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The Monetary Reform

”From 1945 to 1948 a huge rise in prices (*inflation*) made life hard in the Western zone. To stop the price rise and also stamp out the black market, the British, French and American authorities introduced a new currency in the Western zones on 20 June 1948. Everyone could get 40 Deutsche Mark (German Mark) or DM with another 20 DM two months later. (Supplies were restricted in order to prevent a ‘rush’ on the new currency). The old ‘Reichsmark’ were exchanged for the new DM at the rate of 10 to 1. The USSR complained about this currency reform, and on 23 June 1948 announced a new currency for its zone and for Berlin. The Russian leader Stalin decided to act.”

Tasks

- 1. Inflation means basically that the amount of goods and services is much smaller than the supply of money. Why do you think there was an inflation right after the war? Why were experts of the opinion that a new currency was essential?*
- 2. Why should the Russians complain? Think of the Potsdam Agreement and what it said about a common policy in Germany. Keep in mind also the Russian attitude towards the Marshall Plan.*