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SEVENTH ARMY INTERROGATION CENTER
APO 758 US ARMY

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REORGANIZATION OF THE GERMAN MONETARY SYSTEM AND NATIONAL ECONOMY

1. SOURCE

FUNK, Walter, Dr, REICHSBANKPRAESIDENT (Minister of Economy).

Rating: C-3 Date of Information: May 45 Interrogator: W.K.

2. BASIS OF REORGANIZATION

In order to reorganize the monetary system it is necessary to go back to the basic cells of the national economy. The main factor involved would be the establishment of a sound banknote. Just as the community is the foundation of the State, the banknote can be considered the foundation of the national economy. This, however, can be attempted only after a provisional state of affairs in the administration of the government is established.

In relation to the fundamental reorganization of communal and provincial administration, the reorganization of finances (without institutions of armament and war production) will have to adhere to the following points:

a) Establishment of Official Legal Tender

The existence of two or more currencies must be avoided in order to eliminate the danger of devaluation of one type of money by the other. "Bad money" in the end also infects "good money". The best solution lies in replacing the REICHSMARK by Occupation currency. The basic condition is, that there should exist sufficient means of payment in American Occupation money. The construction of a new German currency should be reserved for future times.

FUNK estimates the total amount of banknotes now in circulation at 60 to 70 billion Marks. He proposes that an exchange ratio of 10:1 be established, leaving 6 to 7 billion Marks of Occupation currency in circulation, exclusive of the currency needs of the Allied authorities and armies. He suggests that no more than 1000 Marks be issued for personal use.

b) Establishment of Financial Machinery

A national bank should be established and provided with the necessary means of payment for public and private circulation of money. This bank would issue money only to public banks (whose needs are to be ascertained by Allied control agencies), and to industry, though these banks, against genuine drafts and bills of exchange. Money could be made available to German public banks by the issue of bonds, sponsored by the Allies or by communal governments, the value of these bonds being secured through the Allied financial administration on the basis of income from taxes, tributes, etc.

c) Control of Existing Bank Accounts

The problem of existing bank accounts can be solved only in conjunction with the problem of the public debt, which needs special consideration. Unregulated disposition of bank accounts cannot be permitted as long as the public debt problem remains unsolved. Exceptions may be warranted in those cases where there is no currency on hand, and the possibility for procurement, other than withdrawal, does not exist.

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