs for 1 USD. The devaluation of the crown exchange rate against the dollar in 1990 by a total of 80% was aimed at introducing internal convertibility of the crown, i.e. internal convertibility of the currency. In 1990, the ŠBČS decided to apply restrictive monetary policy, the main objective having been not to allow the formation of an inflationary spiral. In 1992, the Czechoslovak economy stabilized relatively and signs of its recovery became visible. Despite considerable efforts, the GDP decreased by 0.3% in that year (as compared to a decrease of 6.6% in 1991). However, the development of the economy and of the currency in 1991 and 1992 was influenced by discussions of the politicians about the future of the common state of the Czechs and Slovaks.

Paper one-crown, three-crown and five-crown notes were state notes of the Czechoslovak Republic. Paper means of payment put into circulation during the 1953 monetary reform in the values of 10, 25, 50 and 100 crowns were banknotes of the ŠBČS. They were printed in Moscow in the Goznak printing plant using a simple technique – the offset technique – and they were very popular in the Czechoslovak monetary system. The original 25 crowns note was replaced by a banknote whose author was Karel Svoboda in 1958. It was printed using the high-quality photogravure



100 crowns of 1961, front side and reverse, the so-called Green Hradčany.

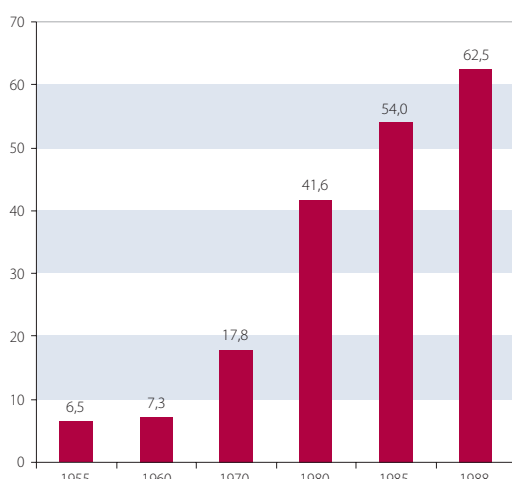


500 crowns of 1973.



1000 crowns of 1985.

Chart 1 The volume of currency in circulation has been gradually increasing (in bn. Kčs at year-end)



Source: F. Vencovský: *Vzostupy a propady československé koruny*, Praha 2003.

technique, contained a detailed artistic picture of Jan Žižka and was valid until 1971. That banknote, as the only banknote of the 1950s and 1960s, contained no political or ideological theme. A typical political banknote was the 100 crown banknote of 1962, which stayed in circulation for 31 years, the 50 crown banknote of 1965 was in circulation until 1991.

The Czechoslovak banknotes contained the inscription "Banknote of the Czechoslovak State



1 Kčs of 1953.



A 1986 collection of Czechoslovak coins in circulation.



Bank”, the clause “Counterfeiting shall be punished pursuant to the law”, as well as the clause “The banknotes are covered by gold and other assets of the Czechoslovak State Bank”. However, because the proportion of the gold and foreign exchange coverage was not set, the inscription had virtually no monetary relevance. The individual Czechoslovak banknotes were issued in the Slovak and Czech language. In the 1980s, the designers of the banknotes were allowed to use other than ideologically motivated themes. Banknotes with depicting important personalities were put into circulation at that time. In 1985, it was Bedřich Smetana on the 1000 crown banknote, one year later it was Pavol Országh Hviezdoslav on the 10 crown banknote, in 1987 Ľudovít Štúr on the 50 crown banknote and in 1988 Ján Amos Komenský on the 20 crown banknote. The author of those banknotes was Albín Brunovský. The 20 crown banknote with the portrait of Jan Amos Komenský was declared the most beautiful banknote of the world in 1988.

A 100 crown banknote with the portrait of Klement Gottwald was issued in October 1989. The printing of the banknote, considerably criticized by the public, was stopped in 1990 and the banknote was withdrawn approximately one year later and replaced by the 100 Kčs model II banknote, popularly called The Green Hradčany.

COINED MONEY – COINS OF THE 1953 – 1992 PERIOD

In the control of the circulation of money, state notes, banknotes and coins were functionally equivalent from the aspect of currency. The first coins put into circulation during the monetary reform in 1953 were produced in the state mint of Leningrad. They were haler coins with the values of 1, 3, 5, 10 and 25 halers, which were partly supplemented with 1953 coinage from Kremnica.

All further haler and crown issues of Czechoslovak coins coined at the Kremnica Mint had standard quality. A certain peculiarity of the monetary system was the introduction of 25 haler coins, and of 3 haler and 3 crown coins. The one-crown coin with the picture of a woman planting a flower was in circulation from 1957 to 1993. It is classified with successful coinages of Czechoslovak coins. The three crown coin was in circulation for 8 years (from 1965). The 5 crown coin was considerably longer in use – 28 years (from 1966). The tradition of coining gold Kremnica ducats from the period of the 1st Czechoslovak Republic was continued by a renewal of the coinage of St. Wenceslas’ ducats in 1951. Ducats for the 600th anniversary of the death of Charles IV with 986/1000 gold fineness were coined at Kremnica in 1978. The ducats were one-ducats coins with a weight of 3.49 g and a pure gold content of 3,44 g, up to their doubles and quintuples, and ten-ducats coins with the weight of 34.9 g with 34.40 g pure gold content. The ducats of 1978 contained the state coat of arms and the inscription Czechoslovak Socialist Republic. A total of 78 commemorative silver coins was issued from 1954 to 1989; they are currently highly appreciated primarily because of their art design. 5, 10 and 50 haler coins, which replaced older haler coins, were gradually put into circulation in the 1970s. A new 20 haler and 2 crown coin was added in 1972. In the early 1990s, seven coins with the value of 1 haler through 5 Kčs with the coat of arms of the Czech and Slovak Federal Republic were put into circulation based on a decree of the ŠBČS. A curiosity occurred at the end of 1992, when 10 crown coins bearing the year 1993 and an inscription of the name of the country of ČSFR were put into circulation, although the Czech and Slovak Federal Republic existed until 31 December 1992.

Photo: Lenka Kyjáčová

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