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18. GERMAN CURRENCIES IN OCCUPIED COUNTRIES

With Allied occupation of European countries in its first stages, the monetary problem is one which must be met. Some years ago, the Germans considered this situation, and perhaps their experience may be of value.

a. The Problem

German occupation of foreign countries has given rise to four different sets of difficulties in the field of finance.

- (1) The collapse of the currency of the invaded country;
- (2) Prevention of over-extension of the circulation of German national money - the Reichsmark;
- (3) The re-establishment of local currency, (a) in Russia, (b) in capitalistic countries;
- (4) Provision for an army currency that could be used by the troops, anywhere that German troops might be. In addition, it was desirable from the German viewpoint, to extract from the occupied territories as much gold and silver that they could seize to support the German domestic currency, and to prevent an inflationary price rise in the occupied countries which would add to German difficulties.

b. Rejected Solutions

At first glance, it might have seemed the simplest solution to sweep away all national currencies, and replace them with one general central European issue controlled by the Reichsbank. This obvious solution, however, was open to objection, as the financial status of the occupied or conquered nations varied greatly -- for example wealthy Holland and poverty stricken Croatia; moreover, the degree of punishment meted out to conquered peoples differed from one another. Poland and Greece are being wiped out; Holland, Luxemburg, Denmark and others will, if possible, be incorporated into the Reich. Therefore no attempt has yet been made to establish a general currency. Finally, to have extended the use of the Reichsmark into conquered countries, another apparently natural step, would have placed German national currency, physically, in the hands of people who were enemies of the Reich.

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c. The Solution Adopted

(1) Reichskreditkassen (Reich Credit Offices)

One of the most interesting German innovations in this war was the development of special itinerant banks of issue to follow the invading German columns and establish themselves in the principal cities in the occupied areas.

These banks, the so-called Reichskreditkassen (Reich Credit Offices), were introduced in the Polish campaign, where they worked in particularly close conjunction with the army. On the basis of the Polish experience, certain administrative modifications of the system were made by the decree of 3 May 1940.

A council of administration for the Reichskreditkassen was established at that time with representation from the Reichsbank, the Finance Ministry, the Economics Ministry, the Oberkommando, and the Commander-in-Chief of the army. The Reichsbank provided the greater part of the personnel of the new Reichskreditkassen and maintained close administrative and technical connections with them. The head offices were maintained in Berlin, affiliated to the Reichsbank.

(2) Special Currency - Reichskreditkassenscheine

The Reichskreditkassen were responsible for the issuance of special notes (Reichskreditkassenscheine) to the armed forces in occupied areas. The notes, which were issued in denominations of 1, 2, 5, 20, and 50 marks, were legal tender only in the country in which they were issued and were not negotiable in other occupied territories or the Reich.

The rate of exchange between the RKK-scheine and the currency of the occupied country was fixed by the occupation authorities immediately after the entry of the army. The local banks were required to accept the notes at the official rate. The use of ordinary German banknotes by the troops was strictly forbidden, except in those areas such as Danzig, the Polish Corridor, Alsace and Lorraine which were officially or unofficially incorporated into the Reich.

The RKK-scheine were designed to place the entire burden of the occupation on the country in which they were issued and to prevent any indirect drain on German stocks or diversion of German production arising from an unrestricted filtering-back of notes into the Reich. In addition, it was anticipated that the influx of the notes into circulation would alleviate the temporary shortage of local currency resulting from panic hoarding and the exodus of refugees from the area. This proved to be the case, particularly in Poland and Belgium, where the central banks followed the established governments into exile and took the note supply with them.

The issuance of RKK-scheine was considered a temporary expedient and resorted to only for the payment of troops and for the purchase of minor supplies locally. The actual distribution of the RKK-scheine among the troops was left to the regular army paymasters, who were issued the currency in advance. The

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technical personnel of the Reich Credit Offices was concerned instead, with extending emergency banking facilities to areas in which the normal monetary and credit facilities had been disrupted by the occupation.

(3) Reich Credit Offices -- Banking Operation

The Reich Credit Offices were authorized to function as credit institutions in occupied areas and carry out a wide variety of transactions. This was deemed necessary to ensure that the German forces would not be hampered by an internal credit crisis in the occupied area. The offices were permitted to invest in commercial bills, drafts, and secured advances of a maximum term of six months; to take non-interest bearing deposits; to hold deposits of securities and other objects of value; to carry on all types of banking operations, other than the acceptances business; and to regulate the general flow of money and credit within the occupied territories.

The scope and length of activity of the Credit Offices subsequent to the early stages of occupation depended upon local developments. In those areas which were incorporated promptly and completely into the Reich, the respective offices of the Reichskreditkassen became branches of the Reichsbank, which proceeded to take over their assets and liabilities.

In those countries which were stripped of normal monetary and banking apparatus by the destruction of records and evacuation of essential banks, the RKK constituted the nuclei for the establishment of new banks of issue. This took place in Poland, Belgium, and Yugoslavia.

In those areas in which the pre-invasion monetary and banking structure was left relatively intact, the emergency functions of the RKK were gradually reabsorbed by the existing statutory central banks.

In all cases, as soon as the occupation was consolidated and the Germans arrived at a satisfactory agreement with the existing central banks or established a new central bank, the issue of RKK-scheine was suspended. Thenceforth occupation troops were paid in local currency made available through the local central bank out of "occupation costs". Disbursements were through the regular military channels. RKK-scheine promptly disappeared from circulation, being taken in exchange against local currency by the central bank for the account of the Treasury of the occupied state.

The RKK-scheine system as utilized in the 1940 campaigns continued without major modification until mid-1942, when a new type of special currency, Wehrmachtbehelfsgeld or "Armed-forces-auxiliary money" was developed.

This auxiliary money was the solution adopted to handle the situation in certain friendly countries in which the issue of local currency sufficient to cover the soldiers' pay would seriously disturb the local finances. The first expedient adopted was to issue special "canteen-money" as part-payment of German troops in Rumania and Bulgaria. This "canteen-money" was valid only in military canteens,



soldiers' hostels, and similar service organizations.

Later the issue of armed-forces-auxiliary money was begun in Bulgaria. It consists of a new type of 1, 5, 10, and 50 pfennig notes issued by the Reichskreditkassen. The notes are issued for internal army purposes, where they are worth 10 times their "face" value. Outside the army organization they are worth only face value, which eliminates the danger of their being put into wide circulation. The auxiliary money differs from the "canteen-money" in that it can be used by the soldier, without loss, for savings or sending home to his family.

Under the present system, the RKK-scheine are kept in reserve for emergency use, mainly to provide a currency in areas in which fighting is actually in progress. In order that their issue can be accomplished without preliminary formalities should the occasion arise, they have remained legal tender in the occupied countries although they have de facto been withdrawn from circulation.