The crown has a long history in the Czech lands

- Czech Republic has kept currency name from Austro-Hungarian era; crown was introduced by Emperor Franz Joseph I in 1892 to replace old florin.

- Czech Republic is only successor state to maintain currency name unchanged to this day.

_Czechoslovakia and Czech crown never suffered from high inflation_
Territory where the “crown” was once legal tender...
...but while Alois Rašín was in office in Czechoslovakia after 1918...

Pursued strict deflationary policy

Austro-Hungarian crown was still in circulation in successor countries in autumn 1918 and winter 1919

On 25 February 1919, National Assembly approved Rašín’s secret plan to stamp banknotes

Between 26 February and 9 March 1919, national borders were sealed and notes circulating in Czechoslovakia were stamped

Only stamped notes were recognised as legal tender
...and the price level went down...

Prices dropped by 26% in three years

July 1921 set as $0$

Source: Statistical Yearbook 1925
…other countries printed money like there was no tomorrow

Prices rose by 850% in Poland…

…and by just 620% and 500% in Hungary and Austria

July 1921 again set as 0

Price level in Austria, Hungary and Poland, 7/1921–6/1924

This caused the other “crowns” to weaken sharply.

Down means weakening of currency.

Exchange rate of Czechoslovak, Hungarian and Austrian crown against Swiss franc, 1918–1924

Czechoslovak crown remained stable…

…while Hungarian and Austrian ones weakened by around 370%.

The present debate? Nothing new under the sun

• Very similar debate took place in our country **80 years ago**
• Vilém Pospíšil (advocate of gold coverage, i.e. fall in prices, in Alois Rašín’s footsteps) versus Karel Engliš (advocate of price stability, closer to modern view)

• February 1934: Pospíšil resigns as CB governor and is replaced by Engliš, who is intent on devaluing the crown by one-sixth. Thanks to this, the almost-five-year period of recession and deflation in Czechoslovakia comes to an end the same year.
Greatest blow to crown came in June 1953

Nevertheless, even “bankrupt” Communist regime preferred direct repayment of public and hidden debt by population to erasure of debt by inflation

“Our currency is strong and monetary reform will not take place. Class enemies are merely spreading rumours about it."

Antonín Zápotocký, 29 May 1953
As far as possible (relative prices had to be adjusted) we again followed – and are following – the least inflationary path.

In 20 years, prices went up by 150% in Czech Republic…

…and by 450% in Poland

...inflation remains under control
Thank you for your attention