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Currency Reform and the *Wirtschaftswunder*

Ratgeber 1950, no. 9, 257; reprinted in Christoph Kleßmann and Georg Wagner, eds. *Das gespaltene Land. Leben in Deutschland 1945-1990. Texte und Dokumente zur Sozialgeschichte*. Munich: C.H. Beck, 1993, p. 186.

https://germanhistorydocs.ghi-dc.org/sub_document.cfm?document_id=4597

The article, titled "*Getting Thin*," was published on page 257 of issue 9 in the home-advice *Ratgeber* magazine in 1950, two years after the Western German currency reform of 1948. The author is unknown, and very little information on even the magazine itself was anywhere to be found. This is partly because such magazines advising on health and home life became popular in West Germany in the 1950s, and the genre was generally associated with the term *ratgeber*. The article was translated from a reprinting of the original magazine article in a German-language book written by prominent historian Christoph Kleßmann with Georg Wagner, juxtaposing the social dynamics of East and West Germany. The reprinting was translated by Thomas Dunlap. The article itself is a response to the phenomenon referred to as the *Freßwelle*, or "eating wave" that followed the brutal scarcity of food in the early postwar years of 1946-1948. As real wages rapidly rose and food prices fell, the half-starved West German people rushed to obtain more nutrition. The main reason for the sudden and dramatic change was the currency reform, initiated in 1948.

The main cause of the food shortage in Germany in the immediate postwar years was, of course, the war. Roads and railroads were destroyed, and the war had burned through stores of the precious oil and coal that were required to power vehicles, homes, and factories. Even if power was to be had, few factories were still in working order and

fewer had any raw materials to use in manufacturing.¹ Many workers had been killed by the war, and most of those who survived were displaced. The intricate chain of the German economy had been shattered at every link by over a million tons of bombs dropped by Allied air forces. Near the end of February of 1946, the normal consumer food ration in the Bizone between the US and UK was reduced to 1014 calories each day.² This was reflected in weekly coal production by a drop to just over 150,000 tons, compared to the 1936 level of 384,400. The winter of 1946-47 was especially bitter and resulted in a poor harvest and a jump in unemployment, exacerbating the situation further. In Berlin, prices exploded for basic goods like coal lighters (100%), soap (833%), and candles (2500-4000%). Food prices on the black market were often higher than the legal prices by a factor of more than 100.³ In Berlin, many prices were posted in Reichsmarks but would only be sold in exchange for cigarettes, one of which was equal to about 7 marks. The article "*Getting Thin*," was written in 1950, only three or four years after the events mentioned. How did the economic landscape of Germany change so radically?

Germany could not be expected to act as the lynchpin of the European economy using cigarettes as currency. This was known long before the currency reform actually happened. In 1945, the money supply was larger than the actual value of goods by a factor of five to six.⁴ Evidently, monetary reform was needed, and desperately. However, the reform was only enacted two and a half years later after the Soviet Union withdrew from the Allied Control Council and it became clear that there would be no prompt reunification of Germany.⁵ On 20 June, 1948, the US and UK occupational authorities instituted a currency overhaul, replacing the *Reichsmark* with the *Deutschmark*. To remove the excessive money supply, all bank account balances and cash holdings were reduced to 6.5% of their *Reichsmark* denominations, and the money supply was limited

¹ Kindleberger, Charles P, and Günter Bischof. *The German Economy, 1945-1947: Charles P. Kindleberger's Letters from the Field*. Westport, CT: Meckler, 1989.

² Office of Military Government for Germany (U.S.). *Economic Developments Since Currency Reform - Special Report of the Military Governor*. Washington, D.C., 1948.

³ H. Thurnwald, *Gegenwartsprobleme Berliner Familien*. Berlin, 1948, pp. 63-67; reprinted in Christoph Kleßmann, *Die doppelte Staatsgründung. Deutsche Geschichte 1945-1955*. Göttingen: Vandenhoeck & Ruprecht, 1986, pp. 379-81.

⁴ Sauermann, Hans. "The Consequences of the Currency Reform in Western Germany." *The Review of Politics*, Vol. 12, No. 2 (Apr. 1950), pp. 175-196.

⁵ *Ibid.*, 177.

to a total of DM 10 billion.⁶ The most immediate effect was the sudden new availability of retail products on the shelves. Though the increase in production was quick in coming, it was not fast enough to explain the sudden relative abundance— at first it was primarily the result of the black market dissolving and the stocks of contraband held there entering the open market. In some fields of industry, production was nearly at prewar levels by November of 1948.⁷ As luck would have it, the weather improved after the winter of 1946/47, and was very good in the agricultural year of 1948/49. The good weather, augmented by record usage of fertilizer and improved efforts on the part of the farmers resulted in a harvest that dramatically exceeded expectations. These improved efforts were also thanks to the currency reform, as farmers finally had a stable currency with which to hire reliable labor, buy suitable equipment, and acquire fertilizers to work their fields.⁸ Although this did not by any means eliminate the necessity for the importation of food, it represented excellent progress given that the breadbasket of Germany had long been in the East. The existence of a relatively trusted currency also made international trade more viable, enabling West Germany to import its own food rather than having to rely on aid. By 1950, Western Germany was well on its way to recovery and hardly on the brink of starvation as it had been before.

Chronological Annotated Bibliography

Office of Military Government for Germany (U.S.). *Economic Developments Since Currency Reform - Special Report of the Military Governor*. Washington, D.C, **1948**.

In the early postwar years, the offices for the military government of Germany were responsible for coordinating the Allies' response to the societal crisis

⁶ Office of Military Government for Germany (U.S.), 3.

⁷ *Ibid.*, 6.

⁸ Raup, Philip M. "Postwar Recovery of Western German Agriculture". *Journal of Farm Economics*, Feb., 1950, Vol. 32, No. 1, pp. 1-14.

precipitated by the destruction that preceded Nazi Germany's unconditional surrender. This report by the Military Governor of the U.S./U.K. "Bizonia" was written in November of 1948, five months after the start of the currency reform on 20 June. Although not very much time had passed, the report provides essential and compact comparisons of the state of the German economy before and after the currency reform. In it are short explanations of the general situation immediately after the war, efforts to rebuild before 1948, and the immediate results of the currency reform. It also differentiates between the effects of the dissolution of the black market (practically instant) and actual gains in production (still very quick, within months).

Raup, Philip M. "Postwar Recovery of Western German Agriculture". *Journal of Farm Economics*, **Feb., 1950**, Vol. 32, No. 1, pp. 1-14.

This is a short explanation of how and why the harvest of Western Germany in 1949 was so astonishingly bountiful, and in many cases exceeded the expectations set out by the Marshall Plan for 1952. Raup makes a quick detour to compare the situations immediately after the First and Second World Wars in Germany (according to him, agriculture was more severely depleted in 1917), then goes on to discuss the factors that led to the drastic leap in production despite a reduction in acreage. The main three factors laid out are the good weather of that year and the year before, the increased usage of fertilizer, and the increased effectiveness of the farmers themselves.

Sauermann, Hans. "The Consequences of the Currency Reform in Western Germany." *The Review of Politics*, Vol. 12, No. 2 (**Apr. 1950**), pp. 175-196.

An article written to address the background, causes and effects of the currency reform of 1948 in Western Germany. Sauermann gives important background on why the Western Allies waited for two and a half years to implement a currency reform when the situation was so dire. Put simply, it was a politically practical move that would have made it easier to integrate the Soviet-administered zone

into a unified future Germany. Later in the article, Sauermann goes into the specifics of the execution of the plan (how the Western occupation authorities essentially pulled one tablecloth away and slid another back on without overly disturbing the silverware).

H. Thurnwald, *Gegenwartsprobleme Berliner Familien*. Berlin, 1948, pp. 63-67; reprinted in Christoph Kleßmann, *Die doppelte Staatsgründung. Deutsche Geschichte 1945-1955*. Göttingen: Vandenhoeck & Ruprecht, **1986**, pp. 379-81.

A short report on the experiences of various families in Berlin during 1946-7. Records that a large number of German families could not get by on their own wages and had to either rely on government help or black-market bartering. Goods on the black market were often only obtainable through barter both because their *Reichsmark* prices were obscene and because sellers often outright refused to take RM as payment. Among the most expensive things on the black market were, understandably, the things that were the hardest to get such as concentrated fats (butter) and meat (bacon).

Kindleberger, Charles P, and Günter Bischof. *The German Economy, 1945-1947 : Charles P. Kindleberger's Letters from the Field*. Westport, CT: Meckler, **1989**.

A collection of correspondence by Charles P. Kindleberger on international negotiations regarding Germany's postwar economy until 1947. Gives a great firsthand account of the debate surrounding aspects of pulling Germany out of the dire situation it was in after the war. It covers a wide variety of subjects including currency reform, food distribution, domestic industry, imports and exports, and international trade.

Ratgeber 1950, no. 9, 257; reprinted in Christoph Kleßmann and Georg Wagner, *Das gespaltene Land. Leben in Deutschland 1945-1990. Texte und Dokumente zur Sozialgeschichte* Munich: C.H. Beck, **1993**, p. 186.

An article in the *Ratgeber* magazine advising its readers on how to lose weight by eating better. It is careful to specify *better*, not *less*. Understandably, the German people may not have been pleased to receive advice to eat less given that only four years prior the average caloric value of a daily ration was in the neighborhood of 1200.