Note to UK Prime Minister’s Office summarising currency reform plans in the Western zones of Germany, dated 14 June 1948

TOP SECRET

SUMMARY OF CURRENCY REFORM PLANS IN GERMANY

A. Western Zones

1. A law was promulgated last Sunday 20th June invalidating the existing Reichsmark currency and declaring a general moratorium on debts. An initial issue of 40 new Deutsche Marks for 40 Reichsmarks was made to every citizen under this Law and a further issue of 20 Deutsche Marks on a one to one basis within a period of two months is provided for.

2. The general terms of currency conversion will be announced in a further Law which will be promulgated on Saturday. The main provisions of this Law are in Annexure ‘A’.

B. Soviet Zone

1. The Russians’ reaction to this plan has been to announce a currency reform plan for their own Zone which will be carried out between 24th and 28th June. Under this plan the old currency will be invalidated and it will be a penal offence for any person in the Soviet Zone to be in possession of the Western Zones currency. The Soviet Zone plan provides for conversion to be on the same ten to one basis with wide exceptions in favour of the lower income groups. Details of these exceptions are in paragraph VI of telegram at Annexure ‘B’.

C. Berlin

1. The Western Powers did not provide for the introduction of their new currency into the Western Sectors of Berlin in their original currency reform plans. Their intention was to try to secure Four Power agreement to cover the issue of any new currency in Berlin.

2. In announcing their plan, however, the Russians stated that their new currency would be issued in Berlin as well as in their own Zone.

3. The Western Powers thereupon asked the Russians for special discussions on the Berlin position. At these discussions they stated that they were willing for the Soviet Zone currency to be issued in Berlin provided that the issue was under quadripartite control. The Russians were not prepared to accept this but insisted that the issue be under their sole control.

4. In this situation the Western Powers have decided that they have no alternative but to introduce a special currency distinguishable from the Western Zones currency into the Western Sectors of Berlin. The Russians have declared that it will be an offence for any person in Berlin to hold this currency.

5. The latest developments are set out in telegram No. 1159 (Annex C). The German municipal authorities in Berlin have refused to recognise the Soviet Order as binding throughout Berlin and have instructed the German authorities in each Sector to obey the orders issued by each Allied Sector Commandant.

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