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‘History of the Official Currency and the Central Bank of Cyprus’

Preliminary Conclusions for the Period 1960-2007

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September 2009

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'History of the Official Currency and the Central Bank of Cyprus'

Preliminary Conclusions for the Period 1960-2007

Sophocles Michaelides*

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Abstract

(main text of paper will follow soon)

The period 1960 to 2007 – when the Cyprus pound was legal tender – is examined with a view to relating the major turning points of exchange, fiscal and monetary policies to their likely causes and consequences. Assumptions are made and conclusions are drawn regarding:

- the four periods of exchange rate policy (1960-1972, 1972-1992, 1992-1999, 1999-2007)
- the three phases of bank claims on the government sector (1960-1966, 1966-1975, 1975-2007)
- the five swings of bank credit to the private sector (1960-1965, 1965-1975, 1975-1984, 1984-2007)
- the five oscillations of the banking system's foreign assets (1960-1971, 1971-1980, 1980-1989, 1989-1998, 1998-2007)
- the parallel tracks of GDP, CPI and the average annual salary during the 47 years under review.

The above methodology is applied to the analysis and synthesis of the monetary and credit history of Cyprus between 1878 and 2007.

Keywords: Economic history, business cycle, exchange rate, fiscal policy, private credit, price index, wage adjustment.

JEL Classification: E3, E4, E5, N1.

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