

FOREIGN CLAIMS SETTLEMENT COMMISSION
OF THE UNITED STATES

WASHINGTON 25, D. C.

IN THE MATTER OF THE CLAIM OF

GABOR NEMETH
213 East Raymond Avenue
Harrisburg, Illinois

Claim No. HUNG-20,422

Decision No. HUNG- 696

Under the International Claims Settlement
Act of 1949, as amended

GPO 16-72126-1

PROPOSED DECISION

This is a claim against the Government of Hungary under Section 303 of the International Claims Settlement Act of 1949, as amended, based upon alleged deposits of money in a Budapest Post Office savings account in 1911 and 1919, to a total of 31,000 korona, the value of which in United States currency is stated as \$1,100 at time of deposit, and as "not known" at time of filing claim. There is no evidence of confiscation of the funds by the Hungarian Government.

The only provision of Section 303 of possible application herein is subsection (2), which provides for the receipt and determination of claims against the Government of Hungary, among others, for its failure to--

pay effective compensation for the nationalization, compulsory liquidation, or other taking, prior to the effective date of this title [August 9, 1955], of property of nationals of the United States in ...Hungary...."

It is apparent that the grievance of the claimant is the consequence of severe currency devaluation and restrictions on the transfer of currency out of Hungary brought about by general economic conditions rather than by any specific action of the Hungarian Government which could be characterized as a "nationalization, compulsory liquidation, or other taking" of claimant's property within the meaning of the Act.

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Subsequent to the making of the korona deposits which form the basis of this claim, a new currency, the pengo, was introduced in Hungary by Section 17(2) of Law 1925 XXXV tv., providing that 12,500 korona might be exchanged for 1 pengo. In the message introducing the bill into Parliament, the ratio of the proposed pengo to the gold dollar was stated as 1 pengo to 0.1749 gold dollars. On this basis, the claimant's 31,000 korona became the equivalent of 2.48 pengo, or approximately \$0.43. Law 1928:XII tv. provided for the revalorization of certain money debts within a period of one year; but debts of the State, including those of the Royal Hungarian Savings Institute (M. Kir. Postatakarokpenztar) were expressly excluded from operation of the law by Section 6 thereof.

Immediately prior to World War II, the worth of the pengo was approximately 5 - \$1. There followed a complete collapse of the currency, so that as of June 30, 1946, the value of the pengo was 1,835,000,000,000 to \$1, or practically zero. With the establishment of the new forint on August 1, 1946, the exchange rate between the old pengo and the forint was stated as 400 octillion (negyszazezerquad-rillio) to one. Both the pengo and the korona had entirely lost their value. Thus, claims for deposits in either form are claims expressed in a completely destroyed currency. While the currency destruction was an economic loss to a great many individuals, it was not a nationalization, liquidation, or other taking of property by the Hungarian Government. It was the result of tremendous damage inflicted to the Hungarian economy, principally by the war and by post-war conditions, and not of any action of the Hungarian Government giving rise to a compensable claim under the Act. Similarly, a prohibition against transfer of funds outside of a country is an exercise of sovereign authority which may not be deemed a "taking" of claimants property within the meaning of Section 303(2) of the Act.

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

Dated at Washington, D. C.

JAN 16 1958

FOR THE COMMISSION:

Donald G. Benn

Donald G. Benn, Director
Balkan Claims Division

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