

The Berlin Currency Controversy

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At present what is dubbed "The Cold War" has reached a particularly frigid state in the former German capital city of Berlin. Few know just what the immediate cause of the Berlin Blockade really is, and fewer still would understand it if they did, for it lies not in the realm of political ideologies but rather in the realm of economics. It is a dispute over the currency of which occupying power shall circulate in the Western sectors of that city.

This controversy resulted from the effort of the Anglo-American occupation authorities to extend the currency reform, inaugurated in the Western zones, to the Western sectors of Berlin and from the effort of the Russians to resist such a move. This was purely a political calculation since, at the beginning of the currency reform, Berlin was excluded at the behest of those economists who arranged it, knowing that the circulation of such a currency in the heart of the Russian zone would, through natural financial laws, ruin the economy of that zone. This political calculation, itself, was the answer to the reaction of the Eastern zone which had excluded the Western currency. This exclusion was due to the fact that the old currency, now

useless in the West, began to flood the Eastern zone where it was still valid. The only solution possible was to exclude all bills of credit emitted but obsolete in the Western zone, and to issue as quickly as possible a new currency so that currency speculators could not smuggle the excluded currency into that zone and strip it of its goods. The Eastern zone might have accepted the new currency of the Western zones as its own circulating medium except that the Western currency was the product of economists in the Western zones, was based on the economy of the Western zones, and was issued without the collaboration of the authorities of the Eastern zone.

The Russians claim that this new currency, circulating in the midst of their zone, would undermine the general economy of their zone and tried, first, to exclude it from Berlin and, second, to confine it to the Western sectors after it was extended to them. This required a blockade. The fact that the Anglo-American authorities did not issue the currency for use in Berlin at the beginning and that France, since its extension to Berlin, has urged recall would seem to argue that the economic foundations of the Russian policy are sound. After all, since Berlin does its greatest business with the Eastern zone, which surrounds it, it is necessary that the city possess Eastern currency in order to have any sort of sound economic life at all. Even the United States, which has been the prime mover in the extension of the currency reform to Berlin, recognized this fact when it ordered all workers in their zone to be paid only twenty-five per cent of their wages in the New Western Currency. However, there is a severe shortage of Eastern zonal currency in Berlin's Western sectors because the exclusion of the Western currency from the markets of the Eastern zone prohibits the creation of a mutual backlog of exchange. To add to the complications, the lack of an inter-zonal currency agreement prevents any other normal solution. Consequently the blockade continues. Berlin's industry stagnates, and the Cold War grows colder.

