

FOREIGN CLAIMS SETTLEMENT COMMISSION  
OF THE UNITED STATES  
WASHINGTON 25, D. C.

IN THE MATTER OF THE CLAIM OF

KAROLIN FURST  
318-1/2 North Fickot Street  
Los Angeles, California

Claim No. CZ-1,381

Decision No. CZ 682

Under the International Claims Settlement  
Act of 1949, as amended

GPO 942329

Counsel for Claimant:

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PROPOSED DECISION

This is a claim against the Government of Czechoslovakia under Section 404, Title IV, of the International Claims Settlement Act of 1949, as amended, by KAROLIN FURST, a national of the United States by naturalization on April 6, 1945, for the taking of a deposit in the Statna Sporitelna (State Savings Bank), Czechoslovakia.

The record shows that the original deposit of 400,000 koruna, made in 1950, was reduced in 1953 pursuant to the monetary reform law of 41/53 Sb., and that the balance of the deposit was 14,188.88 koruna as of December 31, 1958.

Section 404 of the Act provides, among other things, for the determination by the Commission, in accordance with applicable substantive law, including international law, of the validity and amount of claims by nationals of the United States against the Government of Czechoslovakia for losses resulting from the nationalization or other taking on and after January 1, 1945, of property

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including any rights or interests therein, owned at the time by nationals of the United States.

Deposits, made on or before November 15, 1945, in pre-World War II koruna, and blocked as of November 1, 1945 pursuant to Decree 91/45 Sb., were annulled by Section 7 of Law 41/53 Sb. The Commission has determined that such annulment constituted a "taking" of property within the meaning of Section 404 of the Act.

The instant claim, however, is based upon a deposit made in new koruna which was established by Decree 91/45 Sb., as of November 1, 1945. Subsequently, the new koruna gradually depreciated in value. The koruna, depending upon the standard of measure used, was worth about 1/5 or 1/8 of its original value by May 1953, when a new monetary reform was introduced by Law 41/53 Sb. Under this monetary reform, the koruna was devalued and several other deflationary measures were taken.

Most bank accounts established since November 1, 1945, such as the claimant's, were converted into new koruna by means of a sliding scale. A less favorable rate of 50 old to 1 new koruna were used for a limited class of accounts.<sup>1/</sup> It is to be noted that the monetary reform of 1953, however, was also coupled with a general readjustment of wages and prices. The record herein indicates that the claimant's deposit was converted at the sliding scale and not at the more severe 50 to 1 rate.

The balances resulting from the currency reform are subject to foreign exchange controls. However, as this claimant was informed,

<sup>1/</sup> For detailed regulations see: Joint proclamation of the Czechoslovak Government and the Central Committee of the Czechoslovak Communist Party (Uredni List of May 31, 1953)



the money within Czechoslovakia may be used for the benefit of the owner, for close relatives, for payment of obligations within Czechoslovakia, for the use of residents of Czechoslovakia, for donations, and similar purposes.

It is a recognized rule of international law that a state has the right to make every effort to stabilize its currency in time of financial stress and to make its currency legal tender for the payment of all debts. This may cause a loss in terms of foreign exchange. However, as long as there is no discrimination between nationals and aliens no claim under international law arises. A state is not liable under international law for fluctuations in the value of its currency (In the Matter of the Claim of Borden Covell, Administrator of the Estate of Leo Sigmund Kuhn, Deceased, Decision No. 25-B of the American-Mexican Claims Commission).

It appears that the monetary reform of 1953 was principally a readjustment of the monetary system in the light of the economic situation caused by the depreciated value of the currency. Claimant's loss was caused by the depreciation in the value of the koruna, and the conversion of claimant's deposit into new currency only made such loss apparent but was not the proximate cause thereof. There is no evidence to show that claimant's deposit was affected by any conduct by the Czechoslovakian Government so as to constitute a taking of property under Section 404 of the Act.

The Commission concludes that the claimant herein has not established that the conversion of her deposit into new koruna of lesser value amounted to a nationalization or other taking of her property within the meaning of Section 404 of the Act.

Accordingly, the claim is denied for the reason that it has not been established that claimant's bank deposit was taken without compensation by the Government of Czechoslovakia.

The Commission finds it unnecessary to make determinations  
with respect to other elements of the claim.

Dated at Washington, D. C.

MAY 16 1960

BY DIRECTION OF THE COMMISSION:



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Francis T. Masterson  
Clerk of the Commission

A.K.B.

