

# Resumé

## The Currency Reform in Czechoslovakia in 1953

The currency reform in Czechoslovakia in 1953 was significant because of many reasons.

People lost their long-term savings, they understood the reform as theft of their honestly earned money. Communist propaganda could not change the people's feelings. The confidence in bank savings and life insurance was undermined. The result of the currency reform was cancellation of rationing but in fact the standard of living of Czechs and Slovaks dropped. In centrally controlled economy it was impossible to overcome the supply problems, which played into the hands of the shadow economy. Old-age and disability pensioners were also in difficult financial situation because they lost their income from their bound deposits and life insurance. The biggest group affected by the currency reform was labour class. That was the reason why the planned increase in industrial production failed.

The monetary reform was a necessary condition for the continuation of extensive development of heavy industry, in the coming years to allow increased investments in this sector. Further, there have been general assumptions, that the corporate debts would be removed, however in contrary the debts substantially increased. Bankruptcy was unthinkable for many political reasons, and loans were provided to cooperation that were already in debts, which meant that they weren't obligated to correct their errors in their work, so the inefficient economize continued. The conditions of the Czechoslovak economy indicate the facts, that the seven-year plan, in the years 1954 - 1960 were cancelled in 1954 and 1955, which was then replaced and controlled by two, one year plans. The next longer-term plan was established in the third year of the respective five-year plan in 1958. Expectations of any effective long-term monetary reform, was never achieved. The system of centralized administrative planning was unsustainable, which was fully reflected at the end of the late 1980s.

As of an international perspective the reformation allows a complete transformation of the Czechoslovak economy in the Soviet Socialist Model and its full submission requirements. This system and a newly created monetary policy could not take over anything from the previous system. The reason for this is because there were diametrical differences. Therefore, it was necessary to demolish everything from the past, including the existing financial economy. Currency and the whole economy found itself in an international isolation,

as evidence we have the termination of the Czechoslovak membership in the International Monetary Fund in 1954.

The monetary reform in 1953 also had a very important political significance. This helped the Communist party consolidate their power and exterminated the saving of any other opposing party. Private farmers were forced to join a Common Agricultural Cooperation (JZD) due to lack of working capital. In addition, self-employers were to expect a similar fate. Communist Party of Czechoslovakia “removed” members, that did not demonstrate enough interest in their changes. Firstly since February 1948, the Communist party had to deal with manifestations of a mass discontent coming from the state's population. However, these manifestations could not seriously damage the established political rule. These protests were unorganized, spontaneous and the silent majority of the population did not join them. The main political demands were not clearly heard in the protests, with the exception of Pilsen and a few other protests in other places. The protests were usually related to disagreements with partial aspects of the reform (with advanced payments of wages and bonuses etc.). Citizens of Czechoslovakia surrendered to any possibility of a change in the system. The state security learned a way to handle strikes and demonstrations, and also well planned out procedures to prevent any spontaneous protests from ever recurring.

Textbooks and other literature, during this period did not mention the monetary reform at all, the only thing that was mentioned in connection to the reform was the removal of the bound market and rationing. Nevertheless, these events remained deep in minds of the citizens. During the next thirty-six years of the communist rule a few rumors came out, stating that there will be another monetary reform, which lead to a countless shopping fever.

A transition to centrally planed economy was finalized by the monetary reform. Such serious proceedings could not be implemented in any democratic society - by applying the strictest confidentiality, after the misinformed campaign, with an absolute disregard towards the citizen's opinions. Something like this could only occur under a regime, which was not completely certain of its absolute power, that originated mainly from a sophisticated repressive apparatus.