

LL
20 Jun
VI - 1783BULGARIAFINANCEMoney
PensionsSTANDARD OF LIVING

Prices

Reaction To The Recent Money Reform In Bulgaria

- SOURCE ROME: 1) a letter of a young, married man from SOFIA, dated 12 May 1952, addressed to near relatives in Italy. He belongs to a formerly well-to-do family.
- 2) a letter of a retired banker from SOFIA, dated May 1952, addressed to near relatives in Italy.
- 3) a letter of a housewife in SOFIA, dated 20 May 1952, addressed to her married daughter in Italy.

DATE OF OBSERVATION: May 1952.

* * * *

"For a young person, whether man or woman, life holds its attraction and beauty. Wishes and longings are always seen through rose-colored glasses and the lens of youth reflects only the good. But do you know, dear, that in our case the glasses seem to be broken and the lens blurred. Our cares were so many and so heavy that everything cheerful was forgotten. Starting with my sickness (The writer had been interned for a long time. By "sickness" he means internment.) All this was a long chain of adversities only We deprived ourselves of everything and believe us there were months when we could not even afford the most elementary pleasures.

"The latest news around us, as you know from the press and radio, is that a new money reform took place in Bulgaria. All money in circulation until now was withdrawn and changed with entirely new correlation of 100 old Leva to one new Leva. This is indeed a daring reform aimed at stabilizing the Bulgarian currency. Now at the moment we are somewhat confused until we get accustomed to the new situation. There is a decrease in the prices of goods, which are expressed in the new correlation. Seeing the prices in the stores, how one is struck with wonder. For instance father now gets a pension of 196 Leva per month. One egg costs 80 stotinki (1 stotinka is one hundredth of a Leva,) one kilo of sugar

(Over)

LL
20 Jun
VI - 1783BULGARIA
(cont'd)

1

10 Leva, one kilo of rice 10 Leva, one loaf of bread 2.60 Leva, a streetcar ticket 20 stotinki, etc. When I see that some articles now are paid in stotinki I imagine that I am living 40 to 50 years ago. Today the papers even quote the new rates of exchange of the different currencies in relation to the new Leva. All this is very good for the Bulgarian people, except for those who were very well off before. Now they will have very much less but on the other hand, they have new Leva, sound and valuable."

"You certainly must have heard that we have a new money reform and that for every 100 old Leva we got one new Leva. This reform was effected on the Ruble basis: one Ruble is equal to 1.70 Leva, each Leva contains 0.130687 grams of pure gold.

"Now, about your debt to I understand that he spent 108,000 Leva

"If presents these 108,000 Leva as paid by him for the in banknotes he had on hand, he would have received new Leva in new banknotes amounting to 1,080 new Leva. If, however, these 108,000 Leva were in deposit in some state saving bank, from where he drew to pay for the on his deposit of 108,000 Leva, would have got 2,620 new Leva. In other words, if ... paid for the in banknotes he had on hand your debt to him will now amount only to 1,080 Leva in the new Leva currency. If he did not pay in banknotes of old Leva he had on hand, but drew from his savings account with the bank, you then will be owing him 2,620 Leva in the new Leva currency.

"Thus on the basis of the above (the informant cites the new rates of exchange of different foreign currencies as given by the Bulgarian National Bank on 12 May 1952,) rates of exchange you will have to calculate how much you owe to now. You would have to ask him first in what manner he did effect the payment: with banknotes he had on hand or money he drew from his account."

"The money reform reduced my savings account from 350,000 Leva to a mere 7,000 in the new money My pension dropped to 235 Leva per three months..... Please do everything so that I may join you soon."

The new devaluation of the Bulgarian Leva on 10 May 1952 was accompanied by simultaneously abolishing the rationing system. The government claims that with its latest

(Over)

20 Jun

VI - 1783

BULGARIA
(cont'd)

2

money reform it proportionally raised the wages and salaries and proportionally decreased the prices of basic commodities. In reality it is exactly the opposite. For example, if one kilo of sugar costs 240 Leva, on the basis of the exchange ratio of 1:100, one kilo of sugar should now cost 2.40 Leva, not 10 Leva as is the new price.

The money reform was not introduced to raise the standard of living in Bulgaria. Its background was the inflation in the country, caused by the exploitation of the Bulgarian economy by the Soviet Union and the imposed heavy burdens for rearmament.

EVAL. COMMENT: Correct.