

From the Reichsbank to the Bundesbank

People, generations and concepts between
tradition, continuity and new beginnings

Magnus Brechtken / Ingo Loose (eds.)

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Magnus Brechtken / Ingo Loose

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Foreword

Dear Reader,

We want to understand the present and shape the future in a responsible fashion. To do this, we must know about our past. This is especially true of that darkest chapter of Germany's history: the National Socialist era.

The Bundesbank has a responsibility to revisit, re-examine and reflect upon its own past as well as that of its predecessor institutions – the Reichsbank and the Bank deutscher Länder – with a critical eye and applying the most rigorous academic standards. Striving to meet this responsibility head-on, it launched a large-scale research project at the end of 2017. The brief was not only to examine where the Reichsbank fitted within the system of power and the part it played in the crimes of the Nazi state, but also to probe its lingering impact in terms of its personalities and ideologies in the period after the watershed year of 1945 – through the days of the Bank deutscher Länder and into the era inaugurated by the Bundesbank's founding in 1957. "From the Reichsbank to the Bundesbank: People, generations and concepts between tradition, continuity and new beginnings" is the title given to this study. The Bundesbank provided funding and organisational support, but at no point in the process did it exert any influence over the content.

Under the leadership of Professor Magnus Brechtken, Deputy Director of the Institute for Contemporary History in Munich and Berlin, and Professor Albrecht Ritschl from the LSE's Department of Economic History, nine academics have delved into sources, assessing the available material and re-evaluating it in the light of current research. The results of their work are being gradually published in the form of a number of academic monographs. To make their findings more easily accessible to a wider readership, the Bundesbank has also commissioned the booklet that you are now reading. It presents a summary of the most important points raised in each of the papers.

The completion of the "From the Reichsbank to the Bundesbank" study marks the end of a project that matters deeply to me on a personal level. The Bundesbank stands for diversity, tolerance and a culture of cosmopolitan openness; it is committed to a way of life where people can coexist in peace and freedom. These are values that need defending again and again, particularly at a time when Germany, too, is seeing populism, intolerance and anti-democratic ideologies on the rise. By publishing the findings on the history of the Reichsbank and the early years of the Bundesbank, we hope to send out a clear signal against the perils of forgetting.

History must not be allowed to repeat itself.

Yours,



Joachim Nagel
President of the Deutsche Bundesbank

Magnus Brechtken

Introduction

Hjalmar Schacht did not want to see; neither the crimes nor any responsibility. When, on 29 November 1945, the Allies presented the almost one-hour-long film “Nazi Concentration and Prison Camps” at the Nuremberg trial against the major war criminals, former Reichsbank President Schacht demonstratively turned away from the screen. The film showed mounds of corpses, crematoria and emaciated survivors, but also the reactions of Germans who had been made to visit the camps after liberation. In Nuremberg, prison psychologist Gustave Gilbert observed the reactions of the defendants. That evening, he also visited Schacht in his cell and noted: “Schacht was fuming with indignation. ‘How dare they make me sit there with those criminals and watch a film on concentration camp atrocities! They know that I was an enemy of Hitler and ended up in a concentration camp myself! It’s unforgivable!’”

Schacht knew full well that he was lying. He knew (or should have known) that his stories only described the politically rather harmless part of his complex past. It was not only his co-defendants who had memories of the other Schacht, the ambitious bank manager aware of his powerful position in the Nazi state and assiduous in his service to Hitler. Many of those who bore witness to Schacht’s behaviour over the past two decades poured ridicule on his disingenuousness. They remembered the prominent financier of rearmament, the man who extolled the virtues of the “Führer” in public speeches, and the proud

bearer of the golden NSDAP party badge. The Dachau concentration camp – the significance of which was described in the film – was of course known to Schacht; he had had a clear notion of it since March 1933, just as he had had a clear idea of the objectives of a regime with which he had collaborated over the years and whose policy of “Aryanisation” had brought him personal benefits. In the “Wochenschau” newsreel of 10 July 1940, millions of Germans had seen Schacht eagerly greeting Hitler at Berlin’s Anhalter Bahnhof railway station as the “Führer” returned from the victorious war campaign in France. The images showed how Schacht, one-and-a-half years after his dismissal as Reichsbank president, continued to present himself as a prominent dignitary of the regime, cutting a distinctive figure in his dark suit amidst the line-up of uniformed generals.

The newsreel footage thus fitted in with other images that repeatedly emphasised Schacht’s role as a committed supporter of the regime. It was not just his role in financing Germany’s rearmament and his dedicated efforts towards securing the Nazi state that were well known. Anybody who wanted to could also read what was written (with his approval) in the biography penned by his friend Franz Reuter to mark his 60th birthday in 1937: namely that Schacht “played a valuable part” in the victory of the National Socialists and had already been one of their “conscious aides” during their ascent. During his cross-examination by Nuremberg prosecutor Robert H. Jackson, Schacht



Photo: picture alliance/AP

Reichsbank President Hjalmar Schacht (right) with Adolf Hitler at the ceremonial laying of the foundation stone for the extension to the Reichsbank's premises in Berlin, 1934

said, displaying a characteristic combination of arrogance and naivety, that one had to deceive in order to achieve. Jackson made it plain that he found this quite plausible not only as a statement as such but also with respect to Schacht who was sitting in front of him.

But Schacht and his successor, the ex-journalist, Nazi careerist and fellow defendant Walther Funk, were not the only subjects discussed in Nuremberg. Time and again reference was made to the role of the Reichsbank as an institution – as an element of the Nazi state, its ideology and its policy of conquest and extermination. The relevant information documented against all doubt how the Reichsbank, for example, received and processed tons of looted gold, including the gold teeth of victims from the extermination sites. Schacht may have distanced himself from this in Nuremberg, reasoning that he was no longer president during the war. However, many thousands of employees who had worked under his leadership until 1939 remained in service under Funk and contributed to keeping the regime running and delivering its political agenda.

In the scenes from Nuremberg, we recognise a simplified pattern of the historical truth: like Schacht, many did not want to see just what kind of regime they had been serving for years. And in many cases, they were just as unwilling to recognise that their attitude towards National Socialism and Hitler went hand in hand with a high degree

of responsibility that could not be undone simply by looking the other way or distancing themselves after the fact.

Schacht certainly seemed rather subordinate compared to ideologically driven and aggressive major war criminals of the likes of Hermann Göring, Hans Frank or Albert Speer. Nor was the Reichsbank a military unit for the extensive use of force like the army or the SS death squads. But the truth, then as now, was that, without men like Schacht and those who followed him, National Socialism would hardly have been successful in staying in power between 1933 and 1939. And without their dedicated co-operation, support and engagement, it would have been all but impossible to align the German state, the German economy and German society with the political and ideological goals that were to be achieved by war. These goals were plain for all to see: the National Socialist racial state was to be implemented first in Germany and then across the entire continent. For the National Socialists, the establishment of European hegemony was a necessary prerequisite to achieving global supremacy. Nobody who listened to Hitler's speeches, read his texts or heard the many statements made by other leading representatives of the regime could have any doubt: in all years it would have been clear to all that the Reichsbank also functioned within the ideological assumptions, the long-term objectives and its practical corridor of what was to be done.

If we understand and realise that Schacht and his peers acted like so many of the “old elites” in diplomacy, the military, jurisprudence, medicine, journalism and public administration, we must also point out the degree of freedom and personal choice that was available, at least to a certain degree, until 1933 and sometimes even later. This is reflected in the behaviour of those few men who consciously opposed the Nazis’ designs on power without creating the appearance of active resistance. Examples of this attitude of conscious non-participation include Konrad Adenauer or, in a less prominent position, Sebastian Haffner. These examples show how small and heterogeneous this group was and how at odds they were with German society at large. The majority, like Schacht and his peers, welcomed Nazi rule as a welcome vehicle for their own ambitions. Therein lies their responsibility, or, as Konrad Adenauer retrospectively stated at Cologne University on 24 March 1946: “National Socialism could not have come to power if it had not found land prepared for its poisonous seeds in broad strata of the population,” and he repeated: “I emphasise, in broad strata of the population.” Four weeks earlier, in a letter to the pastor Bernhard Custodis, which has quite rightly been quoted repeatedly, he had already written that the “German people” had “allowed themselves to be brought into line almost without resistance, indeed in part with enthusiasm [...]. Therein lies its guilt.” Although not all the details of what was going on in the camps were known, it was obvious to everyone “that personal freedoms, all principles of law, were being trampled underfoot, that great atrocities were being committed in the concentration camps, that the Gestapo, our SS and in some cases our regular troops were acting with unprecedented cruelty against the civilian population in Poland and Russia. The anti-Jewish pogroms of 1933 and 1938 took place in public. The hostage killings in France were officially published by us. Thus it really cannot be said that the public did not know that the National Socialist government and the army command were consistently violating natural law, the Hague Convention and the most basic tenets of human decency.” This sober summary describes the core of the historical, political and moral dimensions in which the Reichsbank and those who worked for it must be analysed, within the structure of the Nazi regime and in dealing with its consequences.

These observations lead to the essential questions that any analysis of the story “From the Reichsbank to the Bundesbank” must address: What role did individual personalities play? How did the responsibility of the individual for their specific area

– in this case the employees of the Reichsbank institution – tie in with the overall process of political rule? What ideas about the role and tasks of a central bank did the Reichsbank as an institution carry over from the 1920s into National Socialism? How did key players behave under Nazi rule after 1933? What role did the institution play in establishing and enforcing this rule, and what functions did it fulfil? How did the relationship between the professional role as a central bank and the realisation of political and ideological objectives of the National Socialist regime evolve until the beginning of the war? What changed as a result of the war and how did the Reichsbank act within the framework of the German policy of conquest and annihilation in the countries of Europe? Then, turning to the period after total collapse: how did the Reichsbank and its staff change in the post-war period? Which traditions remained, and where can we identify continuities? And finally, which insights can be gleaned when we look at the institution of the Reichsbank and its staff across three political regimes – from the Weimar Republic through Nazi dictatorial rule to the parliamentary democracy of the Federal Republic?

These are just some examples of the questions we have to ask. They are at the core of the research project, the results of which are summarised in this booklet. The years 1923/24 and 1969 were

“Broad strata of the population”: Konrad Adenauer, pictured here in 1948 at a meeting of the Parliamentary Council, reminded Germans after the war of the responsibility they bore for the rise of the Nazis



Photo: Federal Archives



Author Thomas Mann described not only the economic but also the political and psychological effects of inflation

Photo: Federal Archives

chosen as the bookends of the analysis, as they have a general historical as well as a personality dimension. In 1923 Hjalmar Schacht became Reichsbank president, and in 1969 his last disciple Karl Blessing left as president of the Bundesbank. In historical terms, the year 1923 has been widely discussed as a fateful year for the Weimar Republic. If we take this as the starting date for our period of investigation, two experiences in particular take centre stage: the German defeat in World War I in 1918 and the Treaty of Versailles of 1919, which was perceived as humiliating by almost all Germans, and the inflation of the ensuing years. Both experiences are linked in a way that needs to be recalled to understand contemporary and subsequent recriminations.

A main reason for the inflation was initially the fact that the enormous costs of World War I were not primarily financed by taxes, as in Great Britain, for example, but by bonds. The German leadership's hope that it would be possible to make the enemy pay after a victory, as in 1871, did not materialise. Financing the war on credit was one of many miscalculations by the political and military authorities. Their claim to power – from Kaiser Wilhelm II to the Third Supreme Army Command under Paul von Hindenburg and Erich Ludendorff – was mainly responsible for these general decisions. But they refused to accept their responsibility for the defeat and obstructed as much as possible any attempt to make this transparent.

Anyone seeking to understand the psychological effects of these years will find vivid descriptions. In his “Memories of the German Inflation”, Thomas Mann in 1942 looked back on the war and its economic consequences: “The population itself and its wealth declined during this period of high expenditure on goods and blood. Was it possible to limit this expenditure? Hardly! Well, then such expenditure had to be restricted as could be restricted. In a word: savings had to be made in the country wherever and whenever possible. Did we – did the German people – draw such conclusions back then? Not really. Because the dizzying figures with which they were bombarded, millions of Marks for the war, hundreds of thousands of deaths in the war, led to a devaluation of both human life and national wealth at a time when, with both becoming scarcer, their price should have been higher than ever before.” But that was not all, because what “had begun in war” continued in peace “in a completely fantastic way: people bought. Fearing a further devaluation of money, people bought whatever was available, giving barely a thought to the fact that they were helping to further devalue the already devalued money [...]. Once prices had quintupled, we began to speak of ‘inflation’ and to judge the chances of the remaining fifth of our possessions as very unfavourable. [...] The fact that the decline of the German currency in particular did not stop at 10 or 100, but went into the quintillions, can of course be explained not only by economic, but also by political and psychological causes. The German tendency towards

the unbridled, the radically unreasonable and catastrophic, which is now [i.e. 1942, MB] causing the world such terrible problems, was already evident at that time.”

Mann then describes his own experiences. In spring 1919, he had contributed 10,000 Marks to his friend Georg Martin Richter’s purchase of a cottage on Lake Starnberg, which cost 48,000 Marks. He was allowed to use two rooms, which he frequently did, and was inspired to write “The Magic Mountain”. He does not mention Richter’s name when he describes the following experience: “In the spring of 1923, this friend told me that circumstances had unfortunately forced him to sell his house and that here were my 10,000 Marks back; yes, he added with a smile, they were the same notes I had helped him out with [in 1919], they had been resting untouched in his safe in the meantime. I stood there, a little incredulous, a little embarrassed, not yet fully understanding, with the pristine, almost new, beautifully drawn museum pieces in my hand.”

There were many similar experiences of the devaluation of old assets and rapid rise to wealth of a few. They misled many Germans into believing that the parliamentary democracy of the Weimar Republic was the root cause of their misery. Instead of blaming those really responsible in state and military leadership of the years lead-

ing up to 1918, many people pointed to the democrats and democratic parties who, in November 1918, had inherited the defeated, bankrupt Reich. There was no rational discussion about the causes of the defeat and the

post-war misery. Inflation was not analysed from its roots – empire, warfare, the real consequences of a real defeat – but attributed to the parliamentary democratic spirit and dark forces.

The new Reichsbank President Schacht, in turn, henceforth acted in the tradition of German nationalism, which after 1933 seamlessly transitioned into a pillar of National Socialist rule. Like many others, Schacht believed that he could influence National Socialism and its leaders through his experience and expertise. And like so many representatives of the “old elites,” he was repeatedly mistaken about the basic ideological motives of the National Socialist regime. This is the panorama in which a new phase of Reichsbank history began in December 1923.

Karl Blessing’s term of office as President of the Bundesbank ended in 1969. Blessing had been Schacht’s protégé since the latter’s first presidency and had been fully trained, socialised and shaped before 1933. The young Karl Blessing remained a close associate of Schacht and left office with him in 1939 as a member of the Directorate. During the war and the first years of the post-war period, Blessing’s career can be read as exemplary for the behaviour of his generational cohort in the architecture of the elites propping up state and business functions. His return to the Bundesbank, newly founded in 1957, marked an important personal connection between the former central bank of Weimar and the Nazi state and the new institution under democratic auspices. Blessing’s departure marks the demise, as it were, of the last milestones in a historical timeline spanning three political systems.

At the same time, the analysis of the history “from the Reichsbank to the Bundesbank” over a timeline of nearly five decades also offers additional academic insights into German government ministries and authorities, which have shaped public interest in more recent German history over the past two decades. The project therefore fills a gap that has been visible for some time.

Some researchers have already addressed relevant topics. The economic historian Harold James and the business journalist David Marsh, for example, have described various personal and conceptual continuities and pointed to biographies of important players. As early as 1992, Marsh had referred to key aspects of the continuity of elites from the 1920s to the first decades of the post-war period. Due to his journalistic approach, his indications were hardly followed up by researchers at the time. In addition, there were always individual studies on prominent people and topics, of which Hjalmar Schacht and the role of the Reichsbank in the looting of gold from Nazi victims are probably the best known. Ralf Banken, Christopher Kopper and Albrecht Ritschl, who have been experts in this field for many years, have now applied their expertise to this project. The work of the other researchers on this project – Marcel Boldorf, Olga Christodoulaki, Boris Gehlen, Rouven Janneck, Ingo Loose and Christian Marx – is also founded on many years of expertise in central bank history, economic, financial and corporate history as well as in personal analysis and persecution policy. The studies in our project take up these threads and bring the research on these fields up to date.

Many Germans believed the parliamentary democracy of the Weimar Republic to be the cause of their misery

How has the debate on National Socialism unfolded since the end of the war? In the following overview, we will primarily focus on the discussion in the Federal Republic of Germany. The GDR claimed to be a new state without direct predecessors and therefore without a Nazi legacy. The consequences of this self-delusion, by which authoritarian state patterns and anti-democratic thinking were preserved for decades under the banner of “real existing socialism”, will have to be discussed elsewhere.

In the western occupation zones, the shocking intensity of the defeat dominated the immediate post-war period. For some time to come, many Germans saw themselves more as victims of the war than as complicit in the regime that had caused it. This attitude was unintentionally supported by the Allies’ punitive treatment of the defeated regime. To many Germans, the major war crimes trial at Nuremberg and the subsequent trials, as well as the activities of the denazification courts, were a manifestation of a largely involuntary confrontation with the recent past that was imposed from without. The majority of Germans felt that they had been treated unfairly.

The Nuremberg war crimes trials also provided a convenient excuse: the convictions of the prominent figures of the regime led many Germans to see themselves as having been exonerated. The main culprits had died by suicide, been killed in the final days, been hanged or were behind bars. The

Cigarettes as currency: youngsters trading on the “black market” in 1948



Photo: Federal Archives

majority soon thought that it was (almost) business as usual. The twelve Nuremberg follow-up trials under the aegis of the United States against numerous other defendants until 1949 did little to change this. However, the visible consequences of the war served as a reality check, from the ruins of buildings to the destruction and disruptions of families, society and institutions. Few wanted to talk about the millions of victims of Nazi rule, let alone research them and analyse the causes and processes of the crimes. Everyday life and reconstruction dominated. Self-critical reflection, even a serious analysis of the recent past, seemed to many to be more of a threat than a necessity. Even quite a few historians were convinced that it was too soon to take a close look through a research lens at the regime that had just come to an end.

As interest grew in the 1950s, the questions focused on the pre- and early history of Nazi rule: the reasons for the failure of the Weimar democracy and the transition of power to the National Socialists were discussed, as well as the significance of the NSDAP for the ruling apparatus and its structures. Linked to this was the question of how traditional state structures had acted in the face of the regime’s ideological demands. Above all the personality and role of Adolf Hitler and the significance of his immediate environment were at the centre of interest.

Viewing National Socialism as totalitarianism – and thus comparable to the Soviet Union of those years – was a welcome interpretation of the “Third Reich” as the Cold War unfolded. Hitler and his coterie of followers, so the theory went, had created an all-powerful regime with dictatorial control and used the SS and the party apparatus to oppress the German people. The majority of Germans were perfectly able to live with this idea. It absolved millions of Germans from the question of their own role and actions in the Nazi state. Since they had been oppressed, as they wished to believe, they could hardly be held responsible, let alone culpable.

For the West Germans, this was also a perfect bridge to their new allies in the West and a way of demarcating themselves from the East. The formula was catchy: just as the Germans as a whole had suffered under Hitler’s dictatorship, so too did the Germans in the GDR continue to suffer. Stalin and his cronies in the Soviet zone had replaced Hitler’s regime; both were totalitarian, and the people therefore powerless. And, as a welcome effect, the West Germans were now on the right side of history.

Evolution of postal price for a postcard from 1920 (5 pfennigs) to 1923 (10 billion Reichsmark)



Photo: private collection

Such interpretations were convenient and alluring. Nevertheless, people knew perfectly well what they had done or not done before 1945. And they also knew the same about friends, neighbours and colleagues at work or in other institutional contexts. But they preferred to look to the future rather than to address the problematic past. After all, self-critical reflection on their own involvement in the Nazi state seemed to be an obstacle to building a new community. A variety of behavioural patterns could be found, from moral ignorance to silent pragmatism. The “131 Act” passed by the Bundestag on 11 May 1951, which gave former civil

servants of the Nazi state a place in the new Federal Republic, can be read as a symbol of this way of thinking.

When looking at this period, it is important to avoid a misunderstanding that can still be heard today: publications about the “dark years” were plentiful and recurring. But in this kind of talk about National Socialism, such as we find in magazine stories and “Landser” tales (pulp fiction stories glorifying the war), for example, there was hardly any serious analysis, let alone an active reappraisal. These formats of talking



Liberation of Auschwitz concentration camp by Soviet troops in January 1945

Photo: dkg-images

about the Nazi regime have long been narratives of distraction and concealment rather than addressing the real past and specific responsibilities. The very human longing for retroactive harmonisation of one's own biography routinely outweighed reflection on the possible culpability of one's own actions.

The discourse changed in the 1960s. This was due less to the "68 movement," as is often assumed today, and more to the impacts of important trials. In 1958 the Ulm Einsatzgruppen trial had already attracted nationwide attention. It led to the establishment of the Central Office of the State Justice Administrations in Ludwigsburg, which from then on carried out independent investigations into Nazi crimes. Regardless of whether we characterise this as systematic or more driven by chance, it produced concentrated, growing knowledge. The trial of Adolf Eichmann in Jerusalem in 1961 and the Frankfurt Auschwitz Trial from 1963 to 1965 were particularly important. Both trials attracted broad global attention and were discussed in almost all relevant media and by a remarkably interested public. The expert reports for the Auschwitz trial were also milestones of research.

The focus of the historiographical debate of this period shifted to the diversity of competing apparatuses and power structures. Instead of the idea of the all-powerful dictator with his coterie of followers, attention was redirected to the forces of state and party, power blocs and individual

interests acting with and against each other. Competition between functionaries and their institutions was interpreted as the decisive driving force and seen as responsible for the progressive radicalisation of Nazi rule.

As a result, Hitler and the leading figures of the ruling hierarchy were much more marginalised than merited by their historical significance. The fact that the "Third Reich", for all the diversity of its power blocs, remained a dictatorship driven by ideological goals faded into the background. The "functionalist" interpretations made biographical works appear outdated or even obsolete.

Emphasising the dynamics of institutions broadened the view to include a larger number of persons responsible within their apparatus. However, it routinely stopped short of a systematic look at specific, individual perpetrators. This was particularly true for members of the "functional elites". Those less prominent in the National Socialist regime continued their careers in ministries, public administrations, military institutions, judges' chambers and law firms, hospitals and companies in the Federal Republic of Germany. Many told their stories publicly through memoirs which presented a sanitised picture of their role in the Nazi state, which millions of Germans were eager to believe. Specific aspects of individual responsibility and personal perpetration were either hushed up, downplayed or obfuscated.

Trial of Adolf Eichmann in Jerusalem, 1961. Eichmann, one of the main perpetrators of the Holocaust, was sentenced to death and was executed just after midnight on 1 June 1962



Photo: picture alliance/dpa

Those less prominent in the National Socialist regime continued their careers in ministries, public administration, military institutions, judges' chambers and law firms, hospitals and companies in the Federal Republic of Germany

Turning away from a Hitler-centred approach, which had primarily served as an exculpatory narrative, was justifiable. But this also drew attention away from the importance of Nazi ideology and its meaning for the radicalisation of Germany throughout Hitler's

rule. Without precise and comprehensive knowledge and understanding of the National Socialist world view and its impact on the minds of millions of Germans, the "Third Reich" remained inscrutable in its dynamics and the way it developed its power.

The neglect of the ideological driving forces of the Nazi system is also

reflected in the widespread lack of interest in the history of the persecuted and the victims in the first two post-war decades. The extermination of the European Jews as the central crime of Nazi rule was initially discussed, if at all, with perpetrator-centred terms such as the "Final Solution". The term "Holocaust" has only been established in the United States since the 1970s and attained worldwide prominence in 1978-79 through the eponymous television series. A few years later, "Shoah" was added as a collective term for the

policy of extermination. As a field of research, however, the history of these crimes was hardly developed up until the end of the 1970s.

This changed in the 1980s as a result of several interrelated trends. In many places, local grassroots initiatives for historical research emerged. These "history workshops" were often linked to down-to-earth research by local groups or by schoolchildren who dedicated themselves to a specific "local" topic in the Federal President's History Competitions, e.g. the history of the local synagogue or the fate of Jewish families who lived there until 1933. This resulted in collections of regional knowledge that without this commitment undoubtedly would have been lost. It remained available as a source for further aspects of academic as well as public interest. Research interest now started to concentrate more on specific investigations into the perpetrators, especially of the Holocaust. The fate of forced labourers and other victim groups also came more into focus.

The public debates on recent German history in the 1980s were characterised above all by the disputes over two new museum buildings – the House of the History of the Federal Republic of Germany (in Bonn) and the German Historical Museum (in Berlin) – as well as the "Historians' Dispute" (Historikerstreit in German). The criticism of the museum projects reflected four decades of coming to terms with the Nazi past. Opponents of the museum projects perceived a renewed, state-led



Frankfurt, 1999: Demonstrators protest what they see as insufficient compensation for forced labourers under the Nazi regime

Photo: dkg-images/picture-alliance/dpa

“history from above”. They feared that the museums would be used to create a kind of revived nationalistic history, in which the period of National Socialism would be “levelled down” to the status of an accident that befell the Germans without their involvement or responsibility.

The Historians’ Dispute, on the other hand, was essentially a historical-political controversy in which many unrelated aspects and motives were tangled up. The criticism of Ernst Nolte’s empirically untenable insinuations – tantamount to Nazi apologia – was undoubtedly justified. Nolte ignored National Socialist anti-Semitism as well as Hitler’s ideological self-image as a racist savior when insinuating that the extermination of the Jews could be interpreted as a reaction to fears of the threat posed by Bolshevism. A quick glance at Hitler’s speeches and writings as well as his general programme and actions over the decades of his political life makes Nolte’s ignorance of sources immediately obvious. Beyond this necessary criticism, however, the Historians’ Dispute implied the existence of a historical revisionist conspiracy, which was just as empirically untenable as Nolte’s ignorance.

The interest in specific perpetrator research, which had been established since the 1980s, further evolved in the 1990s to question the role and function of the German “Volksgemeinschaft” (literally, people’s community). The aim was to analyse the significance of the societal majority for the stability of the regime and the dynamics of Nazi rule.

The change since the 1950s is striking here: instead of shielding “the people” from co-responsibility by interpreting them as an object of totalitarian oppression, now the analysis of egodocuments, private records, letters and similar source corpora provided a differentiated picture of many “Volksgenossen” (literally, compatriots) in their efforts at “working towards the Führer”.

At the same time, in the later 1980s and 1990s, the focus shifted to economic actors, industrial enterprises and banks. Interest in the behaviour of their predecessors in the “Third Reich” was combined with questions about current attitudes to historical responsibility. These questions ranged from the fate of former forced laborers to personal and institutional enrichment through “Aryanisation” to the importance of armaments and war profits as prerequisites for post-war prosperity. The “generational change” in management and a growing international awareness of historical responsibility motivated numerous research projects by major companies and banks. Since then, corporate histories focusing on the question of their role in the Nazi state have formed a stable strand of research. Questions addressing the role and meaning of the “people’s community” continued intensively after the turn of the millennium, only to be gradually replaced by the boom in analyses by ministries and authorities as of the late noughties.

Even this brief outline illustrates that the question of how intensely certain topics relating to

the history of National Socialism are analysed in academic and research terms always correlates with a society's readiness and willingness to discuss them. A constant curiosity and a remarkable historical awareness of the legacy of Nazi rule remained present in the German public from the 1960s to the 2010s.

At the same time, interest has moved away from focusing exclusively on the National Socialist era. Instead, questions about continuities and discontinuities from the Weimar Republic through National Socialism to the democratic structures of the Federal Republic of Germany are now taking centre stage. This most recent phase, which has developed eminent academic momentum since about 2010 and has produced numerous studies on

ministries and authorities, also includes the project "From the Reichsbank to the Bundesbank".

Even today, the argument can occasionally be heard that past institutions and the actions of people in the past should only be judged in terms of their era. By no means, it is argued, should present-day

standards be applied. The implication, however, that ex post facto retrospective moral distancing is cheap and does not take sufficient account of the dilemmas faced by individuals at the time misses the mark. Such an implication fails to recognise the role of historical scholarship and the moral categories that also claimed validity in the 20th century past discussed here.

National Socialist rule followed a decidedly racist ideology with which it sought to remake the world according to its ideas along a Social Darwinist pattern with all the deadly consequences for its "enemies" clearly spelled out. The ideas of this racial ideology have their lines of tradition and role models in German and European history. Moral standards that rejected racist thinking were already valid back then. Even then, it was not "okay" to persecute, exploit and murder people "just like that". Anyone pretending that these are just retrospective moral standards deserves to have their motives called into question.

Our task is therefore to analyse historical events from a rational position. It is not our task, on the other hand, to seek arguments that aim to "exonerate" our grandparents or their ancestors if they are not based on neutral analysis but derive from national or even nationalistic identification with previous generations. Rather, we must ask ourselves: Why did so many people think the way they did? What were the consequences? And what do the insights we may gain from this mean for ourselves?

From the 1960s to the 2010s, the German public remained constantly interested in – and has maintained a remarkable historical awareness of – the problematic legacy of Nazi rule

A Belgian forced labourer in Berlin, 1943. Millions of people from all over Europe were transported to the Third Reich to serve as forced labourers. Research into what became of them began in the 1980s



Photo: Federal Archives

This booklet deliberately summarizes core statements that emerge from the individual projects as key findings. The aim of the following texts is to present the most important facts on the respective project subject, to clearly lay out the basic questions of the research approach and to present the most significant results. The booklet seeks to provide clear, reliable information on the individual parts of the project. A detailed description of the underlying sources as well as explanations in tables and charts will follow in a more comprehensive scientific anthology. This will also contain the relevant references from the archives and the literature. All individual works are intended to be published as monographs.

The project managers ensured that all participants had the greatest possible academic freedom. Those working on the individual projects were responsible for the conceptual realisation of the general question – how did the history of the Reichsbank develop from the Weimar Republic through National Socialist rule and post-war occupation policy to the Bundesbank – independently and autonomously in their subject areas.

The overall project is intended as a contribution to the research discussion, one that by no means puts an end to the fields of investigation but will hopefully stimulate further research and possibly also modifications or competing interpretations.

Albrecht Ritschl

Central banks and monetary policy in Germany 1924–1970

The history of German monetary policy under National Socialism neither begins in 1933 nor ends in 1945. In many cases, it was the same individuals who had previously set the course of monetary policy that later returned to their positions. With them, they brought and took their ideas about monetary policy, their experience, and their great willingness to adapt to a radically changing political environment. Out of the five presidents of the three German and West German central banks that existed between 1924 and 1970, four had been involved in ending hyperinflation in 1923, while the other was a respected financial journalist who had covered these events in the press.

What were the reasons for this remarkable level of continuity? Above all, however, why would the economists of the Reichsbank make themselves complicit in the actions of the Third Reich? This complicity is certainly not distributed evenly. Nevertheless, the Reichsbank was involved in the confiscation, expropriation, and sale of Jewish assets from an early stage. In occupied Europe, it orchestrated the financial exploitation of the occupied territories, the manipulation of their currencies, and, again, the confiscation and sale of Jewish assets. The horrendous culmination of this was the use of the Reichsbank's vaults to store looted gold from the extermination camps, including extracted gold teeth, and subsequently selling this gold in the form of bars with forged stamps. These issues remain difficult to clarify. Hyperinflation in 1923, the initially successful

return to the gold standard in 1924, the global economic crisis from 1929 to 1932 that saw deflation rather than inflation, the banking crisis of 1931, and the gradual abandonment of the gold standard: the years leading up to the Third Reich were a sequence of monetary policy convulsions and catastrophes. When did the Reichsbank have room for manoeuvre, and when did it have to look on helplessly?

Hyperinflation and stabilisation 1923

The path to hyperinflation was not preordained. During the First World War and the turmoil of 1919, Germany's currency had ultimately depreciated to around one-tenth of its pre-war value. However, this also had the effect of shrinking Germany's war debt from around four times its economic output in 1913 to a more tolerable level. The Weimar Constitution of 1919 and a new tax system offered hope that the situation would stabilise. Indeed, inflation briefly came to a halt, tax revenue began to rise, and the deficits on the national budget started to fall. A new surge in inflation was triggered by the escalation of the reparations conflict at the end of the year. The currency, however, was still expected to stabilise by the end of 1922, particularly as the Reichsbank had been made independent in 1922 under pressure from the reparations creditors. A transitional arrangement for reparations offered some relief, but this was soon caught up in the whirlwind of rising Franco-German tensions.



A cartoon from a 1921 edition of the satirical magazine *Kladderadatsch*, depicting Reichsbank President Rudolf Havenstein burdening "Deutscher Michel" – representing the German people – with compulsory bonds, in addition to all of the other burdens that resulted from the loss of the war

Photo: picture alliance/akg-images

Actual hyperinflation began in January 1923, when French and Belgian troops occupied the Ruhr. The government assumed the cost of wages for striking workers in the Ruhr and financed the exploding deficits through the Reichsbank. Its passive policy during the conflict contributed to a narrative according to which the Reichsbank, under the presidency of Rudolf Havenstein, was incompetent in monetary policy and uninterested in stabilisation. Perhaps, however, Reichsbank policy at the time should be assessed in a more nuanced way. During the Ruhr conflict, the Reichsbank had no realistic option of opposing the government without giving rise to a financial "stab in the back" myth. The Reichsbank did not gain additional room for manoeuvre in monetary policy until after

the end of the Ruhr conflict in September 1923, and it used it consistently thereafter. This does not exonerate Havenstein for his role as a vicarious agent of German inflationary policy. Nevertheless, the Reichsbank's actions after the end of the Ruhr conflict are quite coherent.

The background to this was the depletion of part of the Reichsbank's gold reserves following interventions in the foreign exchange market to support the exchange rate of the paper Mark in the spring of 1923. A compulsory bond was issued with the intention of mobilising gold reserves among the public in order to replenish the Reichsbank's reserves, but this was unsuccessful. This failure tarnished Havenstein's domestic reputation

and led to plans to establish a new central bank that would bypass the Reichsbank or to split the Reichsbank into a gold bank and a bad bank. In response to the abandonment of the Ruhr campaign as these plans were being devised, the Reichsbank announced that it would no longer discount Treasury bills as of a cut-off date in November of that year. It kept to this deadline, forming the backdrop for the dramatic political developments in the late autumn of 1923. To safeguard the stabilisation process at the international level, support from the Bank of England – the world’s leading central bank at the time – and international diplomacy were needed. In particular, the unchecked issuance of municipal “emergency currency” (*Notgeld*) in

Without regaining control over the issuance of money in the occupied territories, achieving stability would have been impossible or would have caused the secession of the occupied territories

the western occupation zones weakened the Reichsbank’s control over the money supply. At the end of hyperinflation, the amount of this uncovered emergency money was estimated at an additional one-third of the official figure for the monetary base. It is not included in the official figures that have been widely used by researchers since

that time and finds reference only in footnotes. Without regaining control over the money supply in the occupied territories, achieving stability would have been impossible or would have caused the secession of the occupied territories, similar to the monetary division of Germany following the currency reform of 1948. This scenario was averted by British pressure on France to abandon their plans to introduce an official parallel currency in the Rhineland.

The issue under discussion amongst experts was whether a new stable currency should be created as a currency backed by gold or as an inconvertible currency based on mortgage bonds, which would be known as the Rentenmark. The solution that was ultimately reached was to combine the Rentenmark with a subsequent return to the gold standard. The Reichsbank remained in charge of the stabilisation process even after Havenstein’s death in 1923. When the new Reichsbank President Hjalmar Schacht took office, stabilisation was in full swing. Unfinished business included reorganising the national budget through an austerity policy of unprecedented severity and breaking inflationary expectations in the financial sector.

Credit freeze and the transition to gold 1924

The Rentenmark and the stabilised paper Mark were initially internal currencies, as foreign exchange controls had been reintroduced to prepare for stabilisation. On the foreign markets, however, the exchange rates of the paper Mark came under pressure again in the spring of 1924, with the forward rate of the paper Mark rising to 12 Mark to the US dollar, compared to the official exchange rate of 4.20 Mark to the dollar. At the same time, the Reichsbank’s portfolio of commercial bills nearly doubled between January and April of that year. In light of this situation, the Reichsbank issued a credit freeze on 7 April 1924, capping its holdings of bills at current levels. The surprising effect of this was the forced return of capital that had fled the country, as the shortage of domestic currency deprived German firms of urgently needed liquidity. By mid-1924, the foreign currency holdings at the Reichsbank had doubled. By the end of the year, they had almost tripled. By the time the Reichsmark was officially introduced in October 1924, this had replenished gold reserves, the lack of which had prevented a direct transition to the gold standard in the previous year.

Under the Dawes Plan, the Reichsbank was internationalised in 1924. A general council was established, with half of its membership comprised of foreign representatives. This reform was carried out at the expense of the Reichsbank’s shareholders. The old Reichsbank had been heavily dependent on the shareholders’ general meeting, which took place frequently and also served as a gathering place for the banking world. The new Reichsbank, by contrast, became a hybrid between a national bank and an international organisation, and the meetings of its general council became a forum for international central bankers. This approach worked so long as Germany enjoyed the confidence of the international financial markets. In 1925 and 1926, the Reichsbank had high levels of surplus reserves; the coverage of banknotes by gold was rarely less than 80%, compared to the 40% prescribed. The cost of this arrangement was reduced communication with the German banking community. Before the war, the banking sector regulated itself through “soft” factors, particularly the close involvement of the business community in credit assessments for rediscount business and the supervisory function of the general meeting. When the Reichsbank pivoted away from this area of business and the general meeting became less significant, these soft factors were lost. Tensions between the Reichsbank and commercial banks grew, fuelled by Schacht’s sharp rhetoric.



Reichsbank President Rudolf Havenstein (right) in 1922 (pictured with banker Louis Hagen (left) and Hans Kraemer, Member of the Reich Economic Council (Reichswirtschaftsrat))

Reichsbank policy during a period of high capital mobility

For a brief period, it seemed as though the stabilisation of the Mark had succeeded. Foreign currency flowed into the country, cooperation with the Bank of England flourished, and the government budget was largely balanced. Signs of trouble were apparent in the current account deficits and the mounting foreign debt. Servicing debt on foreign loans was bound to be at odds with meeting reparations obligations at some point in the future. While the transfer protection established in the Dawes Plan gave foreign investors priority in the allocation of foreign exchange, there was the threat of a payment and credit crisis if this protection were to be withdrawn, which did in fact happen later under the Young Plan.

The Reichsbank found itself powerless in the face of these problems. Money market interest rates in Germany were around 250 basis points higher than those in New York at the beginning of 1926, but this spread had narrowed to fewer than 100 basis points by the end of the year. A cut in the discount rate in January 1927 aimed at closing this gap and

stemming the inflows of funds failed to have the desired effect. The Reichsbank lost a quarter of its gold and gradually raised its key interest rate back to 7% in order to be able to stabilise its reserves at close to 60% of banknotes in circulation. Long-term interest rate spreads against New York also remained stubbornly between 150 and 300 basis points in the second half of the 1920s. Germany's commitment to the gold standard was not credible. As a consequence, Schacht called for the Reichsbank to be granted the authority to manage Germany's foreign credit, which he had briefly held as currency commissioner in 1923 and would hold again in 1933.

The temporary end of the love affair with the Bank of England

The stabilisation of 1923–24 was based in no small part on the agreements with the Bank of England as well as the Bank of England's strong negotiating position vis-à-vis a financially weakened France. As France stabilised, the tide turned and capital began to flow out of London, too. According to contemporary reports, this represented the return of capital that had fled the country. As a result, the symbiotic relationship between the Reichsbank and the Bank of England broke down. Germany, faced with a renewed shortage of gold, had nothing to offer the British side to shore up the United Kingdom's balance of payments, which had been in jeopardy since the stabilisation of France. Instead, there was renewed British interest in the resumption of payments by Germany.

The return of the reparations issue

Schacht's involvement in the reparations conflict has been covered extensively and controversially in the literature. Unchecked borrowing abroad by municipalities and public utilities for purposes of often dubious productivity played a key role. Schacht expended considerable political capital to engineer a debt ceiling for municipal foreign loans and to obtain a right of veto for the Reichsbank. When this proved largely unsuccessful, Schacht's strategy was to trade transfer protection for a substantial reduction in what would then become unconditional reparations debt. He seemed close to achieving his ambitions when he won the appointment as Germany's chief negotiator for the renegotiation of the reparations issue, which began in early 1929.

Schacht, however, had overestimated his bargaining power vis-à-vis the Allies. In particular, he failed to recognise the change in the United

*Hyperinflation in 1923:
children with bundles of
worthless banknotes*



Photo: akg-images

Kingdom's position. Under the Bérenger-Mellon Agreement between France and the United States, the resumption of payments on the inter-Allied war debt was a precondition for the end of a US credit embargo. In fact, it was the circumvention of this embargo via the Kreuger loan that had made the surprise coup of French debt rescheduling in 1927 possible in the first place. The United Kingdom considered itself protected by the suspension of its payments during the Dawes Plan, but did not want to sit idly by until this protection was abandoned under a new reparations plan. This meant being unable to take a back seat to France and agreeing to restructure the reparations in the amount of the outstanding war debt. Schacht's strategy would have worked if the United States

had agreed to unilaterally cancel the war debt. This was something that the United States, under its vigorous Secretary of Commerce Herbert Hoover, had always rejected. Hoover's victory in the 1928 US presidential election effectively took the prospect of any reduction or cancellation of these loans off the table. The bill was passed on to the German side.

In March 1929, the news broke that the reparations would be only slightly less than they had been under the Dawes Plan, but without full transfer protection. This led to outflows of gold from the Reichsbank, with gold holdings coming perilously close to the minimum statutory cover for a short while in May of that year. The same month also



Reichsbank President Hans Luther (right) with Reich President Paul von Hindenburg in Berlin, 1929

Photo: picture-alliance/akg-images

saw the failure of the Hilferding loan, a major government bond issue on the Berlin market. The spring of 1929, and not the Wall Street Crash at the end of October, thus marked the beginning of a twofold crisis of monetary and fiscal policy in Germany.

Without a solid negotiating position, Schacht again tried to win control over the national debt. In return for a loan from the Reichsbank to the government – which in itself was prohibited – he was able to impose strict deflationary conditions. Although this humiliating move succeeded, it led Rudolf Hilferding to resign as Minister of Finance. In an act of protest, Schacht himself withdrew from the German delegation to the Young Plan negotiations and announced his resignation as Reichsbank President in early 1930.

Schacht had gambled big and lost. Viewed objectively, his position was not unjustifiable. Although the present value of reparations barely exceeded 40% of German GDP in 1929, there were no current account surpluses from which they could be generated without implementing a sharply deflationary monetary policy. John Maynard Keynes had repeatedly warned that Germany would face a massive deflationary crisis if it made any serious attempt to pay reparations out of surpluses. This was now becoming apparent: the Young Plan closed the door to easy loans in the future, with one or two exceptions still permitted. After that, the bitter pill of deflation awaited in

order to generate current account surpluses, which would not materialise on their own.

The Reichsbank under Hans Luther

The Reichsbank emerged from this episode changed and battered. The Young Plan brought an end to its internationalisation. The international supervisors on the general council were replaced by German nationals, of whom only a minority were bankers. As had been the case since 1924, the Reichsbank's operations remained beyond the control of its shareholders. Schacht was succeeded by Hans Luther, a career politician who had no background in banking. A professionally outstanding and internationally recognisable candidate would have been Carl Melchior, who had been present at the peace treaty negotiations in Paris and whose positions had made a lasting impression on Keynes. Being Jewish, however, he was already considered ineligible for such a prominent post in 1930.

As former Minister of Finance and Reich Chancellor, Luther had the mandate to align the Reichsbank more closely to the political world than

As former Minister of Finance and Reich Chancellor, Luther had the mandate to align the Reichsbank more closely to the political world than Schacht had done

Schacht had done. However, this jeopardised the Reichsbank's independence. Moreover, he had no personal contacts at the central banks in London and Paris. Montagu Norman, Governor of the Bank of England, preferred to communicate through his staff with Friedrich Dreyse and Ernst Hülse, who remained at the Reichsbank as vice-presidents, and avoided having a direct line to Luther, whose straightforward, undiplomatic manner met with little sympathy in London.

In the face of the looming global economic crisis, Luther initially played by the orthodox rules of the gold standard and tried to defend the Reichsbank's gold reserves. There were major outflows of gold following the shock of the Reichstag elections in September 1930, in which the NSDAP's share of the vote grew from 2.6% to 18.3% and the Communists also made gains. These losses of gold could not be recouped and again made the Reichsbank vulnerable to speculative attack, as in fact occurred in the summer of 1931.

The Reichsbank in the financial crisis of 1931

The financial crisis of 1931 was a combination of banking, monetary, and foreign debt crises. As early as December 1930, the US ambassador was warned by the Germans that Germany would soon no longer be able to pay its reparations. At the end of March 1931, the German central government budget was only able to survive beyond the end of the fiscal year by taking out short-term loans at humiliating conditions. The Americans were again told that Germany would have to suspend reparation payments in order to avoid defaulting on its foreign debt, which was largely from the United States. In this event, however, the Western European recipients of German reparations would be unable to service their US war loans. The Americans had thus far refused to legally recognise a relationship between these two flows of payments. On 20 June 1931, after protracted negotiations, US President Hoover announced a moratorium on both German and inter-Allied war debt, which he hoped would bring the Great Depression to an immediate end. By this time, however, a banking crisis had already broken out in Berlin.

When the first difficulties became known, the Reichsbank requested and received one international gold loan, but not a second one. Acting on the advice of the Bank of England, the Reichsbank responded with a credit freeze similar to that of 1924. Contrary to conventional wisdom, such a restriction could make sense if it led to the repatriation

of capital that had fled the country, as had been the case previously. Luther's Reichsbank may indeed have assumed that there was capital flight and believed that its restriction would be successful. Instead, it resulted in banking panics, the imposition of foreign exchange controls, the freezing of short-term foreign debt, and the departure of the Bank of England from the gold standard. The fact that the Bank of England was also in a precarious state was one reason that a second emergency loan to the Reichsbank was denied. Luther had made high-profile journeys, first to London and then to Paris, to urgently present his requests. Montagu Norman is said to have left the Bank of England building by a back door to avoid encountering Luther during the latter's unwelcome visit. The Bank of England's refusal to arrange a second central bank loan was a sign that the preservation of the gold standard had yielded to other major policy considerations.

The person who understood this better than Luther, and perhaps even better than Reich Chancellor Heinrich Brüning, was Hjalmar Schacht. Schacht's demands for a sharp break from the policy of compliance (*Erfüllungspolitik*) vis-à-vis the Allies went too far for Brüning. Schacht responded with a provocative appearance as a speaker at the Harzburg Front, in which he publicly broke with the Young Plan that he himself had helped to engineer. From this point on, the true alternative to Brüning and Luther's deflationary policy was revealed: the unilateral cancellation of reparations and, following the Latin American model, of Germany's foreign debt.

Capital controls and preparation for credit expansion

The policy of the Reichsbank between the financial crisis and Hitler's rise to power remained hesitant, but was nevertheless innovative and may have been underappreciated. The currency was not openly devalued. Instead, the conditions were created for extensive capital controls and the expansion of domestic credit. By 1930, acceptance banks had been established to create rediscountable Treasury bills that – right at the edge of legality – were structured as commercial bills and could be used for public borrowing after the expected end of reparations. This would absorb excess liquidity in the money market and provide the private sector with safe and liquid forms of investment. Above all, the capital market was not thought to be able to absorb longer-term Reich bonds. These contingency programmes were fully developed by the summer of 1932 and were first



“Stahlhelm” demonstration against the Young Plan

Photo: dkg-images/TT News Agency/SVT

implemented in the Papen programme in the autumn of that year. One would not do full justice to Luther without noting that the Reichsbank's unconventional monetary and credit policy did not first start in 1933, but had already begun under his aegis.

The road to debt default

Scholars have identified the transfer ban on foreign debt in mid-1933 as the beginning of German debt cancellation. However, with Berlin's approval, Schacht was already holding exploratory talks with the Bank of England in the autumn of 1932, during which he submitted plans for the impending cancellation. He was given to understand that Germany was still expected to service the protected and privileged Dawes and Young bonds. Special conditions for the continuation of the short-term standstill arrangements were requested and, in return, the prospect of sanction-free financing of German foreign trade via London was raised.

The details of the debt default of 1933 therefore did not come as a surprise to the Bank of England; contrary to popular belief, the move towards large-scale debt default was already being prepared during the Weimar Republic and was taken in coordination with London. However, Germany's decision to extend the default to the servicing of the Dawes and Young bonds later provoked anger. This caused serious resentment

in London, which lasted for several years and only abated when Schacht began to lose power.

Rearmament financing by the Reichsbank

In addition to the job creation programmes that had begun in 1932, the system of “Mefo bills” was introduced in 1934. These bills were also Treasury bills that were outwardly structured as commercial bills and could thus be rediscounted at the Reichsbank. However, their issuance did not appear in the debt statement (*Reichsschuldenausweis*). To ensure the secrecy of the system, an acceptance bank was not created, but instead a dummy company with deposits from leading industrial companies was founded; this company was known as “Mefo” (*Metallurgische Forschungsgesellschaft*, or the Society for Metallurgical Research). Authorised signatories were Reichsbank officials seconded for this purpose. According to internal guidelines – and in contrast to usual practice for bills of this kind – these bills of exchange were not permitted to circulate, and thereby become monetary substitutes, but were to be purchased by the Reichsbank if the holder of the bill had an irrefutable need for liquidity. The Mefo bills' high interest rate of 5% was intended to make them attractive to hold until maturity. As a result, the Mefo bills did not circulate as monetary substitutes; in fact, contrary to intentions, they were mostly monetised through repurchase and appeared in the monetary base to the same extent.

Making high-profile trips to London and Paris, Reichsbank President Hans Luther (centre) tried in vain to rally support during the banking crisis. Here, he is shown following his return from Paris in July 1931

Photo: picture alliance/ulstein bild



The Mefo bills accounted for a significant share of public debt in the years in which they were issued. Their share of Germany's debt at the time is estimated at around 70%. However, on average from 1933 to 1936, public sector borrowing amounted to barely more than 3% of GDP. It was not until the following years, under the Four Year Plan, that net borrowing increased dramatically.

The expropriation of Jewish assets

In March 1933, the Reichsbank participated in the dismissal of Jewish officials and employees. Up until 1935, financial interests as well as the defence against social-revolutionary currents within the NSDAP made the Reichsbank a mouthpiece against "wild Aryanisation" and for the

continued existence of Jewish businesses as long as they were systemically relevant. This period includes the Haavara Agreement to finance Jewish emigration to what was then the British Mandate of Palestine

through German compensation transactions with minimal use of foreign currency, which was in short supply. This combination of promoting exports and transferring wealth was attractive from the Reichsbank's point of view as long as unemployment prevailed in Germany. As the country

approached full employment, this incentive disappeared and foreign exchange allocations and export commitments were drastically reduced.

At the same time, the Reichsbank was involved in recording and expropriating the assets of Jewish emigrants. A tax introduced in 1931 to prevent capital flight was changed in 1933 to a 25% statutory tax on capital flight from the Reich (*Reichsfluchtsteuer*) with greatly reduced allowances. Of the remaining amounts, increasing shares were retained in blocked accounts at the Reichsbank and its subsidiaries. The actual allocation of foreign currency that emigrants could take with them upon departure was initially 50% and fell to almost zero by 1938. This was compounded by the use of arbitrary assessment methods.

The beginning of the final disenfranchisement of Jewish citizens was marked by the wave of expropriations following the German annexation of Austria in 1938. Karl Blessing, who would later become Bundesbank President, and a number of employees were sent to the Austrian National Bank, which had been reorganised as the Reichsbank's head office in Vienna, to supervise the "orderly" incorporation of Jewish assets into the Reichsbank's reserves. The same procedure was used following the occupation of Prague in March 1939 as well as later during the war. The Reichsbank was the main point of delivery for looted Jewish assets and it arranged their sale in neutral foreign countries.

In March 1933, the Reichsbank participated in the dismissal of Jewish officials and employees



Photo: picture alliance/lulistein bild

In 1933, Hjalmar Schacht (left) was reappointed to the office of Reichsbank President by Adolf Hitler. Here, in December 1936, he is receiving the first design for the new thousand Mark note created by painter and graphic artist Paul Scheurich

Schacht's rise and fall

Schacht joined the Reichsbank in 1923 in a dual role as currency commissioner and Reichsbank President. For a brief time during the period of stabilisation, his position was that of a financial dictator, with his signature being required for all key fiscal and monetary policy decisions. Schacht's subsequent career can be summarised as a series of attempts to regain this role. Schacht may have thought he had achieved this goal when he was reinstated as Reichsbank President in 1933 and then, in the following year, provisionally took over the Ministry of Economics, but not the Ministry of Finance, which was crucial for fiscal policy. Schacht, however, was not part of the regime's inner circle. He was needed and tolerated as a court financier, but was relegated to the background as soon as he had fulfilled his task.

In a letter of protest sent to the Reich Chancellery in early 1939, signed by every member of its Directorate, the Reichsbank repeated its demand for the redemption of the Mefo bills and the consolidation of the national budget, whilst also warning against the coming wartime inflation. The response to this incendiary letter was Schacht's immediate dismissal. When Schacht was dismissed, most of the members of the Reichsbank Directorate also resigned from their posts, including Wilhelm Vocke and Karl Blessing.

The Reichsbank during the Second World War

The Reichsbank repositioned itself under Walther Funk, who had succeeded Schacht as Minister of Economics in 1938. Under Funk, the Reichsbank ended its opposition to further debt. During the war, it developed into a point of transfer for looted assets. While the Reichsbank operated under its own name in Western Europe, a separate bank was set up for Poland. The Reichsbank provided vault space for the gold seized in the extermination camps and sold it after melting it down into bars with forged certificates. For the Reichsbank's role in this operation, Funk was sentenced at the Nuremberg trials to life imprisonment. Emil Puhl, the member of the Reichsbank Directorate responsible for the Reichsbank's day-to-day business, was sentenced to five years in prison.

Funk's expertise as a central banker has been viewed disparagingly. However, he was not simply a bystander who left the business to experts on his staff. Noteworthy is, for example, the Funk Plan of 1940, which envisaged a currency area in Europe, independent of gold, with a multilateral clearing union and monetary union in the future. This plan made an enormous public impact, with its effects being felt years later in the Keynes Plan for a postwar monetary order and in the architecture of the Bretton Woods system of 1944. However, in terms of its content, the significance of the Funk Plan must be put into perspective. The idea itself was born of necessity and was incompatible with the reality of the wartime economy. Internal memoranda at the Reichsbank highlighted these obstacles. Moreover, they revealed fundamental differences of opinion on the forms that future European monetary policy could take. Some of these discussion pieces seem to foreshadow the controversies that would surround the euro area.

When Schacht was dismissed, most of the members of the Reichsbank Directorate also resigned from their posts

Of practical relevance, however, and only mentioned obliquely in these internal documents, was the fact that a multilateral currency area with free trade amongst its members ran counter to Germany's interests in economic exploitation of the territories under its military occupation. Exchange rate manipulation and compensation transactions in bilateral trade had been proven means of generating high levels of resource transfers to Germany since the 1930s. In the occupied countries, Reich

treasury notes (*Reichskreditkassenscheine*) were issued as means of payment, especially early on, and served as parallel currencies, inflating the amounts of currency in circulation in each case. Country-specific studies on Poland, France, and Greece describe numerous bureaucratic barriers that were in place to prevent the circulation of these bills from spreading to Germany. As a side effect, this controlled economy led to a network of mutually inconsistent currency relationships. Instead of becoming multilateralised, the Reichsbank's system of clearing accounts resulted in rapidly growing deficits. At the end of 1944, the cumulative debt amounted to around 30 billion Reichsmark, equivalent to just under one-third of German GDP in 1938. Internal estimates, adjusted for exchange rate distortions, came to around twice this amount.

War inflation and currency reform

Even before the start of the war, economists had begun to discuss the necessity of future currency reform. After the non-redemption of the Mefo bills and the expedited preparations for war, a massive monetary overhang was to be expected. There was consensus that open inflation should not be allowed. That could only mean cancelling the national debt and reducing other debts, which is ultimately what happened. The Reichsbank did not play a leading role in these discussions. While there are references to the problem of monetary overhang in Funk's statements and speeches, no attempts were made to counter the state's extravagant spending. Funk found himself in a position similar to that of Havenstein and had Schacht in mind as an example. By 1936 at the latest, the Reichsbank had once again become a politically powerless institution and a submissive accomplice to a policy of destruction. Schacht may still have had illusions about this, but his successor did not.

It is possible, with all due caution, to speak of a continuity of monetary plans beyond the end of the war. A study by Ludwig Erhard, indirectly financed by the Ministry of Economics, brought reduction rates into play and addressed the issue of the balance between depreciating monetary assets and real assets. The issue of burden sharing concerned redistributing the ownership of monetary assets and real assets as well as compensating war damages between asset owners. A simple quantity-theoretical approach soon prevailed. Between the Nazi regime's rise to power and 1943–44, the monetary base had risen slightly more than tenfold. In order to keep prices constant, as in the currency reform of 1923, and to avoid a

deflationary shock, the more realistic plans typically assumed currency conversion at a ratio of one to ten. The subsequent US-led currency reform of 1948 achieved its radical simplicity in comparison to these plans by excluding the entire problem of wealth redistribution between holders of nominal and real assets and postponing it until later.

Zonal reorganisation and the establishment of the Bank deutscher Länder

The Soviet conquest of Berlin brought the Reichsbank to a de facto end. The Reichsbank head offices in the western occupation zones were initially retained. In the British occupation zone, a centralised structure was established around the Reichsbank headquarters in Hamburg. Vocke and Hülse, the two reactivated former members of the Directorate, found themselves in leading positions from which they endeavoured to rebuild the central bank as a copy of the old Reichsbank. In the American and French zones, decentralised models were favoured and, at first, efforts were made to transform the Reichsbank head offices into Land Central Banks (*Landeszentralbanken*), with a central bank in each Land (Federal state). As a role model, the United States turned to the Federal Reserve, which was organised from the bottom up. This model was controversial among the German representatives. The question of political independence also proved controversial. The Bank

In the Reichstag election of 1930, the NSDAP increased its share of the vote from 2.6% to 18.3%



Photo: picture alliance/ulstein bild



Following Schacht's dismissal in 1939, Walther Funk (second from left) was appointed Reichsbank President. Here, he is shown at the Reichsbank's annual general meeting in February 1944

Photo: picture alliance/Fotoarchiv für Zeitgeschichte/Archiv

deutscher Länder (BdL, Bank of German States), founded in 1948, represented a compromise. It remained independent of German authorities, but was subject to directives from an Allied commission. With Wilhelm Vocke and Karl Bernard, a compromise was found for the leadership, with Vocke emerging as the dominant personality.

The BdL was perhaps the most independent central bank in German history. Similar to the Reichsbank under the Dawes Plan, it was initially subject to foreign influence. The Land Central Banks implemented the BdL's decisions at their own discretion, and this was subject to strong criticism. However, it was precisely this regional differentiation that was characteristic of the credit policy of the various Federal Reserve Banks in the United States and which was desired politically by the Allies.

The implementation of market-oriented monetary policy 1948–1951

The events surrounding the 1948 reform have been researched extensively. The BdL had only limited options to influence its planning and execution. The new currency unit was initially occupation money, shipped in from the United States under strict secrecy and distributed by the military authorities. The German side was able to have a say through price and management reforms, giving the central bank an opportunity to prove itself in monetary

policy. The bizonal administration for the economy had been headed by Ludwig Erhard since April 1948. Parallel to the currency reform, Erhard surprised the public and the Allied supervisory bodies with the partial abolition of management and price controls on consumer goods – though, at first, this was by no means as comprehensive as is often portrayed.

In 1950, the second major step towards liberalisation was taken with the establishment of the European Payments Union (EPU). It provided for multilateral clearing at the Bank for International Settlements (BIS) and a certain degree of free trade amongst its members. Germany's legacy debts were initially blocked by the seniority of the loans under the Marshall Plan. Until the latter had been repaid, the legacy debts would remain on hold. New loans within the European Payments Union originated with guarantees from the Marshall Plan Economic Cooperation Administration (ECA). However, the BdL had exhausted West Germany's credit line within a few months. A return to stricter foreign exchange controls was discussed, as was new

The Bank deutscher Länder (BdL, Bank of German States), founded in 1948, represented a compromise. It remained independent of German authorities, but was subject to directives from an Allied commission

The capture of Berlin by the Red Army in early May 1945 brought the Reichsbank to a de facto end

Photo: okg-images/TT News Agency/SVT



foreign debt cancellation and the overall abandonment of Ludwig Erhard's free-market experiment, which was viewed with scepticism on all sides. Erhard was expected to resign at any time, the independence of the BdL was considered tarnished, and, even within the bank, there was talk of a return to a standstill agreement like that of 1931.

The turning point came with an intervention by the ECA in cooperation with the BIS. The BdL was forced to abandon any plans for foreign exchange control and instead embrace a significant increase in the discount rate. Within a few weeks, the flows of foreign exchange were reversed, confidence returned, and the West German current account was registering surpluses. Erhard's position had been stabilised. The decisive factor was the insistence on the use of free-market instruments and, after the domestic debt cut of 1948, the extremely favourable settlement of legacy foreign debts for West Germany under the London Debt Agreement, which was concluded soon afterwards. With this comprehensive debt haircut, government budgets did not pose a serious threat to monetary stability for another two decades; enforcing monetary dominance was now a comparatively easy task.

Monetary policy without banking policy: from the BdL to the Bundesbank

The previous Bank Act of 1935 had given the authorities extensive rights to intervene in the

establishment of banks and the expansion of their networks. These provisions were soon found to be in conflict with Germany's new Basic Law (*Grundgesetz*). However, the newly created Federal states had a strong interest in maintaining the status quo in order to control regional credit allocation and to avoid endangering the savings banks, which often dominated their respective local markets. The preferred control instrument was the Land Central Banks, which were themselves entrusted with banking supervision at the Federal state level and were the sponsors of the federally organised BdL. The majority of the Federal states wanted the Federal central bank that was to be established under the Basic Law to continue to be organised as an association of the Land Central Banks, leaving their autonomy intact. The threat of the old law being abolished changed the perspective of the Federal states. As part of a compromise, they ultimately agreed to the future Bundesbank being centralised based on the model of the Reichsbank. At the same time, however, this new Bundesbank would not be responsible for banking supervision, a matter on which the Federal states hoped for a supreme court decision that would protect their rights. As a result of this conflict between the Federal Government and the Federal states, the Bundesbank was established as a central bank based closely on the currency principle, whose core competence was no longer to promote banking, as it was at the BdL and had been previously at the Reichsbank, but singularly and almost exclusively to ensure monetary stability.



Photo: dkg-images/INTERFOTO/TV-Yesterday

The newly founded Bank deutscher Länder had only limited influence in the currency reform of 1948. [New forces are on the rise, the Deutsche Mark is opening up businesses, the world is no longer so wrong, a tenner is worth something again]

The Bundesbank: the early years

The founding of the Bundesbank under its President Karl Blessing is surrounded by regulatory myth. The Bundesbank quickly gained a reputation as a strong central bank, facilitated mainly by the start of foreign exchange inflows after liberalisation in 1958. However, with these inflows came pressure to allow the Deutsche Mark to appreciate. This happened for the first time in 1961, albeit to little effect. This presented the fledgling Bundesbank with a paradox: the monetary policy

of a stability-oriented central bank is ineffective when exchange rates are fixed. The Bundesbank's simultaneous strength and weakness would lead to political conflicts in the 1960s that, structurally, were not dissimilar to those of the 1920s – the difference, however, being that Germany was now an exporter of capital and there was no risk of a new debt crisis. The Bundesbank sought refuge in influencing public opinion. As early as the 1950s, it had already invoked the German people's traumatic experience with inflation in order to resist political demands for expansionary monetary policy. Now the Bundesbank's interventions were aimed at the Federal and state governments' lavish spending against a backdrop of full employment.

Blessing's actions in his final years in office were marked by the political dilemma that, on the one hand, he was unable to pursue an independent policy within the Bretton Woods exchange rate system and, on the other hand, he himself contributed to the downfall of this system with every exhortation to maintain stability. His official letter to the Federal Reserve System in 1967 renouncing gold purchases in the United States has become legendary. The Chairman of the Federal Reserve at the time coined the phrase: "It is a blessing we have a Blessing". After leaving the Bundesbank at the end of 1969, Blessing revisited this episode in an interview, alluding to political pressure on his decision at the time and criticising his own weakness. A pessimistic Blessing concluded by giving a bleak outlook on future European monetary policy, which theoretically could have led to a hard currency bloc, but would probably still be hampered by the sovereignty considerations of individual nations. As Blessing foresaw, European monetary union came into being without the coordination of fiscal and wage policies.

Ingo Loose

The German Reichsbank in occupied Poland 1939–1945

The invasion of the Second Polish Republic by Nazi Germany in September 1939 marked the beginning of a period of occupation lasting more than five years, by the end of which millions had been murdered, Poland's infrastructure had been destroyed and its economy lay in ruins.

Long before 1 September 1939, the Reichsbank had already begun planning a financial and monetary policy that could be implemented quickly and smoothly in the territories to be conquered in East-Central and Eastern Europe. Following the German invasion of Poland, the Reichsbank assumed a leading role in the fiscal consolidation of the occupation policy in the occupied and shortly thereafter annexed territories. This included "economic Germanisation" ("Germanisation loans") as well as the confiscation and "utilisation" of the property of murdered Polish Jews and European Jews deported there. From the outset, the goals of the National Socialists' "*Lebensraum*" concept for Poland were the impoverishment, economic exploitation and ultimately the deportation of the Jewish and Polish population. Not only numerous ministries and other entities, but also the Reichsbank, played a role in this.

1939 was not the first time the Reichsbank or other German banks had been confronted with the question of how to finance a war with minimum repercussions on the financial and monetary structure of the Reich. This was of particular interest with regard to the conquered territories which were to

be kept separate from the *Altreich*, whilst of course involving and exploiting them economically for the war effort. The effects on the territory of the Third Reich were to be kept minimal, whilst at the same time the greatest possible economic benefit to the war effort was to be derived from these territories. The increased focus on Poland in the second half of the 1930s was also the prelude to numerous Reichsbank analyses on the economic potential of the Second Polish Republic.

The German invasion of Poland and the first weeks of occupation

22 million inhabitants of the Polish state within the borders of 31 August 1939 came under the control of the Third Reich. Of these, territories with a population of 10.6 million were annexed to the Reich, and areas with a further 11.5 million inhabitants formed the General Government in the autumn of 1939. In comparison, the Soviet Union annexed Polish territories with 13.2 million inhabitants. This division of Poland into German and Soviet spheres of influence lasted for less than two years, however. After the German invasion of the Soviet Union in June 1941, the General Government was expanded to include the district of Galicia, with its capital Lwów (Lemberg).

During the war, prominent representatives of the Reichsbank, in particular Vice-President Emil Puhl and Board Member Max Kretzschmann, eagerly promoted the myth that it was only an improvised



The first shots of World War II were fired by battleship "Schleswig-Holstein" at the Polish Westerplatte peninsula on 1 September 1939

Photo: akg-images

solution and out of concern for the non-German civilian population that existing Reich treasury notes (*Reichskreditkassenscheine*) were to be used in Poland, which was "in economic disintegration" after the German invasion. The primary function of the Reich treasury offices was to grant loans to the Third Reich – to finance all costs of the occupation – in the separate Reichsmark currency of the Reich treasury notes, thus ensuring that this de facto occupation currency had no negative influence on the currency in the Third Reich. The 15 Reich treasury offices established by decree of the Commander-in-Chief of the Army on 23 September 1939, whose treasury notes had a fixed conversion rate of 1:2 to the Polish zloty, met the needs of the Wehrmacht and the direct management of the occupation, at least temporarily.

The Reich treasury offices were also tasked with issuing the above-mentioned Reich treasury notes. The number of these notes in circulation in the autumn of 1939 was still comparatively low and amounted to just 37 million Reichsmark. However, after their use in Poland had proved successful, they were also implemented in most of the European countries where Hitler waged war in the following years (see also the contributions by Marcel Boldorf and Christopher Kopper). During the Western campaign in 1940, the volume of Reich treasury notes rose rapidly to over 500 million Reichsmark by the end of the year, before soaring after the Balkans campaign and the attack on the Soviet Union in 1941. The volume increased to

1.9 billion Reichsmark at the beginning of March 1942, to over 2.6 billion Reichsmark by the end of 1942, until circulation of the Reich treasury notes peaked at the end of 1943 at 3.3 billion Reichsmark.

The Reichsbank's activities in the annexed Polish territories

When the Reichsbank was making its initial plans, it was not expected that the European conflict would escalate after the end of the war against Poland. With a decree on 21 December 1939, the Deutsche Reichsbank Act also applied to the annexed Polish territories, heralding the end of the Reich treasury offices there. They remained in the General Government for the time being, until a successor institution, the Bank of Issue in Poland (*Emissionsbank in Polen*), was established. Reichsbank offices (with numerous branches) were set up in the weeks after 1 September 1939 in Danzig, Kattowitz, Posen, Bromberg, Łódź (renamed Litzmannstadt in 1940), Zichenau, and Plock (renamed Schröttersburg). Staff in the Reich treasury offices had been recruited almost entirely from the ranks of the Reichsbank's officials, and were now seamlessly transferred to the new Reichsbank institutions. The Reichsbank branches were structured according to political considerations on the whole,

The primary function of the Reich treasury offices was to grant loans to the Third Reich

but the comparatively large number of locations ensured that all economically relevant cities and regions were within reach of a Reichsbank branch. The first Reichsbank officials received notification in September 1939 from the Berlin Central Office that they should “be prepared for employment in the occupied territory”, which could mean either at a Reich treasury office or in a new Reichsbank branch to be established in the conquered territories. Only in a few individual cases do personnel files reveal the reasons for a transfer to the Eastern territories of a particular bank official. The structure of the individual branch offices, on the other hand, was completely dependent on the political prerogatives of the regional occupation policy in the administrative districts (*Reichsgaue*); these determined the fields and scope of activity of the Reichsbank and all other local credit institutions.

From 1939–40 onwards, practically all branch managers and deputies of the Reichsbank appointed in Poland were members of the NSDAP. Exceptions to the rule that only members could hold the rank of *Reichsbankrat* were made only in isolated cases, such as when officials already had a very long period of service. Beginning in the late 1930s, the annual personnel records included a section entitled “Attitude towards the National Socialist government”, in which political conduct and even unconditional loyalty to the Nazi state had to be documented. In addition, the officials had to declare that they were “not related or related by marriage to members of the former Polish government”. Board members of the Reichsbank were aware of the fact that difficult living conditions made delegation to the Eastern branches unattractive. Fearing that no successors would be found, especially in wartime, they thus made it more difficult to apply for a transfer back to the West.

Development of the Reichsbank’s business activities in the annexed Polish territories

On 11 August 1940, Reichsbank President Walther Funk spoke at the Königsberg trade fair about a future post-war monetary policy. In the future – that meant, of course, after a German victory – the bilateral arrangements on clearing would cease to exist and be replaced by long-term, multi-lateral trade agreements between the European economies. Although Funk formulated the concept of a dominant Greater German Empire with economically dependent satellite states and territories whose main economic task was to provide for Germany, details of his plan remained vague and were at no time the template for the monetary

policy that was actually implemented in occupied Europe.

Measured in terms of population and surface area and bearing in mind the industry and agriculture located there, the share of the Reichsbank’s eastern branches in the total business volume of all Reichsbank branches was and remained clearly below average. Admittedly, this had less to do with the work of the Reichsbank officials employed there than with the ruthless and brutal occupation policy in Poland, which in addition to massive interventions in the structure of the population included forced labour, mass deportations and mass murder. There was simply no scope for any other economic development. Lending business for tens of thousands of businesses confiscated from Poles and Jews remained at a low level throughout the war and, despite the continuous increase in liquidity due to the war, the deposit business barely fared better.

During the second half of the war, the situation became increasingly surreal. Impatiently, but with growing confidence, the Polish population awaited the collapse of German rule and the flight of the occupiers. Only the optimists among the Germans, meanwhile, still believed in a German victory. Especially those with economic expertise had known for some time that Nazi Germany would not win the war and would not be able to hold occupied Poland.

The central bank in the General Government: the Bank of Issue in Poland

The Germans took a different path in the General Government and, after the dissolution of the Reich treasury offices in the spring of 1940, created the Bank of Issue in Poland to replace the Polish central bank (Bank Polski). The dependence of the Bank of Issue in Poland on the Reichsbank, both de facto and in terms of staffing, made it an integral part of the latter and its monetary policy in the Greater German Reich. Emissionsbank staff came almost exclusively from the Reichsbank and were merely released from their duties for the duration of their activity in the General Government, i.e. they could return to the service of the Reichsbank at any time. In addition, there was a strong presence of Reichsbank officials in many other control centres of the occupation administration, in particular in banking supervision and foreign exchange offices.

The entire economic policy in the General Government was burdened with considerable problems right from the onset of the occupation: the



The Emissionsbank in Polen, which was set up by the Germans in spring 1940, replaced the Polish central bank

Photo: dkg-images/Fotoarchiv für Zeitgeschichte

low standard of living, the wage and price freezes imposed at pre-war levels, the widespread hoarding by the population in view of the ever-present shortage of food and other consumer goods – all of which considerably increased inflation. It was the declared goal of Governor General Hans Frank to extract as much as possible from the General Government for the benefit of the Third Reich and the German war effort.

There were several motives for founding an independent bank of issue for this special territory (*Nebenland des Reichs*): for one, the future of this area was considered uncertain, and for another, the Emissionsbank in Polen made it possible to construct an ostensible legal successor to the Bank Polski. The Germans cited this continuity in the (ultimately unsuccessful) negotiations with

France between 1940 and 1942, which were aimed at diverting the gold of the Polish central bank, which had been moved to Africa, to the Reich. The Polish gold is therefore likely also the reason why the Emissionsbank was the only institution held by the Germans to officially bear the designation “in Polen” in its name until the end of the war.

When the Emissionsbank launched operations at the beginning of April 1940, the course was essentially set to use the General Government more effectively for manipulation of fiscal policy to the advantage of the Reich. In the following years, the Emissionsbank was tasked with two different, albeit overlapping, core responsibilities: on the one hand, to build up a monetary economy functioning between “independence” and subservience in the General Government, and on the

other hand, to bear the costs of the occupation and the Wehrmacht. In addition, the SS, police and customs border guards also swallowed up huge amounts of money that had to be made available by the Emissionsbank – literally whatever the cost.

Prominent among the bank clientele were the large number of trustees, i.e. temporary administrators of confiscated businesses – those which were “ownerless” or had belonged to “fugitive”, mostly Jewish, owners. Other prevalent clients included numerous offices and authorities in the General Government, ranging from district and city leaders, the *Kriegswinterhilfswerk* (Winter relief of the German people), the *Ostbahn*, the NSDAP, the trust agency (*Treuhandstelle*) and numerous offices of the Higher SS and Police Leader. The large customer base also included important firms such as the oil company *Beskiden Erdöl-Gewinnungsgesellschaft mbH* in Jasło, the arms manufacturer *Hugo Schneider AG* in Kielce and *Częstochowa*, *Osram AG* in Krakow and *Oskar Schindler's* enamelware factory in Krakow.

The Emissionsbank's 1943 annual report shows that just 61 Germans were employed across all branches, 38 of whom had been seconded from the Reichsbank. Over the entire occupation period, there were around 60 Reichsbank officials who

held management and leadership positions in the Emissionsbank in Polen and its branches. Heading up the Emissionsbank – although not formally in the office of president, but

rather as bank director – was Reichsbank director Fritz Paersch (1893–1974), who had joined the Reichsbank in February 1919 after working in the statistics department of the Berlin Reichsbank cash office since 1931. The Germans had appointed the highly respected Polish economist Feliks Młynarski as president of the Emissionsbank, but he was de facto a bit player, accountable to Paersch in all matters.

Governor General Hans Frank managed to obtain agreement for the waiving of the payment of the General Government's defence contribution (*Wehrbetrag*) for 1940. Nevertheless, from 1941–42 onwards, the General Government's budget was burdened with escalating military contributions. By 1943–44 they amounted to a total of 2.48 billion złoty (2.8% of the defence contributions and occupation payments collected by the Third Reich), topped up by a further 1.2 billion złoty in 1944. In

addition, the Wehrmacht offices in the General Government covered their cash needs by means of “green cheques” which the Emissionsbank then presented to the Reich Main Treasury Office (*Reichshauptkasse*). The volume of banknotes in circulation in the General Government consequently rose continuously and had more than doubled from an initial 933 million złoty (May 1940) to over 2 billion złoty by the end of October 1941.

The year 1942 in occupied Poland was defined by the slow progress Hitler and the Wehrmacht were making in the East and the entry of the United States into the war. The rationalisation now introduced primarily entailed the closure of businesses whose activity seemed the least bit expendable. At first glance, the situation in the General Government did not change much through the defeat of the Wehrmacht in Stalingrad in February 1943. In truth, however, the impact was quickly making itself felt. It became clear that the General Government would continue to maintain its “bridging function” in providing for the Eastern Front, which meant that the inflation factor, the Wehrmacht's demands still being met by the General Government, continued to prevail. Although the Emissionsbank attempted to implement measures to dampen the inevitable inflation, its sole reason for doing so was to ensure that the occupied Polish territory could continue to provide for the Third Reich during the war. From this perspective, an

Prominent among the Bank of Issue's clientele were the large number of trustees

Fritz Paersch, Head of the Emissionsbank in Polen (1940–1945) and Vice-President of the Land Central Bank in Hesse (1953–1957)



Photo: E. Bieber



500 zloty banknote issued by the Emissionsbank in Polen. In the spring of 1942, the purchasing power of the currency was only one-fifth of its 1940 level in the increasingly dominant black market



Photo: Ingo Loose

anti-inflationary monetary policy in the General Government also meant a monetary policy benefiting the stability of the Reichsmark. However, the Emissionsbank had to meet all the money demands from the Wehrmacht, the SS and police; the only option was to continue to endorse cashless transactions, which, because of the short-term nature of the deposits, did not mean a real contraction.

In addition, there were also the massive economic upheavals in 1942 and 1943 resulting from the murder of the Jewish population. These led to the closure, from one day to the next, of numerous businesses that had been run largely or even exclusively with Jewish forced labourers or had outsourced work to the ghettos. Most of the Emissionsbank branches described the labour situation as catastrophic. At the same time, however, they pointed

out that the “disappearance” or “departure” of the Jews, normally the liquidation of the ghettos and the deportation of their inhabitants to the extermination camps, had led to a drop in prices on the free market, especially for food, on account of the large reduction in the number of people to feed. The annual report, therefore, reflects the reports of the individual Emissionsbank branches, which, from 1942 onwards, established a link between the murder of Jews and the price index.

Overall, however, the net worth of economic goods requisitioned from the General Government for the benefit of the Third Reich (including rations for the Wehrmacht soldiers, SS members, police units, etc. stationed in the General Government) fell far short of the Nazis’ expectations. In the spring of 1942, the purchasing power of the zloty on the increasingly

dominant black market was only one-fifth of what it had been in 1940, in part because hardly any products were available at the official prices, and if at all, then only for Germans residing in the General Government. A correspondingly high volume of money in circulation was the result of the sale of products to the *Altreich* (Germany pre-annexation) on credit and high costs for the Wehrmacht and armament production facilities stationed in the General Government. However, due to insufficient settlement of the clearing debts during the war, the Emissionsbank was only able to cover the demand for money by issuing new money, i.e. through continuously printing banknotes, and by the end of 1944 outstanding liabilities of about 14 billion Reichsmark had accumulated.

The Reichsbank/Emissionsbank and the Holocaust in occupied Poland

The stages of exclusion with which the National Socialist authorities restricted the rights of German Jews after 1933, harassed them, and impoverished them both socially and materially, can also be seen in the way German banks treated their own officials and employees. Jewish bank officials and employees were quickly dismissed after the seizure of power. The further stages of persecution of the Jews in the following years are found in internal communications of the Directorate of the Reichsbank – they range from the Nuremberg Laws in 1935 to the blocking of Jewish-owned accounts after the November

pogroms in 1938. After the war, no one in the Reichsbank could credibly claim ignorance of the destruction of Jewish business activity and of the disenfranchisement of the Jewish population in the Reich and in the occupied countries of Europe.

In the first few days of September 1939, the military and civil administration began to issue numerous measures and decrees with only one aim: to disenfranchise and isolate the Jewish population, to impoverish them and to take possession of their property. One of the pressing questions facing customs officials of the Foreign Exchange Investigations Office and the representatives of the Reichsbank or the Reich treasury offices was how much money the forcibly deported Jewish and non-Jewish Poles were to be left with in the autumn of 1939 – about 60,000 people by the end of the year – when they were brutally crammed into trains in the annexed eastern territories and deported to the General Government. Of course, this also implied that all of the rest of their property had been confiscated without compensation.

When difficulties arose with these deportations, the Germans quickly established the first ghettos – after Warsaw, the second largest was in the industrial city of Łódź (renamed Litzmannstadt in 1940) with a population of over 200,000 Jews. On 20 June 1940, the Directorate of the Reichsbank gave the go-ahead to the branch in Litzmannstadt, stating that creating a currency “for the closed Jewish quarter in Litzmannstadt”

Hans Frank, the former Governor General of Poland, in front of the International Military Tribunal in Nuremberg. He was sentenced to death for war crimes and crimes against humanity and executed on 16 October 1946



Photo: picture-alliance/dpa



The around 1,200 Jewish forced labourers at the factory of German industrialist Oskar Schindler in Krakow were among the small number of Jews in occupied Poland who managed to escape the systematic persecution and destruction

Photo: dkg-images/Israel Talby

was not in violation of the Reichsbank law. Mark notes were printed and coins were minted, both of which were in circulation in the ghetto from 8 July 1940 onwards (over 18 million marks at the beginning of August 1944). The ghetto currency in Litzmannstadt remained an isolated case in occupied Poland, although there were similar initiatives elsewhere. Theresienstadt in the Protectorate of Bohemia and Moravia was the only other ghetto where a surrogate currency was introduced, in mid-May 1943.

Two cashbooks from Gestapo files in Litzmannstadt have been preserved, which recorded cash sales of objects that had been confiscated by the ghetto administration or police in the Litzmannstadt ghetto and sold on to “Aryan” customers. In those times of war-related rationing, everything that could be sold was turned into money at knock-down prices and deposited in the ghetto administration’s accounts. In the following years, not only numerous party leaders and other dignitaries, but also several Reichsbank officials acquired many valuable objects here. These included gold watches, fur coats and furniture previously belonging to Jews long since deported and murdered.

In the General Government, too, the disenfranchisement of the Jews, the theft of their property, and the generalised violence to which they were subjected were constant factors of German rule. Official gazettes were regularly full of references

to the countless prohibitions for Jews that were constantly being augmented – irrefutable evidence that the persecution of Jews was known to all offices and their staff in the General Government, without exception. Fritz Paersch exercised more restraint in his reports as head of the main office of the Reich treasury offices in Krakow, and later as bank director, than Governor General Hans Frank in his brutal speeches. However, Paersch left no doubt that, from the perspective of the Reich treasury offices or the Emissionsbank, a solution had to be found for the “Jewish problem” in the General Government. Virtually all military and civilian offices tried to outdo each other in making life unbearable for the Jewish population – until two years later in December 1941 the Germans began systematically taking the lives of Polish Jews.

Bank officials in the General Government were also directly affected by the persecution of the Jews in their workplace. Their duties included managing accounts of Jewish business owners, Jewish communities, or Jewish councils (*Judenräte*) that had been blocked by order of the authorities as well as studying and implementing the applicable regulations of the occupation authorities; the banks also proactively sought out relevant accounts and assets. Furthermore, there was involvement in the confiscation of all kinds of valuables, shares, savings, company assets, etc. owned by Jews. Bank officials also had direct business contacts with, for example,

Bank officials were also directly affected by the persecution of the Jews in their area of work

the Warsaw Ghetto transfer office; they kept the accounts of isolated Jewish councils as well as of numerous trustees, and of various SS institutions and departments, clearly showing they were directly implicated in mass crimes. Other tasks included administering the accounts of companies that employed Jewish (and non-Jewish) forced labourers and providing them with loans. The documents that these companies submitted to the banks generally showed that their workforces consisted of forced labourers whose welfare was totally disregarded, let alone any investments being made to their benefit. Above all, however, the Emissionsbank branches were fully aware of the plight of the Jews through the detailed monthly reports they received from district governors, labour offices, district farmers and factories. The ghettoisation, the full extent of the forced labour and even deportations to the death camps were no secret. There is reference to “resettlement operations” in numerous economic and situation reports written by Emissionsbank branches, and the mere fact that the word “resettlement” was now repeatedly set in quotation marks, or that phrases such as “the so-called operation” were used, proves that the bank officials were well aware that it was not a resettlement of the predominantly ghettoised Jewish population, and that from now on it was a codename for the murder of the Jews in the General Government. The Emissionsbank in Tarnopol, for example, asked the central occupation authorities in the region to report

on the “elimination of Judaism” or the “effects of the resettlement of the Jews”, and the offices contacted did this diligently. The independent monthly reports that the Emissionsbank branches sent to the headquarters or to the Directorate in Krakow also reveal detailed knowledge about the progress of the Holocaust and the effects on the regional economy. Even if none of the reports, insofar as they have been preserved, show that the officials were anything other than indifferent to these crimes, it must be stated that none of the reports contain any formulations of open satisfaction, gloating or anti-Semitism.

In the summer of 1942, Reichsführer SS Heinrich Himmler, Reichsbank President Walther Funk and Reich Finance Minister Lutz Schwerin von Krosigk agreed in secret on a plan to deliver the valuables and cash that had accumulated in the extermination camps under Operation Reinhard (Treblinka, Sobibor, Belzec) to the Reichsbank. The valuables included not only jewellery and money taken from the victims before they were murdered, but also dental gold which was extracted from the mouths of the corpses after the gassings. The Reichsbank in turn credited the proceeds of these “deliveries” to an account under the fictitious name “Max Heiliger”; in fact the generated funds were transferred to the Reich Ministry of Finance. No written evidence of the secret agreement between Himmler and Funk has survived. On 15 May 1946, during the Nuremberg trials, Funk’s deputy in the Reichsbank, Emil Puhl, testified to its existence, and claimed that he had subsequently met with Oswald Pohl to discuss further details. The first shipment arrived at the Reichsbank on 26 August 1942,

Receipt for twenty marks: surrogate currency was issued in the Litzmannstadt (Łódź) ghetto in 1940.

Photo: dkg-images/picture-alliance/dpa





*"Selection" of Hungarian
Jews at the unloading
ramp in Auschwitz in 1944*

Photo: dkg-images

under the supervision of SS-Hauptsturmführer Bruno Melmer (see the contribution by Ralf Banken). Judges of the International Military Tribunal in Nuremberg had no doubt when issuing their verdict against Walther Funk:

“Funk has protested that he did not know that the Reichsbank was receiving objects of this kind. The Tribunal is of the opinion that Funk either knew what was being received or was deliberately closing his eyes to what was being done.”

Marcel Boldorf

Fiscal and monetary policy in occupied France and Belgium

Serving as the principal organisation for fiscal management in the occupied territories were the Reich treasury offices (*Reichskreditkassen* – RKK). Even as the war started, they were already proving their worth in the financial exploitation of Poland. Max Kretschmann, a member of the Directorate of the Reichsbank since June 1937, emphasised that they were a “monetary instrument of warfare [...] that, in its organisation geared to both strict expediency and unrestrained mobility, has never before been used in a war”. As such, the RKK were a crucial tool in the preparation and execution of the Western Campaign.

Before the campaign began on 10 May 1940, the RKK Central Administration was set up as an umbrella structure in Berlin. The principal governing body, however, was the Administrative Board, which, in addition to the members of the Directorate of the Reichsbank, included one representative each from the Reich Ministry of Finance, the Reich Ministry of Economics, the Wehrmacht high command, and the Commander-in-Chief of the Army. Its constituting meeting took place on 3 May 1940 under the chairmanship of Reichsbank Vice-President Emil Puhl.

As the front advanced westwards, the RKK followed. From Brussels, delegated Reichsbank Directors Leopold Scheffler and Paul Hahn led the establishment of RKK in various Belgian cities. As the front rapidly moved south, they shifted their activities to the occupied north of France.

Ultimately, Scheffler, who held the official title of Supreme War Administration Counsellor (*Oberkriegsverwaltungsrat*), was appointed to lead Group VIII “Monetary and Banking Affairs” under the Military Commander of France. Paul Hahn became his deputy, but Hahn soon left France to contribute his expertise to the establishment of RKK in Greece. In order to increase the number of qualified personnel, Scheffler attempted to have the staff of the Paris city commander’s banking department transferred. There was a constant flow of Reichsbank officials to France in order to establish a nationwide RKK network. In addition to a few temporary treasury offices, RKK were set up in the occupied northern zone of France in Paris, Bordeaux, Nantes, Rennes, Rouen, Lille, Tours, Dijon and Nancy. There were five permanent RKK in Belgium, in Brussels, Antwerp, Ghent, Liège and Charleroi.

With the establishment of the occupation regime, the RKK Central Administration was moved westwards into the occupied territories. Run by the seconded Reichsbank Directors Ernst Scholz and Anton Wilz, it was set up in Brussels, in the vicinity of the local RKK. Nevertheless, the Paris RKK was to become the most important financial organisation in the occupied western territories, since it was the intersecting point for all financial transactions concerning France. All funds used for occupation purposes and to finance the supply of raw materials and armaments were distributed via its accounts. The subordinate provincial

RKK functioned as regional distribution hubs and received their funds exclusively from Paris. The first head of the Paris RKK was Erich Grävingshoff, a Reichsbank director and formerly head of the Reichsbank branch in Leer. Within the first two months of the occupation, the number of staff in Paris increased to nine (chief) inspectors and eleven main or chief paymasters. In terms of personnel, the Paris RKK was comparable to a Reichsbank main office in the German Reich.

Occupation costs as main source of revenue

The primary task of the Paris RKK was the financial administration of occupation funds. Under the armistice treaty of 22 June 1940, France was obliged to pay occupation costs of 20 million Reichsmark per day: at the exchange rate fixed by Germany, this sum amounted to 400 million French francs. Regular payments did not begin until 20 August 1940 and were transferred from the Banque de France to the Paris RKK. The latter posted the payments, which were made every ten days, to Occupation Costs Account B. A special arrangement had been agreed for the first two months of the German occupation, whereby the French government made an additional payment of 1.14 billion Reichsmark for this period to Occupation Costs Account A, which was under the control of the Reich Ministry of Finance in Berlin. The first costs not associated with the occupation were paid from this account. Up to mid-1941, these primarily included payments to the raw materials company Rohstoff-Handelsgesellschaft mbH (Roges), various expenditure on equity investments, and payments for the redemption of Reich treasury notes (*Reichskreditkassenscheine*). Later, the account balance was increased slightly by transferring funds from regular payments of occupation costs, which meant that it could be used to finance further non-standard expenditure.

Over a four-year period beginning in late August 1940, by far the largest share of French payments flowed into Occupation Costs Account B. The Germans declared revenue from occupation costs as Reich revenue, which transferred the rights of disposal – at least in theory – to the Reich Ministry of Finance. In principle, the occupation costs were settled in Reichsmark, but the current account was held in French currency. In practice, the power of disposal over Account B lay with the Paris RKK. All German claims were settled through this account, and it was the only account that was visible to the Banque de France. The French central bank was required to keep cash available in its branches throughout the country. However,

technical settlement guidelines had paved the way for cashless payments by August 1940.

Determinations on issues related to occupation costs and how they were to be levied lay in the hands of the Reich Ministry of Finance. However, the Reichsbank officials sent to the occupied territories in western Europe and to the German Armistice Delegation, as well as the RKK Administrative Board in Berlin, were involved in all monetary and banking matters. Basic rules regarding the distribution of occupation funds to Accounts A and B were drawn up on 30 August 1940 at an inter-ministerial meeting chaired by Superior Government Counsellor Walter Bußmann. As head of the “General and Fundamental Financing Issues” Section in the General Office of the Ministry of Finance, he was the “right hand man” of Walther Bayrhofer, the liaison between the Directorate of the Reichsbank and the Ministry of Finance. In addition to two other officials from the Ministry of Finance, the Brussels management duo Scholz and Wilz and Reichsbank Director Scheffler from Paris also attended the meeting. This close circle of six individuals specified details pertaining to the distribution of the funds collected through payment of occupation costs, but in doing so also made implicit preliminary decisions regarding their use. For France, payments would also be considered “for which a characterisation as occupation costs is doubtful, as well as exclusively those that undoubtedly fall outside the definition of occupation costs”. In this early phase of the occupation, these payments primarily concerned purchases made by Roges and its predecessor organisation, the Wirtschaftliche Forschungsgesellschaft mbH (WiFo). The meeting already touched upon the subjects of the procurement of food, machinery, means of transport or equipment for purposes unrelated to the occupation.

The Germans declared revenue from occupation costs as Reich revenue

All in all, Account B recorded French incoming payments of 30,453 billion Reichsmark between 21 August 1940 and account settlement on 12 August 1944. In order to determine the total amount paid by the French, the 1.14 billion Reichsmark posted to Account A and several refunds have to be taken into account, yielding a final sum of 31,593 billion Reichsmark.

The way in which the occupation costs were used by the Wehrmacht, the main beneficiary of the funds, is unclear due to its simple form of accounting. As per the distinction between “internal” and



“external” occupation costs, the transferred sums were primarily used to pay the troops stationed in the occupied territories, to keep them supplied and to fund material consumption. Increasingly, however, the funds in Account B were used as planned to finance the war in general. The German authorities classified these as “external” occupation costs, especially expensive construction projects such as the Atlantic Wall. The western European collaborationist administrations were only able to put a stop to this in isolated cases, for example when France was somewhat successful in objecting to the use of the funds for equity investments. Lastly, German authorities themselves classified certain purchases, especially those on the black market, as “(costs) not related to the occupation”. A considerable portion of the revenue from occupation costs was misused, not only to finance armaments and fortifications, but also to buy wine and spirits, purchase furniture and basic commodities for bombing victims in the Reich or – in the second half of the war – to equip the troops on the Eastern Front. Roges’ and the Wehrmacht’s practice of buying raw materials and armaments on the black market caused additional aggravation, as it placed

a considerable burden on price stability in the occupied territories.

Introduction of a flexible parallel currency

When Reich treasury notes were first issued in Poland in 1939, their scope of validity was immediately restricted, i.e. they were to serve as a limited and terminable parallel currency for the purposes of the occupation administration. The Reich treasury notes were soon withdrawn in Poland and then reissued in larger quantities as western European countries came under occupation. In Belgium and France, they were used not only to finance troops but also to grant loans to municipalities and industrial firms and for logistical purposes. Their issuance was a source of constant conflict, because the parallel currency deprived the local central banks of the occupied territories of their control over currency in circulation. While the German occupation administrations acknowledged this problem, they – just like the responsible government departments in Berlin – did not want to limit issuance, because the issuance of this parallel currency guaranteed



*German soldiers in Paris
(June 1940)*

Photo: bpk/Arthur Grimm

that the Wehrmacht had liquid funds at its disposal at all times. As long as circulation was concentrated in an occupied territory of a manageable size, it could be effectively limited by agreements between the military administrations and the local government authorities. After October 1940, use of Reich treasury notes by troops stationed in France all but stopped. Beginning in 1941, only notes that had been issued before occupation payments began could be exchanged for French francs

via Account A. It was more or less the same story in Belgium, where use of the substitute currency for Wehrmacht purchases was halted at the same time.

The RKK Administrative Board took the lead regarding the volume of Reich treasury notes issued and controlled their issuance. Within one year, the total value of occupation currency in circulation increased from 572 million Reichsmark (December

1940) to 1.8 billion Reichsmark (December 1941). The phase of relatively limited issuance ended with the planning of the war of expansion in eastern Europe. The number of Reich treasury notes in circulation increased again to 2.0 billion Reichsmark (May 1942) and then to 2.5 billion Reichsmark (October 1942). This increase in the parallel currency,

After October 1940, use of Reich treasury notes by troops stationed in France all but stopped

which had meanwhile been issued throughout Europe, had an effect on the monetary situation in the western occupied territories. The Reich treasury notes found their way back

to western Europe not only via soldiers who were sent from the Eastern Front to France or Belgium to recuperate, but also via extensive black market purchases by the Wehrmacht in these countries.

In the occupied territories in the West, the problem of Reich treasury notes flowing in mainly from eastern Europe coincided with the general phenomenon of steadily increasing occupation expenditure. Starting in May 1942, the German military administrations in Paris and Brussels sought to manage the occupation funds. The measures taken primarily involved the practice of issuing what were known as green cheques. These provided the treasuries of the Army, Navy and Air Force with credit balances that were designated as operating funds to boost cash holdings. Initially, the Wehrmacht treasury offices cashed the cheques at the RKK they were most easily able to access, with no effective controls. As an institutional innovation, therefore, Wehrmacht main treasury offices (*Heereshauptkassen*) were introduced, which were to establish a branch office in every French department. There was, however, a lack of suitable personnel to set up a fundamentally new organisation, so existing field treasury offices were converted into Wehrmacht main treasury offices with no thorough reform of monetary distribution being undertaken. They assumed control of Wehrmacht expenditure and were, in principle, given the right of approval, review and disbursement vis-à-vis all subordinate offices. Only programmes critical for the war effort, which the military administrations ranked by priority, were now to be carried out. In addition, the front allowance for army units stationed in the West was cut.

A centralised attempt was made to control the rampant black market purchases. Nevertheless, “official” black market purchases actually

increased, for example through the purchase of consumer goods at the end of 1942 in Göring’s Christmas campaign: toys, clothing, cosmetics and other goods from the Netherlands, France and Belgium were bought for hundreds of millions of Reichsmark, with the occupied territories footing the bill, mainly to supply to Germans in parts of the Reich destroyed by bombing. It was not until the spring of 1943 that a noticeable decline in black market purchases was recorded. The gradual rollback of the ruinous practice opened the way for the long-planned demonetisation of the Reich treasury notes. In 1943, the parallel currency issued by Germany was finally withdrawn in Belgium, then later in France.

Influence on banking policy in the occupied countries

In addition to the organisations described above, which mobilised financial resources for German purposes, the Reich appointed bank commissioners in the occupied countries who would oversee the internal structure of central bank policy. In France, this was former Bank of Danzig President Carl Schaefer, who had been interim head of the RKK in the annexed Polish city of Łódź in 1939. Unlike delegated Reichsbank officials, he was not granted a military rank pro forma to exercise his function. At the same time, he also became head of the Banking Supervisory Office. His standing deputy in both offices was Reichsbank Director Helmuth Jost, who had been seconded to Paris from the Economics and Statistics Department of the Reichsbank in Berlin.

As central bank commissioner, Schaefer had the right to be kept informed of all measures taken by the French central bank; some transactions could only be carried out with his agreement. In particular, external lending and borrowing, with the exception of current transactions, required his prior approval. However, the German occupation regime refrained from exercising radical control over the Banque de France, as can be seen in the merely participatory involvement in some legislative proposals. An excellent example of this was the amendment of French banking law by the Vichy regime in 1941, a process over which Germany exerted very little influence. The amendment placed supervision of the banks under French control, with the exception of German banks or those with a German capital majority. As a logical consequence, the German Banking Supervisory Office was dissolved in mid-1941, leaving Schaefer with only his role as central bank commissioner.



Photo: Österreichische Nationalbibliothek

Put in charge of the Four Year Plan, Hermann Göring oversaw the economic exploitation of the occupied territories

In Belgium, German influence on internal central bank affairs was more strongly felt. When the Wehrmacht moved into Brussels, the National Bank of Belgium no longer appeared able to act. Its management had followed the Belgian government into exile in France. The entire reserve of banknotes, amounting to 24 billion Belgian francs, as well as foreign exchange holdings and securities, had been moved out of the country. In addition, the banknote printing plates were in an unknown location. This information quickly reached the RKK Administrative Board in Berlin, which addressed the Belgian situation for the first time on 4 June 1940 after a trip to the occupied western territories by Directorate member Max Kretschmann. The fear of insolvency fuelled the conviction that a bank of issue was needed in place of the central bank. Relevant experience had already been acquired a year earlier, when such an institution was installed in the General Government in occupied Poland (for details on this, see the contribution by Ingo Loose).

Like his French counterpart, the bank commissioner appointed in Belgium, Rittmaster Hans von Becker, was not part of the Reichsbank apparatus but rather hailed from the private banking sector, though he had served as deputy to the then bank commissioner during World War I. His deputy was Reichsbank Director Helmut

Hofrichter, who had been involved in the reorganisation of the central banking system in Poland. Of the duo, Hofrichter was considered the more experienced banking expert, and he was more involved in key decisions during the course of the occupation.

It was believed that Belgian banks needed more stringent supervision than French banks. The Banking Supervisory Office, established for this purpose in June 1940, was incorporated into the Brussels military administration and was headed by the central bank commissioner. The authority refrained from taking any strong disciplinary action in Belgium's domestic banking policy, and the National Bank resumed its activities after the return of its management, although a memorandum from the Economics Department of the Reichsbank noted that it "should not be re-established during the war for reasons of constitutional law". In reality under the occupation regime, two central banks existed side by side.

The bank of issue was founded on 27 June 1940 as a public limited company under Belgian law and was under Belgian management. The paid-in capital came from Belgian banks and large enterprises, which were represented accordingly on the bank of issue's Board of Directors. It had the right to establish branches, which then expanded locally by taking over existing branches of the National Bank. Belgian claims were taken into account insofar as the discounting of government securities, including their intermediation, as well as the granting of advances to the government against such securities, were accepted as normal activities of the new institution. Apart from that, the main tasks of the bank of issue were settling transactions with the occupying power, in particular granting clearing loans in trade with Germany and transferring the substantial occupation costs demanded by the Germans. The National Bank was kept out of these transactions, meaning that it survived the occupation period with less damage to its image.

Bank Commissioner von Becker worked with the Commission bancaire, founded in 1934, and the Belgian Banking Association to establish "guiding principles". He also participated in the supervision of banking personnel, as his 1941 report noted: "The problem of non-Aryans' employment in the Belgian banking industry has already been largely settled, with the result that specific issues regarding this point will no longer arise." Special treatment was given to French and

English banks in which German representatives were appointed as trustees to monitor business transactions on an ongoing basis.

There was also a corresponding special arrangement in place in France for institutions referred to as enemy banks. Reichsbank Director Hans Joachim Caesar, a senior Reichsbank official who had been an adviser to the Reichsbank Directorate in Berlin since January 1939, was sent to Paris. Regarded as the most important enemy banks were the branches of British banks in Paris. Their primary areas of activity were foreign exchange trading and deposit and credit business,

precisely those areas of activity in which the occupation administration wanted to step up its supervision. The German commissioner also placed great importance on the au-

thorisation of the Parisian hubs to issue instructions to the provincial branches, which he hoped would provide him with financial and economic insights into unoccupied France. The enemy banks appeared useful because they generated profits from the investment of frozen enemy assets and extraordinary German deposits. These were often disguised transactions, e.g. transactions settled using funds from Occupation Costs Account A via Barclay's Bank France. The enemy banks were also involved in the "Aryanisation" of Jewish property.

Conclusion: With the organisations it set up in the occupied countries and the staff it seconded to those locations, the Reichsbank played a significant role in the technocratic system of occupation financing. With the help of its own RKK occupation banking network, the occupation economy was kept together internally, whilst other institutions, such as clearing and central order offices, focused foreign trade on Germany and the war effort. The RKK formed an essential hinge for directing the flow of financing. They ensured that liquid funds were available everywhere throughout the occupied territories especially for the Wehrmacht, enabling a high degree of flexibility in the purchase of goods, raw materials and armaments. The constant availability of funds was necessary for economic governance based on incentivisation through profit expectations. This not only meant that unpopular measures such as requisitioning and other forms of goods appropriation could be dispensed with, it also enabled economic activities

to be coordinated. However, the incentives for increasing output were only effective in terms of maximum ad hoc exploitation for the war economy, with no expansion of long-term structures for economic development taking place.

The issuance of a separate occupation currency in the form of Reich treasury notes also served to provide flexibility in the monetary system. The constant provision and availability of sufficient quantities of domestic currency was seen as susceptible to risk, but the parallel currency, which could be used at any time, expanded the scope for the flexible use of cash, as seen with the purchases made by troops on the Eastern Front, even across national borders. From Berlin, the RKK Administrative Board attempted to pursue a monetary policy that encompassed occupied Europe. It was a balancing act since the Reich treasury notes, which were freely issued, were denominated in Reichsmark. This put the currency under pressure, even though its use was prohibited in the German Reich.

The progressive devaluation of money threatened to undermine incentives for increasing output in occupied France and Belgium. For this reason, both the Economics and Statistics Department of the Reichsbank in Berlin and the appointed central bank commissioners constantly monitored the monetary policies of the still-operating central banks. However, direct

The Reichsbank played a significant role in the system of occupation financing

Reichsbank Director Helmuth Jost



Photo: akg-images



Belgian soldiers following the Belgian army's surrender in May 1940

Photo: dkg-images

German influence in these areas remained limited. For other purposes, such as the provision of loans to industry, the occupiers preferred to use systems to which the collaborating administrations and ministries of the occupied territories

had no access. Such financial transactions were sometimes settled via domestic big banks, but increasingly through the enemy banks, or Aero-Bank, a credit institution founded specifically for these purposes.

Christopher Kopper

The monetary policy consequences of German occupation in Greece

The German occupation regime was not acting in ignorance when it led Greece into the triple catastrophe of hyperinflation, depression and famine. Even prior to the start of German occupation in April 1941, the Reichsbank possessed sufficient information about Greece's low capacity to bear high occupation costs.

The Reich Statistical Office provided both the Reichsbank and the Reich Foreign Office with a study on the state of Greece's public finances, which allowed conclusions to be drawn about the country's ability to bear occupation costs. The high proportion of government revenues accounted for by excise duties and tariffs and the low proportion generated through income taxes made it only logical to expect a much lower degree of financial strength during the war. Similarly pessimistic conclusions were arrived at by the Kiel Institute for the World Economy as well as the Military Economic Armament Office of the Wehrmacht High Command (*Oberkommando der Wehrmacht*). As Greece had to import one-third of its principal foodstuff (wheat) from overseas, the start of German occupation made a supply crisis all but inevitable. The supply problem was then exacerbated by the German and Bulgarian occupation of Greece's "breadbasket" in Central Macedonia and Western Thrace.

At the end of April 1941, which marked the start of German occupation, the Bank of Greece (Trapeza tis Ellados) possessed almost no gold or foreign

currency reserves, as the Greek government and the Bank of Greece had managed to transport the great majority of the country's gold reserves to London for safekeeping. The Künsberg Group (*Sonderkommando Künsberg*) of the Reich Foreign Office accordingly found only small quantities of gold in the Bank of Greece's vaults, with a total value of just a few hundred thousand Reichsmark.

Following the pattern of German occupation in Poland, France and Belgium, the Wehrmacht units operating in Greece initially covered their financial requirements by issuing Reich treasury notes (*Reichskreditkassenscheine*). But after just three months of occupation, the Wehrmacht ceased making payments using these securities. Due to the considerable loss of confidence of the Greek people in the drachma, Reich treasury notes ended up being hoarded by recipients and sold on at a considerable premium. As the Reichsbank was determined to avoid speculative trading and the uncontrolled onward selling of Reich treasury notes to Serbia and France, the Bank of Greece was given the task of buying up the notes as quickly as possible. The Reichsbank refused to provide any compensation for these repurchases, which meant that the Bank of Greece had to buy back the notes using its own funds.

From August 1941 onwards, the Wehrmacht and the Italian occupying forces had their costs of occupation directly paid for by the Greek state. As the country's tax and customs receipts fell



Bank of Greece building in Salonika in the 1930s

Photo: picture alliance/lulistein bild

dramatically due to the decline in sales of consumer goods and a slump in foreign trade, the lion's share of occupation costs had to be financed by loans from the Bank of Greece and therefore through additional money creation. The consequence was significant growth in the money supply, which virtually doubled between the month prior to the invasion of the Wehrmacht in March 1941 and the end of September of the same year.

In contrast to the Italian occupying forces, the German occupiers were not prepared to adapt their

financial demands to the capabilities of the Greek state in order to avoid a ballooning of the money supply. Even though the German ambassador had been warning of a catastrophic development in the food supply situation as early as May 1941, the commanders of the Wehrmacht in Greece simply disregarded such concerns.

In September 1941, the Greek collaborationist government informed the German ambassador that Greece's national income had halved since the start of the war. The burden imposed on Greece relative

to its economic capacity was greater than that faced by almost any other occupied country, with the exception of the occupied Polish territories of the General Government. From August 1941 onwards, the German occupiers demanded monthly payments equivalent to 25 million Reichsmark, which according to estimates of the Greek government was the equivalent of 76% of national income in 1941–42. The Reich's plenipotentiary for Greece estimated that the burden placed on the country by both occupying powers actually amounted to 114% of national income. The Reichsbank's representative in Athens, Reichsbank Director Paul Hahn, was aware of the monetary policy consequences. In August 1941, he submitted a proposal to the Reich Ministry of Finance to alleviate the burden on the Greek state by allowing some of the occupation costs to be paid in the form of a loan. Such an approach had already proved its worth in Norway, but the Ministry of Finance dismissed this proposal,

al, brusquely pointing out the heavy burden placed on Germany's public finances by the costs of war.

Although the Reich Foreign Office's lead role in occupation policy in Greece was undisputed, its highest

ranking diplomat in Greece, Reich plenipotentiary Günther Altenburg, was unable to prevail against the financial demands of the Wehrmacht and the fiscal policy interests of the Ministry of Finance. The Wehrmacht High Command and the commanding officers of the German forces in Greece showed no willingness to adapt their financial demands to the Greek economy's capabilities. The Wehrmacht turned to the Greek state not just for the payment of its soldiers, but also for the repair of naval vessels in Greek shipyards and comprehensive construction programmes for artillery defences and airstrips.

In the battle against inflation, the Reichsbank's representative was limited to using monetary policy instruments that were far-reaching in theory but ineffectual in practice. The ban on cash payments of more than the equivalent of 500 Reichsmark, which was introduced in the autumn of 1941, proved ineffective in targeting and immobilising liquid funds due to the booming black market and lack of enforcement options open to the weak Greek executive. Book money, which in any case accounted for only a small proportion of the total money supply, declined further due

to the switching of business to the black market and the growing importance of barter. Although the Wehrmacht settled the invoices of its Greek suppliers solely with cheques rather than cash and deliberately delayed the crediting of payments to supplier accounts, the increasing shortage of liquid funds failed to have the desired effect. Suppliers simply factored the inflation-related loss in value of their claims into their prices. A proposal put forward by the Reich Ministry of Finance to reduce liquidity by introducing a wealth tax on private and business assets proved unworkable, as Greece did not have a system in place for identifying assets for tax purposes. The planned taxation of Greek property also failed due to the lack of an institutional prerequisite, in this case the existence of a national land register. Given these parameters, the occupying power's demand for radical tax measures by the Greek government was wholly unrealistic.

Without any consideration for the Greek people, the Wehrmacht and the Reich Ministry of Food and Agriculture extracted the maximum possible from Greece's economy. Although Altenburg repeatedly warned of an imminent famine, the Reich Ministry of Food and Agriculture forced the export of 25,000 tonnes of olive oil and 40,000 tonnes of currants and sultanas by September 1941, without delivering any grain in return. In both 1941 and 1942, the Third Reich delivered fewer goods to Greece than it imported from the country. One reason for this was the rigid exchange rate between the Reichsmark and the drachma, which made Greek exports much more expensive due to the inflationary devaluation of the latter. Greece was the only country in the German sphere of influence whose currency was overvalued rather than undervalued.

The high rates of food and fuel inflation in the autumn and winter of 1941–42 were primarily the result of an extreme shortage of basic foodstuffs. Due to the poor harvest, the absence of grain deliveries from overseas, the inaction of the Reich Ministry of Food and Agriculture and the lack of harvest record keeping on the part of the Greek administration, the food rations in place for the urban population were simply insufficient for survival. According to conservative estimates, more than 100,000 Greeks starved to death in the first winter of the war. The supply situation would not improve until the summer of 1942, when the first food shipments by the Red Cross reached the port of Piraeus on Swedish ships. The high demands of the German occupiers were also responsible for the inflationary surge in the money supply, which pushed up the black market prices

Without any consideration for the Greek people, the Germans extracted the maximum possible from Greece's economy



German soldiers at the Acropolis in Athens in 1941

Photo: picture alliance/Oliver Das Gupta/Timeline Images

of scarce goods even further. When analysing the more than tenfold rise in black market prices for food, it is not possible to quantify or disentangle the real economic and monetary policy factors that contributed to it.

It was not until March 1942 that the Reich Ministry of Finance would realise its demands upon Greece were unfulfillable. In an agreement between the Reich Foreign Office and the Italian Ministry of Finance, the occupying powers agreed that more than 80% of their occupation costs would no longer have to be covered “à fonds perdu”, i.e. without any prospect of reimbursement, instead demanding them in the form of an advance payment. Viewed from a legal standpoint, this was not a loan from the Greek state to the Third Reich and the Italian state, but the advance payment of an unspecified amount for an indefinite period. Without any legally valid credit agreement in place, and without any agreed modalities for the repayment of its claims, the Bank of Greece became the creditor of the two occupying powers. In view of a monthly (!) inflation rate of 25% in the first half of 1942, the situation for the Bank of Greece could hardly have been more disadvantageous. From the perspective of the Reich Ministry of Finance, these advances were political debts of the Third Reich itself. Their repayment – in inflation-devalued drachma – was deferred quite literally *ad kalendas graecas* (to the Greek calends) until some unspecified time after the expected final victory of the Third Reich.

The literature often refers to a “forced loan” from the Bank of Greece, which is conceptually incorrect. The advance payment, which the Third Reich had no plans at all to repay, was made under duress. Even after the war ended, no repayments were made. The London Debt Agreement of 1953 left the settlement of German clearing debts, the reimbursement of the costs of occupation and the regulation of reparation demands to a future peace treaty with the legal successor of the Third Reich that was never concluded. The highly asymmetrical relationship between creditor and borrowers was particularly apparent in the fact that the Bank of Greece had to forgo any interest on its claims, despite the backdrop of a three-digit rate of annual inflation.

In the first half of 1942, the monthly inflation rate was 25%

The Greek government was left with no alternative but to meet the full costs of occupation as well as a significant proportion of other state expenditure through loans from the Bank of Greece – i.e. by printing money. According to the calculations of economic historian Michael Palairets, money creation on the part of Greece’s central bank financed 86.2% of government expenditure during the first year of occupation (April 1941 to March 1942). In the second year of occupation (April 1942 to March 1943), the central bank shouldered 80.6% of government expenditure, whilst in the period from April 1943 until the end of German occupation

In the autumn of 1943, the Wehrmacht captured the Aegean islands of Kalymnos, Leros (pictured), Kos and Samos in battle against Italian and British troops

Photo: okg-images/Fotoarchiv für Zeitgeschichte



in October 1944, 99% of government expenditure was financed through the printing press. In each year, the costs of occupation were many times higher than the total tax revenues of the Greek state.

Even after the modalities of settling Greek occupation costs were changed to advance payments, the German occupying forces ignored the commitment made on 14 March 1942 by the Reich Foreign Office's plenipotentiary in Athens to his negotiating partners of the Italian occupying forces in Greece. The agreement "to keep the costs of occupation [...] to the minimum level possible" was constantly violated by the German side. Although the monthly inflation rate of 25% remained below the generally agreed threshold of hyperinflation (price rises of 50% a month or more), the drachma had lost its functions as a store of value, a unit of account and a means of payment. Any Greeks with savings exchanged the money for gold coins (sovereigns) on the black market. Due to the severe currency depreciation, the gold sovereign was now used as the unit of account rather than the drachma. Meanwhile, in rural areas the drachma was replaced as a store of value with olive oil. The Reich Foreign Office's demand for price controls for the most important consumer goods was only enforceable for the very limited food rations and had no effect on the black market.

The Reich Foreign Office, Reich Minister for Economic Affairs Walther Funk, and Reichsbank

Vice-President Emil Puhl expressed an open mind when faced with the calls of the Greek collaborationist government for financial relief. But the Wehrmacht High Command blocked any concessions. In view of the incessant conflicts with the Wehrmacht High Command, the Reich Ministry of Finance and the Reich Ministry of Economics, the Reich Foreign Office looked for a way to shore up its control over Greek occupation policy. Reich Foreign Minister Joachim von Ribbentrop secured Hitler's approval to send a representative of the Reich Foreign Office with special powers to Greece.

On 16 October 1942, Ribbentrop duly appointed the Austrian National Socialist Hermann Neubacher as the special plenipotentiary envoy of the Reich for economic and financial issues in Greece. Neubacher had managed a major construction company up until 1938 and had proved himself as the Reich Foreign Office's special plenipotentiary envoy for economic matters from 1940 onwards. On behalf of his mentor Hermann Göring and his superior Ribbentrop, he negotiated supply contracts for oil and grain with the Romanian government before the Reich Foreign Office then expanded his special remit to cover the whole of south-eastern Europe. Neubacher's strengths included his assertive negotiation skills and his experience in exploiting the economy of a south-eastern European country for the longer-term benefit of the Third Reich.

Neubacher's priority was to stabilise the value of Greek money. His instructions to the Greek

government, to the various Reich authorities and to the Wehrmacht simultaneously addressed the supply of goods and monetary policy. On the goods side, a freeze on forced Greek exports of foodstuffs (above all olive oil) and the ban on food purchases by the German and Italian occupying forces resulted in an improved supply of food for the Greek people. The number of deaths due to starvation fell sharply, although this was above all due to supplies of grain delivered by the International Red Cross. For the first time since the start of occupation, people in Greece experienced a decline in the extremely high level of prices. The cost of living for the people of Athens fell by 18% in November 1942 and by as much as 30% in December of the same year.

But the temporary fall in black market prices for foodstuffs was not solely attributable to food deliveries from the Red Cross. Neubacher instructed the Wehrmacht to only pay for goods and services with a time lag, thereby depriving the economy of liquidity. Up until the end of 1942, the invoices due were only settled in instalments. Neubacher further reduced the amount of liquidity in the Greek economy through a blitz of altogether rather drastic measures. At Neubacher's instruction, Reichsbank Director Paul Hahn prohibited Greek banks from releasing funds for loans that had been approved but not yet paid out. Henceforth, new loans of more than 1 million drachmas to private individuals or of more than 10 million drachmas to companies had to be approved by a special supervisory committee of the Bank of Greece. By changing the legislation governing cheques, Neubacher increased the willingness of Greek businesses to accept cheques from the Wehrmacht without any discount priced in. The reintroduction of cash cheques reduced the discount on cheque payments from 27% to 6%. In order to mop up further liquidity reserves, commercial Greek banks were obliged to hold 25% of savings deposits and 50% of time deposits in the form of government securities. Loans taken out prior to 1 September 1942 were taxed at a one-off rate of at least 25% in order to strip out any inflationary gains.

Were these monetary policy interventions down to Neubacher, or Paul Hahn, the representative of the Reichsbank in Athens? Neubacher did not have any experience in banking or monetary policy but could call on Hahn – a banking expert – at any time. Either way, as a consequence of these steps, the surplus liquidity in the Greek economy shrank considerably. The slump in the price of the gold pound was partly attributable to the depletion of liquidity reserves, which Neubacher had brought

about by reducing liquidity. The Greek money supply grew much more slowly over the period from October to December 1942 than in the previous three months. While the money supply measure M1 (i.e. cash in public circulation and in bank accounts, including short-term deposits) rose by 78% in the third quarter of 1942, it rose by just 55% in the fourth quarter.

The temporary slowdown in the growth in the money supply was above all due to Neubacher's success in reining in the financial demands of the Wehrmacht up until the spring of 1943. In his efforts to reduce the costs of occupation, Neubacher focused on the inefficient and inflationary procurement practices of the Wehrmacht. At his instigation, the Wehrmacht created a central procurement and price-setting body which cut out inflationary middlemen and put an end to the various military units of the Wehrmacht outbidding each other to obtain supplies. By contrast, Neubacher's idea to alleviate the burden on the Greek state by skimming off exchange rate gains on German deliveries to Greece had little success. Due to the insignificant volume of German shipments to Greece, these exchange rate gains were too low to make a significant financial contribution, covering just 0.5% of the total costs of occupation.

Between March and May 1943, the SS – with the approval of the Reich Foreign Office and the Wehrmacht – deported 50,000 Jewish residents to Auschwitz from Salonika, home to the largest Jewish community in south-eastern Europe. By September 1943, the Reichsbank's office in Athens had taken over 455,000 gold pounds and 9.3 million gold francs from the Wehrmacht administration in Salonika. As Jewish residents of Salonika were robbed by the SS prior to their deportation, another source of these gold deliveries can be ruled out. In his final report for the Reichsbank and the Reich Foreign Office written at the start of April 1945, Reichsbank Director Paul Hahn, who was otherwise very precise, made no mention of the origin of this gold, which he would certainly have been aware of.

In November 1943, the Reichsbank approved the release of these gold holdings for transactions on the Athens Stock Exchange to support the value of the drachma. The total amount, equivalent to 1.6

The number of deaths due to starvation fell sharply, primarily due to supplies of grain delivered by the International Red Cross

Greek Jewish women and children prior to their deportation to Nazi extermination camps in March 1944



Photo: picture-alliance/dpa

million gold pounds, is more or less the same as the estimate later arrived at by the World Jewish Congress for the amount of gold stolen from the Jews of Salonika. In the winter of 1943–44, the gold coins previously belonging to Greek Jews constituted a key part of the gold sold to meet Neubacher's objective of supporting the value of the drachma and stopping hyperinflation. However, Neubacher did not limit himself here to using the gold stolen from Greek Jews. Between November 1943 and January 1944, the Reichsbank's representative in Athens received a further 320,000 gold pounds and 3,073,000 gold francs from the holdings of the Italian central bank. This gold had been seized and brought to Greece by the German occupying forces following the surrender of the Italian government in September 1943.

Neubacher's anti-inflation policy was extremely successful up to March 1943. Based on the most comprehensive and probably the most reliable index for the cost of living in Greece, living costs in March 1943 were actually somewhat lower than in September 1942. However, the anti-inflationary effect of Neubacher's measures waned from April 1943 onwards. In the second quarter (April to June 1943) living costs rose again by 34.4%.

Over the longer term, his efforts were doomed to failure. Luftwaffe Commander-in-Chief Göring and Chief of the Wehrmacht High Command Wilhelm Keitel demanded the expansion of defensive positions and military transport infrastructures to

an extent that completely overwhelmed Greece's economic potential. Greece was considered a possible landing target for the British Armed Forces, and from the perspective of the Wehrmacht High Command this justified the maintenance of a larger occupation force and greater expenditure on securing coastal defences at the expense of Greek public finances. When the Italian government withdrew from the war in September 1943, the last powerful voice opposing excessive German demands upon the Greek state had been removed.

The extortionate financial demands of the Wehrmacht made it impossible to bring inflation down. And in contrast to the winter of 1942–43, the drachma's velocity of circulation could not be halted by removing liquidity from the system. The Wehrmacht's Greek suppliers would have reacted to any halt in payments for their supplies by suspending production, which was unacceptable from the standpoint of the Wehrmacht. The attempt to increase the receipts of the Greek state by forcing Greek banks to issue bonds amounting to 40% of all security holdings was a mere drop in the ocean.

In October 1943, Neubacher came up with the idea of neutralising part of the surplus liquidity in the system through the systematic selling of gold coins seized from Jewish and Italian property, with a view to covering the monetary requirements of the German occupying forces with the proceeds. The sale of gold was supposed to take the pressure off the printing presses of the Bank of Greece, which

were scarcely able to meet the cash requirements of the Wehrmacht and the civilian population.

In November 1943, Neubacher flew to Berlin in order to obtain approval from the Reichsbank and the Reich Finance Minister for open market operations involving gold. On 8 November 1943, Reichsbank President Walther Funk and Reich Finance Minister Johann Ludwig Graf Schwerin von Krosigk duly gave the go-ahead for the sale of up to 1.2 million gold pounds on the exchanges in Athens and Salonika over the following six months to support the value of the drachma.

However, this controlled selling of gold coins only alleviated the burden on the Greek central bank for a short period of time – the proceeds from the gold sales between December 1943 and the end of German occupation in September 1944 covered just one-third of the occupation costs. Neubacher was realistic in his expectation that these gold sales would only slow but not prevent the complete demise of the drachma as a means of payment. In

January 1944, the Reich's Military Economic Office for Greece arrived at the sobering conclusion that "the stabilisation measures (...) had been unsuccessful".

In contrast to Gresham's Law, it was not a case of the bad money driving out the good, but the gold pound displacing the paper drachma. By June 1944, payment transactions in the Greek economy were largely settled in gold pounds or through the barter of goods. The selling of gold made it possible to maintain the willingness of Greek companies to supply the Wehrmacht, but it did not prevent the onset of hyperinflation, with monthly inflation rates of over 50%. In such an environment, workers could only be motivated by payment in kind, which took the form of foodstuffs and items of clothing. According to the estimates by the Third Reich's embassy in Athens, two-thirds of all Greek wages and salaries were paid out in this manner at the start of May 1944. The drachma had therefore also lost its function as a means of payment in everyday life.

Olga Christodoulaki

Temporary stabilisation of the drachma in occupied Greece: a triumph of planning or a fortunate coincidence?

A Greek delegation headed by the Minister of Finance, Sotirios Gotzamanis, visited first Berlin and then Rome in autumn 1942 hoping to achieve a reduction in the extortionate monthly sums levied by the Axis powers to cover the costs of their occupation (see also the chapter by Christopher Kopper). These levies far exceeded Greece's economic and fiscal capacity and had been paid principally by printing money, causing Greece to experience severe monetary instability.

The Italians were in favour of reducing the levies but the Germans would not agree to the proposals put forward either by the Greek delegation or their Axis counterparts. The Nazis did recognise the need to stabilise the economic and monetary upheaval in Greece. However, they were adamant that they would not accept a reduction in the occupation levies as they believed that this would impair military operations in North Africa and the Eastern Mediterranean.

With discussions in Rome at a stalemate, it was decided that Hermann Neubacher, an economic expert and former Mayor of Vienna who was associated with I. G. Farben, would be sent to Greece. His mission as the Reich Special Plenipotentiary for Economic and Financial Questions in Greece would be to stabilise the Greek economy but without – as Joachim von Ribbentrop, the Reich Minister for Foreign Affairs, emphasised in a letter to him – damaging the interests of the Axis

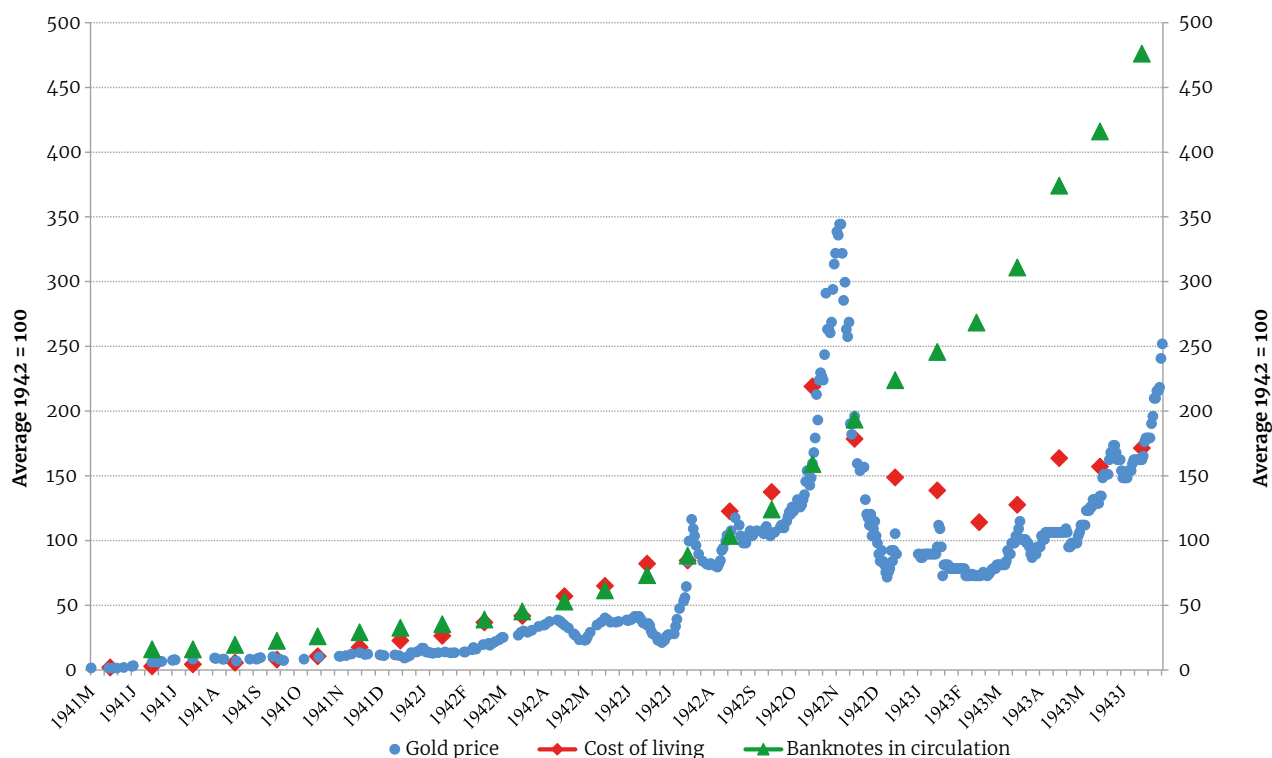
war effort in the Mediterranean and North Africa. Neubacher had the support of Günther Altenburg, the Reich Plenipotentiary for Greece at the time. He was also assured of the Wehrmacht Supreme Command's assistance. In turn, Italy appointed Dr Alberto d'Agostino, a financial expert, to work closely with Hermann Neubacher.

By the time Hermann Neubacher and Alberto d'Agostino arrived in Athens, a huge operation without parallel in the war years had been organised to avoid a repeat of the famine of the previous winter, felt most keenly but not exclusively in urban areas. It is difficult to know the precise death toll from starvation in Greece during 1941 and 1942 but it is estimated that in the six months from November 1941 to April 1942, between 40,000 and 45,000 people lost their lives in Athens alone, and tens of thousands more in the rest of the country. The British had agreed to lift the naval blockade of Europe solely for Greece and, in a coordinated effort, Swedish ships had by September 1942 already begun monthly shipments of foodstuffs from Canada to the port of Piraeus.

Neubacher's plan

Neubacher's most pressing task on arrival in Athens was to combat the rampant inflation, which was driven mainly by a continuous increase in the money supply to accommodate Wehrmacht expenditure in Greece, as is clearly depicted in the chart overleaf.

Gold price, cost of living and banknotes in circulation in Greece, May 1941 to June 1943



Gold price: market price of the gold sovereign according to Daravalis, Noulis (1946): The gold sovereign from April 1941 until today, Athens, pp. 3-9 (in Greek). **Cost of living:** monthly data according to Agapitides, S. (1945): The inflation of the cost of living and wages in Greece during the German occupation, International Labour Review, 53, 643-651, tab. II. **Banknotes in circulation:** monthly data according to Delivanis, Dimitrios and William Cleveland (1948): Greek Monetary Developments, 1939-1948, Bloomington: Indiana Univ. Press, statistical appendix.

First, Neubacher introduced supply-side measures in an attempt to increase the availability of foodstuffs in Greece. In cooperation with his Italian counterpart, d'Agostino, he abolished the system of rationing with immediate effect and lifted price controls, both of which had anyway proved ineffective. However, rationing of foodstuffs brought to Greece under the aegis of the International Committee of the Red Cross remained in force. Neubacher hoped that by committing "war economic heresy", as he himself labelled this measure, hoarded goods and foodstuffs would be brought to the market and consequently prices would fall. Dishoarding of such provisions would also be a blow to the flourishing black market. Additionally, he attempted to curtail exports of foodstuffs to Axis countries and discouraged purchases by the occupation forces, though without much success.

Second, Neubacher introduced measures to squeeze liquidity. Payments to Greek contractors working on Wehrmacht and Greek government contracts were suspended and the banks were instructed to restrict the granting of credit to them. Neubacher hoped that contractors would use any

hoarded stocks of gold to carry out payments, causing the price of the gold sovereign in drachmas to fall.

Third, in order to boost public revenue, taxation rates were increased and taxes due in the following fiscal year had to be paid a year in advance. In addition, all joint-stock companies, including the Bank of Greece, had to increase their capital and pay over to the government, without compensation, all proceeds from the issuance of new shares. Finally, nominal wages and salaries were increased to align them with the new price level.

A confident Hermann Neubacher, with powerful friends in the Nazi establishment, made it clear to his compatriots in Greece that he alone was in charge of economic and financial matters and that he would not tolerate any behaviour which could undermine the success of his plans.

Effectiveness of the plan

The chart above shows the evolution of the price of gold in drachmas, the cost of living and the

money supply, expressed as the value of banknotes in circulation, between May 1941 and June 1943.

The chart clearly illustrates that economic conditions in Greece improved in November 1942 soon after the arrival of the two Special Plenipotentiaries.

Printing money remained the principal means of financing the occupation

It also shows that this was only a short-lived recovery, lasting until around March 1943. The index of the cost of living indicates that a precipitous fall in prices began in November 1942. Likewise, the observations of the gold price show that this also started declining rapidly in early November 1942. By contrast, the money supply continued to rise, albeit at a slower pace than during the preceding period of occupation, indicating that printing money remained the principal means of financing the occupation. This sudden improvement in the external value of the drachma and in the cost of living came to an end in March 1943.

Contemporary German sources described the economic recovery in Greece in November 1942, illustrated in the aforementioned chart, as a “miracle”. They stated that this short-lived

recovery was due to the supply-side measures announced by Special Plenipotentiary Hermann Neubacher. They argued that the prospect of an increase in food supplies prompted speculators to bring hoarded goods to the market so as to avoid losses. This line of reasoning is still occasionally adopted today. After all, Neubacher’s reform of economic management shares some similarities with that implemented six years later in West Germany as part of its currency reform.

By contrast, contemporary Greek sources and economists argued emphatically that this abrupt and rapid fall in both the cost of living and the price of the gold sovereign in drachmas, which came about despite the continued rise in the value of banknotes in circulation, was explained by war developments in North Africa or, as they put it, by “psychological factors”. News of Rommel’s retreat from El Alamein, which reached Athens in the first week of November 1942, changed expectations about the further course of the war. People began to believe that the war would soon end in an Allied victory. The Allied landing in Morocco and Algeria and the Nazi defeat at Stalingrad reinforced expectations of Greece’s imminent liberation. It is important to add that there had never been a widespread belief among the Greek population that the war would end in an Axis victory. News of operations in North Africa were encouraging. The source of this optimism is very well documented in memoirs and diaries of that period.

The impact that war news had on the price of gold was acknowledged by Paul Hahn, the Reichsbank director at the Bank of Greece. In his final report on occupied Greece, he noted that speculators saw advances by the Axis forces as a sign that the war would continue and Allied victories as foreshadowing the end of the war and the crisis, adding that on 14 November 1942 alone, prices fell by 10% for the first time since the beginning of the occupation.

This premature expectation that the war would soon end, and with an Allied victory, triggered a massive sale of hoarded foodstuffs, which brought prices down. People also believed that goods would be delivered to Greece by the Allies soon after the anticipated liberation. Thus, they no longer saw any incentive to stockpile provisions in the expectation that their price would go up. It was therefore this prospect of a forthcoming liberation rather than Neubacher’s plan that prompted the sudden sale of goods in November 1942, though Neubacher’s decision to end both

Aid deliveries from the Red Cross helped to alleviate the suffering of the population



Photo: Voula Papaioannou/Benaki Museum, photographic archives



During their invasion of Greece, German soldiers destroyed many villages, as seen here in the region of Epirus in north-western Greece

Photo: Kostas Balafas/Benaki Museum, photographic archives

rationing and price controls may have facilitated this hasty sell-off.

Eleni Vlachou, a prominent Greek journalist, vividly described in her diaries the changes apparent on the Athens food market at the time. On 27 November 1942, she wrote “Out of nowhere, the market started flourishing. Pasta, legumes, sugar, they all rose out of the darkness and into the daylight. At a butcher’s shop, people’s awe-stricken eyes saw not only meat but an affable butcher as well. From the depths of the Saronic Gulf came sea breams and red snappers. Is this the final turning point? Is the tragic chapter of hunger and misery over?”

In the late autumn of 1942, the price of gold was to prove more sensitive to war news than the price of foodstuffs. On 6 November 1942, the price of the gold sovereign was 575 drachmas on the black market in Athens. By the end of that month, it had dropped to 205 drachmas.

A few weeks after the arrival of the two Special Plenipotentiaries in Athens, in the night leading up to 25 November 1942, the two most important Greek resistance groups, in cooperation with a British special unit, destroyed the heavily guarded Gorgopotamos viaduct in central Greece, providing a major morale boost for occupied Greece. Their aim was to disrupt the flow of supplies through Greece to Rommel’s forces in North Africa. The timing of the sabotage, however,

undermined Neubacher’s ambition to bring food supplies and raw materials to Greece from Axis countries.

It took six weeks for the Gorgopotamos viaduct to be repaired, but afterwards it was decided that trains would be used mainly for military purposes and not, as Neubacher had hoped, for transporting goods and fuel, a prerequisite for the success of his plans. The strategic importance of Greece

in Nazi military planning had also changed, as Adolf Hitler believed that South-Eastern Europe would be the next Allied target. The Wehrmacht would soon reassert its supremacy when it came to defining occupation costs, overriding the Reich Special Plenipotentiary for Economic and Financial Questions in Greece.

By April both the cost of living and the price of the gold sovereign in drachmas had begun to rise again. Printing money remained the principal means of financing Nazi military operations not only in Greece but throughout the Eastern Mediterranean and in North Africa, soon resulting in devastating hyperinflation in Greece.

A second attempt to curtail the slide of the drachma began in autumn 1943. This second

In April 1943, the cost of living and the price of the gold sovereign in drachmas began to rise again

intervention, known as the “Goldaktion”, was confined to gold sales principally on the Athens market and took place every month until the end of the occupation. In collaboration with Paul Hahn, Hermann Neubacher decided when a gold sale would take place and how much gold would be released into the market. The drachmas collected were used to finance the Wehrmacht’s expenses. It is estimated that, between September 1943 and the last gold intervention in October 1944, nearly a third of total Nazi expenses were financed by the “Goldaktion”. The aim of these gold sales, as Paul Hahn admitted, was to slow down the total collapse of the Greek currency so that the Nazis could continue printing money to cover their expenses. In fact, he plainly stated that all monetary

measures taken during the occupation were aimed at supporting the Wehrmacht’s military operations in Greece, a claim that is hard to refute.

Germany’s policy of occupation in Greece is a dramatic example of the fundamental contradiction between orderly monetary policy and an enforced policy of brutal exploitation. Any stabilisation could only ever be a temporary reprieve so long as the root causes of the financial system’s destruction could not be addressed. In a curious echo of 1923, the use of gold reserves in the face of hyperinflation shows how, once again, the monetary system was entirely subjugated to politics, with devastating consequences for the Greek civilian population.

In Athens, too, many goods could only be purchased on the black market

Photo: Dimitris Harisiadis/Benaki Museum, photographic archives





Photo: Voula Papaioannou/Bendaki Museum, photographic archives

The people of Athens celebrate the withdrawal of German troops in the autumn of 1944

Ralf Banken

“Using every last thing”. The Reichsbank and the National Socialist gold and foreign exchange policy 1933–1945

Any analysis of the Reichsbank’s gold and foreign exchange policy during the National Socialist era has to extend back to the years before World War II, as the Nazi regime, with the involvement of the Reichsbank, had already begun seizing the gold holdings of the German general public in the peacetime years. To shed light on the significance of these raids in support of the German war economy and the role played by the Reichsbank in this context, this study looks at how foreign exchange controls evolved prior to 1939 and how the power struggles associated with the foreign exchange crises played out within the Nazi regime. The foreign exchange controls in place since 1931 not only enabled the state to seize the general public’s gold holdings and external assets; they also allowed the regime to build up armaments despite the ongoing lack of foreign exchange and, highly armed, to launch the war of conquest. The infrastructure set up with the cooperation of the Reichsbank for the purpose of confiscating and processing the general public’s gold and foreign exchange would also be put to use in the seizure of gold and foreign exchange in the occupied countries and in the murder of the European Jews. What structures made the National Socialists’ gold and foreign exchange transactions possible? Who took which decisions within the Reichsbank and other institutions (Four Year Plan, Reich Ministry of Economics)? How much gold and foreign exchange was looted and how was it used? What was the position of the Reichsbank in this system and what was its exact role and function?

The introduction and evolution of foreign exchange controls 1931–1933

The currency and foreign exchange crisis of the summer of 1931 prompted the introduction of foreign exchange controls and was the cause of the lack of foreign exchange in the years that followed. An improved data basis shows that it was the withdrawal of capital by non-residents, rather than the flight of German capital that would only predominate in the withdrawal of bank deposits from July 1931, that triggered the crisis that began at the end of May 1931.

The Directorate of the Reichsbank, and foreign exchange policy director Richard Fuchs in particular, long underestimated the brewing foreign exchange crisis owing to what was, at the time, a wholly inadequate data basis. The foreign exchange controls introduced by emergency regulation on 15 July 1931 restarted not only domestic payment transactions after the bank holidays but foreign transfers as well. The period up to the end of August then saw German foreign exchange controls with the most important measures (the Reichsbank’s monopoly on foreign exchange, the obligation to offer foreign exchange to the Reichsbank, the obligation to obtain authorisation for foreign exchange transfers, penalties for violations) take shape, which heralded a change in policy: Out went short-term crisis response measures, and in came a medium-term planned approach to managing and controlling all foreign exchange transactions as the state saw fit. In this spirit, the



Stocktaking in the Reichsbank's gold vault in the 1920s

Photo: picture alliance/ulstein bild

regulation of 1 August 1931 already contained two concepts that would feature in what later became the fully formed foreign exchange control regime: First, the state was now able to centrally control and influence foreign exchange transactions, and second, all transactions involving residents and non-residents for foreign exchange purposes were subject to approval from a state foreign exchange authority. The objective was to halt the flight of capital abroad and to use the scarce foreign exchange to import essential goods and service external debt. The introduction of foreign exchange controls marked a change of system, and not just because of the abandonment of the gold standard; it also meant the end of free foreign trade and, in effect, the division of the Reichsmark into an internal and an external currency subject to fixed mandatory exchange rates. In the months that followed, the gold reserves continued to decline, even though the economy had been financially decoupled from abroad, as the now-introduced foreign exchange legislation and the foreign exchange control regime established with numerous foreign currency offices (*Devisenstellen*) still contained some loopholes to begin with which the Brüning government, with the help of the Reichsbank, needed some time to close.

The requirement for German firms and households to declare their foreign exchange assets and liabilities meant that, in August 1931, the Reichsbank obtained its first overview of German external debt. On the basis of this information, the Reichsbank and leading representatives from the

major banks were able, after difficult negotiations, to hammer out a standstill agreement with non-resident creditors at the beginning of September, given that German liabilities were offset by only 9.7 billion Reichsmark in German external assets and the trade surplus of 2 billion Reichsmark was also insufficient to settle those liabilities at short notice. Although the Reichsbank provided a member of the negotiating commission in the person of Richard Fuchs, it could only be persuaded to agree to the strict terms of the agreement (non-inclusion of short-term external liabilities, high foreign exchange payments, no reduced interest payments) by Reich Chancellor Brüning, who saw the agreement as an opportunity to put an end to reparation payments.

Due to the devalued British pound and loopholes in the standstill agreements, as well as the non-delivery of export foreign exchange, the Reichsbank then lost further foreign exchange reserves in the remainder of the year. These dwindled from 1.7 billion Reichsmark at the end of August to 1.2 billion Reichsmark at the beginning of December 1931, despite the expansion of foreign exchange controls, the quota system for imports and Brüning's deflationary policy. Yet it was the Reichsbank itself which initiated many of the other measures up to the end of 1931, such as the implementation of the statutory tax on capital flight from the Reich (*Reichsfluchtsteuer*) and the export value declarations for goods exports to ensure comprehensive control of all export

Reich Chancellor Heinrich Brüning delivering his last Reichstag speech on 11 May 1932



Photo: akg-images

revenues. By the early summer of 1932, a complete foreign exchange control regime had been put in place within just 11 months, the basic structures of which remained unchanged thereafter.

Owing to the significantly depleted foreign exchange reserves and a recalculation of the higher-still external liabilities, a new round of negotiations with the non-resident creditors began at the end of 1931. These negotiations ultimately led not only to the second standstill agreement of 1932, but also, after a certain delay, to the end of reparation payments. An instrumental role in negotiations with non-resident creditors was played by the Foreign Debt Committee (*Ausschuss für Auslandsschulden*), formed in February 1932, which included representatives of the major banks and the Ministry of Economics as well as Reichsbank official Richard Fuchs. This committee not only served as an advisory body to the Reichsbank and the Ministry of Economics, but also devised the strategies for the standstill negotiations, with individual representatives maintaining contact throughout with the non-resident creditors and financial experts. In fortnightly meetings at the Reichsbank, memoranda, meeting minutes and debt and foreign exchange schedules were used in discussions of foreign exchange legislation or the allocation of foreign exchange for debt repayment and imports. The Germans succeeded in wringing important concessions from the creditors in tough negotiations that lasted into the spring of 1933. Previously disregarded loans amounting to

5.4 billion Reichsmark were added to the standstill agreement and interest rate reductions were achieved, with the result that the outflow of the Reichsbank's foreign exchange reserves in 1932 was slower than in the previous year. The closure of loopholes and control of foreign exchange transfers reassured creditors, whose loans had become more secure as a result of the standstill agreement. The set of rules that was gradually worked out institutionalised the standstill agreement to an increasing extent and staked out an orderly framework for future negotiations on further agreements. The standstill agreement was innovative inasmuch as never before had thousands of individual loans of different national debtors and creditors been bundled together in this manner at the international level. Lastly, the German Credit Agreement of 1932 also allowed the Germans to press ahead with the termination of reparation payments as a renewed expiry of external loans would no longer leave them open to blackmail; as it happens, the de facto abolition of reparations was achieved as early as June 1932.

The Foreign Debt Committee continued to play a central role in German foreign exchange policy beyond February 1932 as well. Specifically, it devised the methods for buying back German bonds abroad using foreign exchange at favourable rates or the introduction of the various types of registered marks (*Registermark*) and blocked marks (*Sperrmark*). This helped reduce external debt from 21.3 billion Reichsmark in February 1932 to 20.6 billion

Reichsmark in September 1932. From the end of 1932, the committee also began to prepare negotiations on the extension of the standstill agreement in February 1933 by conducting preliminary negotiations with creditors. One outcome of this, in addition to yet another interest rate cut, was more flexible repayment conditions, which meant the German economy did not have to endure a major capital withdrawal.

When the National Socialists took power, the conclusion of the German Credit Agreement of February 1933 and the fully operational foreign exchange control system meant that structures were in place for both the servicing of short-term standstill loans, including in subsequent years, and the servicing of long-term loans outside of the standstill agreement. The introduction of and scope offered by the different types of *Sperrmark* (blocked, registered, travel), which were then applied and expanded discriminatorily under Hitler's government, can also be traced back to the committee. Since few additional methods of repayment were introduced from 1933 onwards, by 1935 just under 60% of all repayments to creditors were made under Clause 10, which had been negotiated as part of the German Credit Agreement of 1933, with the bulk of the external liabilities settled before the start of the war having already been repaid before the National Socialist takeover.

Schacht's fullness of power and the New Plan 1933-1935

The Reichsbank's foreign exchange policy changed abruptly when Hjalmar Schacht took over as Reichsbank President in March 1933. Schacht, whom Hitler granted special powers as a general plenipotentiary for credit, currency and banking policy, promptly began to exert a decisive influence on foreign trade and payments policy. He immediately adopted a tough stance towards external creditors on the question of debt in order to gain greater room for manoeuvre in foreign (fiscal) policy. The new direction was reflected in Schacht's announcement of a freeze on transfers to the US government which, however, gave Schacht the same brush-off as the creditors' representatives did in late May 1933. Despite these failures, Schacht presented a draft bill on external payment liabilities to the cabinet, under which German debtors – with the exception of loans covered by the standstill agreement – had to settle all payments from recurring assets (redemptions, interest, profits) by payment to the newly established Conversion Office (*Konversionskasse*) in Reichsmark. This corporation under public law was controlled by the

Reichsbank, allowing Schacht to determine which payments could be made to creditors.

However, in further negotiations with the delegations representing the creditors, Schacht only partially achieved his goal of stopping the German transfer payments. Hence, the Reich still had to service the Dawes bond and the interest on the Young bond in foreign currency. Only the transfer of the remaining redemption amounts was suspended. These amounts were converted into 5% Conversion Office promissory notes (scrips), which were transferred annually at a maximum of 4% per annum. This debt policy quickly led to a sharp fall in the price of scrips in external markets, which the Reich, now the monopolist of maturing external debt, took advantage of; the state-owned Deutsche Golddiskontbank bought the foreign-owned scrips at half their face value, which were then passed on to German exporters as an export subsidy. This measure also supported Schacht's plan to repay the obligations only if the creditor countries increased their imports from Germany, enabling the Reichsbank to generate additional inflows of foreign exchange.

In the months that followed, Schacht intensified his efforts to gain comprehensive control over all foreign trade as a way of lowering external debt and financing armament at the same time. Schacht's aim was to create a market-oriented, domestically consolidated and autonomous national economy with its own colonies to secure the sources of raw materials and food, which would allow the Reich to pursue an autonomous monetary and economic policy domestically and a great power policy externally. The Reichsbank President also believed he could pursue this aim because he now had almost complete control over German foreign fiscal policy and debt policy. He had already dissolved the Foreign Debt Committee in the spring of 1933, and Emil Puhl had taken over from Richard Fuchs as head of the Foreign Exchange Department. Schacht's policy now depended only on Hitler's vote, and Schacht felt sure of the latter's support.

Schacht adopted a tough stance towards external creditors on the question of debt

From mid-1933, Hitler's government then pursued a bilateral trade policy through which Schacht planned to push through his principle of reciprocity and the transfer freeze, despite resistance from the major Western powers. With regard to the domestic economy, this change in trade policy

A box of wedding rings confiscated from prisoners held at the Buchenwald concentration camp



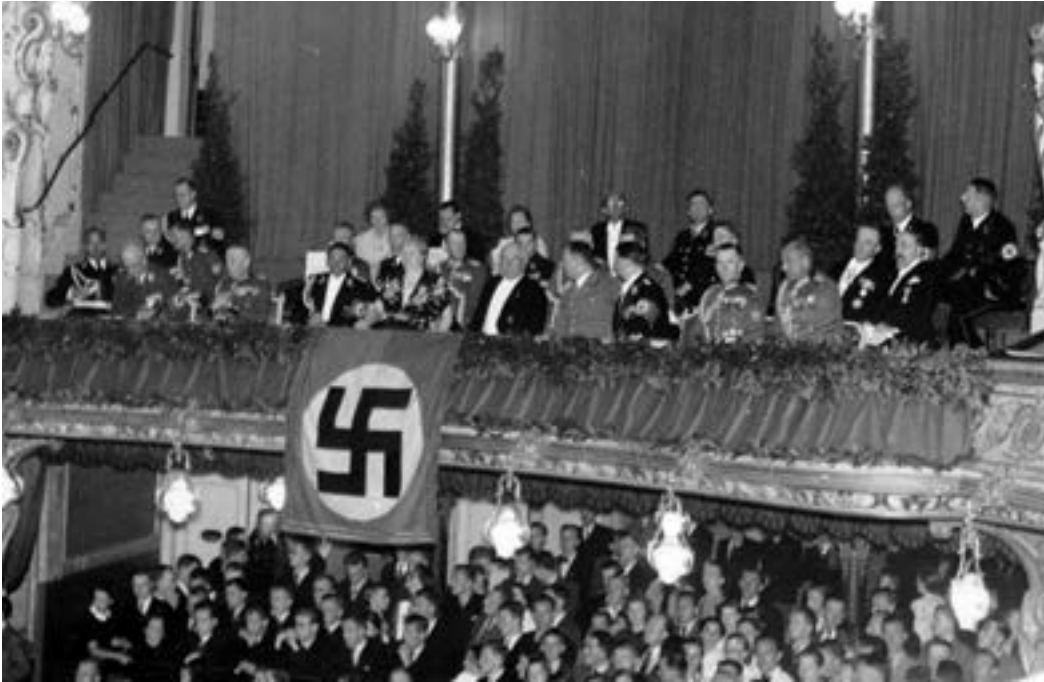
Photo: picture-alliance/akg-images

In view of the threat of imprisonment, many Germans sold their external assets to the Reichsbank

was set in motion by the Law on Treason against the German Economy (*Gesetz gegen den Verrat der Volkswirtschaft*) of June 1933, under which taxpayers were required to declare their taxable assets located abroad (real estate, mortgages, equity interests, bonds, patents, foreign exchange) and were able to exchange them for Reichsmark at the competent foreign currency office. In view of the threat of imprisonment, many Germans sold their external assets to the Reichsbank, which raised roughly 100 million Reichsmark in additional foreign exchange in this way in 1933. More important in the short term, however, were the two payment agreements with the Netherlands and Switzerland as a way of preventing the compulsory clearing and confiscation of German trade surpluses with these two countries. On account of the trade surplus and the pledge of additional imports of German products, the Reich in October 1933 granted both countries full servicing of German debt, thus breaking the unified creditor country front for the first time. However, owing to these concessions, but also due to the shrinking export surpluses, Germany's trade surplus was already falling by the end of 1933. The Reichsbank was only able to compensate for the increased imports resulting from the start of armament by drawing on its foreign exchange reserves, which consequently fell

to 245 million Reichsmark at the end of January 1934. Schacht responded by stockpiling secret gold reserves, which grew to 380 million Reichsmark between December 1933 and mid-1939 – more than five times the official foreign exchange reserves.

All the same, the foreign exchange situation remained precarious, as the total gold reserves covered barely more than half of the annual foreign exchange requirements. Schacht thus realised in early 1934 that debt servicing would have to be cut further in order to be able to continue importing sufficient raw materials and foodstuffs for armament and to supply the population. However, in the face of resistance from the other Reich ministries, he was not yet able to enforce a complete transfer freeze. He did manage to prevent compulsory clearing by the British, Dutch and Swiss by raising the repurchase price on scrips to 65%, which further strained the Reichsbank's foreign exchange holdings. He also enforced rationing measures for the import of textile fibres and non-ferrous metals. In addition to the obligation to have every import transaction approved by the Reichsbank and a reduction in the quotas of the general foreign exchange approval for imports to 5%, the Act on the Traffic in Industrial Raw Materials and Semi-finished Products (*Gesetz über den Verkehr mit industriellen Rohstoffen und Halbfabrikaten*) was enacted in March 1934. This enabled the state to control important imports as well as their domestic consumption. Four monitoring agencies (*Überwachungsstellen*) for wool, cotton, bast fibres



Reich Foreign Minister Konstantin von Neurath at the New German Theatre in Prague (on the occasion of the 1939 German Culture Week)

Photo: akg-images/brandstaetter images

and non-ferrous metals were established to control the import of raw materials. Restrictions on the import of these scarce commodities were followed by manufacturing bans and constraints on their use, which were soon expanded into a complete system of control.

The ongoing lack of foreign exchange then also ignited a power struggle over the future direction of foreign exchange policy in the early summer of 1934. With the complete transfer freeze effective as of 1 July 1934, Schacht had finally pushed through his strategy of playing off the individual creditor groups against each other and making the repayment of external debt dependent on advantages in trade policy. Instead of interest and repayments, external creditors now received 3% funding bonds (*Fundierungsschuldverschreibungen*) from the Conversion Office, with only 3% of the total volume of which being subsequently transferred in foreign exchange owing to the Reichsbank's continuing shortage of foreign exchange. In addition, the Directorate of the Reichsbank decided in June 1934 to ration foreign exchange, which meant that the Reichsbank no longer disbursed more of its own foreign exchange on a daily basis than it received.

Following the resignation of Minister of Economics Kurt Schmitt in June 1934, Schacht finally prevailed over his opponents and assumed the leadership of the Reich Ministry of Economics, in addition to the Reichsbank. In early August, Schacht had two trusted colleagues from the Reichsbank, Karl

Blessing and Rudolf Eicke, draw up a concept for the planned import regulations as well as on the promotion of exports, and this formed the basis for what was known as the New Plan. Reichsbank representatives were also in charge of the commission that drew up the New Plan itself. The Regulation on the Movement of Goods of 4 September 1934 established the agencies responsible for monitoring imports of individual groups of goods. After not even eight weeks of preparation, the New Plan was put into practice on 24 September 1934. This was only possible, however, because it represented the application of the foreign exchange and raw materials policy pursued since March in individual sectors (e.g. cotton and non-ferrous metals) throughout the manufacturing sector; all the basic principles and elements were already in place. The New Plan therefore constituted merely the continuation in trade policy of the foreign exchange and currency policy that Schacht had been following since the spring of 1933: From this point on, only as much should be imported into Germany as was earned in foreign exchange through exports. Moreover, only economically necessary goods were to be imported. Lastly, goods were to be imported mainly via the clearing system instead of with foreign cash; imports were furthermore to be made only from countries that also accepted German goods. Using the 25 monitoring agencies and the foreign exchange control system that was already in place, Schacht was now able to direct not only the distribution of foreign exchange, but all imports, with the exception of agricultural

goods, meaning that he could determine both the total volume of commercial imports and the exact composition of imports. The New Plan therefore constituted an additional instrument for the Ministry of Economics and the Reichsbank to control German foreign trade relations according to political considerations.

Schacht's new foreign trade and payments strategy necessitated the modification of numerous bilateral treaties; the process of enacting these changes dragged on until the end of 1934 for Switzerland, the Netherlands and Britain. The goal of converting payment agreements into clearing agreements, as well as payment by foreign exchange-free clearing and the New Plan, was to provide the Reichsbank with free foreign exchange. This was intended both to pay off legacy external debt and the new trade

debts and also to build up secret gold reserves, because the Reichsbank was receiving less and less free foreign exchange under simple payment

agreements due to stagnating exports, which posed a threat to the recovery of the domestic economy due to a lack of raw materials.

This change of course, along with Schacht's other measures, owed less to a sound strategy and more to the objective of enforcing a complete freeze on transfers so as to secure credit-financed armament at home by shielding the foreign trade flank. With the conclusion of the German-British payment agreement of November 1934, which was extremely favourable for the Reichsbank's foreign exchange revenues, the Reichsbank President effectively switched to the more conciliatory course of Reich Foreign Minister Konstantin von Neurath and thus abandoned his attempts to enforce a complete transfer freeze. However, Schacht did not prioritise the reduction of debt servicing or the repayment of external obligations in the period that followed, either, as he was not planning for Germany to make a quick return to the world economy. In contrast to the bond buybacks and the instrument of scrips balances, controlling the German domestic economy through the distribution of foreign exchange constituted a fundamental innovation in Reichsbank policy from mid-1934 onwards, which, significantly, also played a leading role in the drafting of the New Plan.

The new foreign trade and payments policy had a number of consequences. For example, the increasing bilateralisation led to both the decline and the ossification of Germany's foreign

trade. Outstanding debts piled up in the clearing accounts, leaving the German Clearing Office (*Deutsche Verrechnungskasse*) with net external clearing liabilities at the end of 1934 of 322 million Reichsmark. It was virtually impossible to import any more from clearing countries via clearing credits. In addition, the economy's steadily increasing demand due to the robust revival of the domestic economy contrasted with a progressively decreasing inflow of foreign exchange due to falling exports. This resulted in both increasingly rigid rationing within the various control systems and stronger import and export controls. Lower foreign exchange revenues were compensated for by drawing on the foreign exchange reserves of the Reichsbank, which subsequently fell significantly.

Further stages of Schacht's foreign exchange policy included a tightening of foreign exchange law with increasingly rigid regulations (reduction of exemption limits, harsher penalties) as well as the introduction of the Law on Treason against the German Economy and the tightening of the statutory tax on capital flight from the Reich, which, however, did not alleviate the foreign exchange shortage: Foreign trade remained the Nazi regime's Achilles' heel. It already became apparent in the first two years of the Third Reich that the regime's own economic policy, with credit-financed spending programmes and the expansion of foreign exchange and commodity controls, was creating dilemmas that kept the German economy in a permanent state of crisis. However, this ongoing foreign exchange crisis gave legitimacy to the steadily expanding state regulation of the domestic economy and the closure of any exit options for the transfer of capital or other resources abroad.

Seizing the general public's private external assets

The German foreign exchange situation remained precarious owing to the persistent current account deficits until the beginning of the war and could only be balanced by means of special operations. Until 1936, it was primarily recourse to the Reichsbank's public foreign cash reserve and the clearing debt that made it possible to cover foreign exchange requirements. In addition, tapping into raw material and agricultural reserves helped to close the largest gaps in industrial production and the supply of food for the German people. This approach of depleting reserves continued from 1936 onwards, when the Nazi regime persisted with its course of armament instead of stepping up its export activities. Thus, from 1936, the last remaining German external

Foreign trade remained the Nazi regime's Achilles' heel

assets amounting to 780 million Reichsmark were sold, and later the Austrian and Czech gold and foreign exchange reserves were seized to cover the foreign cash deficits in the current account and to continue the armament strategy. This policy also allowed the Nazi regime to start the war with something of a financial cushion in terms of foreign exchange and gold reserves.

Unlike in the period through to the spring of 1936, when Schacht, in his dual role as Minister of Economics and President of the Reichsbank, had sole decision-making authority over both the Reichsbank's foreign exchange reserves and foreign trade and payments policy, power over foreign exchange policy now passed to Hermann Göring as Foreign Exchange and Raw Materials Commissioner (*Devisen- und Rohstoffkommissar*) and, in the autumn of 1936, as Commissioner for the Four Year Plan. This change was triggered by the repeated dispute between Schacht and Agriculture Minister Walther Darré over the latter's demand for additional foreign exchange allotments for the import of foodstuffs. Schacht had been planning to extend his decision-making powers to cover agricultural imports. Instead, Hitler responded to the dispute between Darré and Schacht by appointing Hermann Göring as Foreign Exchange and Raw Materials Commissioner.

With the transfer of authority to Göring – whose goal of further accelerating armament in line with Hitler's intentions and using all the remaining foreign exchange resources for this purpose Schacht had underestimated – the Reichsbank President was unable to continue either his foreign exchange policy course or the stockpiling of secret gold reserves. Instead, even before Hitler had composed the Four Year Plan memorandum, Göring, overriding Schacht's objections, decreed in the late summer of 1936 that Germany's external assets be registered. In the months that followed, the owners of capital investments abroad, foreign securities and other external receivables (export receivables) had to sell their assets abroad and deliver the foreign exchange to the Reich or cede the assets to the Reich, which then sold them itself in exchange for foreign currency. By 1939, the sale of foreign securities alone had generated foreign exchange revenues of 432 million Reichsmark.

In total, the sale of external assets would bring in at least 1.15 billion Reichsmark by the beginning of the war. Further measures (gold deliveries by German private note-issuing banks, withdrawal of German Reichsmark gold coins) enabled Göring to

acquire additional foreign exchange assets for armament imports. In addition, the annexation (*Anschluss*) of Austria in March 1938 enabled the Nazi regime to access the foreign exchange resources of another country for the first time. In addition to the gold and foreign exchange reserves of the Oesterreichische Nationalbank and the Austrian clearing balances, Göring was also able to access the private foreign exchange assets of Austrian citizens and use them to import raw materials required for armament. The foreign exchange group (*Geschäftsstelle Devisen*) of the Four Year Plan Authority, which organised the distribution for Göring, estimated the revenues of Austrian foreign exchange at a maximum of 440 million Reichsmark. In fact, the haul of Austrian foreign exchange totalled about 782 million Reichsmark.

After the dismantling of Czechoslovakia, the Nazi regime also stole the National Bank of Czechoslovakia's gold and foreign exchange reserves there and the foreign exchange holdings of the population. Bowing to intense German pressure, the National Bank of Czechoslovakia transferred 40.5 million Reichsmark in gold from its deposits at the Swiss National Bank to the Reichsbank even before the German invasion of the later protectorate. When German troops marched into Prague on 15 March 1939, a special commando from the Reichsbank seized another 6.3 tonnes of gold at the National Bank in Prague, worth 17.6 million Reichsmark, and forced the National Bank to instruct the Bank for International Settlements to move its 23 tonnes of gold at the Bank of England, worth 64 million Reichsmark, to the Reichsbank in Berlin. In total, the Germans took 43 tonnes of gold worth 122 million Reichsmark out of the 94 tonnes of Czech gold reserves in 1939 and also seized 56.8 million Reichsmark in foreign exchange from the National Bank of Czechoslovakia, bringing the total German haul to 179.2 million Reichsmark. Combined with the 44.9 million Reichsmark in foreign exchange raised through a compulsory levy in the Sudetenland, this increased Germany's foreign exchange reserves by 224.1 million Reichsmark.

Leaving aside these "special operations" and the greater use of foreign exchange for the soaring

The annexation (*Anschluss*) of Austria in March 1938 enabled the Nazi regime to access the foreign exchange resources of another country for the first time

Reichsbank bunker in a salt mine near Merkers, a village in central Germany, discovered by the liberating US Army during its advance through Thuringia in April 1945. The sacks contain gold bars, coins, banknotes and foreign currency

Photo: picture alliance/ullstein bild



imports of raw materials needed for armament, Göring's new responsibility as Four Year Plan Commissioner from the spring of 1936 onwards did not represent a major break in German foreign exchange policy. Göring's new powers thus changed little in how the distribution of foreign exchange was organised. It was still the case that an allotment commission with representatives from the Reichsbank, the Ministry of Economics, the Ministry of Food and now also from the Four Year Plan made weekly decisions on the use of the foreign exchange receipts, though it was now the staff of the foreign exchange group of the Four Year Plan Authority that had the key decision-making powers. And it was still the case that the Reich Ministry of Economics – specifically, the Reich Agency for Foreign Exchange Controls (*Reichsstelle für Devisenbewirtschaftung*) – as well as the Reichsbank were responsible for the logistics of allocation. In the memorandum drawn up in January 1939 by the Directorate of the Reichsbank, the Reichsbank's Economics and Statistics Department (Vosta) described the Reich's foreign exchange reserves as completely exhausted, although they were still sufficient for at least one year. In fact, despite all the Reichsbank's warnings, there was no real liquidity crisis in foreign exchange in the summer of 1936 or at any other time before the start of the war. Although there was a structural shortage of foreign exchange between 1933 and 1939, the Reichsbank was always able to meet its foreign trade and payments obligations – which were,

however, systematically reduced at the expense of creditors – due, amongst other things, to the proceeds from looting and special operations.

Expert estimates suggest that, from 1933 to the end of 1939, the Reichsbank used about 2.93 billion Reichsmark in foreign cash to cover the annual current account deficit; of this amount, around 1.45 billion Reichsmark was collected through Göring's "special operations". It was only by conducting these special operations and seizing resources from other countries – a process that began even before the outbreak of World War II – that the Nazi leadership was able to offset the Reich's annual current account deficits and, furthermore, to launch the war of aggression against Poland with a gold and foreign exchange reserve of more than 800 million Reichsmark.

However, the foreign exchange and gold policy pursued between 1933 and 1939 was not based on a long-term strategy but was more the outcome of a series of ad hoc measures. To be able to continue its economic policies and its armament strategy, the Nazi regime acquired resources at short notice when the existing holdings were no longer sufficient. First the gold and foreign exchange reserves of the Reichsbank were used, then mainly the clearing credits. From 1936 onwards, all German external assets and ultimately the foreign exchange assets in Austria and Czechoslovakia were expropriated, followed, in March 1939, by the "pawnshop operation", which saw the privately

owned jewellery of the Jewish population being confiscated (see below).

But even before then, the Nazi state was already plundering the private foreign exchange assets of the Jewish population. For example, since 1933, the German authorities had been using the statutory tax on capital flight from the Reich and foreign exchange controls to make it more difficult to transfer the assets of Jewish emigrants, as reflected above all by the increasingly unfavourable rates at which Reichsmark and *Sperrmark* could be converted into foreign currency. In addition, emigrants were forbidden from taking jewellery containing precious metals with them. Increasing smuggling by emigrants prompted Göring to appoint Reinhard Heydrich as head of the newly founded currency investigations office (*Devisenfangungsamt*) in June 1936. This office then pressed ahead with the exploitation of the Jewish population, for example from the end of 1936 by officially “securing” precious metals owned by Jewish would-be emigrants. This now-emerging spiral of intervention was based, amongst other things, on calculations by Vosta, which in 1935 had already made an estimate of Jewish assets in the Reich and the (foreign exchange) costs of transferring them in the event of an emigration of all Jews.

Because of these foreign exchange transfers and because Nazi groups had looted Jewish assets in Vienna after the *Anschluss* of Austria, on 11 April 1938 Göring ordered the Jewish population in the Reich to declare all their assets to the authorities so that the state and not individual groups could profit from these assets. This was another area in which the Reichsbank was still assisting the foreign exchange group in April 1938, and it calculated that transferring all the Jewish assets invested in the Reich would come at a foreign exchange cost of several billion Reichsmark. After the Jewish property schedules had been evaluated in the autumn of 1938 and the Nazi regime had been notified of the total amount of Jewish assets, Göring decided, after the pogrom on 9–10 November 1938, not only to eliminate Jews from the economy and to “Aryanise” Jewish businesses and to levy a Jewish property tax, but also to require the surrender of gold jewellery and other objects containing precious metals that were in Jewish ownership. Implementation began in March 1939 with the “pawnshop operation”; the Jewish population was forced, following a decision by Göring, to surrender their precious metal possessions in local pawnshops throughout the Reich. Some of the gold jewellery was sold by the pawnshops to

local dealers or via the Central Pawnshop, Department III of the Berlin Municipal Pawn Institute (*Berliner Städtische Pfandleihanstalt*), and only in 1940 was the confiscated gold refined into fine gold (approx. 1.2 tonnes worth between 4.0 and 4.3 million Reichsmark). This gold was then released for use in the German war economy, so that the Reichsbank did not have to provide any central bank gold of its own for this purpose, thus preserving its own foreign exchange.

The theft of gold and foreign exchange in the occupied territories 1939–1945

More important in the long run than the immediate haul of gold and other precious metals was the fact that the “pawnshop operation” set up structures that formed the basis for the processing of confiscated gold objects during World War II. Thus, the utilisation of numerous looted precious metals was organised, including after the war began, via the above-mentioned Central Pawnshop at the Berlin Municipal Pawn Institute. However, this forced surrender made it clear to the leaders of the regime and the Reichsbank that the emigration of the Jewish people could not be managed under the prevailing transfer regulations owing to the Reich’s tense foreign exchange accounts. This was one of the reasons why jewellery and precious metals were taken from Jewish citizens during deportation. However, bureaucratic obstacles often meant that it took until 1944 for this loot to be processed via the Berlin Central Pawnshop. As with the “pawnshop operation”, the Department for Jewish Affairs (*Judenreferat*) and the Foreign Exchange Department of the Reich Ministry of Economics were the main bodies responsible for organising the theft of gold jewellery and other precious metals during World War II.

In spite of more than 800 million Reichsmark in gold and foreign exchange reserves, even after war broke out the German units were always looking to immediately get their hands on the gold reserves of the central banks in the conquered countries. They succeeded in this in the case of the gold and foreign exchange reserves of the Bank of Danzig as well as in Belgium, Luxembourg, the Netherlands and Italy, and also in Yugoslavia, Hungary and Albania. In all these cases, the Reichsbank was involved in preparing and carrying out these acts of robbery. For

The Reichsbank was involved in preparing and carrying out these acts of robbery

A US Army officer in July 1945, surrounded by 120 tonnes of silver at the Reichsbank's main branch in Frankfurt am Main

Photo: picture-alliance/Judaica-Sammlung Richter



example, shortly after the German occupation of Poland, the Netherlands, Belgium and France, the Reichsbank's Vosta unit prepared studies on the economic benefits of occupation, including estimates of the gold and foreign exchange reserves. Furthermore, the Reichsbank in 1940 planned about 2–3 billion Reichsmark in gold and foreign exchange for its own reserves as war reparations in the event of a future peace treaty with the French. In addition, the German central bank also organised the transport of Belgian gold from Marseille to Berlin. This gold had been relocated from the Banque de France to the French colony of Senegal, but the German central bank did not acquire it until the Reich confiscated the Belgian gold by law. Including the gold of Hungary and Italy, the Germans looted a total of 466.7 tonnes of central bank gold worth about 1,285.2 million Reichsmark in the occupied territories, which expanded the Reich's gold reserves by 70%.

However, in addition to the central bank gold, the German institutions in the occupied countries also seized gold and foreign exchange held in private ownership. Both Wehrmacht troops and the foreign exchange protection squads (*Devisenschutzkommandos*) set up by Heydrich's currency investigations office confiscated objects containing gold and foreign exchange in all their campaigns. The foreign exchange protection squads mainly confiscated the foreign exchange assets stored in bank safes in both Eastern and Western Europe and carried out further confiscation campaigns

– as did many occupation administrations in the occupied territories. In Poland, for example, SS offices, the General Trustee for Securing German Cultural Property (*Generaltreuhänder für die Sicherstellung deutschen Kulturguts*) and the Main Trustee Office East (*Haupttreuhandstelle Ost*), a unit established by Göring for the purpose of seizing Polish property, also confiscated gold and foreign exchange; in France, the Western Office (*Dienststelle Westen*) of the Reichsleiter Rosenberg Taskforce (*Einsatzstab Reichsleiter Rosenberg*) was active. Still others, such as Pimitex, a Paris-based company, and Berliner Handelsgesellschaft, acquired foreign exchange assets for the Reich on the black markets of the occupied Western territories. Locally, the individual confiscation offices acted very independently because of the only general guidelines from Berlin, which is why the processing structures also differed greatly. Alongside the Reichsbank – which only took receipt of foreign exchange notes and fine gold from the occupied territories directly, however – various institutions in the Reich accepted the objects containing gold. The most important acceptance point for this loot was the above-mentioned Central Pawnshop of the Berlin Municipal Pawn Institute, which had the jewellery and other material containing gold refined into fine gold, mostly at Degussa, as well as the Reich Main Treasury Booty Office (*Reichshauptkasse-Beutestelle*) of the Reich Ministry of Finance. After the refinement of the looted gold, the fine gold thus extracted was sent to the Reichsbank or was used for the production of high-quality gold electrical

contacts or dental products. While the Reichsbank was not directly involved in the actual acts of robbery, it did play an indirect role by forwarding the loot through Reichsbank branches, for example in the case of gold coins from the Litzmannstadt ghetto or in the case of precious metal objects confiscated by the SS taskforces during the mass shootings of the Jewish people.

One exception to direct acceptance by the Reichsbank was the gold looted in the concentration and extermination camps and the foreign exchange of the prisoners murdered there. While in the larger concentration camps such as Buchenwald or Dachau between 10 and 30 kg was collected annually, the amounts looted in the extermination camps were many times greater. According to the reports of the head of Operation Reinhard (*Aktion Reinhardt*), SS and police leader Odilo Globocnik, the – presumably overestimated – total haul of precious metals in the extermination camps of the General Government (*Generalgouvernement*) up to the end of 1943 amounted to 178 million Reichsmark, of which 1.7 million Reichsmark was gold coins, 8.1 million Reichsmark was unalloyed gold bars and 42.7 million Reichsmark was jewellery. The Economic and Administrative Main Office of the SS (*Wirtschafts-Verwaltungshauptamt*, WVHA) seized similarly large amounts from the mass murders at Auschwitz, even if the total amount of looted gold and foreign currency is unknown. Karl Möckel, the head of the local administration at the Auschwitz concentration camp, estimated the total worth of the valuables sent to Berlin during his time in Auschwitz alone (April 1943 to January 1945) at five million Reichsmark.

The gold objects from the extermination operations and concentration camps were initially collected by the WVHA, which then delivered them to the Reichsbank's Precious Metals Department in the summer of 1942 in an unaltered state, i.e. in the form of gold jewellery, dental gold, melted bars, scrap gold or as gold coins, on the basis of agreements with the Reichsbank's top management (Funk, Puhl, Wilhelm). Since it was non-standard practice to accept unrefined scrap gold, all the Reichsbank employees entrusted with this task knew that the gold had come from the mass extermination operations. In total, the 76 shipments delivered by SS captain (*Hauptsturmführer*) Bruno Melmer, head of the SS WVHA cash office, between August 1942 and January 1945 yielded at least 2.65 tonnes in fine gold worth 8.1 million Reichsmark, as well as gold coins worth 1.93 million Reichsmark.

Both the confiscation of the central banks' foreign exchange and gold reserves and the robbery of privately held foreign exchange assets in the occupied territories, up to and including the desecration of corpses in the extermination camps, constituted a continuation of the policy of radical seizure of state and private gold and foreign exchange assets by the Nazi regime, which it had already pursued before the beginning of the war. Numerous German institutions were involved in these acts of robbery, such as Wehrmacht troops, foreign exchange protection squads, occupation authorities and SS units, which took the last possessions of gold and foreign exchange from the victims of the extermination operations. In all the robbery campaigns – including the seizure of gold in extermination operations – there were many German confidants; yet there was no

In all the robbery campaigns – including the seizure of gold in extermination operations – there were many German confidants

master plan, and these acts of robbery were not centrally controlled from Berlin, either. Instead, the loot reached the Reich in many ways, which is why this chaos, which not even the institutions in Berlin could control any longer, allowed for large-scale embezzlement everywhere, e.g. by members of the SS or the occupation authorities. In addition, the looted gold was accepted by various institutions in the Reich, from the Central Pawnshop of the Berlin Municipal Pawn Institute to the Reich Main Treasury Booty Office of the Ministry of Finance to the Precious Metals Department of the Reichsbank, and was therefore utilised in different ways. Even if the Reichsbank – perhaps with the exception of the “Melmer gold” from the extermination camps – was rarely directly involved in the looting, it nonetheless collected not only almost all of the looted central bank gold, but also most of the private gold and foreign exchange assets.

The bulk of the scrap gold delivered from private ownership was refined into fine gold at Degussa or sold in the form of jewellery to German jewellers within the Reich for the domestic market or exported in exchange for foreign currency. The tradable bars of fine gold obtained through refinement, meanwhile, were taken by the Reichsbank; only a small percentage was used in industrial production, e.g. for the manufacture of high-quality electrical contacts. The gold bars and gold coins looted from the central banks, on the other hand, were melted down into new bars

Central bank gold looted during the war in tonnes and millions of Reichsmark

	in tonnes	in Reichsmark mn
Belgium	201.2	560
Netherlands	122.2	340
Italy	71.0	197.7
Luxembourg	4.3	12
France	1.4	4
Free City of Danzig	5.0	13.9
Albania	At least 2.5	7
Yugoslavia	9.3	26
Subtotal	416.9	1,160.6
Hungarian gold in Stift Spital	29.7	82.7
Italian gold in Franzensfeste Fortress	22.9	63.8
Total	469.5	1,307.1

Sources: Russian State Military Archive (Special Archive), Moscow 700, No 1-97; Ralf Banken, *Edelmetallmangel und Großraubwirtschaft. Die Entwicklung des deutschen Edelmetallsektors im "Dritten Reich" 1933-1945*. Berlin 2009, p. 844

by the Prussian State Mint, amongst others, and given false stamps of origin to disguise their true provenance.

The processing of the gold and foreign exchange during the war was controlled by the Reich Ministry of Finance and the Reich Ministry of Economics, the Reichsbank and other high-ranking offices (the Military Economic Armament Office (*Wehrwirtschafts- und Rüstungsamt*) of the Wehrmacht high command). The final say on how the foreign exchange and gold was used lay with the foreign exchange group of the Four Year Plan Authority which, through the use of foreign exchange protection squads and special operations, was directly involved in the looting operations and, in the case of the central bank gold, also overrode the concerns of other agencies (Foreign Office, military commanders, Wehrmacht high command, Reichsbank). Even after Göring began to fall from grace in 1942, the foreign exchange group remained responsible for centrally coordinating the distribution of gold. The goal of the foreign exchange group was to secure the international solvency of the Reich for as long as

possible while enabling the Reich to import what it needed for the war. Right up to the end of 1944, it was therefore still assumed that the gold and foreign exchange reserves would suffice into the spring of 1947.

Even if the foreign exchange group had the final say, the Reichsbank was also involved in controlling and processing the looted gold and foreign exchange. The necessary information on foreign exchange reserves and on gold receipts and deliveries was provided to the foreign exchange group by the Reichsbank, which cooperated closely with the group. Within the Reichsbank, transactions were handled by the Precious Metals Department as well as the Reich Main Treasury Office (*Reichshauptkasse*) and the Foreign Exchange Department; the Reichsbank's top management was informed about all major transactions at all times and always took the final decision. The most important person in the operational aspects of foreign exchange and gold policy was Reichsbank Vice-President Emil Puhl, who enjoyed a strong international reputation as a foreign exchange specialist. Puhl

was supported by Directorate member Friedrich Wilhelm, who was responsible for all internal bank matters and coordination with other Reich institutions, especially the foreign exchange group. Puhl handled the foreign policy tasks, such as the negotiations on gold transactions in Switzerland; he also conducted the negotiations on the “Melmer deliveries” with WVHA head Oswald Pohl in 1942.

Although Puhl showed little enthusiasm for the SS's deliveries of scrap gold from the extermination camps in the summer of 1942, he accepted them nonetheless on the instructions of Reichsbank President Walther Funk and because the Reichsbank wanted to maintain its right to be the sole body responsible for the administration of the gold reserves. That the Reichsbank management was aware of the origin of this looted gold in mid-1942 is evident from the fact that the numerous employees involved were sworn to secrecy about the Melmer deliveries. In total, Degussa eventually returned to the Reichsbank at least 1,015 kg of fine gold from the “Melmer gold” sent to Degussa in Frankfurt by the Reichsbank, which then transferred the value of the fine gold to the SS.

The significance of the looted gold and the involvement of the Reichsbank

Despite the considerable amount of loot acquired in the occupied territories and extermination camps, the gold and foreign exchange of the central banks constituted by far the largest revenue item in terms of foreign exchange asset value for the Reichsbank. In addition to the Austrian and Czech gold reserves, which it had already seized before the beginning of the war, the Reich was able to obtain about 1.2 billion Reichsmark of central bank gold in the occupied territories alone. The Reichsbank's “discomfort” about seizing the central bank gold of the occupied countries is evident not only from the remelting activities, but also from the accounting transfers that were made in order to conceal the origin of the gold. In these and other foreign exchange matters, the Reichsbank acted completely independently by virtue of the operational scope it enjoyed on account of its expertise.

The collaboration of Reichsbank representatives in bodies such as the Trade Policy Committee or the Foreign Exchange Allocation Commission, as well as with the supreme Reich authorities,

also shows that the Reichsbank was not merely an agency that was forced to cooperate. This can be seen particularly clearly in the case of the gold exports abroad, as the Reichsbank's top management assured their foreign negotiating partners, against their better judgement, that the bars being transferred were not looted gold. It has been established that the Reich exported fine gold to the tune of 2.05 billion Reichsmark, with which, however, the Reich paid only a fraction of its foreign trade and payments obligations. German exports of goods (coal, machinery), with a value of at least 30 billion Reichsmark by the end of 1944, as well as the clearing debts and occupation costs, totalling almost 100 billion Reichsmark, were many times higher than the value of this gold. Despite their minor role in financing German imports, the gold payments were helpful in trade relations, especially with Switzerland. In addition, gold exports made it possible to obtain convertible foreign exchange (Swiss francs, US dollars) with which to buy important goods in neutral countries. This is partly why 1.11 billion Reichsmark alone of the total 2.05 billion Reichsmark in fine gold exported went to the Swiss National Bank and commercial banks there, while Romania, the second most important exporting country, received gold worth 134.4 million Reichsmark. The rest of the gold was transferred abroad via three German commercial banks (Sponholz, Dresdner and Deutsche Bank with a combined total of 36.4 million Reichsmark) or by the Reichsbank (81 million Reichsmark) or spent by various foreign units (Foreign Office, foreign defence (*Auslandsabwehr*), 23.3 million Reichsmark).

Despite these gold exports, the Reichsbank was still hoarding large quantities of gold at the beginning of 1945, which it did not begin to relocate until February 1945. Most of it, including scrap gold from the last “Melmer deliveries”, was taken to the Merkers salt mine in Thuringia in March 1945, where US forces later confiscated it. Only a small proportion – about 5 to 6 tonnes – remained at the Reichsbank, and this was confiscated by the Red Army. The 658.4 million Reichsmark worth of gold recovered by the Western Allies was distributed to the looted central banks after the war by the Tripartite Commission for the Restitution of Monetary Gold. The scrap gold confiscated in Merkers, worth 679 million Reichsmark, was handed over to the Jewish International Refugee Organization in 1947 to support Holocaust survivors and displaced persons.

Christian Marx

Currency guardians. Careers of management personnel (1945–1969)

The personnel (dis)continuities from National Socialism into the early years of the Federal Republic of Germany and the approach taken to dealing with the Nazi past continue to rank among the most heavily discussed aspects of German history. There is still no consensus over the extent to which resorting to former personnel to fill numerous positions in ministries, authorities and companies was necessary to secure the reconstruction of Germany. Was a continuity of personnel beyond the turning point of 1945 something that simply had to be accepted to facilitate a functioning political system and flourishing economy in West Germany? While the Federal Republic proclaimed a radical ideological break with the Nazi regime to the outside world, many attitudes and values survived the collapse of 1945. This was not least due to the fact that continuity is an inherent principle of modern administrations, and replacing individuals in elite positions across the board is a difficult undertaking in practice for any society that relies on the division of labour.

Staff structure and recruitment channels

Many managers at the Bank deutscher Länder (BdL) and the Deutsche Bundesbank look back on a career with the Reichsbank in the interwar period, when Germany's central banking system had experienced a huge expansion of personnel as a result of new areas of activity. The doubling of the cadre of officials (*Beamte*) to more than 8,000 between 1918 and 1923 proved an enduring

development. At the start of the 1920s, an opportunity for a career with the Reichsbank opened up for many a prospective central banker. In contrast to the Prussian-German public service tradition, the Reichsbank recruited its leading cluster of officials above all from Germany's private and commercial banks, valuing the knowledge gained in these institutions through a banking apprenticeship. Only from 1931 onwards against the backdrop of foreign exchange controls did the Reichsbank embark on a long-term drive to expand the number of staff with "employee" rather than "official" status, with the consequence that the central bank's workforce more than doubled to around 20,000 by 1940. As had been the case previously, management positions were exclusively reserved for male officials. The expansion of personnel necessitated the implementation of objectifiable criteria for selecting and promoting staff. For example, almost all future holders of management positions were required to complete a newly introduced higher banking diploma. While this promotion system was not actually suspended during the era of National Socialism, it was expanded to include a number of ideological elements – especially after the replacement of top Reichsbank management personnel in 1939. From that point onwards, anyone not holding party membership would struggle to rise up through the ranks at the Reichsbank.

Following World War II, the West German central banking system faced the task of reintegrating



1948 currency reform: boxes containing Deutsche Mark arrive at the Land Central Bank in Hamburg

former Reichsbank staff whilst at the same time adhering to the denazification provisions imposed by the Allies. The personnel department's desire to integrate former Reichsbank personnel into the West German central banking system underscored the links to the Reichsbank, and, in view of the diminished geographical scope, led to a personnel surplus that was not reduced until the mid-1950s. The total number of persons employed in the West German central banking system then declined to around 11,000 by 1956. At the same time, the structure of the workforce changed. Whereas the Reichsbank's headcount during the German Empire was made up almost exclusively of staff with official status, and this figure increased further under the Weimar Republic, the number of persons with employee status initially rose only temporarily in the 1920s – in the wake of hyperinflation – before growing steadily from 1931 onwards against the backdrop of foreign exchange controls. This structure was retained after 1945 – there was no return to the “bank of officials” that had characterised the era of the German Empire. By the mid-1950s, approximately 40% of the central bank's workforce had official status, while 50% were employees and 10% were workers.

In terms of management positions and the gender ratio, change was impeded by strong defenders of the status quo. Former Reichsbank officials for

the most part remained in their positions – not least on the basis of Article 131 of the Basic Law (*Grundgesetz*) – as long as they were not excessively compromised from a political standpoint. Staff administration units had a significant interest in retaining well-trained professionals. The staff in question were almost exclusively men. Although the share of female staff in the West German central banking system amounted to around one-third across the workforce as a whole in 1953, fewer than 20 of the 4,600 staff with official status were women. The other female staff, mostly aged between 20 and 40, often only carried out simple bank activities and secretarial tasks. In summary, when analysed in terms of the gender split, the workforce was divided between well-remunerated male officials holding senior positions and younger women carrying out less well-paid, low-skilled activities at the lower end of the personnel hierarchy.

The workforce structure of the BdL was left unchanged by the Deutsche Bundesbank. The headcount was expanded further in the 1960s – not owing to the integration of the Land Central Bank of Saarland as the 11th Regional Office in 1959, but because around 1,000 women had been hired across the Land Central Banks, as more personnel were required there for the retail payments business. Last but not least, this development went hand in hand with an increase in the number of female part-time employees. In this respect, the Bundesbank was following a trend that had become apparent in the West German labour market.

The restructuring of the workforce from 1948 onwards was above all carried out under the leadership of Erich Zachau, the member of the Directorate responsible for personnel, who had no Reichsbank background and had personally experienced the repressive character of the Nazi regime. Of the “old fighters” (*Alte Kämpfer*) who increasingly took control of the personnel department at the Reichsbank from 1933 onwards, enjoying the patronage of Kurt Lange in the Reichsbank's Directorate from 1939, not a single one successfully managed to make the leap to the West German central bank. Zachau therefore represented a new beginning in personnel policy and was viewed as a symbolic departure from the old Nazi networks. At the same time, however, he

There were many officials at the West German central bank who had put up with the conditions under the Nazi regime

In January 1958, Minister of Economic Affairs Ludwig Erhard appoints Karl Blessing as the new Bundesbank President and Heinrich Troeger as Vice-President (left to right: Wilhelm Vocke, Karl Bernard, Ludwig Erhard, Heinrich Troeger, Karl Blessing)

Photo: picture-alliance/dpa



pushed for conciliatory collaboration with former Reichsbank staff – even if they had been members of the National Socialist German Workers' Party (NSDAP). In addition to a few genuinely uncompromised or persecuted individuals, the higher staffing levels of the West German central bank were therefore primarily made up of many Reichsbank officials who had put up with the conditions of the Nazi regime and wanted to continue their career after 1945.

Personnel (dis)continuities in the development of the Land Central Banks

From a personnel perspective, the western occupation zones exhibited a strong coexistence of continuity and a new beginning, which varied according to the occupation zone and hierarchical level. On the one hand, the western Allies stuck by their objectives of decentralisation and decartelisation; on the other, they often deviated from these principles when it came to implementation, turning to the personnel of the former Reichsbank. In view of their own central bank structures and healthy relationships with former Reichsbank staff, the British were broadly opposed to American calls for decentralisation. As a result, the Reichsbank organisation was preserved somewhat longer in the British occupation zone. Only in 1948, in the wake of preparations for currency reform, did the British military government yield to pressure from its American counterpart and establish individual Land Central Banks for the states in its

zone, too. But despite the associated shift away from the former Reichsbank system, certain elements survived. For example, the newly founded Land Central Banks took over the buildings, inventory, and even the personnel of the former Reichsbank branches – as long as the latter were not overly compromised from a political standpoint.

For the majority of the Land Central Banks, the expansion of the workforce was completed by around 1952. Following the labour-intensive implementation of the 1948 currency reform, large numbers of staff were required in the first post-war years above all for the processing of credit transfers and payment transactions, foreign exchange controls, and foreign trade controls. Even the rationalisation effects resulting from the changeover from giro accounting to machine processing and the blanket introduction of accounting machines could not offset the gradually rising demand for personnel. As the independent Land Central Banks took over a number of tasks that had previously been carried out at the Reichsbank's central office in Berlin (*Reichshauptbank*), their headcount came to exceed that of the former Reichsbank branches, which led some to criticise the decentralised central banking system on efficiency grounds. At the same time, this expansion of the federal central banking structure facilitated the appointment of people who had fled and former Reichsbank staff from the East. The basic rule applied here was that former Reichsbank officials who were classified as “persons exonerated”



Photo: Ernst Balke, Deutsche Bundesbank

Office building of the main branch of the Reichsbank at Taunusanlage in Frankfurt am Main, that of the Bank deutscher Länder from 1948 and later that of the Bundesbank

based on formal denazification criteria (Category V) or who were considered “non-offenders” by the corresponding legislation were given priority of appointment – in their personnel policy, the Land Central Banks largely followed the decisions of the denazification courts or denazification tribunals (*Spruchkammern*). Greater degrees of political compromise could certainly result in individuals being excluded from the “Reichsbank family”, although “followers” (Category IV) had a good chance of being rehabilitated.

By contrast, greater staffing changes were seen at the level of the Land Central Bank presidents. Whereas Ernst Hülse, a former member of the Directorate of the Reichsbank, paradigmatically embodied the continuity of the Reichsbank tradition in the British military zone in North Rhine-Westphalia, the Americans took care to ensure that institutional renewal also went hand in hand with a personnel shake-up in their own zone of occupation. The Land Central Bank presidents Max Grasmann (Bavaria), Otto Pfeleiderer (Württemberg-Baden), Otto Veit (Hesse) and Hermann Tepe (Bremen) all had no Reichsbank background, but nonetheless integrated seamlessly into the new central bank structure. Many former Reichsbank staff held greater reservations about the new system. In addition to Hülse, the Land Central Bank presidents of Baden (Christian

Eugen Hinckel) and Württemberg-Hohenzollern (Karl Mürdel) in the French zone represented continuity with the Reichsbank. Elsewhere, party-political aspects became increasingly important for the appointment of Land Central Bank presidents due to the rights of nomination held by state governments. By the start of the 1950s, individuals close to the SPD had risen to the top in Schleswig-Holstein (Otto Burkhardt), Hamburg (Karl Klasen) and Lower Saxony/Hamburg (Erich Leist), whereas in the CDU-dominated Rhineland-Palatinate Wilhelm Boden was appointed as Land Central Bank President.

Overall, there were no seriously tainted persons among the Land Central Bank presidents appointed. Some of these individuals – such as Rudolf Gleimius (Berlin), Wilhelm Boden (Rhineland-Palatinate) and Otto Veit (Hesse) – had directly experienced the repressive measures of the Nazi regime and had seen their professional careers put on ice; others, such as Pfeleiderer at Reichs-Kredit-Gesellschaft and Klasen at Deutsche Bank, had come through the Nazi era fairly unscathed, despite having distanced themselves from the Nazi ideology. Of the Land Central Bank presidents, the individuals most involved in the commissioning of Reichsbank work on the basis of Nazi policy were Hülse and Mürdel. As a member of the Reichsbank’s Directorate, Hülse was partially responsible for the expansive financing of armaments in the 1930s. Mürdel had been part of the Reichsbank bureaucracy that was tasked with driving forward the exploitation in occupied Europe during World War II. Otherwise, the clear change in personnel at the level of the Land Central Bank presidents stood in contrast to considerable continuity in the next hierarchical levels down. This was particularly apparent at the level of the vice-presidents of the Land Central Banks, who were largely drawn from the pool of Reichsbank staff and tended to be more politically compromised.

Careers and background of management personnel

Even prior to the founding of the BdL in March 1948, the staffing direction had been set for the West German central banking system through the creation of the Land Central Banks and the “Special Unit on Money and Credit” (*Sonderstelle Geld und Kredit*). Some members of the Special Unit in Bad Homburg were not only involved in the elaboration of plans for a currency reform and its finalisation at the Conclave of Rothwesten, but also left to take up key positions at the BdL

in 1948. When the individual central banks of the BdL were being set up, it became apparent that former Reichsbank staff had not been successful everywhere in claiming management positions in the new financial institutions. Through the Special Unit and via the Conclave, too, fresh blood – as epitomised by Karl Bernard and Otto Pfeleiderer – was injected into the West German central banking system, providing different monetary policy stimuli.

It was therefore only logical that the two most senior positions in the BdL – namely Chair of the Central Bank Council (*Zentralbankrat*) and President of the Directorate – would not be filled with two former Reichsbank staff members. The appointments of Karl Bernard (as Central Bank Council Chair), Wilhelm Vocke (as Directorate President) and Wilhelm Könneker (as Vocke's deputy) in the spring of 1948 were by no means the result of any careful plan. In the run-up to the decision, the names of various candidates to lead the

of a number of political decision-makers (most notably Konrad Adenauer), the reticent Bernard saw himself more as a balancing element between the interests of the various Land Central Bank presidents. In the view of the West German government, neither candidate appeared to be a suitable choice for the top job at the Deutsche Bundesbank.

The occupying powers also intervened when it came to appointing personnel for the Bank deutscher Länder

BdL had been doing the rounds, of which the duo Otto Schniewind and Hermann Josef Abs were the most prominent. By nominating Schniewind and Abs, the newly established Central Bank Council demonstrated to the Allied Bank Commission its self-assurance and unmistakable desire to act independently of any Allied or other form of political intervention. But here the Allies' assertiveness in the early years of post-war Germany became apparent. The occupying powers not only put in place the legal framework for the BdL, they also intervened when it came to appointing personnel. The appointment of the Bernard-Vocke-Könneker triumvirate, which shaped the destiny of the BdL over the following ten years, represented a balanced mix of continuity and change given the central banking experience of Vocke and Könneker, on the one hand, and Bernard's experience of being sidelined under National Socialism, on the other.

The fact that Vocke und Bernard were not considered for the presidency of the Deutsche Bundesbank when this institution was founded is partly explained by their advanced age. But their management style was another factor. Whereas the self-confident former Reichsbanker Vocke had carved out a stronger position than was originally intended for the role of President of the BdL's Directorate, causing him to ruffle the feathers



Photo: Deutsche Bundesbank

Ernst Hülse, member of the Directorate of the Reichsbank (1935–1939), President of the Land Central Bank in North Rhine-Westphalia (1948–1949)

Instead, the Federal Government decided to appoint the conservative Karl Blessing as President and figurehead of the new central bank – which once again had a more centrally organised structure – along with the Social Democrat Heinrich Troeger at his side as Vice-President to act as a counterweight. The new Bundesbank President proved highly effective as a communicator with the public and was soon championed by leading German media as the “President of the Deutsche Mark”. This was partly due to the fact that Vice-President Troeger deliberately took a back seat in the Bundesbank's dealings with the outside world, never challenging Blessing for the leadership role. The appointment of Blessing and Troeger was therefore a cross-party compromise aimed at reaching a consensus when it came to adopting the Bundesbank Act (*Bundesbankgesetz*) that was under negotiation at the same time. Furthermore, the combination of former Reichsbanker Blessing, on the one hand, and Troeger – with

his experience of being sidelined under National Socialism – on the other, represented an important socio-political compromise for West Germany, echoing those reached during the BdL era.

Overall, the degree to which staff were politically tainted was much greater among senior officials at operational management level than it was on the key senior bodies of the central bank, i.e. the Directorate and the Central Bank Council. There is no doubt that the proportion of former Nazi party members represents a controversial continuity factor, which always requires clarification of an individual's professional and personal situation along with analysis of individual actions. But even opportunistic motives for joining the NSDAP reveal something about the link to National Socialism. Whereas the proportion of former NSDAP members in the BdL Directorate stood at just under one-third, this figure amounted to 60% for the department heads of the BdL, and even exceeded 70% among the senior managers of the Land Central Banks up until 1957. In particular, this was associated with the fact that personnel continuity at the Reichsbank was extremely high among those Bank directors. Career advancement at the Reichsbank without NSDAP membership was virtually impossible from 1937–38 onwards. From 1948, the task of recruiting personnel entered a phase in which denazification criteria were relaxed in view of the emerging ties to the West. Furthermore, the personnel departments were able to point to the need for greater staffing numbers. The increasingly relaxed position with regard to the Nazi past was not least due to a pragmatism stripped of any illusions, which meant guaranteeing the smooth functioning of central bank activities was prioritised over complaints of wrongdoing during the Nazi era.

This view was even espoused by the long-standing Directorate member responsible for personnel, Zachau, whose family had been persecuted under the Nazi regime. Nonetheless, there was still a clear red line that could not be overstepped when it came to an individual's political past. For leading Nazi personalities and key culprits, the pathway back to the central bank was blocked. At the levels of senior officials, such decisions were the responsibility of a political review board (*Prüfungsausschuss*); in the case of members of the Bank's governing bodies, the task fell to the

Allied Bank Commission or the “Tripartite Vetting Party”. These personnel selection criteria were reflected in the denazification proceedings of governing body members: the majority were classified as “exonerated” or “non-offenders”. That judgement could be clearly in contrast to a person's proximity to the Nazi regime, although in many cases such alignment had been for purely opportunistic reasons. Nonetheless, when judged by modern standards, the bar set for appointments to governing bodies was high. Neither the Directorate nor the Central Bank Council of the BdL or the Bundesbank were cosy hubs of former Nazi cliques. Instead, what characterised both bodies was a complete absence of women, a high degree of academic achievement, and a well-proportioned mix of former Reichsbank staff, aspiring economists and administrative lawyers. The share of former Reichsbankers and economists was higher in the Directorate than it was among the Land Central Bank presidents, of whom a proportion had been chosen via the political channel, i.e. on the basis of party affiliation. By contrast, direct switches between the private sector banking industry and the central bank – such as in the case of Klasen – tended to be the exception and transfers to the world of academia – as exemplified by Veit – also proved a rarity.

The fundamental economic rules of monetary policy interdependencies remained in place beyond the seismic year of 1945, and had also applied during the Weimar Republic. Many Reichsbank officials and numerous economists saw themselves as non-political experts in the field of monetary policy, and therefore as a functional elite far removed from (party) political negotiation processes. For that reason, after 1945 they were also unwilling to accept any responsibility for the consequences of Nazi rule. In this self-interpretation, their commitment to “service to the state” overshadowed any links to the Nazi regime. Viewed from this perspective, the responsibility for Nazi crimes lay with a small clique of National Socialists who had usurped the state. This image fitted into the collective perception of West German post-war society as a community of victims.

Many Reichsbank officials saw themselves as non-political experts in the field of monetary policy

Boris Gehlen / Rouven Janneck

Wilhelm Vocke and the generation that founded the Bank deutscher Länder

It is widely acknowledged that the experiences of hyperinflation, banking crises, and the global economic crises of the 1920s and 1930s are deeply engraved in the collective memory of German society. For the central bankers of the 1920s to the 1950s, those events are obvious reference points and life experiences. In order to study this social group, it is therefore vital to consider in which way those historical experiences affected the thoughts and actions of the German central bankers, and to identify the areas of continuity and change that characterised the transition from the Reichsbank to the Bank deutscher Länder.

Based on the biographies of five protagonists, this chapter explores crucial problems that influenced central bank policy from the 1920s to the 1950s: continuity, the growing importance of economics, international cooperation, nazification, and the politics of memory. The selected protagonists represent the three key professional groups within the central bank: lawyers (Wilhelm Vocke), economists (Otto Pfleiderer), and bankers (Emil Puhl, Ernst Hülse), alongside Kurt Lange, a member of the Nazi party who served on the Board of Directors of the Reichsbank. Our central focus is on the mindset and narratives, as well as individual room for manoeuvre and restrictions preventing action; in addition, an attempt is made to identify their significance for the Bank deutscher Länder and its economic policy.

Career paths at the central bank up to 1945

The Reichsbank had a centralised structure. Its policies were determined by the Directorate of the Reichsbank. Alongside the Reichsbank's main office (*Reichshauptbank*) in Berlin, local branches and field offices collaborated in putting its decisions into effect and participated in financing the local economy. The Bank deutscher Länder (BdL) was established in 1948 as a compromise between the US and British occupying powers. It had a decentralised structure, with the Central Bank Council (*Zentralbankrat*) acting as the highest governing body. It decided on monetary policy and consisted of the presidents of the Land Central Banks, the President of the Central Bank Council (Karl Bernard) and the President of the Directorate (Wilhelm Vocke). Officially, the Directorate had a supporting function, but in reality it played a significant role in shaping the bank's policies.

Despite the turning point between 1945 and 1948 and the fact that the BdL was not the legal successor to the Reichsbank, there are some obvious lines of continuity. Although former employees of the Reichsbank held very few positions on the Central Bank Council, they accounted for approximately half the members of the Directorate. Moreover, their share of staff was even higher. At the Reichsbank, staff were required to have completed commercial or banking training and to have successfully passed an internal "higher



bank examination” in order to exercise management functions. During the early stages of their careers, officials at the Reichsbank would work in several branches of the Reichsbank as well as in departments of the Reichsbank’s main office. Thus, the Reichsbank set itself apart from the monopoly of lawyers at Reich authorities and was very proud of the open access to career paths and promotion opportunities within the organisation.

The Reichsbank’s self-perception was not defined by reference to the Reich authorities. Instead, the Reichsbank’s staff regarded themselves primarily as bankers. This gave rise to a unique Reichsbank culture, which was referred to internally as the “Reichsbank family”. Its premisses were also influential factors at the BdL, establishing an element of stability.

Biographies

More than any other central banker, Wilhelm Vocke, who was born in 1886 and had a doctorate in law, stood for continuity. Having been appointed to the Directorate of the Reichsbank in 1919, he continuously held a position at management level at the German central bank, with only one interruption between 1939 and 1945, before serving as President of the Directorate of the BdL from 1948 until 1957. He experienced all of the monetary policy and economic crises from a managerial position at the central bank and shaped their interpretation in the early years of the Federal Republic. In fact, he was appointed to the top post at the BdL in 1948 only as a stopgap. Under the management of Vocke and Karl Bernard, the highly respected but almost “invisible” President of the Central Bank Council, it proved possible to combine traditional features of the Reichsbank with modern monetary policy. At first, the process of searching for solutions was cumbersome and the monetary policy measures showed little consistency. In this respect, Vocke regarded foreign confidence in West German monetary policy as being a matter of chief priority from the outset. As a result of the traumatic pre-war experiences, he was convinced that international cooperation between independent (!) central banks was the best way to achieve monetary stability.

His long-time colleague from the Reichsbank, Ernst Hülse, took care of the international aspect



Photo: akg-images/Fritz Eschen

Wilhelm Vocke, 1948, member of the Directorate of the Reichsbank and President of the Directorate of the Bank deutscher Länder from 1948 to 1957

of the central bank’s activities. Having first completed a banking apprenticeship, he then rose through the ranks at the Reichsbank. In 1930, he was posted to the newly established Bank for International Settlements (BIS) in Basel, where he represented the Reichsbank and the German Reich in the international central bank community, establishing extensive contacts. After 1945, he was therefore earmarked, first and foremost by the British occupying powers, to play a central role in re-establishing West Germany’s national currency. Within their zone, they appointed him firstly as manager of the Reichsbank control centre (*Reichsbankleitstelle*) in Hamburg and subsequently as president of the Land Central Bank (*Landeszentralbank*) of North Rhine-Westphalia. As the United States had reservations about Hülse and his background at the Reichsbank, and because Hülse also had few supporters on the Central Bank Council, he was unable to claim the top job at the BdL. His early death in 1949 prevented him from having a lasting impact on monetary policy in the Federal Republic of Germany.

Kurt Lange owed his occupation at the central bank to career party membership. He had joined the Nazi Party back in 1930 and pursued a politically supported career as of 1933; he then joined the Reichsbank in 1939, where he devoted himself to “human management (*Menschenführung*)” in the

Long queues formed outside currency offices in West German towns and municipalities on 20 June 1948



Photo: Federal Archives

Kurt Lange (right) with Walther Funk (seated) and Emil Puhl

National Socialist sense. Until 9 May 1945, he was a member of the Directorate of the Reichsbank, also serving as Vice-President of the Reichsbank from 1940. For the Reichsbank officials who remained active in central banking post 1945, it was precisely by ostentatiously examining the actions of “Parteiaufseher Lange” that they could conveniently differentiate between “the Nazis” and “the Reichsbank officials”. Although Lange was without doubt an enthusiastic Nazi, he also accepted, to a limited extent, the Reichsbank tradition that valued expertise more highly than National Socialist attitudes. However, in the post-1945 world, there was no room for such differentiations. There was just as little room for Lange. After 1945, he enjoyed moderate success as a financial advisor, but was cheated by dubious business partners, convicted for embezzlement and unsuccessfully claimed payment of a pension for his work at the Reichsbank. Nonetheless, the Bundesbank voluntarily provided the destitute Lange with financial support during his old age by drawing on the Bundesbank President’s reserve fund: alms for an outcast.

In contrast, Emil Puhl, a trained banker, epitomises a career at the Reichsbank. He ascended the career ladder, reaching its peak as a member of the Directorate before being appointed Executive Vice-President of the Reichsbank in 1940. As President Funk was virtually never at the Reichsbank

and furthermore had no interest whatsoever in that position, Puhl gradually became the main person responsible for the Reichsbank’s policy during the war, including its part in plundering the parts of Europe occupied by German troops and the exploitation of the gold that was stolen and seized in the concentration and extermination camps. This made him the most contradictory figure at the Reichsbank, but that is precisely the reason why he played a key role for many post-1945 central bankers. He had guided and supported most careers during the 1930s and 1940s, which gained him an appreciable personal reputation, both in Germany and abroad, even after 1945 and despite his conviction as a war criminal. That was primarily due to the fact that his actions were always those of a banker, even under wartime conditions, and he consistently communicated the Reichsbank’s activities as normal central banking activities. Puhl was more aware of the criminal basis and the destructive

consequences of those activities than almost anybody else. And yet, even afterwards, he never reflected on his contribution towards extending the war, or the suffering, exploitation, and destruction. In a sense, Puhl lived by the narrative he spread after 1945, which was that he had always remained a dutiful civil servant and an honourable banker and had been powerless to stop those criminal policies. Thanks to his excellent reputation, he succeeded in forging an impressive career at a successor institution to the decentralised Dresdner Bank after 1945, following his early release from prison.

The biographical example of Otto Pfleiderer enables us to explore the issue of continuity and change with respect to the German central bank’s approach to monetary policy. Pfleiderer, who held a doctorate in economics, initially worked in academia. He then moved to the Reichskreditgesellschaft, where he was, for many years, a colleague of Bernard Benning, who subsequently occupied a role on the Directorate of the BdL. It was not until 1948 that Pfleiderer joined the system of central banks, when he was appointed President of the Land Central Bank of Württemberg-Baden. Contrary to traditions at the Reichsbank, Pfleiderer advocated a theory-based perspective and approach towards monetary policy. Representing a team of young economists without a background at the Reichsbank, he embodied the substantive, institutional,

It was only after 1945 that German central bankers began to base their monetary policy on theoretical foundations

and personnel modernisations that were taking place in the German central bank system.

Continuities and discontinuities

It was only after 1945 that German central bankers began to base their monetary policy on theoretical foundations. Alongside Otto Pfleiderer, economists such as Eduard Wolf and Otmar Emminger were central to that process, as they had also begun their academic careers during the crisis-ridden inter-war period. Unlike their colleagues who could look back on careers at the Reichsbank, their theoretical views made them highly sceptical of central bank policies that regarded gold as the proper basis of a currency. Indeed, as a leading exponent of these views, Otto Pfleiderer was firmly set against such policies. His stance went hand-in-hand with a critical view of the gold standard as an international monetary system that was assigned a substantial share of the blame for the severity of the global economic crisis during the 1930s. Instead, the central bankers with a background in economics centred their arguments around economics-based theories. Opposing them was the group of former Reichsbank officials, for whom leaving the world of the gold standard behind was only desirable and possible to a certain limited extent. Considering the post-1945 global dominance of the Bretton Woods monetary system, their attitude was hardly surprising in view of the fact that it operated as a de facto gold-dollar standard. Even the economists had to accept that reality on matters of monetary policy practice.

Those circumstances played a significant part in propelling Wilhelm Vocke into a key position in terms of shaping central bank policy. On the one hand, he encouraged the hiring and promotion of economists at the BdL, thus paving the way for a strong theory-based central bank policy to develop. On the other hand, he shaped and defended a restrictive approach to matters of practical monetary policy during his time in office, which was aimed at building confidence in the young Deutsche Mark (DM), especially in the international arena. This was communicated to the German people through continuous reminders of the horrors of inflation that had to be warded off. Given the inflation-averse consensus among the members of the Central Bank Council, the versatile expression “safeguard the currency” gathered considerable cohesive force.

Ensuring confidence in the German central bank was also one of the key guidelines adopted by

Ernst Hülse, who represented Germany and the Reichsbank at the Bank for International Settlements. Its establishment in 1930 provided an institutional framework for cooperation between central banks, replacing the need for cooperative approaches that had previously relied solely on personal relationships. Basel rapidly became a place that central bank representatives valued highly as a confidential exchange forum. At the same time, the institution came to serve as a vital basis for resuming cooperative initiatives after 1945 and reintegrating West Germany into the economic and monetary policy system. The informal monthly meetings of central bank governors and the communications between the central bank staff posted to Basel were both significant factors underpinning the fundamental belief in gold-standard-based monetary policy that prevailed in that circle. A change in that position was brought about only by the devastating economic situation at the end of World War II, which presented a challenge that the European nations would have found almost impossible to overcome without transatlantic aid.

Vocke was also personally acquainted with almost all of the leading representatives of the international central banking community, which, following Hülse's death in 1949, secured him an exclusive position within the Bank deutscher Länder. He was able to bring that to bear in setting

Otto Pfleiderer, President of the Land Central Bank of Baden-Württemberg



Photo: Ernst Balke, Deutsche Bundesbank



Vice-President of the Reichsbank Emil Puhl

Photo: Deutsche Bundesbank

a decisive new course for monetary policy in the early years of the Federal Republic of Germany. The 1950–51 crisis in the European Payments Union, which caused the Federal Republic to slide into a severe balance of payments deficit, served as the litmus test. West Germany was consequently compelled to significantly curtail the promised liberalisation of foreign trade within the payments union, which greatly displeased its European partners. At that time, Vocke received decisive support from the international central banking community, the international financial community and the Western occupying powers. Arguments promoting a fundamental departure from these policies were rendered toothless by the subsequent economic and monetary policy success, even if the advocates of strong guidelines based on economic theory never abandoned their viewpoint. This therefore provided the baseline for the tentative monetary policy the Bank deutscher Länder pursued in the period directly after the currency reform. At the same time, it strengthened the anti-inflationary narrative that was communicated externally.

This was flanked by a justification narrative developed by Emil Puhl as part of his defence strategy during the Wilhelmstrasse Trial, one of the Subsequent Nuremberg Trials in which judges ruled on the responsibility of the Reich authorities, in particular. That narrative portrayed the Reichsbank, in the period prior to January 1939, as a stronghold of resistance against Hitler's

Germany, in which the “true Reichsbank officials” fought against nazification, but ultimately failed in view of the *Führerprinzip* (leader principle) and the requirement to follow instructions. A memorandum signed by all members of the Directorate of the Reichsbank on 7 January 1939 served as the mainstay for that line of argument. In that memorandum, they warned of impending inflation resulting from high levels of military expenditure and advocated a change of course. Hitler consequently dismissed Hjalmar Schacht, Ernst Hülse and Friedrich Dreyse, and the resignation requests submitted by Wilhelm Vocke, Carl Ehrhardt and Karl Blessing were granted.

Only Emil Puhl and Max Kretschmann remained on the Directorate, at the behest of the new President of the Reichsbank, Walther Funk. Both of them had joined the Nazi Party in 1937, allegedly to maintain the ability of the Directorate to act vis-à-vis the party. Since then, the process of nazification proceeded apace. This was largely organised by Kurt Lange, acting as the new officer in charge of personnel at the Reichsbank. From then on, the Reichsbank effectively continued only as an executive organ for an armaments policy that fuelled inflation and the rapidly accelerating criminal and exploitation policies of the Nazi state.

Puhl portrayed the Reichsbank as a stronghold of resistance against Hitler's Germany until January 1939

The Reichsbank's record during the Nazi era therefore seems ambivalent. In fact, until 1939 no committed National Socialists actually held leading positions. By setting out functional arguments, the Reichsbank managed to dilute and delay economic measures of a genuinely National Socialist nature. But it failed to prevent any of them. Although Schacht continued his attempts to convert the Reichsbank into a liberal antipole to the National Socialist economic policies, he had nevertheless failed in that objective by 1938 at the latest.

At the same time, the Reichsbank played a significant role in the economic – and thus also political – stabilisation of the National Socialist regime. Through the use of “Mefo bills” (*Mefo-Wechsel*), it developed a way of creating money to finance armaments, although, for legal reasons, that was a controversial issue within the Directorate. Most of the lawyers, including Vocke, regarded Mefo bills as being incompatible with the Reichsbank Act (*Reichsbankgesetz*). Still, Vocke defended the Mefo bills during the Nuremberg Trial of Hjalmar Schacht, in which he gave a truthful but

incomplete account of how they had come into being. In doing so, he revealed that he was among those who did not desire a critical review of the Reichsbank's role in the stabilisation of Nazi rule.

As the contributions by Ingo Loose, Marcel Boldorf, Christopher Kopper and Ralf Bank-

en show, the Reichsbank was also involved in persecution measures against the Jews. Although it was neither the initiator nor the driving force behind the economic persecution measures, the foreign exchange controls it imposed and the statistical reports it prepared contributed to the destruction of the economic existence of Jews within the German Reich. Moreover, after 1939, the Reichsbank granted loans to the SS on the instructions of Walther Funk. It also disposed of stolen gold and other valuable items in Switzerland, as Ralf Banken has described in detail, in order to acquire the necessary currency that was needed to procure important commodities for use in war.

With respect to all issues closely linked to Nazi crimes, after 1945, the officials at the Reichsbank fell back on the argument that those tasks had

been externally assigned to them and, as officials, they were obligated to follow instructions. While both points are valid, this line of reasoning ignores the fact that it is precisely because the Reichsbank ran smoothly until the end that it is to be held partly responsible for the criminal policies of the Nazi regime.

As little as the resistance narrative swayed the court, it did influence the Bank deutscher Länder when it came to dealing with its precursor institution. It offered an opportunity to rationalise the past and portray involvement in the Nazi crimes as an externally induced mishap. That narrative was expected to encounter little opposition in a post-war Germany that looked very favourably upon efforts to gloss over its Nazi past. Wilhelm Vocke was at the forefront of those policies aimed at handling Germany's past, which amounted to a whitewashing exercise.

Ultimately, whilst almost all members of the Directorate who had been deeply entangled in National Socialism escaped (further) comment – such as Hjalmar Schacht, Walther Bayrhammer or Max Kretzschmann, who were no longer working in central banking – much was said about Kurt Lange. He was the ideal scapegoat. All of the former Reichsbank officials still in place at the central bank after 1948 were able to project their manifest loathing of National Socialism onto him. Lange was cast as the “pre-eminent Nazi at the Reichsbank”. It was the very fact that he was not a career Reichsbank official, but rather a committed National Socialist, that made him the antithesis of the new identity being forged, which portrayed true central bankers as being immune to ideological fallacies and implied that this would always be the case. An independent central bank was therefore indispensable. For the Bank deutscher Länder, reducing the Reichsbank's past to the role of steadfast central bankers proved to be highly beneficial, even during the debates that took place in the immediate post-war period. The Bank deutscher Länder employed this purposefully as an effective argument in the contentious political discussions concerning the independence of the Bundesbank or against political interference with the discount policy.

From an institutional perspective, the establishment of the Bank deutscher Länder in 1948 formed a break with the past, but large proportions of the Reichsbank's staff kept their jobs. In the person of Wilhelm Vocke, important central bank policy approaches and cultural premisses of the Reichsbank continued to have an effect at the

With respect to all issues closely linked to Nazi crimes, after 1945, the officials at the Reichsbank fell back on the argument that these tasks had been externally assigned to them



The first 10 Deutsche Mark banknote, issued in 1949 by the Bank deutscher Länder

Photo: Numismatische Sammlung der Deutschen Bundesbank, Frankfurt am Main. Inv. No.: 773/88.

Bank deutscher Länder. This included a distinct focus on the confidence of the international central banking community and the financial community in the German central bank, as already embodied by Vocke and Hülse during the 1930s. On the basis of that guiding principle, Vocke also influenced the monetary policy of the Bank deutscher Länder, which supported economic growth in the Federal Republic of Germany and thus raised international confidence through its more restrictive monetary policy stance compared to other countries. Although aspects of economic theory gained traction thanks to the economists surrounding Pfeleiderer, who had recently joined the central bank, they failed to have a decisive influence on its policies. In addition,

Vocke's work to promote cohesion within the central bank is not to be underestimated. A functional understanding of the policies aimed at dealing with Germany's past made a decisive contribution to that success. While the justification narrative facilitated the integration of the former Reichsbank officials, the economists, who were sceptical of the Reichsbank, eagerly adopted the historical arguments, which had merged with the anti-inflationary narrative, in discussions concerning currency stability, independence of the central bank or internationality. This clearly demonstrates how the past experiences of the 1920s and 1930s affected all senior central bankers more strongly than many were willing to admit, perhaps even to themselves.

Stefan Grüner

Karl Blessing (1900–1971): From the Reichsbank to the Bundesbank

In the summer of 1971, the City of Frankfurt am Main's municipal authorities withdrew their plan to name a park in the district of Bockenheim after Karl Blessing, a former President of the Deutsche Bundesbank. The Hesse branch of the Association of Persecutees of the Nazi Regime (*Vereinigung der Verfolgten des Naziregimes*) had drafted a letter of public protest in which it criticised the municipal government's intention to honour Blessing for his "services to the German currency", referred to his membership of Himmler's circle of industrialists (*Freundeskreis Reichsführer SS*), and vehemently objected to the planned choice of name.

Just a few months after his death in April 1971, then, Blessing's activities during the Nazi regime had become a local political issue. Similarly to when, around the mid-1960s, the Munich-based political comedy troupe Lach- und Schießgesellschaft had confronted Blessing with a satirical critique of his past, his critics could only at most draw upon a selective knowledge of his life as a banker and business manager. Today, with the help of exhaustive archive materials, we are able to see the bigger picture. Blessing's career spanned three political systems and ultimately made him one of the key players in shaping not only the monetary and currency policy developments but also the economic policy developments of the early Federal Republic of Germany. This timespan is of particular historiographic significance, since very little research has been carried

out thus far in relation to other figures with careers of a similar length, especially within the German public financial sector.

For the long period under consideration, which spans the Weimar Republic, the Nazi state and finally the Federal Republic, Blessing's biography enables us to connect three interpretative approaches. First, monetary and currency policies can be put in their historical context and visualised using the example of Blessing as an (increasingly important) actor, also in terms of these policies' political dimensions. Second, this illustrative example allows us to examine the history of German functionary elites in the 20th century more closely from an economic perspective. Third, we can study the strategies Blessing used to address his own activities during the Nazi regime and thus contribute towards research in the area of Germany's efforts to come to terms with its past (*Vergangenheitsaufarbeitung*) during the early post-war period.

Karl Blessing: a biography

Born into a Württemberg winemaking family in 1900, Karl Blessing entered the Reichsbank as a civil service trainee at the age of 20. During this time, he also successfully completed a degree in business administration at the Handelshochschule Berlin, and began to make swift advances in his career, ascending to the higher grades of the central bank's civil service hierarchy. During the mid-1920s, he found



Blessing between his mentor Hjalmar Schacht (left) and Emil Puhl in 1934

Photo: Federal Archives

an influential mentor in the Reichsbank's President, Hjalmar Schacht. On a personal level, Blessing came across as somewhat reserved and unassuming, but revealed himself to be ambitious, disciplined and eager to learn. He proved to be an independent thinker and demonstrated an ability to rapidly grasp even complex monetary policy issues. In the Reichsbank's Statistical (from 1933: General Economic and Statistical) Department, which served as its think tank, he became an expert in matters of foreign currency, transfers and reparations. A plethora of expert reports, press analyses and draft speeches prepared by Blessing over the years clearly reveal the extent of the ability he developed to analyse and interpret monetary policies. This ability was due, not least, to his growing institutional and international experience. In 1930, the Reichsbank sent him on a secondment to the Bank for International Settlements in Basel. Upon his return to Berlin in 1934, he followed Schacht in that same year to the Reich Ministry of Economics in the capacity of a general advisor. In 1937, Blessing reached the preliminary high point of his career: at Schacht's behest, he was appointed a member of the Directorate of the Reichsbank at the age of just 37. Less than two years later, he followed in his mentor's footsteps once again, leaving the Reichsbank: he had co-signed a memorandum sent to Adolf Hitler in January 1939 in which the Directorate distanced itself from the methods being used to finance rearmaments.

In the years that followed, Blessing's career path moved between the private sector and the raw

materials and armaments industries. Alongside these activities, he continued to provide his expertise on issues concerning foreign exchange and foreign trade. Up until 1940–41, he initially worked full-time for the German holding company of the Unilever concern (*Margarine-Verkaufs-Union GmbH*), and was subsequently employed until the end of the war on the Supervisory Board and Executive Board of the newly established state oil company *Kontinentale Öl AG*. In both of these roles, Blessing maintained personal connections and working relationships with the new President of the Reichsbank and Reich Minister of Economics, Walther Funk, as well as with the Four Year Plan Authority under Hermann Göring. As

a raw materials manager, Blessing was involved in projects to develop and exploit oil reserves for use in German warfare between 1941 and 1945. In March 1943, he also became Chairman of the Supervisory Board of the corporate group *Berg- und Hüttenwerksgesellschaft Berghütte Teschen AG*, which was established in 1941. As a state-controlled holding company, it manufactured products for the German armaments industry, utilising forced labour, prisoners of war and concentration camp prisoners. During the final stages of the war, Blessing was assigned the task of administrating *Kontinentale Öl AG*'s role

Blessing was appointed a member of the Directorate of the Reichsbank at the age of just 37

in jointly putting into effect the Geilenberg Programme to produce fuel for the Wehrmacht. From 1943, he also participated in various working groups devoted to post-war economic planning.

During that same year, Blessing also crossed paths with the resistance. Within the Kreisau Circle dissident group and the group of dignitaries surrounding Carl Goerdeler, he was earmarked as a new Reichsbank President or Minister of Economics in the event of a successful coup. After being held in detention for two years following the end of the war, Blessing then spent another decade working back at the Unilever concern – initially on the Board of Directors of the Margarine Union from 1948–49 and then, from 1952, as Managing Director of the German division of Unilever. During that same period, he also expressed his views on matters of currency policy and was, from the mid-1950s, an active member of an economic consultancy circle reporting to Konrad Adenauer. In the summer of 1957, Blessing was put forward for the office of President of the Bundesbank: a role he assumed as from the following year and exercised until the end of 1969, just a few years before his death.

Research paints an ambivalent picture

To the extent that Karl Blessing is mentioned in the literature on banking, economic or general history, mainly in connection with the Federal Republic, these sources present a picture that is far from consistent and is, in some cases, even

contradictory. For example, in a study of the Deutsche Bundesbank, British business journalist David Marsh sketches the profile of an ambitious Nazi technocrat with a sharp mind and limitless opportunism. On the other hand, the most extensive paper to date on Blessing's role in the Nazi state, written by Christopher Kopper, presents a more favourable interpretation of the facts. It mentions Blessing's career strategy of showing willingness to adapt; at the same time, he is described as a "proponent of the ethics of responsibility" (*Verantwortungsethiker*) who should be credited for his dealings with the resistance. Even when it comes to assessing the monetary policy role played by the long-serving President of the Bundesbank, the academic research on the economic history of West Germany during the 1960s is inconsistent. While some individual authors writing about the Bundesbank during the Blessing era underscore an inconsistent monetary policy, other commentators and many of the banker's contemporaries recognise Blessing as a proponent of an "orthodox" and restrictive monetary policy stance. Dieter Lindenlaub describes Blessing's term in office as a "success story".

The available sources are extensive and multifarious. Relevant documents can be found in more than a dozen archives. While no private legacy or diary of Blessing's exists, there is a personal memoir that he wrote during his period of detention. In a stroke of luck, the generally decimated archival records of the Reichsbank happen to be well preserved in the case of the department in which Blessing worked between 1925 and 1930. Alongside those records, there are files from various Reich Ministries and Federal Ministries, the records kept by the Ministry for State Security (*Stasi*) on the West German Bundesbank President, documents left behind by his colleagues, and Blessing's official correspondence from after 1958.

Monetary and currency policy in the inter-war years: Blessing's perspective

To date, the positions adopted by the Reichsbank during the contemporary debates of the 1920s and 1930s with regard to monetary and currency policy have not been systematically examined. This means that the image of a central bank that was theory-averse at the management level has gone unchallenged, as is apparent from the memoirs of Hjalmar Schacht, Wilhelm Vocke and Otto Pfleiderer. However, a thematic analysis of Blessing's texts and those of (some of) his colleagues at the Statistical Department paints a different picture, revealing the intensity of the

Blessing as Bundesbank President in 1960



Photo: Federal Government

discussions that took place there concerning the theories of, for example, Ludwig Albert Hahn, John Maynard Keynes or Adolf Weber, especially during the period from 1924 to 1930. In preparing their reports, however, the Reichsbank's experts were not striving to develop theories, but rather to produce application-orientated analyses and recommendations for action.

A further observation can be made in this context: namely that it has become customary in recent research to refer predominantly to the “trauma of hyperinflation” when identifying events with a specific impact on the “collective memory of the German people” (Heike Knortz). The findings from the source materials would suggest that the common perception of inflation trauma should not be automatically applied to the Reichsbank's economic experts. In Blessing's case, the professional and intellectual legacy of the inter-war period is ultimately much more complex. Alongside the interpretation of inflation, it encompasses firmly held positions on, for example, the currency system based on the gold exchange standard, the possibilities afforded by and limits of central bank policies, and the emergent theory of economic cycles. It is obvious, however, that the experiences of the 1920s and early 1930s led Blessing – and potentially also an entire generation of German central bankers – to develop significant professional opinions that came to bear after 1948. The National Socialist policies that Blessing had, at times, helped to shape in the areas of foreign exchange management, protectionism and attempts to establish self-sufficiency (*Autarkie*) he subsequently rejected as “anything but a glorious chapter in monetary history”. In order to understand central banking policy in Germany during the “long” 1960s – that is to say, the period between the late 1950s and early 1970s – one should therefore look back at the first half of the 20th century.

A “man on the rise”: Blessing's role in the Nazi regime

After 1933, Karl Blessing – just like his long-time mentor, Hjalmar Schacht – loyally and efficiently provided the Nazi state with his expert knowledge, and thus played a part in consolidating the Nazi regime. Blessing should be regarded as a fairly typical example of those conservatives under the Weimar Republic whose world views had been shaped by World War I, Germany's defeat and the Treaty of Versailles, referred to in propagandistic terms as the Versailler Diktat on account of its perceived unfairness. Blessing was

sceptical of the Weimar party system, especially the left-wing parties and their financial and monetary policies. Like so many others, he acknowledged the benefits of strong, centralised control, but – even during the period of democracy under the Weimar Republic – he wanted to see that maxim applied to the Reichsbank in the field of monetary and currency policy, and not to state powers of control. Unlike supporters of right-wing nationalism (*völkische Rechte*), who came from the Volunteer Corps (*Freikorps*) and the youth movement, he advocated conservative values and hoped for a German resurgence; nationalistic thinking (*völkisches Denken*) remained alien to him even after 1933.

Three factors of an ideological, social and monetary policy-related nature may shed light on why Blessing provided his services to the Nazi regime. His speeches, articles and memoranda from that period clearly demonstrate that his ideas, like those of many conservatives, intersected ideologically with those of National Socialism. It is surely no coincidence that many of those intersecting ideas corresponded with the political views of his long-standing mentor and manager, Hjalmar Schacht. For example, they both shared the key foreign policy objectives pursued by the presidential cabinets of the Weimar Republic and the National Socialists in relation to Poland, particularly with respect to

Blessing loyally provided the Nazi state with his expert knowledge

“Der Spiegel” called Blessing “The D-Mark President” in a cover story in 1960

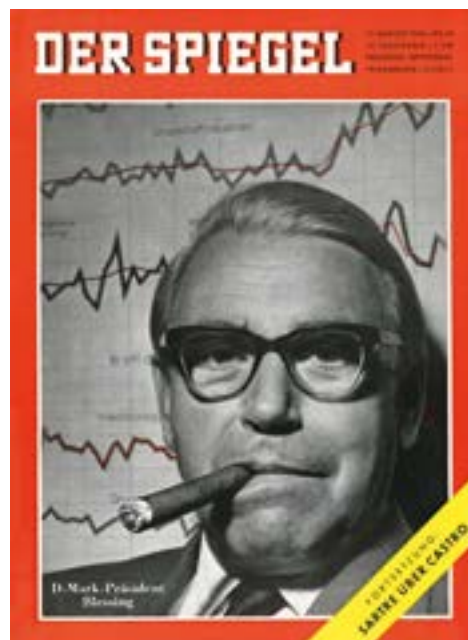


Photo: Der Spiegel

Meeting of the Central Bank Council of the Bundesbank in Frankfurt am Main, March 1967. In the middle, Bundesbank President Karl Blessing

Photo: akg-images/picture-alliance/dpa



Poland, particularly the revision of Germany's eastern border and the recovery of East Upper Silesia and the Danzig Corridor. After 1933, Blessing supported the future development of an "informal empire" in the sense of restoring Germany's status as a major power through foreign trade policy, and also advocated a "new balance of power" as well as the acquisition of colonies.

Although Blessing joined the Nazi Party in 1937, his relationship to National Socialism remained ambivalent. That said, acknowledging this fact is not equivalent to giving him special treatment. As historian Ulrich Herbert summarises, the actions of the majority of the National Socialist functionary elites presumably combined "fanaticism and willingness to act" with "doubts and partial dissent". Similarly to Schacht, Blessing did not harbour any fundamental reservations about discriminating against Jews, but he rejected "wild" actions and desired statutory regulation. The manner in which the Nuremberg Laws "legalised" anti-Jewish measures seems to have corresponded to Blessing's conceptions of such a ruling; after 1937, his involvement in shaping anti-Semitic administrative practices becomes apparent. The findings to date do not allow for any conclusions to be drawn as to whether and to what extent Blessing's actions were influenced by anti-Semitic – particularly race-based anti-Semitic – attitudes, whether he acted mainly out of an understanding of a sense of duty, loyalty

to Schacht and the policies of the Reichsbank or career-mindedness, or whether – most likely – his behaviour is attributable to a combination of all these factors. What can be said for sure, however, is that anti-Semitism was already shaping Blessing's bureaucratic decision-making and administration from as far back as his time on the Directorate of the Reichsbank.

Blessing's partial alignment with the objectives of the Nazi regime also stemmed from another source, and thus also fits into the larger picture that has emerged from historical research into the functionary elites of that era. Like many other people born between 1900 and 1910, he belonged to the group of aspiring social climbers who, during a period of limited social mobility and well before their loyal collaboration with the Nazi state, had sought to gain a higher social status than their forebears through academic education and bureaucratic careers. That was also true of Blessing, who came from a humble background and had suffered from a lack of educational opportunities up until his early adulthood. The Reichsbank and Schacht's mentoring afforded him opportunities for study and professional development, and thus presented a chance to attain professional recognition and social status. In Blessing's case, the allure of that promise of advancement and the opportunity to better himself by his own efforts, regardless of his social background, had a continued effect on him even after 1933.

Blessing was also motivated by professional factors. His activities within the Reichsbank's "think tank" allowed him to hold what he believed to be particularly precise, "objectifiable" views on the economic consequences of the World War and the Treaty of Versailles. In the pivotal year of 1929–30, the expert consultations in Paris on the reparations to be paid by Germany failed to meet the expectations of the German central bank's management, giving rise to a narrative that would continue to make its impact felt after 1933. Blessing was one disseminator of this perspective, drawing a link between reparations, currency controls and clearing and thus legitimising the foreign trade and international financial policy of the Nazi regime as a fitting response to the political wrongdoings of other countries. His speeches and currency policy activities reflect a phenomenon that was also seen in other areas of the transition from the Weimar Republic to the Nazi state, such as emergency legislation and eugenics: established patterns of action and discourse that had already emerged during the Weimar period not only continued but also became more radical after 1933. For example, as one of three general advisors at the Reich Ministry of Economics, Blessing was responsible for conceiving and executing the "New Plan" between 1934 and 1937. This project for managing foreign exchange and raw materials was aimed, on the one hand, at balancing out the Nazi state's shortage of foreign exchange – a situation for which it was itself responsible. The project was also intended to ensure the procurement of sufficient imports to cover food supplies, infrastructure expansion and rearmament by means of mainly bilateral trade relationships and clearing rules. In that respect, Blessing followed Schacht's lead. Although they had both been adherents to liberal free trade practices, they brushed aside regulatory objections to make way for the dirigiste reform of German foreign trade.

In the case of Karl Blessing, an explanation that is often cited in respect of the actions of Nazi functionaries can be excluded as of 1937 and his appointment to the Directorate of the Reichsbank at the latest. The argument that the "bureaucratic division of labour" (Ulrich Herbert) – in other words, an intellectual bias within monetary, currency or armaments policy sub-processes – conspired to prevent him from seeing the bigger picture and considering his own responsibilities is implausible. Even at a relatively young age, he had already held positions that required him to look beyond the scope of individual operations. As a senior member of

the central bank, he undoubtedly had privileged knowledge of, amongst other things, the mechanisms employed to cover up the funding of the German rearmaments programme.

Over the course of 1938, whilst exercising his function as the Reichsbank's representative for Austria, he played a substantial role – in collaboration with the Reich Ministry of Finance – in arranging the "liquidation" of the Oesterreichische Nationalbank and the conversion of the Austrian currency. The available sources provide no evidence to suggest that he argued against or acted to prevent politically undesirable or Jewish employees of the Reichsbank's new main office in Vienna from being dismissed. Not only did he defend the Reichsbank's official policy position on the conversion of Austria's currency in the context of the country's annexation (*Anschluss*), but he also participated, as a member of the Directorate of the Reichsbank, in the implementation of decrees issued by the Nazi leadership that were designed to enable the identification and seizure of Jewish assets (gold, foreign currencies and securities).

Even after Hitler dismissed the Directorate of the Reichsbank in early 1939, Blessing had enough of a personal standing, particularly among the new leadership at the Reich Ministry of Economics and at the Four Year Plan Authority, for him to obtain subsequent employment in the food sector and the oil industry. He presumably entered the *Freundeskreis Reichsführer SS* industrialist group in order to form relationships with influential business leaders for the benefit of Unilever, as well as to ingratiate himself with the SS apparatus by making donations to Himmler. Contrary to Blessing's retrospective assertions, he was not one of those members who attended only sporadically, but was, in fact, seen fairly regularly at lectures and gatherings.

Until 1945, Blessing devotedly pursued his activities on the Executive Board of *Kontinentale Öl AG* without any obvious loss of loyalty towards the Nazi regime. Up until the end of the war, his sense of dutiful service outweighed any potential moral considerations regarding the prolongation of the war that he could clearly see was senseless – "Aryanisation" measures, or the use of forced labour, for example. However, in the eyes of the resistance movement surrounding Carl Friedrich Goerdeler and Helmuth James Graf von Moltke, he had sufficient integrity to be considered for the positions of future president of the central bank or Minister of Economics. Blessing was

Hjalmar Schacht (second from right) in 1945, imprisoned during the Nuremberg trials. With him at the table (from left): Hans Fritzsche, Erich Raeder and Franz von Papen

Photo: picture alliance/akg-images



not involved in laying the operational plans for Hitler's overthrow, or in the preparations for the assassination attempt of 20 July 1944. Significantly, it was probably his good relations with Walther Funk, Reich Minister of Economics, and economics officials within the SS that prevented him from being arrested when his name was discovered on a list of persons involved with the resistance.

Strategies of self-exoneration

After 1945, during his period of detention and the denazification trials, Blessing engaged in typical exonerative discourse. Similarly to the exculpa-

tion strategies employed by Schacht and Speer, he presented himself as an apolitical expert who had his reputation as a proven financier to thank for his job in the raw materials industry, which

was of vital importance for the war effort. Accordingly, he argued in a statement given in 1948 during the Nuremberg trials that he had striven to put into effect "reputable commercial practices". While he initially made repeated references to gaps in his memory or to his resistance activities, he benefited around the end of the 1950s – after a lengthy phase of suppressing his National Socialist past – from a changed "exoneration

model" (Isabell Trommer). In the West German press, which was mainly well disposed towards him and supported his appointment to the office of President of the Bundesbank, references were consistently made to his role as a service provider, a dutiful citizen and a patriot. He was therefore one of the "role models" who, in the early years of the Federal Republic, society continued to accept, allowing him to describe his activities between 1933 and 1945 as apolitical, and, indeed, rewarding him with a new leadership position. Blessing himself never openly discussed the role he had played during the Nazi regime. Even when he came under public fire in the mid-1960s, he maintained the self-created biographical cover story of mandatory involvement and resistance efforts.

Guiding principles of monetary and currency policy after 1945

Blessing's monetary policy stances and the practices that he initiated reveal him to be more of a pragmatist informed by theory than a theoretician per se. He did not leave behind any written monographs or more exhaustive academic papers addressing issues of monetary theory. However, unlike Wilhelm Vocke, for example, Blessing considered it highly important after 1958 to explain the Bundesbank's monetary policy in numerous comments and opinions expressed to the media as well as to representatives of the banking industry, associations and companies, advocating

Blessing himself never openly discussed the role he had played during the Nazi regime



The Reichsbank building in Berlin before World War I

Photo: picture-alliance/akg-images/PAU/PB

discipline and setting out, in a relatively transparent manner, the basic principles of his currency policy credo.

It is apparent that Blessing's thinking on monetary and currency policy was influenced by two guiding principles, the nascent development of which was already evident in the reports he prepared between 1925 and 1930; these principles were then adapted to fit the new financial and economic policy context of the Federal Republic. The changed historical context obviously meant that maxims from the period of the Weimar Republic could not simply be carried forward without question. The relative continuity in Blessing's views was aided by the fact that in Germany, from 1924 to 1931 and from 1958 until the early 1970s, a currency system based on a fixed exchange rate with free convertibility was in place, such that, in spite of the situational differences, a comparable currency policy context existed between the two periods. On the one hand, Blessing advocated a "classical" understanding of money flows and the resulting courses of action a central bank could take. In contrast to the theories of economist Ludwig Albert Hahn and those of early John Maynard Keynes, he developed his own arguments for a "modern confirmation theory" (*Konstatierungstheorie*) – in other words, a discretionary monetary policy that sometimes had to act expansively and sometimes restrictively, depending on the economic situation. On the other hand, he rejected overarching concepts that assigned central banks the power

and task of ensuring long-term economic stabilisation through monetary interventions.

A second guiding principle was rooted in an intellectual grasp of the problems associated with national and international currency systems. Blessing's understanding of the subject was not predominantly the product of theoretical convictions, but rather of a strongly history-based analysis. Back in the 1920s, he had understood the traditional gold standard in terms of how, in the closing decades of the 19th century, it had proven itself in many industrialised countries to be a shining example of a self-regulating system. As this system began to dissolve in the aftermath of World War I, during the transition from the gold standard to the gold exchange standard, and even more so from 1931 onwards, Blessing's opinion was that the tide was about to turn. He would continuously amend his view that currency history was a potential process of decline, in which responsible actions taken by informed and worthy individuals were of vital importance. This is apparent even from his professional reports preceding 1933. During the global economic and banking crisis, he argued in favour of retaining the gold exchange standard and rejected Keynes' proposal for a controlled index-based currency.

Blessing became one of the most publicly visible proponents of a Federal "stability culture"

The damaged Reichsbank building in Berlin (centre) after World War II

Photo: picture-alliance/Judaica-Sammlung Richter



From the time of Blessing's return to a leadership role in German central banking in 1958, both of the above-mentioned principles can once again be identified as quintessential paradigms of German currency policy. On the one hand, for example, the Bundesbank found itself facing a "classic" Federal currency policy dilemma in the 1950s and 1960s by stipulating that, in cases of doubt, currency stabilisation and the balance of payments were to take priority over economic expansion and the pursuit of full employment. Blessing thus became one of the most publicly visible contemporary proponents of a Federal "stability culture". By 1959–60 at the latest, the predicament facing central bank policymakers in currency systems with fixed exchange rates, freely convertible currencies and a high degree of capital mobility had become apparent: using the traditional discount policy tool to increase the policy rate with a view to dampening the domestic economy had the immediate effect of attracting foreign capital, which cancelled out those efforts. Taking the opposite approach and lowering the policy rate had the undesired effect of stoking domestic demand, which in turn generated inflationary impulses. During Blessing's era, the Bundesbank addressed this dilemma in several ways. It worked with monetary policy instruments, which were gradually expanded and were initially aimed at adjusting the discount and Lombard rates or, more specifically, at the regulating effect of the minimum reserve policy, but later, it also drew on open market policy instruments.

Gradually, the view prevailed that inflationary tendencies could not be tempered solely by means of less stringent currency and credit policy instruments. Blessing had long resisted the option of an appreciation in the value of the Deutsche Mark, and even by early 1961, he accepted it only as a measure of last resort. However, in the subsequent period up to 1969, he came to regard it as a necessary step, partly because of the high West German balance of payments surpluses. He had "reached the conclusion, after 12 years, that if we wish to maintain a reasonable degree of domestic stability, we must adjust the exchange rate from time to time [...]". In fact, during debates on currency appreciation, he relied on his discreet involvement in the currency policy measures of the West German cabinets. Furthermore, the Bundesbank President sent strong and frequent warnings to the relevant actors concerning this important instrument. Just as Blessing had, on several occasions, called upon the Federal Government and parliament to exercise spending discipline, he also advised trade unions and management to exercise restraint with respect to wage demands. The Bundesbank's delaying tactics in response to the inflationary spending aims of the Adenauer government, as well as its resistance and scepticism towards the concepts of anti-cyclical budgetary policy and economic management (*Globalsteuerung*) during the era of the grand coalition, became recurrent themes in central bank policy. By the latter half of the 1960s at the latest, those strategies made the President



Blessing at the laying of the foundation stone of the Bundesbank's new Central Office in Frankfurt am Main on 10 November 1967

Photo: akq-images/picture-alliance/dpa

of the central bank appear “behind the times” in the eyes of some observers. During the period of economic slowdown in 1966–67, and against a backdrop of newly emerging fiscal management concepts, he began to come under increasing criticism. When Blessing’s departure loomed on the horizon in the autumn of 1968, it was no coincidence that the journal “Der Spiegel” ran the title “The brakeman’s off” (“*Der Bremser geht*”, 21 October 1968).

Furthermore, in the international context, Blessing continued to trust in the effectiveness of a fixed exchange rate system into the late 1960s. Throughout his entire term in office, he rejected the proliferating current of opinion among West German economists that a system of flexible exchange rates would be favourable. He instead advocated adherence to the gold exchange standard under the Bretton Woods system and incremental reforms, arguing that there would otherwise be drastic consequences, such as the loss of national currency reserves and the disintegration of the global economy. Such consequences, he claimed, could only be forestalled by means of monetary discipline, prudent action by central banks and governments, intensified international

cooperation, and the staunch efforts of central bankers in their role as cautioners and admonishers.

The content and tenacity of the arguments put forward in support of this ensemble of monetary and currency policy positions cannot be attributed in full to Blessing’s professional convictions. They were essentially based on a historical reading of currency developments that he had appropriated during the first half of the 20th century. The scenario of risk and decline of which he warned gave expression to a conservative and culture-critical set of values on which a general consensus existed even into the early years of the Federal Republic. That is to say, Blessing believed it was important – including and above all in the area of financial and monetary systems – to establish and maintain order, uphold discipline and keep the threat of “excessive expectations” in check, as he put it in 1967. There is a certain historical irony in the fact that in a time of changing societal values, the suspension of the Bretton Woods system in 1971 and the international monetary system’s abandonment of fixed exchange rates, the “Blessing era” of Germany’s monetary and exchange rate policy, too, came to an end.

Biographical notes

Ralf Banken is an adjunct professor at Goethe University in Frankfurt am Main. He studied history and social sciences in Münster, wrote his PhD on the industrialisation of the Saar region and completed his “habilitation” (post-doctoral qualification as a university lecturer) on the development of the precious metals sector during the “Third Reich”. Since 1990, he has worked as an economic and social historian in research and teaching at various universities. He has made numerous research contributions on the topic of German and European industrialisation as well as on corporate and economic history from the 18th to the 20th centuries. His current research projects concern Nazi-era gold and foreign exchange policy and the history of the Hermann Tietz/Hertie department store group between 1882 and 1994.

Marcel Boldorf has been a professor of German history and culture at Lumière Lyon 2 University since 2013. In 1996, he received a PhD for his study on social welfare in the SOZ/GDR from the University of Mannheim, where, in 2002, he completed his habilitation by writing a dissertation on a comparative analysis of industrial development in the linen regions of Silesia and Northern Ireland. Important publications focus on social policy, the Industrial Revolution, the economic history of World War I, National Socialism and World War II as well as the centrally planned economy of the SOZ/GDR.

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Olga Christodoulaki is an economic historian. She holds a PhD and an MSc from the Economic History Department of the London School of Economics and a BSc in Economics from the National and Kapodistrian University of Athens. Her doctoral thesis focuses on the origins of central banking in Greece. Between 2019 and 2022, she was a Visiting Fellow at LSE’s Department of Economic History. Her areas of expertise include the evolution of central banking, sovereign debt and exchange rate regimes. She has also published on industrial growth in Greece during the interwar period.

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