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Reforming the Reichsmark: British Military Law No. 61 and the *Wirtschaftswunder*

Extracts from the British Military Government Law No. 61: First Law for Monetary Reform (Currency Law) (June 20, 1948), *Military Government Gazette*, No. 25, p. 848; reprinted in GHDI, https://ghdi.ghi-dc.org/docpage.cfm?docpage_id=3166.

Found from the German History in Documents and Images (GHDI), this extract from the British Military Government Law No. 61 gives an insight into how the reform of the Reichsmark into the Deutschmark (DM) in the German occupation zones of the United States, Britain, and France was going to take place. This source was first published in the *Military Government Gazette* and then reprinted in Beate Ruhm von Oppen's book, *Documents on Germany under Occupation*.¹ The *Military Government Gazette*, or *Amtsblatt der Militärregierung* in German, is a journal that had been given permission to print legal or public announcements in West Germany that ran roughly from 1946 to 1990.² It was created by an official action, and the governments of France, the United States, and Britain published notices within it. British Military Government Law No. 61 addressed the dire economic conditions caused by wartime inflation and excessive currency circulation, establishing a foundation for West Germany's economic recovery.

The destruction of World War II left Germany's economy in shambles, with widespread hyperinflation and the Reichsmark's near-complete demise as a usable currency. Years of unchecked monetary creation, driven by the Nazi regime's rearmament programs and wartime financing, had flooded the economy with worthless currency. Germans were forced to rely more on barter and black market transactions to cover their basic requirements as a result of this

¹ British War Office, *Manual of Military Law* (London: His Majesty's Stationery Office), <https://www.dfs.ny.gov/system/files/documents/2019/02/british-military-law-59.pdf>.

² Wikipedia contributors, "Government Gazette," *Wikipedia: The Free Encyclopedia*, last modified November 16, 2024, https://en.wikipedia.org/wiki/Government_gazette.

unsustainable economic policy, which was made worse by the war's destruction of infrastructure and industrial capability. Recognizing the urgent need for monetary reform, the three Western Allied powers—Britain, the United States, and France—collaborated on a plan to overhaul the financial system in their respective zones of control. The agreement in June 1948 to replace the Reichsmark with the Deutschmark marked a pivotal moment in West Germany's economic recovery. The objectives of this reform were to fight inflation, restore public confidence in currency, and move away from the improvised barter economy and toward a more structured economic system that could sustain business and commerce.

British Military Government Law No. 61 was instrumental in this transformative process, and was important to spread the news to the German public of how this new currency was to be integrated. As part of the Western Allies' coordinated efforts, this law set the framework for implementing the currency reform in the British-occupied zone, addressing critical issues like the distribution of the new Deutschmark and the removal of excess currency from circulation. In this source, there were multiple key provisions outlined for the German public to be aware of. Some of these key provisions included plans for the initial distribution of the new currency. Article I of the Law outlined the currencies recognized as legal tender in West Germany, specifying that the Allied Military Mark and Rentenbank notes would be significantly devalued to one-tenth of their former value. Additionally, these currencies were set to lose their status as legal tender two months after the law's enactment, ensuring a clear transition to the new Deutschmark.³ Furthermore, under Article VI of the Law, each West German resident received an initial sum of 40 DM as start-up money, followed by a second installment of 20 DM, ensuring that all citizens had access to the new currency regardless of prior cash assets.⁴

As mentioned above, this source was first published in the *Military Government Gazette* of West Germany to alert the public to new changes about their currency, but was re-published six years later in Beate Ruhm von Oppen's *Documents on Germany Under Occupation, 1945-1954* in 1955.⁵ Since then, British Military Law No. 61 has been referenced in numerous

³ Extracts from the British Military Government Law No. 61: First Law for Monetary Reform (Currency Law) (June 20, 1948), *Military Government Gazette*, No. 25, p. 848; reprinted in Beata Ruhm von Oppen, ed., *Documents on Germany under Occupation*, 1945-1954. London and New York: Oxford University Press, 1955, pp. 292-94.

⁴ *Military Government Gazette*, "British Military Government Law No. 61," June 20, 1948

⁵ British War Office, *Manual of Military Law* (London: His Majesty's Stationery Office), <https://www.dfs.ny.gov/system/files/documents/2019/02/british-military-law-59.pdf>.

secondary sources into the present day that detail the economic repercussions of introducing the law and its impact on the West German economic miracle, or *Wirtschaftswunder*.

Annotated Bibliography in Chronological Order

“Currency Reform in Germany.” *The Times of India (1861-)*, Jun 23, 1948.

<https://www.proquest.com/historical-newspapers/currency-reform-germany/docview/500322252/se-2>.

This newspaper article was published 3 days after the Military Government Law No. 61 was put into effect on June 20. It talks about how the Four Powers met in Berlin and tried to agree upon currency reforms, and also mentions the brewing crisis of Berlin and the tensions between the West and the Soviets. This article offers valuable insights into the international response to the Law and its role in deepening East-West divisions in post-war Germany, including the Soviet reaction to this currency reform.

“Russians Denounce Currency Reform: ‘Division of Germany Completed’ Sokolovsky’s Hints On Four-Power Control Of Berlin.” *The Manchester Guardian (1901-1959)*, June 24, 1948.

This newspaper article outlines how the Soviets reacted to this new introduction of the British Military Government Law No. 61 in Western Germany and the following Marshall Plan introduced by the US. It underscores Soviet accusations that the currency reform was a deliberate move by the Western Allies to finalize the division of Germany. Additionally, the piece highlights General Vasily Sokolovsky’s remarks made at a press conference on the implications of the reform for Four-Power control of Berlin, signaling the growing discord that would culminate in the Berlin Blockade, which began that same day on June 24. The article also contextualizes the Soviet criticism within the broader framework of the Marshall Plan, portraying it as a Western strategy to consolidate economic and political influence in Europe, as the reform was doing exceptionally well.

Heller, Walter W. “Tax And Monetary Reform in Occupied Germany.” *National Tax Journal* 2, no. 3 (1949): 215–31. <http://www.jstor.org/stable/41789824>.

Heller examines the role of currency reform, and particularly British Military Government Law No. 61 in addressing hyperinflation, stabilizing the economy, and restoring financial order. He highlights how the Deutschmark’s introduction was complemented by tax policies designed to

mitigate inflationary pressures and redistribute wealth, ensuring a balanced economic recovery. The article also explores the challenges faced during the implementation of these reforms under Allied occupation.

W. H. "Western Germany after Currency Reform." *The World Today* 5, no. 7 (1949): 310–20.
<http://www.jstor.org/stable/40392242>.

A magazine article outlining how West Germany and West Germans were dealing with the monetary reform a year after the law was passed in June of 1948. The article highlights that the reform was implemented in stages to ease the population into the new currency system, reducing the immediate shock and allowing Germans to gradually acclimate to using paper money. This phased approach helped prevent widespread confusion and panic, ensuring a smoother transition. The article also delves into the broader economic effects of the reform, noting how West Germany began to recover from the postwar financial chaos, with inflation kept under control and economic activity slowly returning to normal.

"The Currency Reform In Germany Reviewed: Berliners Sum Up Results in Last Four Years--Damage of Inflation Less Than Expected." *The New York Times*, August 3, 1952.
A newspaper article from *The New York Times* outlining the further experience of West Germans and their battle with inflation of common goods, but notes that the economic damage from inflation was far less severe than anticipated following the reform through interviews with locals as well as comparing the prices of common household goods. Despite initial fears that the currency transition would lead to uncontrollable price increases, the West German economy managed to stabilize more quickly than expected. The piece offers insight into how British Military Government Law No. 61 helped reduce inflationary pressures and restore consumer confidence, as well as how successful the reform was. This article is useful for understanding the longer-term effects of the currency reform law, which are mentioned in more recent secondary sources.

Sauermann, Heinz. "On the Economic and Financial Rehabilitation of Western Germany (1945-1949)." *Zeitschrift für die Gesamte Staatswissenschaft / Journal of Institutional and Theoretical Economics* 135, no. 3 (1979): 301–19.

<http://www.jstor.org/stable/40750145>.

The article examines the economic and financial reforms, including the pivotal currency reform of British Military Government Law No. 61 of 1948, and their role in stabilizing the shattered German economy. Sauermann discusses the coordinated efforts of the Western Allies in restructuring Germany's financial system, the introduction of the Deutschmark, and the impact of these measures on industrial and consumer markets. By analyzing the broader socioeconomic context, the article provides valuable insights into how the combination of monetary, fiscal, and institutional changes laid the groundwork for the so-called "German Miracle."

Turner, Ian. "Great Britain and the Post-War German Currency Reform." *The Historical Journal* 30, no. 3 (1987): 685–708. <http://www.jstor.org/stable/2639165>.

Turner provides a detailed account of Britain's collaboration with the United States and France in designing and implementing the introduction of the Deutschmark, highlighting the political and economic challenges faced by the British administration when drafting British Military Government No. 61. The article examines Britain's motivations, including its interest in stabilizing the German economy to reduce the financial burden of occupation, as well as the geopolitical considerations of countering Soviet influence through a range of historical documents such as government correspondence, reports from the Allied Control Council, and internal memos from the British Foreign Office and Treasury.

Mayer, Thomas, and Gunther Thumann. *Radical Currency Reform: Germany, 1948. Finance & Development*. Vol. 27. Washington, D.C: International Monetary Fund and the International Bank for Reconstruction and Development, 1990.

This article discusses how the British Military Government Law No. 61 was meticulously planned, well-orchestrated, and carefully executed, leading to its positive outcomes. The authors argue that the reform's success was due in part to the coordinated efforts of the Western Allies and the strategic, staged approach taken to introduce the new Deutschmark. By managing the transition gradually, the reform was able to avoid the major economic disruptions that many had

feared, stabilizing West Germany's post-war economy. The article serves as an insightful secondary source for understanding the key factors behind the reform's effectiveness and its role in Germany's recovery after World War II.

Madsen, Grant. "A German 'Miracle.'" In *Sovereign Soldiers: How the U.S. Military Transformed the Global Economy After World War II*, University of Pennsylvania Press, 2018, 110–22. <http://www.jstor.org/stable/j.ctv16t6hm1.12>.

Madsen examines the post-World War II economic recovery of West Germany, focusing on the role of the U.S. military and the currency reform of 1948. The chapter explores the broader economic strategies, including the introduction of the Deutschmark through British Military Government Law No. 61, which helped West Germany recover from wartime destruction and inflation. Madsen argues that the success of the reform was not solely due to German efforts but was also heavily influenced by US support and the strategic policies implemented by the Western Allies. The chapter emphasizes how these efforts collectively contributed to what many considered a "German Miracle," a rapid post-war economic recovery.

Nagel, Joachim. "The Economic and Currency Reform of 1948: The Basis for Stable Money." Deutsche Bundesbank, August 28, 2023. <https://www.bundesbank.de/en/press/contributions/the-economic-and-currency-reform-of-1948-the-basis-for-stable-money-915302>.

Nagel's article offers a contemporary analysis of the 1948 currency reform in West Germany, emphasizing its role as the foundation for economic stability and monetary policy. Nagel discusses the key laws enacted under Allied control, including British Military Government Law No. 61. The article highlights how the reform successfully addressed the hyperinflation and economic disarray left in the wake of World War II, paving the way for West Germany's rapid recovery and the emergence of a stable, market-based economy. This source provides a retrospective view of the reform's long-term impact on Germany's financial infrastructure and its importance in shaping modern monetary policy.