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RE-ESTABLISHMENT OF THE LATS



In a wider, not merely economic but also cultural, historic and political sense, money reflects the entire process of the evolution of the civilisation. It is often evidence of political changes in a country and is definitely part of the world's cultural heritage. The link between the restoration of sovereign Latvia and the re-establishment of the lats is particularly interesting in the history of Latvian money. The restoration of Latvia's independence was an opportunity to restore the national currency. The re-establishment of the lats and stabilisation of the national economy was the goal of the second currency reform in sovereign Latvia. Work towards achieving this goal began at the dawn of the national awakening.

At the meeting at the Artists' Union in June 1988 Mr. Juris Gagainis, Chairman of the Metal Arts Section, invited artists to think about new coins – develop designs and plan for mintage.

The initiative was taken over by the Latvian Culture Foundation (restored in 1989 on the basis of the Latvian Department of the Soviet Culture Foundation established in 1987), announcing a competition on the thematic concept of the lats. The competition regulation was drafted by architect Guntars Gedulis and economist Ēvalds Vēciņš, in close cooperation with artist Uģis Jankavs and Ramona Umblija, Vice Chairperson of the Latvian Culture Foundation.¹ Artist Laimonis Šēnbergs was also invited to participate in the competition commission.

More than 20 projects were submitted for the competition, with professional artists and amateurs from Latvia and abroad taking part. It seems Kharkiv was the most distant place where the application was sent from (by Sergey Kovalyenko). Most participants tended to imitate the lats issued in the 1920s and 1930s, featuring the former presidents of Latvia, Freedom Monument, the outstanding cultural personalities Rainis, Aspazija, Krišjānis Barons, etc. Project mottos also expressed similar messages, e.g. "For free Latvia", "Let's work for Latvia", "Ad Rem", "LR – 91 – AP", "Culture", "Agriculture". The Latvian Culture Foundation handed over part of the projects to the History Museum of Latvia (now National History Museum of Latvia) in January 1997. Authors of some designs could not be established, but the submissions by Jānis Strupulis, Edgars Grīnfelds, Aivars Plotka, Elita Viliama, Vilnis Didrihsons, Pēteris Čivlis and Sergey Kovalyenko were identified.

In some projects the offered solution of banknote and coin design resembled bright trademarks or labels. After lengthy discussions the competition commission decided to award no first prize; the second prize was awarded to A. Plotka representing the so-called national romanticism trend, and the third prize was given to E. Viliama (motto "If you are afraid of wolves, don't go to the woods"). A motivational prize was awarded to Valdis Ošiņš and Imants Žodžiks for extraordinary conceptual improvisation, outlining an overall concept of the design of the

future currency of Latvia. This unconventional approach to the solution of the currency design caught the assessors' attention.

Soon the public authorities also joined the efforts to re-establish the lats, the national currency. On 31 July 1990 the Supreme Council of the Republic of Latvia (hereinafter, the Supreme Council) adopted a Resolution "On the programme for establishing the monetary system of the Republic of Latvia"² whereby the Council of the Bank of Latvia was assigned the task of establishing a commission that would be in charge of the monetary system reform. The commission's working programme had to address issues related to the laws regulating money and lending and the national currency, inter alia production of banknotes and minting of coins, involving scientists and other highly qualified experts in developing the programme. The programme for establishing the monetary system had to be submitted to the Supreme Council by 15 December 1990 and the Council of Ministers of the Republic of Latvia (hereinafter, the Council of Ministers) had to provide material and technical support for that.

Pursuant to the Supreme Council Resolution of 31 July 1990, the Council of the Bank of Latvia set up a commission for establishing the monetary system, chaired by Pāvils Sakss. Under the supervision of the commission, working groups were formed for addressing the following issues: 1) for the concept of establishing the monetary system (head of the group – Aigars Plotkāns, adviser to the government administration); 2) for the laws on money and lending (head of the group – *Dr. habil. oec.* Prof. Elmārs Zeltgalvis, member of the Council of the Bank of Latvia); 3) for producing banknotes and minting circulation coins (head of the group – *Dr. oec.* Juris Lebedoks, chief expert of the government administration). The project of establishing the monetary system, developed by the commission, was approved by the meeting of the Council of Ministers on 11 December 1990. At the same time the Bank of Latvia submitted to the Supreme Council the project "The Monetary System of the Republic of Latvia (conceptual guidelines and establishment programme)", draft law "On Money" and the relevant draft resolutions of the Supreme Council for review and approval.

On 15 August 1990 Arnis Kalniņš, academician, economist and Vice Chairman of the Council of Ministers, expressed his opinion on the need for the national currency in the article "Some ideas on inflation and money"³, pointing out that Latvian currency is a precondition for independent management of the economy.

Enthusiasts representing various sectors worked in good faith and with great commitment towards the restoration of the lats. It also became clear that temporary currency or the substitute of the national currency would be necessary during the transitional period. Scientists and practicing economists addressed this issue as well, and the proposed solutions had their pros and cons.



First artistic and graphical designs of lats banknotes by Valdis Ošiņš and Imants Žodžiks submitted to the Commission for the Thematic Concept of the Banknotes and Coins. 1991.

The authors of the idea of the so called "white money" as a new payment instrument were J. Brože, G. Dragiļevs, G. Marga and V. Mišins.⁴ The goals for introducing the white money were as follows: 1) ensure a guaranteed subsistence minimum for the population during the transition period to the market economy; 2) protect the internal market from the expansion of the USSR ruble; and 3) create preconditions for the introduction of the national currency.

On the one hand, the white money would serve as a payment instrument during the economic crisis, being a market alternative for the rationing system; on the other hand, it would be a tool for stabilising the national economy. Initially the white money would be merely a payment instrument for ensuring a subsistence minimum food basket (100–112 rubles per month per capita in 1990).

When issuing the white money, several mandatory conditions apply: 1) the initial issue should cover the overall average monthly subsistence minimum with the new payment instruments; 2) the issue amount should be lower than the average monthly retail trade turnover; 3) the white money is paid to all inhabitants of the respective country as part of the wages, pensions or benefits. The disbursements differ depending on the social status of the consumers. Any income below the minimum subsistence level is paid in the white money while any income above this level is paid in both the white money and rubles.

The first changes should be made after the calculation where the value of the basket of goods is 10%–12% higher than the white money in order to guarantee provision of consumers. The total amount of disbursements would be regulated relative to the amount of the real mass of commodities. The state would ensure monthly control over this ratio between the amount of disbursements and mass of commodities. With two types of payment instruments existing simultaneously, a free but state-controlled exchange according to a definite exchange rate would be necessary. The exchange would be carried out by the JSC *Latvijas Krājbanka* at a single exchange rate throughout the country.⁵

The concept of the white money was severely criticised. In the "Opinion on the concept of the "white money"" Alģis Sadausks, adviser to the Council of Ministers, wrote that actually it was kind of a system of cheques used as a measure of social protection of the population during an economic crisis, but this system could not be considered a transitional stage to one's own currency. He also pointed to the drawbacks of the technical solution, e.g. the failure to stipulate the way how the rubles would be withdrawn from circulation and to show clearly the practical introduction of the white money.⁶ Nevertheless, A. Sadausks admitted that several sections of the concept could be used in developing the reform programme for the monetary system.⁷ For some time the idea of the white money was quite topical – it was planned to

discuss the concept at a meeting of the Cabinet of Ministers on 21 November 1990, therefore it had also been discussed in advance at a meeting of the Bank of Latvia Council. E. Zelgalvis presented the concept of the white money to those present. According to E. Siliņš, the white money would provide an opportunity for everybody to receive a guaranteed minimum of goods and services, while Jānis Ozoliņš expressed his opinion that the white money would not solve the main problem – the deficit of goods and services. E. Zelgalvis acknowledged that the concept was poorly developed, it did not provide for protection against potential counterfeit and required further work and resources that could be used for the introduction of the lats instead.

On 19 October 1990 P. Sakss, Governor of the Bank of Latvia, held a meeting on the programme for producing the experimental batch of the new lats banknotes. E. Zelgalvis, member of the Council of the Bank of Latvia, A. Plotkāns, adviser to the government administration, J. Lebedoks, chief expert of the government administration, Ē. Vēciņš, economist of the Coordination Department of the Latvia Republican Bank of the State Bank of the USSR, U. Jankavs, chief artist of the Latvian Culture Foundation, A. Plotka, artist of the publishing house *Avots*, Bruno Vrubļevskis, chief engineer of the Latvian republican manufacturing company LITTA, and J. Ķīsis, Vice Director General of the Latvian republican forestry manufacturing company *Latvijas mežs* were present at the meeting.

At the meeting A. Plotkāns presented the submitted concepts on the monetary system reform issues, as well as informed about the new banknote production proposals received from the *Hungarian Banknote Printing Shareholding Company*, *US Banknote International* and *Rekona Holland*. J. Lebedoks reported on the results of the competition organised by the Latvian Culture Foundation and told the meeting about the composition of the creative working group and the draft action plan, while A. Plotka outlined the artistic ideas. U. Jankavs submitted the procedure for developing the banknote and coin projects proposed by the Latvian Culture Foundation.⁸

To accelerate the establishment of the monetary system and draft the relevant legislative acts, the meeting decided to ask the working group to develop the banknote and coin description draft by 6 December 1990 and submit it to the Commission for the issues of the monetary system reform. It was also decided to request the Ministry of Culture, the Latvian Academy of Arts, the Artists' Union of Latvia, and the Culture Council of Creative Unions to provide an opinion on the thematic concepts of the banknote and coin design and to participate in other projects related to the production of the banknotes and coins.

On 19 November 1990 a meeting of the working group of the Commission on the issues of the monetary reform was held with

the following participants: musicologist Arnolds Klotiņš; journalist Viktors Avotiņš; Jānis Krievs, representative of the Art Department of the Ministry of Culture; Imants Lancmanis, Director of the Rundāle Palace Museum; Māra Eihe, expert of the Museum of the History of Riga and Navigation; U. Jankavs, chief artist of the Latvian Culture Foundation; L. Šēnbergs, Secretary of the Board of the Artists' Union of Latvia; artist Juris Petraškevičs; E. Zelgalvis, member of the Council of the Bank of Latvia; P. Sakss, Governor of the Bank of Latvia; J. Lebedoks, chief expert of the government administration; Gints Poišs, adviser to the Governor of the Bank of Latvia; Ē. Vēciņš, economist of the Coordination Department of the Latvia Republican Bank of the State Bank of the USSR; B. Vrubļevskis, chief engineer of the Latvian republican manufacturing company LITTA; and A. Plotka, artist of the publishing house *Avots*. Proposals for the thematic concept of the banknotes and coins were also expressed in the above meeting. Ē. Vēciņš, U. Jankavs, Jānis Dripe and Gunārs Asaris had already submitted their proposals in advance.

The participants of the meeting suggested the following. A. Klotiņš: 1) the ethnographic symbols – Jumis, Māra's Cross, God's Cross, Zalktis (grass-snake) and Laima's Cross; 2) Lielvārde belt as a separate theme; 3) refrain from using landscapes and portraits; however, if the latter are used, it should be the portraits of Kr. Barons, Jāzeps Vītols, Rainis, and Anna Brigadere. Recommendations by M. Eihe: 1) the nominal value of 3 lats should not be used; 2) Lielvārde belt should be depicted in the watermark for the 10-lats banknote; 3) Rainis' tombstone – in the watermark for the 50-lats banknote; 4) the sculpture of Mother Latvia at the Warriors' Cemetery in Riga – in the watermark for the 500-lats banknote. J. Lancmanis proposed using the following: 1) feature the state coat of arms on the reverse of all coins and banknotes; 2) portraits of Rainis, Kr. Barons, Andrejs Pumpurs, J. Vītols and Vilhelms Purvītis; 3) Freedom Monument, panorama of Riga, Rundāle Palace, and a farmstead; 4) Lielvārde belt, an oak, the national mythological hero Lāčplēsis, and a fragment of the Stāmeriena villaine (woollen shawl of the national costume). In the lats banknotes J. Krievs suggested combining pictures of the sculptural groups of Freedom Monument with relevant portraits, e.g. Lāčplēsis and A. Pumpurs, the folk song and Kr. Barons.⁹

On 10 January 1991 Ivars Godmanis, Chairman of the Council of Ministers, held a meeting "Establishment of the monetary system of the Republic of Latvia". At the above meeting, Alfrēds Bergs-Bergmanis, Chairman of the Board of the Latvia Republican Bank of the State Bank of the USSR, presented a report "Issue of the ruble as a financial tool for regulating the economy in the interest of the USSR", providing information on the deficit of cash related to the increase in prices and costs, coverage of



Drawing "The Daugava" by Jānis Reinbergs for the image intaglio engraving for 10-lats banknote. *BLA, BLF, descr. 31, f. 173, p. 3.*

the USSR budgetary expenditure by issuing additional amounts of the ruble, the reform of the USSR ruble and its potential consequences in the Republic of Latvia. The above reform reached Latvia in the next few days. Under the monetary reform implemented by Valentin Pavlov, the USSR Minister of Finance, 50- and 100-ruble banknotes had to be exchanged for new ones during 23–25 January 1991.

P. Sakss, Governor of the Bank of Latvia, reported on the relevance and preconditions for introducing the monetary system of the Republic of Latvia.¹⁰ A. Plotkāns, adviser to the government administration, spoke about the possibilities to use other payment instruments in developing the national currency of the Republic of Latvia; artist J. Krievs as well as J. Lebedoks and B. Vrubļevskis, chief experts of the government administration, reported on the technical and financial issue solutions for introducing the monetary system of the Republic of Latvia. A. Sadausks, adviser to the Council of Ministers, discussed the securities production issues and development prospects.¹¹

The draft resolution of the meeting read that a working group should be established for the practical implementation of the production of the monetary unit of the Republic of Latvia, appointing A. Sadausks as the head of the group. The Department of the External Economic Relations of the Council of Ministers

was assigned a task to submit proposals for covering the banknote production and coin minting costs by 5 February 1991.

On 13 March 1991 Resolution "On Producing the Banknotes and Coins of the Republic of Latvia" was adopted by the Supreme Council stipulating the following: "1) deem it necessary to carry out preparations for producing the national banknotes and coins; 2) assign the task to the Council of Ministers of the Republic of Latvia to develop the new banknote and coin production programme together with the Bank of Latvia and in line with the concept for establishing the monetary system of the Republic of Latvia, fixing an optimal and economically justified sequence of the coins and banknotes, and to ensure financing of this programme".¹²

On 13 March 1991 the Supreme Council established the Commission for the Thematic Concept of the Banknotes and Coins, with Imants Daudišs as its Chairman; its members were Jānis Stradiņš, R. Umblija, L. Šēnbergs, I. Lancmanis, J. Krievs, J. Dripe, Modris Ģelzis, P. Sakss, Kristīne Ducmane and M. Eihe. Einars Repše, Governor of the Bank of Latvia, actively participated in the activities of the commission.

The proposals were considered, making use of the Latvian Culture Foundation competition materials and choosing the paper money concepts of A. Plotka, V. Ošiņš and I. Žodžiks. It was decided to ask the artists to develop additional sketches. For

Drawing "The Latvian Homestead"
by Jānis Reinbergs for the image intaglio
engraving for 20-lats banknote.
BLA, BLF, descr. 31, f. 173, p. 4.



developing metal money, graphic designer Gunārs Lūsis and sculptor J. Strupulis were invited. The commission chose the banknote concept developed by V. Ošiņš and I. Žodžiks, based on the possibilities offered by the modern computer graphics.

The commission declined featuring historical personalities on banknotes and coins, with the only exception and symbol being the portrait of Kr. Barons on the 100-lats banknote. Other banknotes bear the symbols and colours characteristic of the Latvian environment and culture: an oak (Ls 5) – green; the Daugava (Ls 10) – purple; a Latvian homestead (Ls 20) – brown; a sailing ship (Ls 50) – blue; a profile of the Latvian folk-maid (Ls 500) – golden. The latter features the reverse of the 5-lats coin designed by Rihards Zariņš and minted in 1929, 1931 and 1932. This profile is also visible as a watermark on all banknotes issued in 1992 and later. A fragment of Lielvārde belt is a common vertical element of all the new banknotes. The reverse designs of the banknotes give an insight into the course of the day and work of our ancestors, as well as festive moments. We can see the motifs of a distaff (Ls 5), bow-brooch of ancient Latvians (Ls 10), fragment of traditional ornament used in weaving (Ls 20), coat of arms of Riga (Ls 50), Lielvārde belt ornament (Ls 100), and ornaments of a bronze head-dress (Ls 500).

Several companies (including *Joh. Enschedé en Zonen* (the Netherlands); *Giesecke & Devrient GmbH* (Germany); *The Birmingham Mint Ltd.* and *British Royal Mint* (UK)) submitted their cost estimates for the production of the banknotes and coins, as well as other terms and conditions for starting the work. The bids were thoroughly analysed and compared; moreover, their terms and conditions were modified. The price dynamics of *The Birmingham Mint Ltd.* bids of 17 October and 11 November 1991 is a striking example – the price was reduced by 5.8%.¹³

At first it was intended to print the Latvian banknotes in the Netherlands – the Memorandum of Understanding signed on 26 April 1991 testifies to that;¹⁴ however, in autumn 1991 an apology and refusal from the Bank of Latvia followed.

The company *Giesecke & Devrient GmbH* was chosen for the production of banknotes: it was already known in Latvia as the Latvian passports were printed there, and its bid was the most acceptable.¹⁵ The agreement between the Bank of Latvia and *Giesecke & Devrient GmbH* was signed on 12 September 1991¹⁶ providing for the production of 45 million 5-lats banknotes by July and August 1992, 30 million 20-lats banknotes by August 1992, 12.5 million 100-lats banknotes by September 1992, 30 million 10-lats banknotes by January 1993, 22.5 million 50-lats banknotes by February 1993, and 10 million 500-lats banknotes by February 1993. Overall, 150 million banknotes with the total nominal value of 8.5 billion lats had to be produced.¹⁷ The deadline for the production and delivery was extended since the

5-lats banknote was approved for printing in September 1992, the 100-lats banknote – in November; the 10-lats and 20-lats banknotes were approved for printing in January 1993, the 50-lats banknote – in February, and the 500-lats banknote – in March; consequently, the delivery followed 2–5 months after the start of printing the respective banknotes.¹⁸

The 5-lats banknote was the first to be designed and produced. The draft design of the 5-lats thematic composition is stored in the archive of the Governor of the Bank of Latvia; on 31 October 1991 it was signed by the members of the Commission for the Thematic Concept of the Banknotes and Coins, and E. Repše signed it on 4 November.¹⁹ *Giesecke & Devrient GmbH* proceeded with developing the banknote by separate elements in line with the proposals of I. Žodžiks and V. Ošiņš until the desired result was achieved. For the image engraving in intaglio technique, the German company needed sample drawings. They were created by Jānis Reinbergs ("The Oak", "The Daugava", "The Sailing Ship", "The Portrait of Krišjānis Barons", "The Latvian Homestead")²⁰ and Leonards Laganovskis ("The Profile of the Latvian Folk-maid").²¹ From the original *Giesecke & Devrient GmbH* developed their own graphic drawing used by the engraver. Production of a new engraving required considerable additional costs; therefore each graphic drawing produced by *Giesecke & Devrient GmbH* was subject to approval.

Artist L. Šēnbergs, member of the Commission for the Thematic Concept of the Banknotes and Coins, was the authorised representative of the Bank of Latvia and the Commission in the banknote production process. He remembers that the correction and changing of the graphic details of each banknote, selection and agreement of colour and shade options, adjustments and discussions took place at the company, even waiting for the modifications to be introduced and then bringing them to Riga for acceptance and approval. The conscientious approach was fully supported by E. Repše, the Governor of the Bank of Latvia, who also trusted the artists and relied on their suggestions. Artists J. Petraškevičs, Ilmārs Blumbergs and J. Krievs also participated in the discussion and implementation of the ideas of V. Ošiņš and I. Žodžiks. The scrupulous approach and the high standards demanded by the Latvian side resulted in respect and helpful attitude and understanding from the suppliers as well.

Paper for the banknotes was manufactured at *Papierfabrik Louisenthal GmbH*, Germany. The most difficult task was to create a watermark on the special banknote paper that would be identical to the folk maid on the silver 5-lats coin designed by R. Zariņš in the 1930s (the graphic image of the watermark was also created by J. Reinbergs).

In his letter to the manufacturers of the banknote paper, L. Šēnbergs expressed his objections:



Drawing by Leonards Laganovskis "The Profile of the Latvian Folk-maid", 1993. BLA, BLF, descr. 31, f. 174, p. 1.

"The watermark – the image of the Latvian folk-maid "Milda" – has considerably changed during the manufacturing process of the Latvian banknote paper.

In a large portion of the watermarks the image so popular with Latvians has become unfamiliar. The folk-maid's profile, the shape of the nose in particular, is very inaccurate in the watermarks (...). In comparison with the sample accepted by the Bank of Latvia, the more pronounced contrast between the light and dark shades of the picture results in a different image of the folk-maid.

Given the watermark manufacturing technology, the difference between the watermarks is more pronounced than admissible and it is unwelcome also from the point of view of security."²²

These objections were taken into account when manufacturing the next issues of the banknote paper.

The lats banknotes were designed and produced making use of all major security features. In view of the high value of the 500-lats banknote, on 2 July 1993 the meeting of the Bank of Latvia Council resolved to enforce the security system of the 500-lats banknotes with the optically variable ink.²³

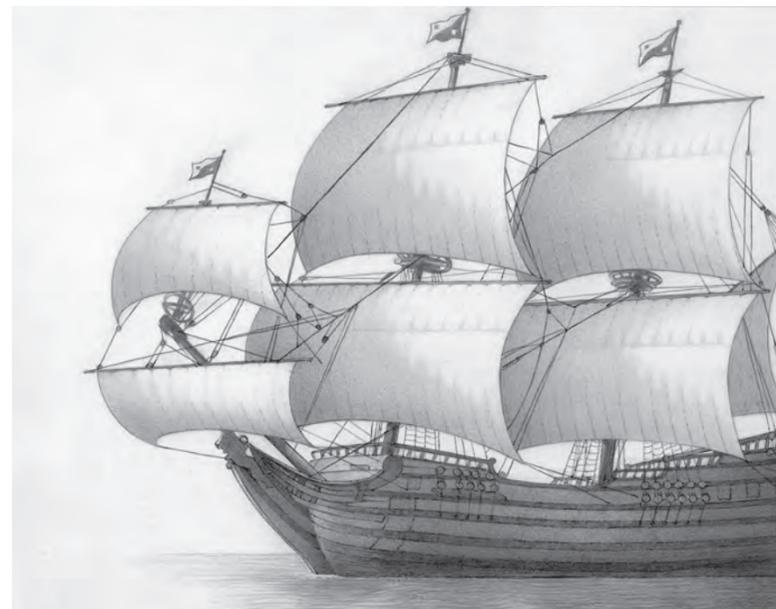
For designing the coins, artist G. Lūsis chose elements symbolising Latvian way of life and values. For his metal coin concept,



Drawing "The Portrait of Krišjānis Barons" by Jānis Reinbergs for the image intaglio engraving for 100-lats banknote. BLA, BLF, descr. 31, f. 173, p. 6.

G. Lūsis wrote: "The key task of the graphic design concept is to create Latvian money but without the traditional Latvian ethnographic symbols – stereotypes."²⁴ According to the artist's conception, the graphic design of the 1, 2, 5, 10 and 20 santims would incorporate the idea of the morning, evening, and the working time, while that of the 50-santims and 1-lats and 2-lats coins would symbolise the wood, the sea and the land respectively.

The sketches show that initially the artist had intended to feature a cow on the 1-lats coin and two salmons on the 2-lats coin. The next option was to depict a salmon on the 1-lats coin and a cow with a calf on the 2-lats coin. In the approved version of 1–20 santims coins, the ethnographic diamond-shaped symbols of the sun as the companions of the person throughout his/her life are joined by five arcs symbolising the working time. A pine tree seedling representing the woods on the 50-santims coin, a salmon representing the waters on the 1-lats coin and a cow representing the land on the 2-lats coin symbolise the basic elements of the existence of the Latvian nation. Obverses of all coins feature either the large or the small coat of arms of Latvia. Consequently, the lats coins and banknotes feature the traditional Latvian values, achieving synthesis of the elements of the history and nature.



Drawing "The Sailing Ship" by Jānis Reinbergs for the image intaglio engraving for 50-lats banknote. BLA, BLF, descr. 31, f. 173, p. 5.

An agreement on minting the coins was signed with *Giesecke & Devrient GmbH* on 14 January 1992 (to be performed by *Bayerisches Hauptmünzamt*, Germany). It provided for minting 200 million coins (40 million 1-santims coins, 35 million 2-santims coins, 30 million 5-santims coins, 30 million 10-santims coins, 20 million 20-santims coins, 15 million 50-santims coins, 20 million 1-lats coins and 10 million 2-lats coins).²⁵

In his letter to the Director of *Bayerisches Hauptmünzamt*, E. Repše, Governor of the Bank of Latvia, accepted the quality of the sample santims and 1-lats coins; however, the quality of the obverse of the 2-lats coin did not meet the quality requirements²⁶, therefore new samples were produced.

The designing and production of the lats took place during the time when the rising inflation in the USSR threatened to ruin the Latvian national economy. Moreover, the USSR tried to suppress the separatist trends of the republics in the field of finances. On 6 March 1991 A. Bergs-Bergmanis, Chairman of the Board of the Latvia Republican Bank of the State Bank of the USSR, reported to the Council of Ministers that further aggravation was observed with respect to currency in circulation. In 1989 cash in the amount of 7.6 million rubles was put into circulation in Latvia, skyrocketing to 218.8 million rubles in 1990.²⁷

Economist E. Zelgalvis had also developed his programme for establishing the national monetary system of the Republic of Latvia.²⁸ In this document the need for the national monetary system was justified with the following arguments: 1) for implementing the economic independence of Latvia; 2) for promoting Latvia's transition to the market economy; 3) for avoiding the instability of the USSR currency circulation characterised by the rising inflation and falling purchasing power of the ruble.

On 26 November 1991 the Monetary Reform Committee of the Republic of Latvia (MRC) comprising three persons was established, with I. Godmanis, Chairman of the Council of Ministers, as the Chairman of the Committee, and E. Repše, Governor of the Bank of Latvia, and Ojārs Kehris, Chairman of the Commission of the Economy of the Supreme Council, as its members. The Law on the MRC stipulated that the committee was "authorised to develop, implement and complete the monetary reform, set the deadlines and define the preconditions and procedure of its implementation. The Monetary Reform Committee has the right to make decisions on all issues related to the monetary reform. (...) The implementation of its decisions is mandatory in the territory of the Republic of Latvia."²⁹ Between January 1992 and May 1993 the MRC held 18 meetings (two meetings per month on average). The Bank of Latvia drafted the MRC resolutions and they were adopted almost without any amendments.

On 6 February 1992 the Bank of Latvia issued an announcement inviting the Latvian residents to participate in the compe-

tion of ideas on the following issues: 1) preparation and implementation of the monetary reform and its coordination with the privatisation of the state-owned property; 2) improvement of the Latvian banking system; 3) improvement of the laws on money and lending. People were requested to submit their ideas in the form of thesis by 31 March, noting that all proposals would be considered.³⁰

The Bank of Latvia Archives' documents show there was an active public response to the announcement. For example, Andris Spura submitted his proposal entitled "Monetary reform"³¹, A. Supe (Salaspils) – without title³², V. Grēviņš (Riga Technical University) – "Monetary reform in Latvia: its essence, principles, strategy"³³, Ilgaitis Prūsis (Riga Technical University) – "Monetary reform and privatisation"³⁴, Raimonds V. Mačulāns (California) – without title³⁵, J. Strazdiņš (University of Latvia) – "Why do we need our monetary reform?"³⁶, and Roberts Bogomols – "Preparation and implementation of the monetary reform and its coordination with the privatisation of the state owned property".³⁷

To raise public awareness and understanding, the newspaper *Diena* published a number of articles by competent economists and financiers on the national currency policy, e.g. "Some theses on the national currency"³⁸ by Juris Neimanis, "Cash circulation

Drawing "The Oak" by Jānis Reinbergs for the image intaglio engraving for 5-lats banknote. BLA, BLF, descr. 31, f. 173, p. 2.



policy during the transitional period³⁹ by Dainis Rītiņš, Deputy Minister of the economic reforms, and an article "How to implement changeover to the lats" in two parts: "Stable lats requires balance"⁴⁰ and "How to implement changeover from rubles to lats"⁴¹ by Georgs Libermanis, Professor of the Chair of Economic Theory, University of Latvia.

The draft "Conceptual programme for the changeover from the ruble to the lats", dated 26 February 1992, was submitted by Miervaldis Ramāns, adviser to the government. The above document was supplemented by E. Repše's notes, recording the comments of E. Krastiņš, S. Buka, K. Špoģis, A. Kodoliņš, D. Rītiņš and M. Ramāns; they implied that interim currency would be required for the stabilisation period during the monetary reform implementation. At that stage it was not clear yet what kind of interim currency would be introduced – ECU, US dollars or cheques.⁴²

During the preparations for the monetary reform several foreign experts provided their advice to the Bank of Latvia. Willy Friedmann and Fogel, experts from *Deutsche Bundesbank*, submitted the "Conceptual outline of the Latvian monetary reform"⁴³ on 30 March 1992, and the document "Latvian monetary reform – considerations for the conversion regulation"⁴⁴ was submitted in German on 14 May 1992 and in English on 27 May; the article "Currency policy in times of change" by Professor Juris Viksniņš from Georgetown University (US) dated 21 August 1992 already contained the proposal to peg the lats to the Special Drawing Rights (SDR).⁴⁵

Pursuant to the Supreme Council Resolution "On the preparation of the monetary reform" of 8 January 1992, the "Concept of introducing the national currency" (see Box), signed by E. Repše, Governor of the Bank of Latvia, was submitted to the Parliament of Latvia on 10 March 1992. This document stated that improvement of the concept of the monetary reform and designing of a mechanism for its implementation, as well as development of the stabilisation programme and forecasting of the economic consequences would persistently continue by the time the reform was launched.⁴⁶

The concept emphasized that transition to free market relations as soon as possible was the main economic requirement of that period, and it should be implemented by building the economy on the basis of a stable convertible currency. Moreover, real independence was impossible without the country's own monetary system.

The temporary currency was necessary in order to leave the USSR ruble zone as soon as possible, reduce the inflation and stabilise the exchange rate. Moreover, it was clear that due to technical reasons it would be impossible to print the lats banknotes in such a short period of time; at the same time there was concern that we might be short of the USSR ruble banknotes

necessary for circulation. Therefore the Latvian ruble was proposed as a temporary solution.

This idea was implemented by the former Ministry of Industry and Energy under the management of Minister Aivars Millers. Artist Kirils Šmelkovs was commissioned to develop the design of the temporary banknotes.

Initially it was planned to manufacture the paper for printing the Latvian temporary currency in Ligatne. However, after some days it was clear that Ligatne paper was not suitable for this purpose. Yet the right paper for printing banknotes with watermarks and tiny invisible fluorescent fibres could be ordered in Finland. The banknotes themselves were produced at the publishing house *Rīgas Paraugtipogrāfija* in cooperation with the Latvian republican manufacturing company LITTA (Director General Jānis Bluka).

Both the artist and the printing workers successfully accomplished the difficult task, and the Latvian ruble was a high quality temporary currency. Counterfeits appeared only towards the very end of the period of its circulation.

Four options had been developed for the introduction of the Latvian ruble:

Option I – "The Latvian ruble must be introduced under extreme conditions (within three days)"⁴⁷ (dated 20 February 1992);

Option II – "Currency changeover under normal conditions, with no extraordinary measures taken by the Russian Federation"⁴⁸ (dated 21 February 1992);

Option III – "Introduction of the Latvian ruble as a parallel payment instrument to the Russian ruble in the Republic of Latvia"⁴⁹ (dated 13 April 1992);

Option IV (without a title but signed E. R. (Einars Repše) on 4 February 1992) provided for the following:

"1. Starting with a certain day, all withdrawals from bank cash desks shall be made in Latvian rubles.

2. An equivalent amount of rubles shall be withdrawn from banks and deposited in special reserve funds.

3. As a result, the currency in circulation shall be gradually replaced with the same amount of Latvian rubles.

4. Eventually the state-owned shops shall stop accepting rubles.

5. Initially the issue procedures shall remain unchanged, including the requesting of authorisations from the Bank of Russia.

6. The settlement procedure with the CIS shall remain unchanged (at least there is no objective reason for changes) as it is merely the design of the ruble circulating in Latvia that has undergone changes.

7. The Latvian branches shall exchange rubles against Latvian rubles and vice versa at any time and in unlimited amounts.

8. As a result, there are no objective reasons for any economic complications. Settlement continues, and so does trade for cash.

9. However, we have information on the total amount of currency in circulation as well as the net cashflow over the border (i.e. whether there are inflows or outflows of rubles).

10. At any time we can isolate ourselves at lightning speed, amending the rules referred to in Paragraphs 5, 6 and 7, i.e. terminating the unlimited exchange of Latvian rubles for rubles, introducing exchange rates in settlements with the CIS, as well as taking over the issue procedures.

11. We can also refrain from doing so or do it only partly by the time the lats is introduced.⁵⁰

Potential problems and their solutions were also considered.

"1. To enable the currency changeover in such a short term, petrol must be provided for the relevant service vehicles.

2. *Latvijas Pasts* and the Ministry of Welfare is of the opinion that the real minimum time period for currency changeover is seven days as there is a very large number of unemployed pensioners who will change the money at the post office.

3. What to do with the Russian army?

4. As was the case with the replacement of the 50- and 100-ruble banknotes, the employees of banks and post offices worked for almost 24 hours. Now a larger scope of work will have to be accomplished within the same time period. We have to think about the material remuneration to these employees – the sources of funding and the amounts have to be considered.

5. Address to the population and the resolution of the Monetary Reform Committee must be translated into Russian and time for public address on the radio and TV and space in the newspapers (if we have paper and newspapers are published) must be reserved.

6. Contact the internal affairs authorities and security."⁵¹

The historic moment arrived on 4 May 1992 when the MRC adopted Resolution No. 1 "On the Introduction of the Latvian Ruble in Circulation", stipulating that as of 7 May 1992 Latvian rubles, temporary banknotes of the Bank of Latvia, in denominations of 1, 5, 20, 50, 200 and 500 rubles were put into circulation in the territory of the Republic of Latvia, and they were in circulation in parallel with the existing banknotes of the State Bank of the USSR and the Russian Federation at the exchange rate of 1 : 1.⁵² The situation is emotionally related in the memories of I. Godmanis, Chairman of the MRC: "Well, we actually didn't know if people were going to accept the Latvian money, did we? We were not sure whether we could continue any trade relations involving non-cash settlements at all. But we did know one thing – if we remained with the previous currency, we could forget about any kind of independence whatsoever, be it political or economic. That would just be a puppet-show! We could go about waving the flag and, phe, just pretend to be independent, at the same time waiting for the red ten-ruble notes with Lenin's

portrait to be delivered from Moscow. (...) 7 May 1992. Einars Repše and me, we were sitting at the TV studio and we both were scared. The programme started at nine in the evening, and I solemnly announced that the era of Russian money had come to an end. (...) I think the main reform decisions were taken on these three issues – prices, money, and privatisation. Oh, yes, and also the fourth one. We managed to ensure survival."⁵³

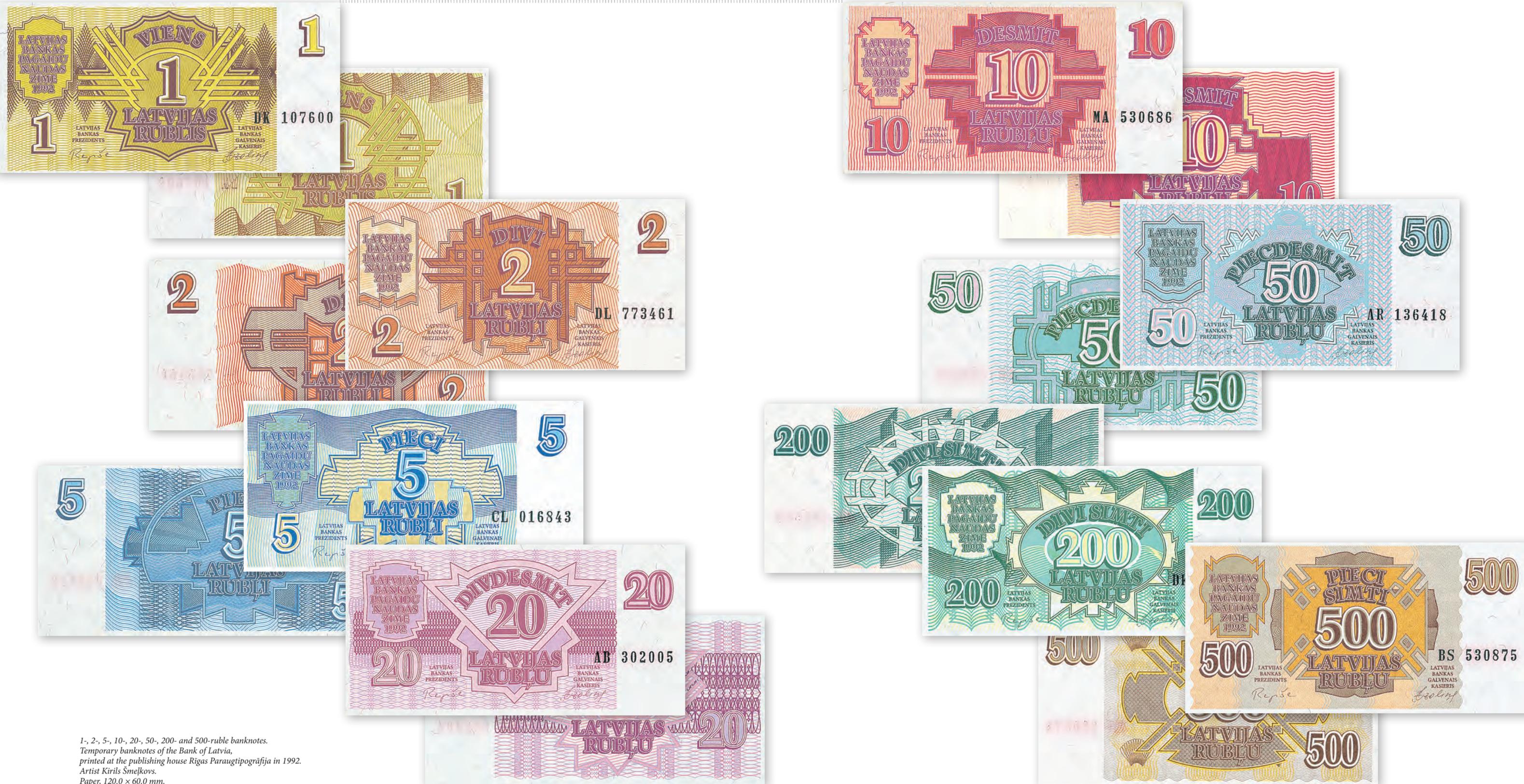
The introduction of the Latvian ruble proceeded without any incidents. To reduce inflation and prevent uncontrolled cash inflows from the countries of the Russian ruble zone, on 6 July 1992 the MRC passed Resolution No. 2 stipulating that "as of 20 July 1992 the Latvian ruble shall become the single payment instrument (in official circulation) to be accepted on a mandatory basis in the territory of the Republic of Latvia."⁵⁴ At the same time, Resolution No. 3 stated: "Due to lack of small change (kopecks) in circulation and in view of the current price level, it is established that as of 13 July 1992: 1. The smallest monetary unit in payments shall be one ruble."⁵⁵ The MRC also established that all ruble accounts with banks should become Latvian ruble accounts, but for settlements in Russian rubles, like those in any other foreign currency, special accounts should be opened.

On 4 August 1992 the Bank of Latvia terminated uncontrolled non-cash transfers of funds from accounts of one kind of non-convertible currency to those of another one, thus separating the non-cash flows from the former USSR republics. A special account was opened for settlements with each of the above republics. In this way we managed to save Latvia from the huge non-cash flow and ensure the beginning of the stabilisation of the Latvian ruble. As of 7 August 1992 the Bank of Latvia purchased and sold non-cash foreign unconvertible currencies at the exchange rate set for the currency of each republic of the former USSR in Latvian rubles.⁵⁶

On 31 August 1992 MRC Resolution No. 4 "On Guarantees upon Changeover to the Lats, the National Monetary Unit" was signed. It initiated preparation of the population for the changeover to the lats, stipulating that "1. The lats, the national monetary unit of Latvia, will be introduced gradually, exchanging all Latvian rubles in circulation to lats at a single exchange rate. (...) 4. The timeframe for the exchange and the rate will be established by a special resolution of the Monetary Reform Committee."⁵⁷

In September and November banknotes of 2 and 10 Latvian rubles were put into circulation.

Eventually MRC Resolution No. 5 "On Putting the Five Lats Banknote into Circulation" of 12 February 1993 was passed stipulating the following: "Put the five lats banknote into circulation as of 5 March 1993, establishing that its value shall be equal to 1 000 Latvian rubles (LVL 1 = 200 LVR) and it must be accepted on a mandatory basis everywhere as a payment instrument."⁵⁸



1-, 2-, 5-, 10-, 20-, 50-, 200- and 500-ruble banknotes.
 Temporary banknotes of the Bank of Latvia,
 printed at the publishing house Rigas Paraugtipogrāfija in 1992.
 Artist Kirils Smeļkovs.
 Paper, 120.0 × 60.0 mm.

CONCEPT OF INTRODUCING THE NATIONAL CURRENCY

"(...) upon the changeover to the lats, the Latvian national currency, first the issue of establishing the national currency reserves should be solved as the goods produced in Latvia will not be competitive in the Western market for some time and consequently will not be able to contribute to the creation of currency reserves via foreign trade. (...) they should provide backing of at least 75%–80% to the lats to be put into circulation. Second, such circumstances should be created where anybody at any time could convert his/her lats savings into the required currency at a fixed exchange rate. The issue of additional lats into circulation should be strictly linked to the opportunities of increasing the foreign currency stocks by developing the manufacturing potential and exporting goods and services for foreign currency. An agreement can also be concluded with the national central banks of Western countries on building the required foreign currency reserves with their assistance.

The currency policy may not be implemented in isolation from and without adequate focus on other economic policy targets: prices, taxes, exports and imports of goods, increase in the production output, and privatisation. (...)

Particular difficulties may arise if the possibility to trade with the ruble zone and import energy and other commodities becomes restricted when our own currency is introduced. It should be taken into account that currently approximately 80% of all non-cash settlements in Latvia are executed with the former USSR republics. When introducing our own currency, access to the Eastern market should be retained and the economic developments in the ruble zone should not be ignored.

The introduction of the lats depends on a number of preconditions – without them the introduction of our own monetary system would be impossible:

- 1) a completely developed economic system capable of real functioning in the market economy conditions, *inter alia* a stable budget, should be in place;
- 2) price stability and their convergence with the global price levels should be achieved enabling normal functioning of the economy;
- 3) the level of manufacturing should be stabilised and its growth should be ensured, thereby increasing the supply of goods in the market; funds (foreign currency funds in particular) should be invested in projects that could be profitable in the long-term future (...);
- 4) agreement should be reached with the government of Russia on the possibilities of cancelling the domestic debt. Assuming the debt of *Krājbanka* in the amount of five billion rubles without real cover would be a potential threat of immediate destabilisation of the new currency. The use of this debt in the privatisation process, enabling settlement for the state-owned property upon privatisation on favourable terms from the persons' deposit accounts with *Krājbanka* by way of non-cash settlements would be an alternative. Consequently, the debt of *Krājbanka* would be cancelled almost without involving it in the currency circulation, i.e. without a destructive impact on the price levels in the consumer goods market. (...);
- 5) the privatisation process should be started, initially using defined amounts of the personal savings in rubles. After the introduction of the national currency the above process should be stimulated;
- 6) the lending system should be reoriented on the basis of generally accepted lending principles in the world; any automatic granting of loans should be excluded; the interest rate on loans should exceed the inflation rate;
- 7) the national central bank – Bank of Latvia – should be absolutely independent from the government and major political trends; it means that the money-issuing bank does not receive any instructions from the

government and the latter may not appoint or dismiss the officials of the central bank at their own discretion;

8) the Bank of Latvia branches should be privatised in order to establish a two-tier banking system;

9) real border control and strict customs and visa regimes should be in place with the aim of ensuring maximally favourable conditions for the operation of local producers. Agreement should be reached on providing cash to the CIS troops in Latvia.

10) stabilisation fund for backing the national currency should be established;

11) free currency market and exports of goods should be ensured, regulating imports with the help of import duties; foreign capital investment in Latvia should be promoted;

12) agreement on exchange should be reached to prevent break-up of settlements and consequently the trade relations with the ruble zone. Such agreement on exchange should be concluded on the intergovernmental level, and all Baltic States should have a common stance when entering such negotiations. (...)

We may introduce a new currency before the necessary preconditions have been fulfilled, but then such a currency will not be convertible either internally or externally; it will only partly stabilise the currency circulation and protect the domestic market of Latvia from the inflow of excessive amounts of Russian rubles. (...)

In order to soften the economic consequences of the transition to the national currency and maintain trade relations with the ruble zone countries, as well as in view of the high inflation rate throughout the ruble zone, the constant depreciation of the ruble, difficulty in stabilising the economy and developing market relationships, the Bank of Latvia is of the opinion that an immediate changeover from the ruble to the lats would be premature. (...)

Since Western Europe will be Latvia's major trade partner, the Bank of Latvia would suggest to have the value of the lats equal to the ECU in the proportion of 1 : 1. In such a case the lats exchange rate should be strictly anchored to that of the ECU, fluctuating around it. (...)

The process of introducing the lats may have two alternatives: a direct transition from the ruble to the lats, at the same time changing the price level in Latvia, or a transition to the lats via an interim currency – the Latvian ruble.

Following the conversion of the Russian ruble to the Latvian ruble, the cash and non-cash balances on the deposit, settlement and other accounts shall be converted as per the ratio 1 : 1 – in our opinion, such a ratio should not be applied if the lats is put into circulation. Should the lats be converted from the Latvian or Russian ruble as per the ratio 1 : 1, the most favourable conditions are immediately created for devaluing the new currency, sustaining the inflationary processes and turning the lats into the same "wooden ruble" as the currently existing one.

At this stage, the monetary reserves should be built on the basis of the gold owned by the Republic of Latvia and deposited with the West European banks. The value of the above gold, expressed in the units of a convertible currency or preferably in such a synthetic monetary unit as the ECU, would be the basis for the lats monetary reserves and its convertibility. Moreover, for strengthening the convertibility, the reserves of foreign currency and precious metals located in Latvia should be channelled to the stability fund to the extent possible. In doing so, however, we should prevent establishing a currency monopoly. For establishing the stabilisation fund, the opportunity to take loans granted by the International Monetary Fund or other international institutions as well as eventual assistance from the developed countries could be used. The

foreign currency reserves could also be expanded on account of growing exports of goods and services by lifting any restrictions on exports for this purpose. Furthermore, the funds in convertible currencies, gained in the privatisation process, income from the port and other transit operations, as well as export duties should also be used for this purpose. (...)

At this stage the Bank of Latvia, in cooperation with the Latvian government, is preparing the Latvian ruble, mainly as a means of protection, for a situation where we might no longer be able to use the ruble as a payment instrument due to reasons beyond our control, while economically we would not be ready for the lats yet. Obviously as soon as we are ready for the interim currency, the question whether to use it or not will always be on our mind. It should be acknowledged though that the existence of a single currency (the ruble) in the territory where currently our major trade connections lie has its advantages. No doubt there are disadvantages as well, the main one being our absolute dependence on the ruble-issuing bank (Bank of Russia) and the issue policy it implements: the latter could turn out to be quite discriminating towards Latvia. In any case it will be no easy task to take a decision on the use of the Latvian ruble as an interim currency unless there is an extraordinary need. By no means can we afford to do it merely "as an exercise for the sake of an exercise", since unsuccessful changeover to the Latvian ruble may completely destroy any prospects of successful introduction of the lats in the near future as the success of the monetary reform largely depends on the population's trust.

Nevertheless, should a need to introduce the Latvian ruble arise, the Bank of Latvia has drafted a set of documents related to the practical introduction of the Latvian ruble by removing the Russian ruble from the circulation. The documents have been presented to the members of the Monetary Reform Committee. Work on further improvement and elaboration of the above documents is in progress.

Two scenarios have been developed for the potential introduction of the Latvian ruble. (...)

Should Russia, without prior notice, introduce its currency and require Latvia to execute non-cash transactions in freely convertible currency or by way of clearing as it is provided for in the intergovernmental agreement, it follows that in order to prevent the inflow of excessive amounts of Russian rubles into Latvia and total plundering of our commodity market, we will have to take extreme measures and replace the Russian ruble with the Latvian ruble in three days: it will be an enormous physical and moral burden and will cause indignation and disappointment among the population.

The second scenario provides for a gradual removal of Russian rubles from circulation within 15 days where the cash withdrawals at the bank cash desks will be executed in Latvian rubles and the inhabitants will be able to use their savings of Russian rubles for paying for goods and services, as well as to deposit them with *Krājbanka*.

In both cases the exchange of the Russian ruble is executed as per the ratio of 1 : 1 both in cash and the deposits of the population, as well as on the deposit and other accounts of companies and organisations. It will create trust among the population and confidence that their savings are not lost; the protection of the domestic market will be undertaken; it will be possible to determine the amount of currency in circulation that has to be replaced by the lats later when implementing the monetary reform. According to the concept, the 1 : 1 ratio of the Russian ruble against the Latvian ruble will exist during the transition period only; later the exchange rate between the two currencies will be regulated by the market and the Bank of Latvia will not dictate anything as the currency will be sold and purchased at the currency exchange offices. (...)

During the circulation period of the Latvian ruble a decrease in the money supply must be achieved and financing of the budget deficit via additional issue of currency must not be allowed. Following the introduction of the Latvian ruble, the Bank of Latvia should try to limit the amount of money supply with the help of the above monetary instruments in order to stabilise the prices in Latvian rubles. For this purpose, the central bank should already initially be capable of resisting the government's demands for lending to it by way of issuing more money. The government, spending more than it receives from the taxpayers, may borrow in the market sector; where it is not enough, the rescue is usually sought at the central bank. Should the bank be giving in easily, it would soon destabilise cash circulation nationwide. Consequently (...) an absolute independence of the central bank is a very crucial factor. A precondition for achieving monetary stability is freezing of lending to a certain extent and raising of the interest rate. The interest rate on loans must be higher than the inflation rate. Loans to be granted to all sectors of the economy, particularly in agriculture, should be secured by adequate counter-obligations on behalf of the borrowers. (...) Should the Latvian ruble be introduced as per the ratio 1 : 1, problems related to cancelling bank loans received earlier and fulfilment of other debt liabilities would be smaller; upon the changeover to the lats, however, they would intensify. (...)

An increase in exports of goods is a precondition for sooner achievement of convertibility of the new currency. The republic will have to produce high quality goods competitive in the global market. (...)

Price liberalisation has to be based on effective monetary and fiscal policy. The functions of the central bank and commercial banks must be separated as soon as possible and the Bank of Latvia must be authorised to implement effective monetary policy. The procedure for financial institution supervision has to be defined and reorganisation of the banks incapable of solvent operation must be commenced.

The lats has to become the single legal tender in this country, at the same time guaranteeing its exchange for a freely convertible currency applying a fixed rate of LVL 1 = ECU 1 and the rate of the respective currency against the ECU. Upon the introduction of the lats as a convertible currency, a parallel circulation of any other currency in Latvia shall not be allowed. During the circulation of the Latvian ruble, a parallel circulation of a freely convertible currency is possible.

Agreement should be reached with the Russian government and the central bank of Russia on what to do with the Russian rubles that the Bank of Latvia will receive after introducing the national currency. (...)

The importance of drafting a balanced budget should be emphasized again. If the budget deficit is financed by issuing additional cash or loans, the work related to the introduction of the national currency will not be successful and the national economy will be flooded with excessive amounts of cash and non-cash lats.

Since the estimates made in this outline of the lats introduction mechanism are tentative and the economic conditions in this country are swiftly changing, thorough work has to be done to make these estimates more specific and accurate. To perform this huge but, in our opinion, absolutely necessary task, the relevant ministries and departments should be asked to help with carrying out particular tasks of the programme: they would involve the necessary experts and establish the relevant working groups. Overall, the work should be managed and coordinated by the Monetary Reform Committee."

Source: BLA, BLF, descr. 31, f. 168, pp. 59–80.



5 lats.
Banknote of the Bank of Latvia,
printed in 1992 by Giesecke & Devrient GmbH (Germany),
issued on 5 March 1993.
Artists Imants Zodžiks and Valdis Ošiņš.
Paper, 130.0 × 65.0 mm.



Banknotes of the Bank of Latvia.
 Artists Imants Žodžiks and Valdis Ošiņš.
 Paper, 130.0 × 65.0 mm.
 Printed in 1992 by Giesecke & Devrient GmbH (Germany).
 5-lats banknotes printed in 1992, 1996, 2001, 2006, 2007 and 2009,
 10-lats banknotes – 1992, 2000 and 2008,
 20-lats banknotes – 1992, 2004, 2007 and 2009,
 50-lats banknotes – 1992,
 100-lats banknotes – 1992 and 2007,
 500-lats banknotes – 1992 and 2008.

As of 22 February withdrawing of specifically the 500 Latvian ruble banknotes from circulation began as their counterfeits had started to appear. As of 25 March 1993 the issue of the 200 Latvian ruble banknotes was terminated.⁵⁹

MRC Resolution No. 6 of 16 March 1993 provided for issuing coins of 50 santims, 1 lats and 2 lats.⁶⁰ The above coins were actually put into circulation on 22 April, 25 March and 15 April respectively.

On 27 May 1993 two MRC resolutions were adopted. Resolution No. 7 stipulated the following: "As of 28 June 1993 gradually issue paper banknotes of 10, 20, 50, 100 and 500 lats (abbreviated as Ls), and coins of 1, 2, 5, 10 and 20 santims (abbreviated as s) to be accepted on a mandatory basis as a payment instrument."⁶¹ The above notes and coins were put into circulation on 28 June 1993 (1–20 santims and 10 and 20 lats), 2 May 1994 (50 and 100 lats) and 20 July 1998 (500 lats).

Resolution No. 8 stipulated the following: "As of 1 July 1993 all taxes, duties, non-tax payments in the central and local government budgets of Latvia shall be made only in lats and santims. These payments can be made in foreign currency only subject to authorisation issued by the Council of Ministers of the Republic of Latvia."⁶²

These resolutions were the last ones issued by the MRC. In memory of the day of adopting them, we have sample banknotes of 20 lats and 100 lats, signed by I. Godmanis, E. Repše and O. Kehris. On 5 and 6 June election of the fifth Saeima of the Republic of Latvia was held, the Supreme Council ceased to exist and after that the Bank of Latvia, the national central bank and money-issuing bank, was in charge of any issues related to issuing money and its circulation.

On 7 June 1993 E. Repše, Governor of the Bank of Latvia, signed an open letter "The lats will be freely convertible in the future as well", confirming the lats convertibility and stability in the same way also on 25 March 1994.⁶³

The share of Latvian rubles in the total amount of money supply already stood below 4% and the Bank of Latvia established that as of 18 October 1993 the Latvian ruble was no longer legal tender and was removed from the circulation.⁶⁴ The Bank of Latvia continued replacing Latvian rubles with lats after the above date as well, up to 1 July 1994.⁶⁵

As of 12 February 1994 the Bank of Latvia set a fixed exchange rate of the lats against the SDR, thus actually pegging the lats to the SDR basket of currencies and further strengthening the stability of the national currency.

The Latvian monetary reform was accomplished on 20 July 1998 when the 500-lats banknote was put into circulation.⁶⁶ Production of new issues of banknotes was related to an increase in currency in circulation as the GDP grew and the need

to replace the worn banknotes; also, with the development of the new technologies, additional security features were applied. The 5-lats banknote was printed repeatedly in 1996 (issued in 1997), 2001, 2006, 2007, and 2009; the 10-lats banknote – in 2000 and 2008; the 20-lats banknote – in 2004, 2007, and 2009; the 100-lats banknote in 2007; the 500-lats banknote in 2008.⁶⁷

In addition to the existing circulation coins, a 100-lats gold coin (artists Sandra Belsone and J. Strupulis) was put into circulation in 1998. On the reverse, the numeral 100, showing its nominal value, is intertwined with an open circle symbolising development. The coin is made of 16.2 g of gold, fineness .999. In early 1999 the central bank had to remind credit institutions that it was legal tender in the Republic of Latvia and the population should not incur any difficulties when using this coin.⁶⁸ In the long term, however, those who had failed to overcome the above difficulties turned out to be the winners as the coin soon was no longer available for sale and became an object of interest for collectors, while a rise in gold prices increased its value several times.

On 8 December 1999 a new 2-lats bimetallic coin (artists G. Lūsis and J. Strupulis), struck by British Royal Mint (UK), was put into circulation. It was minted repeatedly in 2003 and 2009.⁶⁹

Santims were produced repeatedly by different mints. The 1-santims coin was struck in 1997, 2003, 2005, 2007 and 2008; the 2-santims coin – in 2000, 2006, 2007 and 2009; the 5-santims coin – in 2006, 2007 and 2009; the 10-santims coin – in 2008; the 20-santims and 50-santims coins – in 2007 and 2009.

The 1-lats coin was struck repeatedly also in 2007 and 2008. Since 2001 the Bank of Latvia has been issuing special limited mintage 1-lats circulation coins (250 thousand, 0.5 million or 1 million coins). They feature a stork making a nest (the coin issued in 2001), an ant (2003), a mushroom (2004), a fairytale character Sprīdītis with 10 stars arranged in a semicircle (2004), the rooster on the spire of St. Peter's Church in Riga (2005), a pretzel (2005), a profile of Līgo night (summer solstice) celebrant adorned with a wreath (2006), a pinecone (2006), an owl fibula (2007), a snowman (2007), a waterlily (2008), a chimney-sweep (2008), a Namejs ring (2009), a Christmas tree (2009), a toad (2010), a horseshoe with the ends facing up and down (2010), a beer mug (2011), a gingerbread heart (2011) and a hedgehog (2012). The Bank of Latvia plans to continue diversifying the design of circulation coins by the time the euro is introduced.

Coins of the Bank of Latvia. Artists Gunārs Lūsis and Jānis Strupulis.

1-lats coin, struck by Bayerisches Hauptmünzamt (Germany) in 1992 and by Monnaie de Paris (France) in 2007 and 2008.

2-lats coin, struck by Bayerisches Hauptmünzamt (Germany) in 1992.

2-lats bimetallic coin, struck by British Royal Mint (Great Britain) in 1999, 2003 and 2009.



50-santims coin, struck by Bayerisches Hauptmünzamt (Germany) in 1992 and by Staatliche Münzen Baden-Württemberg (Germany) in 2007 and 2009.

20-santims coin, struck by Bayerisches Hauptmünzamt (Germany) in 1992, by Real Casa de Moneda (Spain) in 2007, and by Staatliche Münzen Baden-Württemberg (Germany) in 2009.

10-santims coin, struck by Bayerisches Hauptmünzamt (Germany) in 1992 and by Monnaie de Paris (France) in 2008.

5-santims coin, struck by Bayerisches Hauptmünzamt (Germany) in 1992, by British Royal Mint (Great Britain) in 2006, by Münze Österreich (Austria) in 2007, and by Staatliche Münzen Baden-Württemberg (Germany) in 2009.

2-santims coin, struck by Bayerisches Hauptmünzamt (Germany) in 1992, by British Royal Mint (Great Britain) in 2000, by Royal Dutch Mint (the Netherlands) in 2006 and 2007, and by Staatliche Münzen Baden-Württemberg (Germany) in 2009.

1-santims coin, struck by Bayerisches Hauptmünzamt (Germany) in 1992, by Den Kongelige Mynt (Norway) in 1997, by Monnaie de Paris (France) in 2003, by Rahapaja Oy (Finland) in 2005 and 2007, and by Münze Österreich (Austria) in 2008.



100-lats gold circulation coin, struck by Rahapaja Oy (Finland) in 1998. Artists Sandra Belsone and Jānis Strupulis.



Special limited mintage 1-lats circulation coins.

"Stork" (Olga Šilova),

"Ant" (Māris Putns, Artis Zvirgzdiņš, Dāvids Rubins (graphic design) and Līgita Franckeviča (plaster model)),

"Mushroom" (Guntars Sietiņš (graphic design) and Jānis Strupulis (plaster model)),

"Sprīdītis" (Ivars Mailītis),

"Rooster of St. Peter's Church" (Valdis Villerušs (graphic design) and Līgita Franckeviča (plaster model)),

"Pretzel" (Laimonis Šēnbergs (graphic design) and Jānis Strupulis (plaster model)),

"Ligo Wreath" (Dace Lielā (graphic design) and Līgita Franckeviča (plaster model)),

"Pinecone" (Henrihs Vorkals (graphic design) and Jānis Strupulis (plaster model)),

"Owl Fibula" (Arvids Priedīte (graphic design) and Jānis Strupulis (plaster model)),

"Snowman" (Daina Lapiņa (graphic design) and Līgita Franckeviča (plaster model)),

"Waterlily" (Aleksandrs Čhaidze (graphic design) and Laura Medne (plaster model)),

"Chimney-sweep" (Daina Lapiņa (graphic design) and Laura Medne (plaster model)),

"Namejs Ring" (Ilze Libiete (graphic design) and Baiba Šime (plaster model)),

"Christmas Tree" (Arvids Priedīte (graphic design) and Līgita Franckeviča (plaster model)),

"Horseshoe" (with the ends facing up and down; Frančeska Kirke (graphic design) and Laura Medne (plaster model)),

"Toad" (Edgars Folks (graphic design) and Jānis Strupulis (plaster model)),

"Beer Mug" (Juris Dimiters (graphic design) and Andris Vārpa (plaster model)),

"Gingerbread Heart" (Rūta Briede (graphic design) and Laura Medne (plaster model)),

"Hedgehog" (Andris Vītolis (graphic design) and Laura Medne (plaster model)).





2, 10 and 100 lats.
Coins issued to mark the 75th Anniversary of the Republic of Latvia, struck by Rahapaja Oy (Finland) in 1993. Artists Aivars Krūklis and Edgars Grīnfelds.

The Bank of Latvia is entitled to issue collector coins. The first Latvian collector coins were issued on 10 November 1993 to mark the 75th Anniversary of the Republic of Latvia (in denominations of 2 (cupro-nickel), 10 (silver) and 100 (gold) lats; artists Aivars Krūklis and Edgars Grīnfelds). They were struck by *Rahapaja Oy*, Finland. A 2-lats coin of this series, but differing by coinage quality, is also a circulation coin. In the next years the collector coins were struck as part of both the international and national coin series, as well as minting individual coins in line with the Bank of Latvia collector coin issuing programme. The number of the minted coins is approaching one hundred; moreover, they have been awarded prizes in many international competitions and exhibitions. The excellent results are ensured by the money design concept consistently implemented by the Bank of Latvia and integrating the artistic quality, significance of the idea and innovative solution in the coins.

Looking back at the implementation of the monetary reform, we can say with confidence that it was successful and generally had no unfavourable impact either on the well-being of the population or the economic development in Latvia. Both the positive assessments by foreign experts and the opinions expressed by the local sceptics after its implementation testify to that. The Latvian ruble was necessary and effective as a temporary monetary unit in its time whereas the re-established lats is a stable unit of the national currency that has gained trust of the population and is also internationally respected. Moreover, the lats banknotes and coins are undeniably both beautiful and particularly secure.

ENDNOTES

- ¹ Cik maksā lats? Noteikumi sacensībām par Latvijas jaunās naudas attēlu. *Latvijas Jaunatne*, Nr. 22, 1990, 3. febr.
- ² *Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*. Nr. 34, 1990, 23. aug., 1741. lpp.
- ³ SAL, F. 270, descr. 8, f. 130, pp. 226–242.
- ⁴ BLA, BLE, descr. 31, f. 176, pp. 47–59.
- ⁵ SAL, F. 270, descr. 8, f. 130, pp. 10–12.
- ⁶ *Ibid.*, p. 13.
- ⁷ *Ibid.*, p. 14.
- ⁸ BLA, BLE, descr. 31, f. 168, pp. 3 and 4.
- ⁹ *Ibid.*, f. 295, p. 55.
- ¹⁰ SAL, F. 270, descr. 8, f. 129, p. 20.
- ¹¹ *Ibid.*
- ¹² *Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*. Nr. 17/18, 1991, 9. maijs, 716. un 717. lpp.
- ¹³ BLA, BLE, descr. 31, f. 169, pp. 57 and 67.
- ¹⁴ *Ibid.*, p. 2.
- ¹⁵ SAL, F. 270, descr. 8, f. 129, pp. 161–163.
- ¹⁶ BLA, BLE, descr. 31, f. 185, pp. 1–31.
- ¹⁷ *Ibid.*, pp. 15 and 31.
- ¹⁸ *Ibid.*, f. 189, p. 132.
- ¹⁹ *Ibid.*, f. 171, pp. 1 and 2.
- ²⁰ *Ibid.*, f. 173, pp. 2–6.
- ²¹ *Ibid.*, f. 174, p. 1.
- ²² *Ibid.*, f. 125, p. 105.
- ²³ *Ibid.*, descr. 1, f. 5, pp. 38 and 39.
- ²⁴ *Ibid.*, descr. 31, f. 172, p. 8.
- ²⁵ *Ibid.*, f. 185, pp. 60–67.
- ²⁶ *Ibid.*, f. 192, p. 31.
- ²⁷ SAL, F. 270, descr. 8, f. 129, p. 138.
- ²⁸ *Ibid.*, f. 130, pp. 158–163.
- ²⁹ *Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*. Nr. 49/50, 1991, 19. dec., 2341. lpp.
- ³⁰ *Latvijas Jaunatne*. Nr. 30, 1992, 13. febr.
- ³¹ BLA, BLE, descr. 31, f. 25, pp. 60–66.
- ³² *Ibid.*, pp. 71 and 72.
- ³³ *Ibid.*, pp. 32–39.
- ³⁴ *Ibid.*, pp. 67–69.
- ³⁵ *Ibid.*, pp. 4–6.
- ³⁶ *Ibid.*, pp. 13–30.
- ³⁷ *Ibid.*, pp. 78–80.
- ³⁸ *Diena*. Nr. 229, 1991, 26. nov.
- ³⁹ *Ibid.*, Nr. 22, 1992, 1. febr.
- ⁴⁰ *Ibid.*, Nr. 25, 1992, 7. febr.
- ⁴¹ *Ibid.*, Nr. 27, 1992, 8. febr.
- ⁴² BLA, BLE, descr. 31, f. 176, pp. 40–46.
- ⁴³ *Ibid.*, f. 371, pp. 74–86.
- ⁴⁴ *Ibid.*, pp. 111–147.
- ⁴⁵ *Ibid.*, f. 29, pp. 63–68.
- ⁴⁶ *Ibid.*, f. 168, p. 59.
- ⁴⁷ *Ibid.*, pp. 27–39; SAL, F. 270, descr. 2, f. 1456, pp. 68–80.
- ⁴⁸ BLA, BLE, descr. 31, f. 168, pp. 40–50.
- ⁴⁹ *Ibid.*, pp. 51–58.
- ⁵⁰ SAL, F. 270, descr. 2, f. 1456, p. 110.
- ⁵¹ BLA, BLE, descr. 31, f. 168, p. 92.
- ⁵² *Ibid.*, f. 175, p. 1.
- ⁵³ Utena, I. *Cilvēks Godmanis*. Rīga: SIA "Apgāds Jāņa sēta", 1997, 142. un 143. lpp.
- ⁵⁴ BLA, BLE, descr. 31, f. 175, p. 53.
- ⁵⁵ *Ibid.*, p. 74.
- ⁵⁶ <http://www.bank.lv/publikacijas/gada-parskats/monetaras-politikas-kalendars-1992-gada/2472>.
- ⁵⁷ BLA, BLE, descr. 31, f. 175, p. 79.
- ⁵⁸ *Ibid.*, p. 82.
- ⁵⁹ *Bank of Latvia: Annual Report 1993*. Rīga: Latvijas Banka, 1994, p. 31.
- ⁶⁰ BLA, BLE, descr. 31, f. 175, p. 90.
- ⁶¹ *Ibid.*, p. 93.
- ⁶² *Ibid.*, p. 101.
- ⁶³ *Ibid.*, f. 339, pp. 111 and 167.
- ⁶⁴ *Ibid.*, p. 120.
- ⁶⁵ *Ibid.*, descr. 1, f. 7, p. 118.
- ⁶⁶ *Latvijas Vēstnesis*. Nr. 214, 1998, 21. jūl., 1. lpp.
- ⁶⁷ <http://www.bank.lv/nauda/latvijas-bankas-papiranaudas-zimes-banknotes>.
- ⁶⁸ BLA, BLE, descr. 31, f. 339, p. 193.
- ⁶⁹ <http://www.bank.lv/nauda/apgrozibas-monetas>.

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