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**Order Number 9000738**

**Between government and people: The German *Reichsbank*, 1914–1918**

**Van Wie, Paul David, Ph.D.**

**City University of New York, 1989**

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A

BETWEEN GOVERNMENT AND PEOPLE:  
THE GERMAN REICHSBANK 1914-1918

by

PAUL D. VAN WIE

A dissertation submitted to the Graduate Faculty in  
History in partial fulfillment of the requirements  
for the degree of Doctor of Philosophy, The City  
University of New York.

1989

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1989

This manuscript has been read and accepted for the Graduate Faculty in History in satisfaction of the dissertation requirement for the degree of Doctor of Philosophy.

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## ABBREVIATIONS USED IN THIS WORK

BA	<u>Bundesarchiv</u> , Koblenz, Federal Republic of Germany.
BHStA	<u>Bayerische Hauptstaatsarchiv</u> , Munich, Federal Republic of Germany.
RGB	<u>Reichsgesetzblatt</u> .

"The savings of the German people, however they may be stated in terms of milliards, are houses and railways and the like. Luckily for the material future of their country, not even the Prussian army can eat rails and embankments, and clothe itself in bricks and mortar."

-J. M. Keynes  
September 1914

## INTRODUCTION

"The war is a great teacher."

-Reichsbank President Havenstein  
May 2, 1918

World War I unleashed tremendous upheaval and change in European society. In the economic sphere, pre-war financial and monetary systems were changed forever. In few nations was this more evident than in Germany, where economic change was far reaching and lasting.

Germany found herself in a difficult financial position during World War I. In addition to the economic blockade, the Entente blocked German access to traditional capital markets such as London and Paris. The Germans were thus largely thrown upon their own resources to finance a tremendously expensive war effort. In addition to meeting their own expenditures, the Germans attempted to support their weaker allies with economic help.

As a consequence of this forced economic autarchy, the masses of the German people assumed unprecedented financial importance. Since large amounts of foreign capital were unavailable to Germany, German citizens

themselves had to place their financial resources at the disposal of the nation if the war effort was to be successful. A major domestic task of World War I Germany was thus securing public support for the financial goals of the state.

The central bank of Germany, the Reichsbank, played a key role in the economic mobilization of German society. As a result, the Reichsbank was transformed from a financial institution oriented toward the needs of the government and business community to an institution directly concerned with the German masses. During World War I, the Reichsbank concerned itself with everything from the contents of people's change purses to the jewelry they wore. Throughout the war, the bank appealed directly to the public in its efforts to promote wartime financial programs. Indeed, the Reichsbank launched a propaganda campaign without precedent in German history.

Along with its constant appeals for public cooperation, the Reichsbank wove an elaborate web of deception during World War I. Constantly striving to build public confidence in the German financial system, the Reichsbank attempted to cover up the weakened condition of Germany's finances and currency. In 1914-1918, this deception, or "Geldillusion" formed a cornerstone of the Reichsbank's campaign to influence the German public. Since public

cooperation was a vital component of German war finance, the Reichsbank's propaganda work assumed great significance. Equally important was the question of the Reichsbank's success. To what extent did the elaborate campaign of propaganda and illusion actually build public support for wartime financial goals?

During World War I, important new functions were thus assumed by the German Reichsbank. As the war proceeded, the Reichsbank went far beyond its usual sphere into the uncharted waters of public opinion, mass persuasion, and political propaganda. The techniques of persuasion and deception developed by the Reichsbank as well as their success or failure reveal a great deal about the nature of German society during World War I.

I: THE POLITICAL AND ECONOMIC SETTING OF THE  
REICHSBANK'S WARTIME ACTIVITIES

"We are richer than we believe...and we will become richer through the war than we had thought possible."

-State Secretary Delbrück

For nearly forty years prior to 1914, the Reichsbank served as the central bank of the German Empire. In this capacity, the bank regulated the money supply, supplied credit to the government and private individuals, and functioned as a note-issuing bank. During the Wilhelmine era, day to day operations of the Reichsbank were coordinated by a President appointed by the Emperor. The President served for life, and in theory was responsible to the Imperial Chancellor. In practice the Reichsbank President had some autonomy because of his life tenure. During World War I, the Reichsbank President was Rudolf Havenstein (1857-1923). Havenstein, a Prussian bureaucrat, was appointed to the post in 1907 and served until his death early in the Weimar period.

Basic policy decisions of the Reichsbank were made by a nine member Board of Directors (Reichsbankdirektorium) who usually met weekly. The Direktorium oversaw the

bank's credit policy, examined the books, and supervised the nationwide network of Reichsbank branches. The Direktorium possessed substantial power; only the Imperial Chancellor could overrule its decisions. The Reichsbank President was a member of the Direktorium, and was bound to carry out its policy. In the early twentieth century, there appeared to be little friction between Reichsbank President and Direktorium. In addition to President Havenstein eight men who were usually bankers or bureaucrats served on the Reichsbankdirektorium. According to an authority on Reichsbank operations, in peacetime the Direktorium<sup>1</sup> had considerable autonomy within the limits set for it. During World War I, however, the financial needs of government and industry grew and as a consequence the Reichsbank leadership worked ever more closely with the Chancellor's office.

Beside the Direktorium, the Reichsbank possessed two other governing bodies, the Kuratorium and the Zentralausschuss. The Kuratorium was a small supervisory group headed by the Imperial Chancellor. The Kuratorium met several times per year to review the performance of the Reichsbank and to discuss basic policy. In theory the Kuratorium was a regulatory body, but it met infrequently and most decisions were made by the Direktorium.<sup>2</sup> The Reichsbank also possessed a Central Committee, or Zentral-

ausschuss. The Zentralausschuss was a deliberative body made up of representatives of important financial institutions with ties to the Reichsbank. The Reichsbank President chaired meetings of the Zentralausschuss, which had little power. The Zentralausschuss of the Wilhelmine Reichsbank seems to have had only advisory powers with respect to policy making.<sup>3</sup>

The Reichsbank itself was a quasi-governmental corporation which displayed both public and private aspects. The Imperial government granted the Reichsbank a charter which had to be renewed periodically. The government could therefore abolish the Reichsbank by refusing to renew its charter. The Imperial government owned a large percentage of the Reichsbank's stock and reserved for itself a portion of the yearly profits. On the other hand, private investors also owned shares of the Reichsbank's stock, receiving a portion of the annual profit in the form of dividends. Publicly and privately owned, the Reichsbank was a hybrid. It carried out public functions by advancing the government credit upon demand, and by printing money on behalf of the government. It was also public in the sense that the Chancellor retained ultimate control. Yet the Reichsbank was also in business to make profits for itself, and advanced credit to private industry and other financial institutions. In 1913,

for example, the Reichsbank registered a profit of over fifty million marks.<sup>4</sup> The Reichsbank's functional status thus mirrored the close link between the German government and big business in the Wilhelmine period.

Prior to World War I, Germany adhered to the gold standard. Under this system the German unit of exchange, the mark, was tied to a specific amount of gold. Paper money issued by the Reichsbank was always redeemable in gold; the bearer of a banknote could receive equivalent gold coin at the bank upon demand. The pre-war years were a period of relative monetary stability in Germany, and the mark was counted as one of the major European currencies.

The outbreak of World War I ended this period of relative monetary and financial stability. Quite suddenly, much of the nation's economic activity had to be redirected toward wartime needs. The monetary cost of World War I was without precedent. In addition to the staggering loss of life and property, belligerent nations poured vast amounts of money into the war effort. In 1914 Charles Conant, a contemporary financial expert, predicted that "the demand for capital for purely war purposes, and for the settlements which will succeed the war, will be so great as to absorb an amount equal to the entire savings

for investment made in all civilized countries for a period of several years."<sup>5</sup> Conant's prophecy was more than fulfilled.

Estimates of German war costs are relatively consistent. Gustav Stolper, the authority in German economic history for the period, cites figures which add up to over 164 billion marks<sup>6</sup> while Klaus Lapp, who studied the financing of both World Wars closely, virtually agrees.<sup>7</sup> In his study, The First World War,<sup>8</sup> Gerd Hardach cites a slightly higher figure. In the first month of the war alone, Germany expended more than two billion marks for military purposes.<sup>9</sup> The sums were incredible by the standards of the day; the German outlay for one month of fighting in 1914 exceeded the entire cost of the Franco-Prussian War. One month's war costs also exceeded the yearly military expenses in peacetime.<sup>10</sup> The two billions per month expended in 1914 rose to roughly three billion in 1916, and by October 1918 nearly five billion marks per month was expended.<sup>11</sup> In comparison, five years earlier total Reich expenditures for a full year had totalled only 3.8 billion marks,<sup>12</sup> though by the end of the war the mark had lost some of its value through inflation.

Like other nations, Germany somehow had to find the means to finance these huge war costs. Unlike the enemy

Entente, however, Germany was financially isolated. Largely cut off from overseas capital, the Reich was forced to find the necessary financial resources for a war of attrition within its own borders.<sup>13</sup> Germany's predicament was compounded by the economic weakness of the German allies such as Austria-Hungary and the Ottoman Empire. Instead of contributing to German financial strength, the needs of the other Central Powers placed a serious drain on Germany's limited capital. In addition, the German economy was unaccustomed to the financial isolation imposed by the war. Stolper points out that Germany had previously taken a larger share of world trade than any other country except Great Britain.<sup>14</sup>

The belligerent nations of World War I were able to choose from several methods of war finance or a combination thereof. First there was the "Kriegsschatz" or war fund option. Under this method, a nation accumulated cash (preferably silver and gold) in peacetime, keeping the money ready in case war should begin. The German government had indeed built a Kriegsschatz before World War I, reserving 120 million marks in a Berlin fortress, the Juliusturm.<sup>15</sup> Such previously accumulated sums represented a tiny portion of expenditures in World War I, and in a close study of war finance the economic historian Axel

Freiherr von Ruedorffer rightly says that the Kriegsschatz<sup>16</sup> has no great meaning in the financing of a modern war.

Another method of war finance consisted of increased taxation. This method can be characterized as a "pay as you go" method, since tax receipts would theoretically be applied to current expenses, eliminating some or all of the need for borrowing. The costs of World War I, however, were so great that no nation was able to finance its expenditures solely through taxation. On the other hand, the German government avoided taxation as much as possible.

A third financial option was borrowing. Governments could and did borrow the funds needed to wage war. War bonds backed by the state and sold at home were an important source of funds. All of the belligerent nations in World War I resorted to borrowing in some form. Germany was a prime example of a nation which attempted to finance the war largely through borrowing.

Each of the three methods of Kriegsschatz, taxation, and borrowing was compatible with a nation adhering to the gold standard. A fourth option, the massive creation of paper money, was not possible under the gold standard unless the gold reserve expanded along with the money supply. In World War I, the German government created huge amounts of paper money even as its gold reserve increased

but slowly. Though claiming to be on the gold standard, Germany had abandoned this policy as early as August 1914. The German war effort was essentially financed by a combination of money creation and borrowing. Especially after 1916, the German government increasingly resorted to the printing press. The Reich created large amounts of money and then hoped to absorb new purchasing power through the sale of war bonds which would also help to cover government expenditure.<sup>17</sup> This policy was bound to conflict with the pre-war notion of "sound money." Between July 1914 and December 1918, for example, the amount of Reichsbank notes in circulation (not counting paper money issued by credit institutions, Treasury Bills, and other paper)<sup>18</sup> multiplied over seven times. Such large-scale printing of paper money during World War I was inherently inflationary. Inflationary pressures, moreover, were compounded by a scarcity of consumer goods. In Germany the money supply expanded at the very same time many products became scarce. As a result, the value of the mark was threatened at home and abroad. The Reichsbank carried out inflationary policies but feared their effects; a seriously depreciated mark would be viewed by the German public and the world as a sign that the German economy and war effort were faltering. Naturally, such a perception was to be avoided at all costs.

The rapid accumulation of vast debts and the multiplication of paper money naturally brought a sense of uneasiness to the German government and people, as well as to the holders of German currency around the world. People worried about how these debts could be carried in the long run, let alone be paid off. Aside from the debts themselves, there was the constant question of how mounting current expenses were to be covered. The Reichsbank was faced with a difficult situation. It somehow had to maintain faith in the mark as a stable, solid currency while participating in policies which had the opposite effect.

The wartime financial policies of the German government were thus incompatible with the pre-war notion of "sound money." To maintain public confidence in the financial system, the Reichsbank attempted to obscure the actual state of Germany's finances and monetary system. Through a "Geldillusion", perpetrated on a vast scale, the Reichsbank attempted to convince the German public that the currency and public finance were sound, if not in robust health. The campaign, which was launched in 1914, was maintained and refined until the very end of the war. It amounted to a calculated pattern of deception designed to cover up critical problems and in some cases financial irresponsibility on the part of the government. The Reichsbank's campaign was designed to reassure and build morale

while soliciting the financial help of the German people. The Reichsbank sought not a logical, but a propagandistic explanation of the monetary situation, which its leaders may have enunciated against their better judgement.<sup>19</sup>

The Reichsbank had a difficult job to do, and was perfectly willing to use illusion as a means to avoid, postpone, or obscure financial problems which would hinder the war effort. Simple solutions were offered to the public; monetarily they made little sense. The Reichsbank publicly advocated no substantial increase in taxation, secure war bond investments, no real inflation, and sound money while providing sufficient billions for the war.<sup>20</sup> manifestly incompatible, the Reichsbank claimed the German people could have them all: a fine example of the logic of the Geldillusion.

The Reichsbank's public activities, as well as its pattern of deception, extended to many areas during World War I. First, the German people were asked to turn in any gold bullion in their possession to the Reichsbank. Citizens held billions in gold, symbol of lasting worth and a valuable resource needed to acquire vital war supplies from neutrals. The Reichsbank appealed to the German people in an ongoing, highly visible, comprehensive gold collection. Members of the public who turned in gold were

given paper money in exchange. Citizens were told that a large government gold reserve would maintain the value of the mark, but since the mark had in practice been divorced from gold this assertion was highly questionable. Officially, Germany claimed to adhere to the gold standard, but this is difficult to reconcile with the fact that the mark was no longer convertible into gold. The fiction was maintained through a device called the Dritteldeckung or one-third coverage. Until 1914 at least one-third of the value of circulating Reichsbank notes had to be "covered" by gold on deposit in the Reichsbank. The Dritteldeckung was kept in force after 1914, but other means of exchange beside gold were able to serve as coverage. From 1914-1918, the Reichsbank claimed that the mark was as good as gold, and that a strong gold reserve would ensure the currency's future. In actuality the gold coverage of circulating banknotes fell from 54.3% on June 30, 1914 to 7% on December 31, 1918, yet the Reichsbank still claimed that paper money was "covered." Responsible economists scoffed<sup>21</sup> at the Reichsbank's position. The Reichsbank's assertions were a facade and an illusion, but as Hardach points out in his war study, they were not without psychological<sup>22</sup> importance.

Secondly, the Reichsbank was charged with raising money for the war effort through the sale of War Loans

(bonds) or Kriegsanleihen. The Kriegsanleihen were a key element in Germany's wartime financial strategy, and the Reichsbank spared no effort to insure their success. The Reichsbank's war loan campaign, a four-year propaganda effort, was the most intensive attempted in Germany until that time. In this war loan effort the Reichsbank's public involvement reached its peak. Virtually every German citizen was confronted, and even pounded with the Reichsbank's message to purchase Kriegsanleihen.

The Reichsbank's war loan campaign, however, was much more than a simple advertising scheme. Like other operations, it was largely based upon illusion and deception. Above all, the Kriegsanleihen were touted as a gilt-edge, secure investment yielding a generous return. In reality as the tremendous war debts mounted and the floating debt soared, these bonds were anything but secure. The Reich had no realistic plan to pay back bondholders, hoping vainly for an indemnity upon conclusion of a victorious war. The Reichsbank told people that their wealth would grow through investment in war loans just as the real<sup>23</sup> worth of the bonds was sinking through inflation. In addition to the security of the war loans, Reichsbank propaganda consistently characterized the loans as Volksanleihen, loans supported by the masses. The German war

loans were anything but Volksanleihen. True, there were small subscribers, but taken in context they did not make up a proportion large enough to constitute a Volksanleihen. The German war loans were neither secure nor truly popular yet the Reichsbank described them most often in these terms.

A third wartime activity of the Reichsbank was the promotion of the so-called "cashless transaction." The German people were frequently told to pay debts or send monies via check or interfund transfers. There were several reasons behind the Reichsbank's campaign to "pay without cash." First, cashless transactions would reduce the need for additional banknotes which were often in short supply. Most importantly, however, the German mark would look stronger on the Reichsbank's balance sheets if less paper money was in circulation. In other words, the fewer the outstanding banknotes the better the currency seemed to be covered by the largely fictional Dritteldeckung. The Reichsbank tried to hide an important reality behind this illusion, however: the negotiable checks used in cashless transactions were still part of the ever-growing money supply. The Reichsbank hoped to hide as much as possible the inflationary growth in the German money supply.<sup>24</sup> In its cashless transaction campaign, the Reichsbank thus enlisted the German people in an attempt

to hide the actual state of the currency from themselves and the world at large.

The rapid rise in the amount of paper money in circulation was also explained away. The Reichsbank claimed that deficit spending had little to do with the deluge of paper money.<sup>25</sup> More paper money was entering the economy, the Reichsbank maintained, not because of government spending but because of conditions in the marketplace.<sup>26</sup> The Reichsbank did everything but admit to the unsound nature of Germany's war finance and as a consequence disseminated economically unsound explanations to the public.

In World War I, the Reichsbank also asked the cooperation of the German people in the wartime restructuring of the nation's circulating currency. During the war, gold, silver, and even copper coins disappeared from circulation. Though they were replaced by base metal "war-time coins" and paper money, a shortage of small denomination coins and paper money existed throughout the war. The Reichsbank carried on an extensive effort to reduce public hoarding. The shortage remained, and municipalities and even private firms issued their own money. This war-time emergency money or Notgeld was a sign that the Reichsbank had lost control of German monetary circulation.

Though the Reichsbank attempted to create the illusion that it was in control, the chaotic nature of Germany's wartime monetary circulation was impossible to hide.

The Darlehenskassen, or Loan Banks, were an important complement to the Reichsbank's wartime economic activities. The Darlehenskassen were established in August 1914 to create credit for private industry. They were closely connected to the Reichsbank, and in certain respects they were an extension of the bank's mortgage department.<sup>27</sup> The close connection is evident in the person of Reichsbank President Havenstein, who also served as head of the Darlehenskassen. The Darlehenskassen had the power to issue banknotes against collateral, and soon after the war began these notes started to circulate as money. Darlehenskassen banknotes were made a permissible component of the Dritteldeckung, rendering that concept a farce. A contemporary economic theorist, Friedrich Bendixen, pointed out this deception, commenting that it was "fiction, that paper equals gold."<sup>28</sup> As the war progressed, the Darlehenskassen became more and more a convenient method of deception. The official reports of the Darlehenskassen and the Reichsbank never considered the Darlehenskassen notes to be money in the strict sense, so they didn't have to be "covered" by the Dritteldeckung (yet deceptively they were used in the Dritteldeckung as coverage

for Reichsbank notes!). Thus Darlehenskassen notes could be and were issued in vast quantities. Since the Darlehenskassen notes circulated widely, the need for Reichsbank notes was reduced, limiting their amount and creating a more favorable situation vis a vis the Dritteldeckung (which was fictional in any case). Vast amounts of paper circulated, yet the Reichsbank attempted to create an illusion of monetary solidity built upon that very circulating paper. The Reichsbank constantly reminded Germany and the world that the mark was secure, but it could not have but believed otherwise.

The financial isolation of Germany during World War I explains the Reichsbank's wartime orientation toward the German public. The peculiar nature of the Wilhelmine political system, however, helps to explain the consistent nature of the Reichsbank as a perpetrator of deception. The Second Reich was in many ways an uneasy bundle of disparate groups: workers and capitalists; particularists and centralizers, for example. A radical reformation of the taxation system would have placed war finance on a more solid basis, but it also would have spelled an end to the delicately balanced Wilhelmine compromises. Social conflict, greatly feared by ruling circles before 1914 was doubly feared during the war as it would have shat-

tered that other cherished illusion, the Burgfrieden. Thus the Reichsbank's policy of illusion was also an important, if not essential method of prolonging a shaky domestic status quo.

In the years prior to World War I, many German economists and theorists debated as to how a future war should be financed. Like that of the political and military leadership, their thinking was decisively shaped by the Franco-Prussian War of 1870-1871. When World War I began in 1914, the financial plans actually put into effect were greatly influenced by the German military and financial experience of 1870-1871.

The Franco-Prussian War was, at least for Germany, a victorious war. The German leadership assumed that the next war would be similarly successful, and no provisions were made for a war ending in defeat. The funds needed to prosecute the 1870-1871 war had been raised largely by borrowing. The Treaty of Frankfurt which ended the war in May 1871 awarded Germany an indemnity of five billion francs, more than twice the cost of the war to Germany.<sup>31</sup> Germany was therefore able to pay back borrowed funds from the proceeds, with defeated France actually bearing the cost of the war. German thinking in World War I reverted to this precedent, and "the financing of the war was based

expressly on the expectation that, when peace came, the enemy would have to foot the bill."<sup>32</sup> During the war, Finance Minister Helfferich justified this expectation by accusing the Allies of starting the war; the Allies would therefore have to bear "the leaden weight of billions."<sup>33</sup>

The optimistic expectations for World War I based upon the Franco-Prussian experience turned out to be a handicap for Germany. In the realm of expenses, World War I bore little comparison to the earlier war, yet Germany still hoped to finance the war largely through borrowing paid back by a victory indemnity. The Franco-Prussian War cost Germany about 1.551 billion marks while the war of 1914-1918 cost well over one hundred times this amount.<sup>34</sup> Conditioned by the experience of the nineteenth century, the leadership did not expect the expenses of twentieth century war.

Another important factor which directly influenced the German financing of World War I was the Reich's federal structure. In 1871 four kingdoms, six grand duchies, five duchies, seven principalities, and three free cities were unified under Prussian leadership. The Bismarckian constitution, however, left important powers to these states. One such power, jealously guarded by the states,

was that of direct taxation. Under the federal constitution, the Reich government was unable to institute a national income tax in the manner of other European nations. The Wilhelmine fiscal system has been rightly characterized as one of extreme decentralization, for even Reich revenues were collected by civil servants of the various states.<sup>35</sup>

Though the Reich government carried out important functions such as national defense, it was deprived of large revenues obtainable through direct taxation. The Reich government received its income from customs duties, excise taxes, and matricular contributions from the various states. The central government was unable to tap taxable wealth fully, which hindered the development of a national financial system.<sup>36</sup> Before 1914 and even during the war, the prospect for changing this financial arrangement was slim. A recent study emphasizes that Prussian conservatives and Catholic particularist elements opposed and blocked any change.<sup>37</sup> In addition the state governments themselves resisted any encroachments upon their privileges. On the eve of World War I, plans to increase federal military spending prompted some minor changes in taxation policy. In 1913 a special tax called the Wehrbeitrag (defense contribution) was authorized. The Wehrbeitrag empowered the Reich government to directly tax German

citizens for the first time. Though a step forward, the Wehrbeitrag was an extraordinary and one-time tax limited by law to a specific purpose.<sup>38</sup> In August 1914 the principle of direct federal taxation was still not established in Germany, and so from the start the German fiscal system was ill-equipped to cope with war finance.<sup>39</sup> The war, moreover, did not solve the constitutional question of taxation; in fact the Burgfrieden was dependent upon its postponement.<sup>40</sup> The German federal system therefore promoted the borrowing characteristic of Germany's World War I financing.

In addition to constitutional arrangements, German economic thought influenced the German government to choose borrowing as a principal means of war finance. Since the mid-nineteenth century, prominent German economists such as Karl Dietzel and Adolph Wagner had argued for state loans over taxation.<sup>41</sup> "Dietzel...taught that the state is part of the capital of a country, and that the outlays for the extension and strengthening of the state may be safely financed by borrowing."<sup>42</sup> Most pre-war 1914 German theorists followed Dietzel and advocated the financing of war solely or almost solely through loans.<sup>43</sup> They argued that war taxes would be almost unbearable,<sup>44</sup> and could only be implemented with great difficulty.

In addition, it was argued that war taxes would not yield the sums necessary for war anyway. In contrast, the war loans involved voluntary subscription which would harm no one.<sup>45</sup>

The financing of the war through borrowing also happened to coincide with the financial interests of the ruling classes. Conservatives and the military elite, a recent study suggests, preferred borrowing in any case because direct taxation would undermine the fiscal power of the German states upon which their political hegemony rested.<sup>46</sup> Industrial and commercial circles were against taxation of wealth because investment capital would be lost.<sup>47</sup> Since taxes could not be avoided altogether, however, it was in the interest of the ruling classes to institute indirect war taxes, which would place much of the burden upon the broad mass of consumers, those least able to carry the burden.<sup>48</sup> The advocates of borrowing and indirect taxation could easily justify their position since the vanquished enemy was expected to pay much of the war's cost.<sup>49</sup>

In the years before World War I the German military formulated plans for a short war which at most was expected to last a few months.<sup>50</sup> In a very short war taxation would play a small role in any case since there

would be little time to implement and collect taxes for the war effort. On July 31, 1914 the financial, military, and political leaders of Germany were convinced that all<sup>51</sup> preparations for a short and decisive war were completed. The short-war expectation had so pervaded German thinking that no financial plans for a long war of attrition had even been formulated.<sup>52</sup> According to Stolper, Germany was "utterly unprepared economically."<sup>53</sup> It was clear that the Reichsbank, assisted by the Darlehenskassen, would satisfy Germany's credit needs, that a war loan would be floated, and that little new taxation would be instituted.<sup>54</sup> Beyond that little was certain. As it became evident that there was no end to the war in sight, plans were worked out bit by bit.<sup>55</sup> Helfferich himself admitted the lack of a master plan.<sup>56</sup> More significantly, however, the methods used to finance the war were not changed as the war progressed. In 1918, most of the German war effort was still financed in line with the short-war ideas of 1914.<sup>57</sup> Many factors therefore induced the German government to avoid taxation in the financing of World War I. As a consequence war costs were met through war loans and the printing of paper money. This was, in view of the German political situation, the path of least resistance in the short run as it would not disturb the Burgfrieden.

In the long run, however, this policy caused serious difficulties. It wedded Germany to the need for a war indemnity and therefore all but prevented Germany from accepting a compromise peace. In addition, the government's decision to finance the war in this manner led the Reichsbank to formulate a campaign of monetary illusion.

In order to place German war finance in a better perspective, it is useful to compare the financial position and policies of the Reich with that of two main enemies, Great Britain and France. Economically, Great Britain was the strongest European member of the Allies while Germany was the strongest member of the Central Powers. In 1914 France was financially weaker than Great Britain but was in some ways in a better position than Germany. The differences between British, German, and French war finance present an interesting study in contrasts.

According to Gerd Hardach, German public expenditure for 1914-1918 totalled 159 billion marks.<sup>58</sup> Of this amount, 83% represented war expenditures, 15% debt servicing,<sup>59</sup> and only 2% civil expenditure. In France during the same period public expenditure totalled 170.5 billion francs of which 79% was war expenditure, 11% debt

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servicing, and 10% civil expenditure. Great Britain expended 10.6 billion pounds sterling during the war with 62% representing war expenditure, 7% debt servicing, 16% civil expenditure, and 16% war credits.<sup>61</sup> Clearly, German war expenditure consumed a larger percentage of the national budget than that of the other two powers, especially compared with Great Britain. In addition, Germany's wartime borrowing policy caused her debt service to be more than double that of Britain's in terms of percentage of the national budget. While instructive, the German statistics are not strictly comparative with those of Britain and France. As a result of Germany's decentralized fiscal arrangements, a larger amount of public spending took place on the state or local level compared with Britain or France. Germany's civil spending was therefore somewhat higher than the statistics would suggest.

In 1914, Great Britain was the most important financial power in the world. Britain was the greatest international creditor, and the pound sterling served as the world's primary trading currency.<sup>62</sup> The City of London<sup>63</sup> was the nerve center of the international economy. Kathleen Burk, in her study Britain, America, and the Sinews of War 1914-1918, discerns at least three impor-

tant factors which supported British financial strength. First, the British economy itself was strong.<sup>64</sup> Secondly, the British banking system was extensive and sophisticated. The Bank of England was powerful, while a network of urban and rural banks was able to effectively tap surplus funds on a nationwide basis.<sup>65</sup> Third, the City of London possessed both the great wealth and experience necessary to finance trade worldwide.<sup>66</sup> Britain's financial strength was further guaranteed by the strongest navy in the world, which protected her interests across the globe.

The British Empire was a valuable auxiliary to the economic power of Britain proper. The territories of the British Empire contained vast natural resources and produced an array of raw materials. Britain's colonies and dominions were fertile fields for investment, and they boosted the mother country's economic strength. As the center of a worldwide empire, Britain also earned "invisible income" from shipping, insurance, and interest.<sup>67</sup> In World War I Britain's overseas possessions played no small economic role.

In 1914, France was the second largest creditor nation and the second most important colonial power in the world. Behind this seemingly strong position, however, there were weaknesses. A large proportion of French for-

eign lending was directed toward Central and East European governments, and this capital was of little use during World War I.<sup>68</sup> Though France was a net creditor nation, the French government had accumulated considerable debts over the years. The national debt, moreover, was "perpetual": the French government consistently paid only the interest portion of the debt, and each new borrowing produced a larger permanent debt.<sup>69</sup> In addition to the accumulated debt, the French government registered a budget deficit for fiscal 1914.<sup>70</sup>

On the eve of World War I, Germany was also an important economic power. In the decades before the war, Germany had experienced rapid economic growth. Germany's foreign trade exceeded that of most other nations.<sup>71</sup> The volume of German exports had quadrupled between 1880 and 1913,<sup>72</sup> as did the production of coal.<sup>73</sup> German steel production had grown more than tenfold between 1880 and 1913, far outpacing that of Great Britain.<sup>74</sup> Other industries experienced similar growth in this period, confirming Germany's rapid rise to economic power. The population likewise grew from 41 million in 1871 to around 67 million in 1914.

Germany was a rising economic power, but she was unable to seriously challenge British financial supremacy.

Germany did not possess nearly the amount of capital or the overseas investments of the British. Berlin and Frankfurt were not centers of world finance comparable to London or even Paris. Hardach asserts that "Germany had neither the worldwide comprehensive trading connections nor the strong creditor position that would have enabled her to lay serious claim to the status of a world economic power."<sup>75</sup> Though the German army was the strongest in Europe, Germany's navy was inferior to the British, as was the German merchant marine. The German colonies in Africa and the Pacific were much less extensive than the British Empire or the French colonies and economically they were of relatively little importance.

The British maintained a wide lead over Germany in the field of foreign investment. It has been estimated that British foreign investments totalled 18 billion dollars in 1914, while German foreign investments totalled \$5.8 billion, less than a third of the British sum.<sup>76</sup> France remained well ahead of Germany in this field with foreign investments of about \$9 billion.<sup>77</sup> In World War I, much of the German capital invested overseas was useless to the war effort since the Allied blockade complicated its repatriation. On the other hand, the British and French could and did draw upon their vast foreign invest-

ments to help finance the war. When World War I began in 1914, the Allied economic advantage was compounded by a successful economic blockade. Germany was largely unable to draw upon the global material and capital resources available to Great Britain and France. The German financing of World War I must always be seen in light of this forced isolation. The availability of gold to the warring powers is an excellent case in point. Germany produced little gold at home, and when the Reichsbank attempted to increase its gold reserve during World War I, the only source was the gold held by the German people themselves. The Russian Central Bank and the Bank of England, however, were able to obtain gold directly from current production within their respective empires.<sup>78</sup> British dominions such as Canada, Australia, and South Africa were important gold producers, and the Bank of England received exclusive purchasing rights to South African and Australian gold production.<sup>79</sup> The gold output of the British Empire totaled 281.1 million pounds sterling in 1914-1918, an increase from the annual pre-war production totals.<sup>80</sup> This gold production helped Britain to purchase vital war supplies abroad and to support the value of its currency while more than doubling its gold reserves.<sup>81</sup> During the war, Britain cleverly used overseas territories such as

Canada to mint gold coins, eliminating the risk of ship-<sup>82</sup>ment and reshipment across U-Boat infested waters. By October 1916 the British Treasury had even managed to build up an additional "secret" gold reserve of 100 million pounds sterling.<sup>83</sup> In World War I, Germany enjoyed none of these financial advantages, once again underlining the importance of the German people in the Reichsbank's war effort.

The financial role of the United States in World War I similarly highlights Germany's isolation. In 1914, the United States was a growing industrial power. Though still a net debtor in 1913, America's economic potential was vast indeed.<sup>84</sup> In World War I, America served as an "economic powerhouse" who furnished capital and war materials to the Allies.<sup>85</sup> On the other hand, even before the United States entered the war, German trade with the United States was largely cut off.

The public and private monetary resources of the United States played a key role in the British financing of World War I.<sup>86</sup> While Germany was forced to borrow from its own citizens, the British were able to tap the growing supplies of American capital. Britain had looked to America for capital and supplies from the very first months of the war.<sup>87</sup> In the August 1914-April 1917 period,

the "British government increasingly looked to the private money market in New York to obtain the necessary funds."<sup>88</sup>

At one point, the British Treasury stated that "of the five million pounds sterling which the Treasury has to find daily for the war, about two million pounds has to be found in North America."<sup>89</sup>

France also depended upon America for economic help. As early as September 1914 France sought war materiel in the United States.<sup>90</sup> Before the United States entered the war, American investors lent billions of dollars to France.<sup>91</sup> French war bonds "found a ready market in the United States and Britain."<sup>92</sup> Beginning in April 1917 the United States government provided France with \$1.285 billion in credit.<sup>93</sup> France also depended on Britain for help; by March 1919 the British had provided the French government with 434 million pounds sterling in credit.<sup>94</sup>

In the war of attrition, American financial power was more and more a key to victory. In the period August 1914-April 1917, the United States had grown richer selling supplies to Europe. The American economy was robust, while Europe was approaching exhaustion. By April 1917 Great Britain had practically come to the end of her resources, and without additional American financial aid would have been forced to curtail the war effort.<sup>95</sup> From

the British standpoint, the United States entered the war just in time. America immediately supplanted Britain as the Allies' banker, supplying direct financial aid to Allied governments.<sup>96</sup> In the nineteen months between April 1917 and the Armistice, the United States government loaned Britain \$3.696 billion,<sup>97</sup> with additional billions reaching Britain through private loans and credits.

In this respect as in others German war finance was denied the overseas opportunities available to Britain and France. When the war began, Germany still hoped to raise capital abroad.<sup>98</sup> Stolper cites a report of August 8, 1914 which detailed efforts to raise funds in the United States. The Reich printed \$175 million in Treasury Certificates which were actually sent to the United States for sale.<sup>99</sup> American banks did not underwrite the loan and "thus ended the first and most important attempt to raise war loans abroad."<sup>100</sup> Later efforts likewise met with failure. Another writer did report that in 1915 a \$10 million German loan was floated in the United States "by a second-rate bank."<sup>101</sup> The funds did not help Germany greatly since large amounts had to be bought back to prevent a decline in the value of the bonds.<sup>102</sup> Meanwhile, the British and French were floating loans in America totalling

hundreds of millions of dollars. By April 6, 1917 the American people had loaned a total of \$2.3 billion to belligerent nations. Of this, only \$27 million or 1.17%<sup>103</sup> of the total was loaned to Germany. Obviously, Germany was forced to find the needed sums at home.

Financially, Great Britain was the strongest member of the Allies, at least until the United States joined in the war effort. Germany occupied a similar position among the Central Powers. Both Britain and Germany provided their allies with large doses of financial aid throughout the war. Early in the war, the British Chancellor of the Exchequer estimated that Britain's advances to her allies totalled \$5 million per day.<sup>104</sup> Beginning in 1915, Britain guaranteed Russian and Italian purchases in the United States, and after May 1916 French as well.<sup>105</sup> In 1919, it was estimated that Britain had loaned her allies \$8.19 billion as of November 12, 1918.<sup>106</sup> Hardach cites similar figures.<sup>107</sup> Robert Knauss, who produced a comparative study of World War I finances concurs, and estimates that the largest share went to Russia, followed by France.<sup>108</sup>

Several factors, however, distinguish the British and German financial positions with regard to allies. Britain was more capital-rich, and was in a better position

to provide monetary aid than Germany. Again, Britain had almost unlimited access to American capital, which she could redistribute to her allies. In contrast, when Germany provided financial aid, it had to come from the limited resources available within Germany. The needs of the German allies were therefore a greater drain than those of the British, if only because the capital available to Germany was so limited. Politically and militarily isolated Germany needed its three allies: Austria-Hungary, the Ottoman Empire, and Bulgaria. Unfortunately for Germany the three allies were relatively weak financially, and demanded various forms of economic aid. The German allies therefore served to complicate the Reich's wartime financial problems.

Austria-Hungary was Germany's strongest ally, but she was "poorly prepared for a long-term contest with an alliance of important industrial countries."<sup>109</sup> In the period 1907-1914 Austria experienced persistent trade deficits.<sup>110</sup> A contemporary writer asserted that "the finances of the Dual Empire were probably in worse condition at the outbreak of the war than any other of the belligerents with the possible exception of Turkey."<sup>111</sup> The country had experienced budget deficits in the decade before the war and its credit was impaired.<sup>112</sup> During the

war, Austria-Hungary had no choice but to ask Germany for financial help. "The prolongation of hostilities and the dwindling of the central bank's gold and foreign exchange reserves placed the [Habsburg] Empire in a growing state of dependence on loan operations in Germany.."<sup>113</sup>

As the war progressed, Austria's economy, currency, and war effort steadily weakened. Germany responded with increasing amounts of aid. In spite of the help, Austria's war effort, which was important to Germany, faltered. "If total military outlay for 1914-1915 in millions of peacetime crowns is put at 100, then the figure for 1917-1918 was no more than 39. This demonstrates the catastrophic shrinkage of the Empire's staying power."<sup>114</sup> Each month, the Austrian debt to Berlin grew.<sup>115</sup> While some Austrian leaders bemoaned their financial dependence upon Berlin, others complained that Berlin was not generous enough with financial aid.<sup>116</sup> As early as November 1914, Austria-Hungary had floated a 300 million mark loan in Germany.<sup>117</sup> The German government provided Vienna with 100 million marks in currency credits per month, a sum which was increased in 1917.<sup>118</sup> As of June 30, 1916 Austria-Hungary owed upwards of \$256 million to German banking syndicates, and a year later this sum rose to over \$472 million.<sup>119</sup> At the end of the war, Austria-Hungary owed Germany a

total of 3.5 billion marks.

The Ottoman Empire, another German ally, likewise proved to be a drain on German financial resources. Like Austria, Turkey experienced chronic budget deficits before the war: in fiscal 1912-1913 the deficit totalled \$1.2 billion.<sup>121</sup> When Turkey entered World War I in 1914 its treasury was "virtually empty."<sup>122</sup> "The German government realized it would have to provide some financial assistance if the Turks were to launch a really serious war effort. What the leaders of the Reich did not at all foresee was just how costly and troublesome it would become to keep the Turks financially afloat. Throughout the war anguished cries were heard in Berlin that a disproportionate share of Germany's resources were being drained off by the seemingly insatiable junior ally."<sup>123</sup> The German government could not ignore Turkish requests for aid, as it feared losing the Dardanelles.<sup>124</sup>

German aid to the Ottoman Empire was complicated by the Turkish dislike of paper money. The Ottoman government wished to borrow gold rather than paper money, which placed a serious strain on Germany's gold reserves.<sup>125</sup> The Ottoman Empire refused to issue paper money uncovered by gold, and Germany was called upon to provide coverage for the wartime issues of paper money.<sup>126</sup> This obligation

alone cost Germany nearly four billion marks.<sup>127</sup> In 1919 Ernest Bogart, who had closely studied wartime debts and finance, wrote that the Turkish war expenses were "borne chiefly by the German government."<sup>128</sup> As of February 1918 the Ottoman Empire owed Germany \$900 million, and in addition Germany served as the guarantor of Turkish bonds.<sup>129</sup> Germany also provided import credits and war materiel to Turkey, as well as money for the construction of railroads.<sup>130</sup> The German government could ill afford to dispense this aid, but fearing a Turkish collapse it paid nonetheless. The case of German aid to Bulgaria was similar to that of Turkey, and by the end of the war Bulgaria owed Germany \$660 million.<sup>131</sup>

The British effort in World War I was funded through taxation and borrowing. At the beginning of the war, Lloyd George announced that the government would meet a portion of the expenses through taxation.<sup>132</sup> Britain's taxation policy was stricter than most belligerents, and new taxes were added each war year.<sup>133</sup> Robert Knauss remarks that the British were able to build upon a "socially healthy peacetime tax system."<sup>134</sup> The "adaptable and flexible" British income tax, already in place, was increased during the war.<sup>135</sup> Indirect taxes on items such as beer, coffee, tobacco, sugar, matches, and entertainment were imposed

or raised.<sup>136</sup> In addition, an excess profits tax was  
introduced.<sup>137</sup> As a result of this taxation, Britain was  
able to cover 28% of total government expenditure,<sup>138</sup> and  
19.7% of pure war costs.<sup>139</sup>

Eighty per cent of Britain's war cost was financed through borrowing. Like Germany, Britain floated domestic war loans. British domestic war loans, however, were floated less regularly and did not occupy the center stage of war finance as in Germany. Instead of Germany's limited, feverish subscription periods accompanied by a crescendo of propaganda, the British instituted continuous war loan subscription.<sup>140</sup> Known as "Drummond Fraser Day-to-Day Borrowing", the British system supposedly resulted in less disruption of the financial markets.<sup>141</sup> For the British, domestic war loans were not "do or die." The British could borrow additional funds overseas. The British were therefore able to finance their war debts on a somewhat solid basis.

Germany financed a much smaller portion of its war costs through taxation. According to Knauss, the Reich covered only about 6% of its total war expenses through taxation.<sup>142</sup> True, the Reich lacked a smoothly functioning system of direct taxation, but the government was in no hurry to change this state of affairs. In the first

war year, no new taxes were instituted.<sup>143</sup> The yields of existing indirect taxes such as customs receipts and excise taxes fell in the face of the Allied blockade,<sup>144</sup> yet Germany resorted to tax increases "reluctantly and ineffectually."<sup>145</sup> German leaders asserted that they would not finance the war by taxation, even as other methods proved inadequate.<sup>146</sup>

Since taxation covered only 6% of German war costs, the Reich hoped to cover the remaining 94% through borrowing. Large-scale foreign loans were impossible, so the Reich floated domestic war loans every six months for the duration of the conflict. After 1916, the war loans failed to cover all of the war costs, and a growing unfunded debt came into existence. This "floating debt" was covered by the issue of paper money. Since the government refused to raise taxes and could not borrow adequate amounts, there was no choice. Germany covered a total of 60% of her war expenses through funded borrowing, leaving 34% as a floating debt.<sup>147</sup> In terms of floating debt, one can therefore contrast an unsound German war finance with Britain's relatively sound methods.

French and German war finance also present an interesting contrast. In certain respects, French and German finance methods were similar. Both nations attempted

to avoid taxation as a means of financing significant portions of the war. Germany covered 6% of her war expenses through taxation while France covered none of her war costs in this manner.<sup>148</sup> The federal structure of the Reich hampered direct taxation in Germany but in France other forces were at work. According to Tom Kemp, an authority in French economic history, there was "a dependence on indirect and traditional taxes" and a strong resistance to the income tax.<sup>149</sup> When World War I began the French government, unlike the British, decided not to levy new taxes. The French government did not wish to "antagonize the public" nor did it wish to "disturb peacetime ways of doing things."<sup>150</sup> As a result 100% of the war was financed through borrowing or through the creation of paper money.<sup>151</sup> In this respect, France's financial responsibility was even worse than Germany.

Another similarity between French and German finance was the existence of a large unfunded or "floating" debt covered by the creation of paper currency. According to Knauss, Germany covered 34% of her war costs through the creation of unfunded debts, but in France the percentage was even higher, 36%.<sup>152</sup> This policy had inflationary effects on the currencies of both countries both during and after the war.

While both Germany and France borrowed to fund almost all of their respective war expenditures, there was a major difference in the sources of governmental borrowing. In Germany, 60% of the war cost was financed through the sale of war bonds or similar domestic borrowing; in France the proportion was substantially less, 43%.<sup>153</sup> In addition to the domestic borrowing, France enjoyed free access to international money markets largely unavailable to Germany. As a result, the French were able to finance almost a quarter of their war costs through foreign borrowing. France possessed a wider range of financial options than did Germany; the French were much less dependent upon domestic war loans. In comparison with France, Germany's financial horizons were limited indeed.

A comparison of British, French, and German war financereveals Germany's need for a policy of monetary illusion. Germany possessed limited financial resources in a war requiring almost limitless resources. Germany could not simultaneously forego heavy taxation, subsidize her allies, pay for her own war costs, and preserve the value of her currency. Yet this is precisely what she attempted to do. These disparate goals could only be harmonized by concocting a system of monetary fiction.

Against this backdrop of political and financial pressure, the Reichsbank began to disseminate this fiction, and so initiated a new relationship with the German people.

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## CHAPTER II: THE GOLD QUESTION

"Gold gab ich zur Wehr,  
Eisen nahm ich zur Ehr"

-Reichsbank Slogan, 1916

During World War I, Germany's gold reserves assumed great strategic and propaganda importance. Gold was needed to buy vital war supplies from neutral nations, and paper marks were no substitute for bullion in sensitive international dealings. Foreign and domestic confidence in the German mark, moreover, rested partly upon the perception of a healthy gold reserve. Germany also wished to display a burgeoning gold reserve to foreign enemies (as well as to her own people) as proof that all was well with the economy and war effort. From the beginning of the war, therefore, gold held unusual significance and the Reichsbank attempted to increase its gold reserves as much as possible.

The national gold reserves played a key role in the policy of illusion followed by the Reichsbank during World War I. The Reichsbank consistently boasted that Germany's gold reserves had increased tremendously, and that the mark was solid because of these reserves. Neither

assertion was actually true. Much of the gold increase was a result of statistical manipulation, while the mark itself was in fact divorced from gold. The Reichsbank nevertheless advanced these illusions in order to bolster confidence in a weakened currency. The real monetary value of the gold bullion held in reserve was its potential as a means to buy foreign goods, and a good deal of gold was expended overseas during World War I. The Reichsbank did not emphasize shipments of gold abroad, however; it preferred to stress the size of the domestic reserve for propaganda reasons. With regard to the domestic situation, the national gold reserve assumed the character of an illusory nest egg in World War I. It was designed to reassure the people, but had no real function in domestic monetary transactions. The real value of German gold lay in the field of foreign exchange, and for this reason the Reichsbank went to great lengths to concentrate as much gold as possible in its vaults during World War I.

Certain contemporary economists understood that the Reichsbank's wartime gold policy was an illusion. In November 1914 British economist J. M. Keynes asserted that "in most cases there is little or no reason for thinking it politic that the gold reserve ought to be at the figure which it actually is, rather than at some

other figure."<sup>1</sup> In 1915, Keynes, citing German economist Georg Bernhard, wrote that "the percentage of gold covering the notes is, in present circumstances, little better than a fiction and possesses little more than a psychological value [emphasis added]."<sup>2</sup> This was especially true since in 1915, German currency was no longer convertible into gold. The Reichsbank's wartime propaganda quite logically said the opposite. Keynes understood such propaganda; he commented that the pretense was necessary so that "the ignorant mistrust of the public may not be awakened."<sup>3</sup>

In order to increase its gold reserves, the Reichsbank looked to the German people, who held billions of marks in gold coin and bullion. In the course of the war, the Reichsbank attempted to acquire all privately held gold using almost everything short of confiscation. Citizens were constantly asked to sell or give their gold to the Reichsbank. At all times, the Reichsbank stressed the voluntary nature of this collection. A mandatory surrender of privately held gold would have been nearly impossible to enforce; it would have necessitated a search of every German home. Such an action would have damaged morale and further undermined confidence in an already shaky currency. In addition the Reichsbank was loath to

officially demonetize gold, for the pre-war gold standard was still a cherished ideal which imparted the illusion of solidity.

The Reichsbank's four-year campaign to increase its gold reserves was unprecedented and energetic. Sophisticated propaganda blanketed the country and new means of persuasion were tested upon the public. In spite of these efforts, the campaign yielded only mixed results. German citizens continued to hold vast amounts of gold despite patriotic propaganda and pleading. In the long "battle for gold", great numbers of German citizens failed to heed their country's call.

Gold was of central importance in the German monetary system prior to 1914. In 1871, the Reich had "in effect" adopted the gold standard; a law of 1909 "explicitly stated that the Reich was on the gold standard."<sup>4</sup> The value of the mark was tied to gold; a kilogram of gold was fixed at 2,784 marks.<sup>5</sup> Gold coins circulated widely in Germany, and the Reichsbank's banknotes were convertible into gold upon demand. Until the early 1900's, the volume of banknotes circulating was small compared to that of gold coins.<sup>6</sup>

Since the adoption of the mark standard in 1871, approximately 5.134 billion marks in gold coins had been

minted in Germany.<sup>7</sup> The coins had been minted in denominations of five, ten, and twenty marks; by 1914 the five-mark pieces had been discontinued. The exact value of gold in circulation in 1914 is not known, though a good deal of the five billion marks minted consisted of recalled, worn, lost, or exported pieces. An economist, Dr. Lexis, estimated that 3.3 billion marks in gold were in circulation (that is, held by the members of the German public) in 1911.<sup>8</sup> The Reichsbank found this estimate quite reasonable.<sup>9</sup> Additional millions in gold were held by the public in the form of jewelry, trinkets, and household objects.

Gold also governed the pre-war Reichsbank's ability to issue paper money. According to the bank's statutes, one third of the value of notes in circulation had to be covered by legal tender (coin).<sup>10</sup> This provision, called the Dritteldeckung, was actually set aside in 1914, but the illusion was maintained until 1921. After 1914 the Dritteldeckung was modified so that means of exchange other than gold were used to cover Reichsbank notes. The Reichsbank, however, continued to make a direct connection between the size of the gold reserve and the amount of paper money in circulation. The Reichsbank's public statements consistently stated that the gold reserve had doubled. What it failed to mention was that the face

value of Reichsbank notes in circulation increased over seven fold between 1914 and 1918. The language of the gold standard was carefully enunciated to the German people long after this concept had ceased to play a role in the German monetary system. The campaign for a larger gold reserve was thus based in part upon false premises.

Years before the outbreak of war in 1914, the Reichsbank Direktorium was convinced that larger stocks of gold would be needed during wartime. In order to build up gold reserves, a law providing for twenty and fifty-mark bank-<sup>11</sup> notes was passed in 1906. This had the effect of reducing the amount of gold needed for circulation, since the twenty mark coin could now be replaced by paper. Reichsbank notes themselves were officially declared legal tender on January 1, 1910, another step away from dependence upon circulating<sup>12</sup> gold. In the years immediately preceding the war the Reichsbank also bought gold overseas.<sup>13</sup> These efforts were successful. On July 23, 1911 the gold reserve was 917.2 million marks; by July 23, 1912 it had risen to 979 million; by July 23, 1913 it was 1,156.7 million; and by July 23, 1914 1,356.8 million marks, an almost 50% rise<sup>14</sup> in only three years. In 1913 alone the Reichsbank bought<sup>15</sup> 317.45 million marks in foreign gold coins and gold bars. Well before the war, a strong gold reserve was high on the

Reichsbank's agenda.

In addition to buying gold, the Reichsbank began to plan for suspension of gold disbursement should war begin. Drafts of legislation freeing the Reichsbank from gold exchange should war begin were prepared well before 1914.<sup>16</sup> In 1912-1914 the Reichsschatzamt periodically reminded German governmental authorities of their obligation to turn in any gold coins in their possession to the Reichsbank in case of war.<sup>17</sup> The Reichsbank even accumulated a large reserve of small denomination banknotes to facilitate mobilization and gold exchange in case of war.<sup>18</sup> As early as 1899, theorists realized the importance of concentrating gold in the Reichsbank. In that year von Stroll advocated suspending exchange of notes for gold in case of war.<sup>19</sup> If the war went badly, von Stroll argued, the public would never give up gold out of fear and insecurity.<sup>20</sup> Stroll also believed that the German mark could only keep its metallic character if the nation was victorious in war.<sup>21</sup> In any case the Reichsbank realized that great strains would be placed upon its liquidity should mobilization occur. When the Wehrmacht was enlarged in 1913, the gold reserves were planned to be enlarged as well in order to keep up with mobilization demands.<sup>22</sup>

July 1914 marked a turning point in the Reichsbank's

role as regulator of the German gold supply. Before July 1914 gold coins circulated freely in the German monetary system. After this date, the policy was reversed; the new objective was to concentrate every last scrap of gold in the coffers of the Reichsbank. Only in the Reichsbank, it was claimed, could the national gold supply truly serve the needs of the nation at war. Gold was suddenly needed to support the mark and could be used to buy vital war supplies from neutral nations.

During the period 1914-1918, the Reichsbank equated national economic strength with increased gold reserves, and at times this belief seemed to become an obsession. Several obstacles stood in the way of the Reichsbank's desire to concentrate privately held gold within its own vaults. Foremost was the German public itself. In European society, gold was traditionally synonymous with security; it always seemed to keep, if not increase its value in the face of war or monetary chaos. Gold coin was hoarded by those who distrusted banks. In other forms it represented a cherished keepsake or ornament. During wartime the increasing scarcity of gold might make it an even more desired substance. Understandably, large segments of German society would be reluctant to part with their gold, no matter what the government or the Reichsbank said.

A central wartime task of the Reichsbank, therefore, was the question of how to separate people from their gold.

From the very beginning of the war until the Armistice, the Reichsbank constantly urged citizens to turn in their gold coins (and later gold objects) to the Reichsbank in exchange for paper money. The bank built a nationwide network of "gold collection" centers, and orchestrated an extensive propaganda campaign which grew in intensity as the war dragged on. In so doing, the Reichsbank confronted the public as never before: pleading, exhorting, convincing. At times it was even suggested that gold coins be made illegal.<sup>23</sup>

In the course of its "gold collection" policy, three distinct stages may be discerned. The first stage, lasting from August 1914 until January 1915 may be termed the "initial appeals." During this time period, the Reichsbank made urgent appeals to the public, asking that all circulating gold coins be turned in to the bank in exchange for paper money. Public spirited citizens took it upon themselves to assist the Reichsbank; the response was spontaneous and voluntary.

The second stage, the "gold coin campaign", lasted from February 1915 until about April 1916. During this period, the German public was systematically propagandized

to turn in all outstanding gold coins to the Reichsbank. Printed materials were carefully prepared, goals were formulated, and a nationwide canvassing system was set up. The Reichsbank placed itself at the center of this organization, and carefully directed the efforts from Berlin.

While the collection of gold coins went on until 1918, a third stage in the gold concentration efforts began in April 1916. Characterized by the motto "I Gave Gold For Defense" (Gold gab ich zur Wehr), this effort attempted to collect most of the gold objects, especially jewelry, still within Germany. In this stage, the Reichsbank's gold propaganda reached a peak in terms of quantity and intensity. Building upon the organizational apparatus created during the previous stages, the Reichsbank's message was to reach the German people as never before.

In the last week of July, 1914 a European war became distinctly possible. Such "war scares" were stressful for the Reichsbank; during times of insecurity the public tended to hoard metallic money. In this sense July 1914 resembled the Balkan War scares of 1912, when large sums of cash were hoarded in Germany.<sup>24</sup> The Reichsbank found itself in a difficult position in the last week of July,

1914. Thousands of people demanded coins, especially gold, in exchange for paper money. A panic mentality gripped segments of the German population.<sup>25</sup> Legally, the Reichsbank's hands were tied. By law, the bank was obligated to exchange gold if the bearer of a Reichsbank note so desired. War or mobilization, which might modify this obligation, had not yet been declared. The bank's leadership feared a continued loss of gold, yet no official emergency existed to justify a fundamental reordering of the German monetary system. The issue was pressing; each day the waiting lines at the Berlin Reichsbank grew longer.<sup>26</sup> By July 30th they stretched around the block.

The Reichsbank's vital statistics told a distressing story during the last week of July. The carefully accumulated gold reserve, which stood at 1,356.9 million marks on July 23 fell to 1,253.2 million marks on July 31.<sup>27</sup> Even more alarming was the percentage of Reichsbank notes covered by gold. On July 23, 71.8% of the value of bank-notes in circulation were "covered" by the gold reserve. By July 31, this coverage had dropped drastically, to 43.1%.<sup>28</sup> Furthermore, it was natural to believe that this situation would grow worse; daily trends confirmed a rapid outflow of gold. The Reichsbank leadership believed a large gold reserve was necessary in wartime; now they saw

that reserve dissolving. Ironically, the Reichsbank appeared to be weakening just when greater strength was crucial.

On July 31, the German government declared a "threatening danger of war." This provided the Reichsbank's leadership with an excuse for action. On the afternoon of July 31, the Reichsbank Direktorium took matters into its own hands and suspended the disbursement of gold. Claiming to act "in the public interest", such an action was nevertheless a de facto repudiation of the gold standard and the banking law.<sup>29</sup> Privately, the Direktorium and the government knew that gold exchange would be suspended during wartime anyway; such legislation "had been prepared long before and was already ready."<sup>30</sup> Thus, even before a declaration of war, the German public's right to exchange notes for gold had been thrown aside and the Reichsbank placed upon a war footing. Legal sanction for the Reichsbank Direktorium's actions would not follow until several days later.

Germany declared war upon Russia on August 1, 1914. A spate of legislation, prepared in peacetime, was quickly brought forward. A law "concerning the Reich Treasury Notes and the Banknotes" freed the Reichsbank from its obligation to exchange gold for banknotes and confirmed the bank's

own action of July 31.<sup>31</sup> Another law "concerning modification of the Coinage Law" freed the Reichsbank from exchanging gold for subsidiary coins.<sup>32</sup> While not demonetizing gold, these laws ended the convertibility of German paper currency. Within weeks, gold coins would disappear from circulation, to be replaced by a torrent of paper money. Large scale inflation had begun, and the German monetary system would never be the same.

The gold hemorrhage had been stopped on July 31 by the Reichsbank's decision to discontinue disbursing coins for notes. The next step was to once again increase the gold reserve and restore public confidence. In the first week of August, therefore, the Imperial government transferred millions of marks in gold to the Reichsbank. The 120-million mark "Reichskriegsschatz" (Reich War Fund) plus an 85-million mark "reserve fund" were quickly added to the Reichsbank's holdings.<sup>33</sup> When the Reichsbank published its weekly statement on August 7, 1914 its gold reserves stood at 1,477.6 million marks, substantially higher than the last pre-war figure. The gold drain of late July had been obliterated on paper, and the gold reserve appeared larger than ever.<sup>34</sup>

Beginning the first week in August, the Reichsbank called upon the German population to exchange their gold

coins for paper money. Initially most appeals were made through the newspapers, which carries small stories entitled "Bring Your Gold to the Reichsbank!" and the like.<sup>35</sup> The population was instructed to turn in gold coins since, it was argued, an uninterrupted smooth functioning of the Reichsbank was necessary if the war effort was to succeed.<sup>36</sup> Everyone great and small, the articles continued, must help to strengthen the central bank. People were told that this was a chance to be patriotic: those who hoarded gold at the critical time just before the war should bring it out now to prove their patriotism.<sup>37</sup> Other articles proclaimed "the gold belongs to the Reichsbank" and explained that "every goldpiece is a soldier for the fighting German Reich, but only when it belongs to the Reichsbank."<sup>38</sup> Others reminded the public that "just as our brothers in the field are giving their whole strength and life for the Fatherland, those at home must remember their duty. Don't accept the Judaslohn--turn in your gold."<sup>39</sup> Financial arguments were also used; the Bayerische Staatszeitung encouraged the public to turn in gold coins because "for every mark turned in [and added to the gold reserve] the Reichsbank [is legally empowered to] issue three times as much in paper money to help the economy."<sup>40</sup>

By December 1914 the Reichsbank Direktorium was sending out more elaborate articles on the gold question for publication in the newspapers. On December 11, 1914 the Direktorium sent out a "popularly written" pamphlet to all Reichsbank branches; the branches were to forward the text to local newspapers for publication.<sup>41</sup> Written just as the Reichsbank's gold reserves reached 2 billion marks, the pamphlet celebrated this milestone, and summarized the Reichsbank's propaganda early in the war. According to the pamphlet, the Reichsbank's gold reserves were at heights unheard of just a year previous; Germany has shown the world she will not collapse economically. In the war of economic annihilation perpetrated by England the economic victory is just as important as the victory in battle; the weekly report of the Reichsbank gives notice of Germany's might and power to the world. The German people, moreover, have opened their hearts and have gotten back "full value in paper money" in return. Readers of this pamphlet were told if "I had a weapon and the Fatherland needed it and paid me full value for it, but I concealed the weapon, I'm not worthy to be called a German."<sup>42</sup> Obviously the reference was to gold, viewed here as a potent weapon in the war for economic survival. Finally, the German people were reminded that "little amounts" of gold have added up to two billion; each coin

is necessary. Two billion is a big sum, the pamphlet said, but billions in gold coins were still outstanding. Readers were instructed that it was their "holy duty...to collect gold with all their strength." The text ends with a rousing "Give to the Fatherland, what is the Fatherland's!"<sup>43</sup> Many of these ideas, formulated early in the war, were to be an integral part of the Reichsbank's propaganda until 1918.

During the first few months of the war, several groups within German society assisted the Reichsbank in the initial rush to collect gold. Coins could of course be exchanged for paper money in any of the Reichsbank's 487 branches. Because most small towns had no bank branch, the Reichsbank turned to the Imperial Post Office for help. Post offices were singularly well equipped to carry out the exchange of gold coins; they could even be found in remote areas and already possessed trained cashiers. The Reichsbank had decided well before the war to use the postal system for gold collection should the need arise.<sup>44</sup> When the war began, citizens were advised to bring their gold coins to the nearest post office.<sup>45</sup> To facilitate exchange, the Reichsbank was careful to supply the post offices with sufficient quantities of paper money.<sup>46</sup> In the public room of each post office in Germany, notices were posted stating that the post offices would exchange

gold for paper money, and when bringing in large sums,<sup>47</sup>  
citizens were asked to warn the office ahead of time.

Beside the post office, the Reichsbank enlisted  
other organs of the German government in its initial gold  
appeals. Immediately, state and local authorities were<sup>48</sup>  
instructed to turn in any gold coins in their possession.  
State governments such as that of Bavaria and Baden helped<sup>49</sup>  
to collect gold coins in the late summer and fall of 1914.  
The Bavarian Finance Ministry declared that the influence  
of the authorities would be used comprehensively for the  
exchange of paper for gold, and directed local governments,  
schools, and church authorities to collect gold "mit allen  
Kräften" (with all their strength).<sup>50</sup> The grand ducal  
government of Mecklenberg instructed local authorities to  
enlist each village headman in the gold collection activi-  
<sup>51</sup>  
ties.

While institutions such as the post offices were  
useful as a place of exchange, their power to influence  
the public was limited. People brought their gold to the  
post offices to be exchanged, but most people who did so  
were already convinced of the necessity to do so. In the  
first weeks of the war, we see the spontaneous rise of  
canvassers, so-called "Vertrauenspersonen", who were to  
be of critical importance in the Reichsbank's war work.

Vertrauenspersonen were usually local notables who commanded respect and trust in their localities. The Vertrauenspersonen grew out of the need for local citizens to deal with familiar faces they could trust. The Vertrauenspersonen spoke the local idiom; unlike institutions such as the post office they could personally persuade citizens to turn over their gold. In the initial stages, the Reichsbank had little contact with individual Vertrauenspersonen; in the later stages of the gold collection the bank worked with such individuals closely and effectively.

In August 1914 the first Vertrauenspersonen took it upon themselves to carry on the patriotic work of collecting gold coins. The Reichsbank heard about the activities of these people, judged their efforts to be good, and then sought to propagate their example widely. One of the first cases of Vertrauenspersonen to reach the ears of the Reichsbank Direktorium was that of Frau Borsig of the village of Gross-Behnitz. Geheim Kommerzialrat Borsig of Berlin visited his widowed mother in Gross-Behnitz in late August 1914. When he returned to Berlin, he wrote Reichsbank President Havenstein, informing him that his mother's servant canvassed the village for gold coins and collected 4,000 marks in gold. <sup>52</sup> Borsig commented

that this was not a huge sum in itself, but the village was small (450-500 people) and the job was easily done.<sup>53</sup> Borsig suggested the same thing could be done elsewhere. The local people evidently trusted Frau Borsig; they knew she would soon get them paper money in exchange for their coins. Encouraged by this success, Frau Borsig collected an additional 3,000 marks in a neighboring village.<sup>54</sup>

The Reichsbank spread the story of Frau Borsig rapidly. On August 29, 1914 the Reichsbank Direktorium wrote to the Ministry of the Interior in Berlin, stating that "we would like to see this example [of Frau Borsig] copied widely, and have tried to publicize it in the press."<sup>55</sup> The Reichsbank asked the Landräte (local officials) to speak directly to the estate owners and village headmen, hoping such people would act as Vertrauenspersonen.<sup>56</sup> The Minister of the Interior instructed local officials to carry out the Reichsbank's request on September 2.<sup>57</sup> Response was rapid; by the end of September the Reichsbank could comment that the example of Frau Borsig had been widely copied.<sup>58</sup>

Other groups enthusiastically took up the gold collecting work in the fall of 1914. Newspapers publicized the gold exchange, and helped collect the gold, too. The Chemnitz Allgemeine Zeitung was said to have collected a

million marks in gold in only two weeks.<sup>59</sup> The Kölnische Volkszeitung, through its readers and friends, claimed to have collected eight million marks in gold.<sup>60</sup> The Kaiser-Wilhelm-Gymnasium in Berlin collected 172,000 marks in gold "in a short time"; Ersatzbatallion 75 in Hamburg collected 430,000 marks within a few weeks.<sup>61</sup> Troops in the field also participated in the effort. All of these campaigns were voluntary; most were spontaneous expressions of patriotism. They were encouraged but not directed by the Reichsbank. Private and public sectors joined in the initial flurry of activity.

The first few months of gold collection did encounter pockets of resistance, especially in rural districts. In agricultural Mecklenberg, gold was traditionally preferred over paper, especially among the foreign farm workers.<sup>62</sup> These workers, largely from the Russian Empire, were accustomed to hoarding gold. Before the war, they returned home yearly and their gold went with them, causing a minor "gold drain."<sup>63</sup> Convincing the farm workers to accept paper for gold was a difficult task at best. In the Arnswalde area, village headmen pressured the workers to turn in their gold, threatening that gold coins would eventually lose their value.<sup>64</sup> Hundreds of gold marks were found on individual workers; one had 1,900 marks.<sup>65</sup> In spite

of the collection efforts, it was believed that the peasantry still held a good deal of gold.<sup>66</sup>

As soon as paper money and gold coin ceased to be interchangeable in Germany, there was a greater possibility that gold would pass for a premium in terms of paper money. The Reichsbank saw this as a danger to the value of the mark; in effect a two-tiered system might arise with one value for paper money and another for gold coins. To stop such activity and to prevent traffic in gold in the future the Bundesrat approved a law in November 1914 regulating traffic in gold coins. The law strictly forbade acquisition of gold coins at a price above their face value, with penalties of up to a year in prison. Exceptions to the rule could be granted by the Imperial Chancellor<sup>67</sup> only. Specifically exempted from this law, however, were those persons engaged in collecting coins for the Reichsbank.<sup>68</sup>

Of all phases of the Reichsbank's attempts at gold concentration during World War I the "initial appeals", though least organized, were quantitatively most successful. Between August 8 and December 23, 1914, almost 200 million marks were added to the gold reserves of the Reichsbank.<sup>69</sup> In the patriotic "spirit of 1914", many people were evidently willing to surrender their coins.

Of course, those most inclined to hand over their gold would do so quickly anyway. Those who held out would be less easily persuaded; some would never heed the Reichsbank's call.

During the last quarter of 1914, about twenty to fifty million marks in gold coin flowed into the Reichsbank weekly. <sup>70</sup> Beginning with the last week of December, however, the influx of gold fell to about seventeen million marks weekly, and remained at this level for the next month. <sup>71</sup> This drop was not a complete surprise, since the gold influx could not continue at the same high level indefinitely. The drop in gold collection stirred the Reichsbank Direktorium into action. In early 1915, the Reichsbank began to plan a more thorough canvassing of the German people.

To prepare for an active, organized propaganda campaign, the Reichsbank issued a pamphlet on February 1, 1915 which summarized the need for gold concentration. Not intended for the general public, the pamphlet's goal was to educate bank employees. <sup>72</sup> The employees would then be able to answer the public's questions in a manner approved by the Direktorium. The Reichsbank explained that, according to its estimates, the public still held 1.5 billion marks in gold coin early in 1915; large segments of

the public therefore needed to be enlightened.<sup>73</sup> Hence the bank's more vigorous campaign. The reasons enunciated in the February 1915 pamphlet were to form the core of the Reichsbank's rationale for gold concentration for the rest of the war. The Drittedeckung was of course emphasized; and more banknotes meant more available credit and thus lower interest rates for everyone. Gold, the pamphlet explained, was also needed to pay for vital imports. Gold concentration was necessary for the welfare of the whole economy; it was also needed to impress the rest of the world, especially England, who charged the Reichsbank's actual progress toward gold concentration was a fraud. Finally the pamphlet argued that a large gold reserve would ease the transition to a peacetime economy.<sup>74</sup> The accuracy of these assertions is open to question; what seems certain is that the Reichsbank was presenting gold concentration as an economic "wonder drug."

As the Reichsbank organized the gold collection nationwide in 1915, citizens were reminded that compliance was voluntary, though vital.<sup>75</sup> News releases assured the public that there would be "no coercive measures for the turning in of gold coins."<sup>76</sup> In practice, the Reichsbank probably had little choice, since seizure of privately-held gold would entail searching every hiding place in

Germany; an impossible undertaking in every sense.

In stressing the voluntarism of collecting gold coins, the Reichsbank was able to extol the German people's spirit of self-sacrifice and patriotism, which was supposed to boost morale. Reinforcing positive behavior would naturally further the gold campaign in general. In March 1915 it was declared that the German people's voluntary sacrifice of gold was "without precedent in monetary and bank history"<sup>77</sup>

While the voluntary nature of gold collection was frequently mentioned, the Reichsbank was busy devising ways of applying pressure on the German public. In their campaign to separate German citizens from their gold, every measure short of coercion was considered. Pressure ranged from subtle messages to intense peer pressure, even ostracism. The Reichsbank's pressure, by design, reached every segment of the population. The Direktorium centralized the gold campaign under its Kriegsbüro in Berlin. An avalanche of orders and suggestions attempted to steer the efforts in all parts of Germany. The telephone was used extensively, instantly connecting Berlin with distant areas of the country.<sup>78</sup> To closely monitor the nationwide gold campaign, branches were instructed to telegram the head office in Berlin each Friday, indicating the amount of gold acquired from the public during

the preceding week. When gold collection slacked off in mid-1915, the Direktorium in Berlin demanded branches step up activity as well as submit a written report detailing the steps taken to reverse the trend.<sup>80</sup> Most importantly, the Reichsbank effectively used various groups within German society to advance gold collection. Schools, churches, local governments, banks, and socially prominent citizens constituted a veritable army of diverse talent, all directed by the Reichsbank.

The German school system proved to be one of the Reichsbank's most effective means of collecting gold coins. Schools were found everywhere in Germany; generally in numbers proportional to the local population. Schoolteachers were educated, usually extremely patriotic, and often commanded respect in their local communities; students constituted an energetic supply of potential help. Schools, with their network of community contacts and ability to inculcate attitudes, could easily be harnessed for patriotic projects such as that of the Reichsbank.

In February 1915 the Reichsbank began to use the schools more intensively when it called upon German teachers to support the gold collection efforts.<sup>81</sup> The teachers were contacted through their professional organizations, and committees of educators were set up to coordinate gold

collection through the German schools.<sup>82</sup> A committee of the Berlin Philologen-Verein asserted that the teachers and students of Germany collected twenty-three million marks in goldpieces between February and April 1915.<sup>83</sup>

The committee further stated that "the importance of the schools [in this effort] is shown by the fact that during the Easter vacation, gold deliveries to the Reichsbank dropped off noticeably."<sup>84</sup>

The leadership of the Reichsbank worked closely with the Teachers' Committees; Reichsbank President Havenstein even addressed the group, urging "an energetic continuation of the voluntary collection."<sup>85</sup> In June 1915 the Berlin Philologen-Verein continued its efforts by distributing a leaflet entitled "Gold in die Reichsbank" to German high school teachers. Teachers were urged to "bring in the last goldpiece."<sup>86</sup> Asserting that the public still held a billion in gold, teachers were told to "get to work" indoctrinating their students.<sup>87</sup> The leaflet stated that the students' hearts and enthusiasm can be used for the cause, and that student "influence with relatives knows no bounds. The harvest is great: let's see there are enough harvesters!"<sup>88</sup> Accompanying these patriotic exhortations were more practical rules and guidelines for organizing gold coin collection in the German school.

It was not enough for teachers to simply ask their students to collect gold coins. Ideally, teachers were to instruct students on the rationale for gold collection, and also on proven methods of persuasion. Students would be taught to cleverly persuade adult friends and relatives to give their gold to the Reichsbank. To facilitate this important work, the Reichsbank and Teachers' Committees widely distributed a little book called "Die Goldsucher bei der Arbeit" ("Goldseekers at Work").<sup>89</sup> Written by Gerhard Borghorst, who served on a committee of teachers, the work typifies the close cooperation between teachers and Reichsbank. Distributed to schools, the book takes the form of a little story. In the story a group of school boys are going to see "old Lehmann" who has not yet handed over his gold coins. Two boys have already visited him, to no avail; now a third boy, a senior, is accompanying them. The boys review the persuasive arguments taught to them by their teacher. The boys confront "old Lehmann", and in the course of the conversation, the Reichsbank's stock arguments for gold concentration are expounded. In the end the students persuade the old man and the story ends on a happy note.<sup>90</sup> Reichsbank branches distributed thousands of copies of "Die Goldsucher bei der Arbeit", and Berlin ordered local offices to encourage

teachers within their districts. The Reichsbank clearly intended legions of German youth to become "goldseekers."

Motivating the students was a critical element in the Reichsbank's attempts to use the German schools. Several approaches were used to stir up enthusiasm for gold collecting among German students. First, unadulterated patriotism was stressed. A booklet, "Zur Erinnerung an eine grosse Zeit" ("Souvenir of a Great Time") was given to German school children to encourage them to collect gold coins. The title in itself is important; wartime was seen as a great and glorious chapter in the nation's history. At the top of the booklet were pictures of three heroes: Kaiser Wilhelm II, Generalfeldmarschall Hindenburg, and "Generalgeldmarschall" Havenstein, Reichsbank President. The juxtaposition of "Feldmarschall" (field marshal) and "Geldmarschall" (money marshal) were deliberate but appropriate rhymes. German school children could share in heroism too, the underlying message said, if only on the economic front. Completing the vignette was a large iron cross flanked by two schoolchildren.

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The written content of "Zur Erinnerung an eine grosse Zeit" continues the patriotic theme with a children's story entitled "Klassengold" ("Gold Collected by School Classes"). The story begins in an elementary school class-

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room, where the teacher carefully explains that a twenty mark gold coin can be transformed into sixty marks in paper money when turned in to the Reichsbank. Children are told to work on their parents, and if the class collects 1,000 marks in gold, they will be rewarded with a day off from school. One little boy goes home to his mother, asking if there are any gold coins in the house. There is only one treasured old coin given to the mother as a keepsake upon her baptism. She gives it to her son, saying that she would have to give up her son to the war effort if he were half the age of the coin.<sup>93</sup> The story thus makes clever use of motherhood and patriotism. Another boy goes home and also asks for gold. When his father replies that there is none left in the house, the boy pleads that he'll be the only one unable to bring in gold to school. The son reminds his father of his gold coin collection and is told that these coins are the rare Kaiser Friedrich coins (a one-year type minted in 1888), which are not to be given away. Needless to say, the boy's pleadings win out and these too are turned in.<sup>94</sup> Gradually the class total adds up. The teacher publicly acknowledges each addition to the pile with a handshake to the donor, sowing the seeds of peer pressure. On the last day of the drive, the class total reaches 980 marks, twenty short of the

amount needed for a day off. All appears to be lost until two poor parents give their wedding rings to push the total to 1,000 marks.<sup>95</sup> The story is instructive and moving. It cultivated enthusiasm within children, sacrifice within family units, and gave practical suggestions for dealing with adults. It also sought to unite a peer group into a fighting unit able to win a "class victory."<sup>96</sup>

More to the point was a handbill entitled "An die Schuljugend Deutschlands" ("To the Students of Germany"), distributed by the committees of teachers to students in 1915. The handbill told students that victory in economic areas was just as important as victory on the battlefield, and that England was attempting to destroy the German economy. To forestall such disaster, all gold coins must be brought to the Reichsbank, and helping this cause is the holy duty of every German who loves his country. Students were asked to fervently and unceasingly canvass parents, grandparents, aunts, uncles, other relatives, friends, and acquaintances for gold. The message essentially asked young people to pester any adult they might come into contact with. For young Germans the reward is great, promised the handbill: when the economic victory is won, students will be able to say that they too have fought as brave and industrious soldiers.<sup>97</sup>

More tangible rewards for students included the "Goldfrei", a day off from school for students or classes who collected a given amount of gold. Needless to say, this was a powerful motivation device. Souvenir certificates were distributed to students who collected gold. Little paper money wallets were given out to students who worked hard collecting gold. These were given out to the most zealous students, making them a desirable mark of distinction. Thus in concrete ways the Reichsbank, allied with German teachers, attempted to stimulate the flow of gold using the nation's youth.

Predictably, the Reichsbank also attempted to use the churches of Germany to further its gold collection. Like the school, churches could be found in every corner of Germany, and like teachers clergymen held positions of respect in the community. Teachers and clergymen were excellent candidates for the position of Vertrauenspersonen; clergymen especially were seen as valuable allies because of their power to persuade from the pulpit. In May 1915 the Reichsbank branch in Kiel reported to the head office in Berlin the steps it had taken to promote gold collection. High on the list was cooperation with the clergy. The bank reported that "the religious conviction of our country people would indicate that the most success

is to be achieved through the pastors' enlightening work. We have asked the General Church Superintendents for Schleswig-Holstein to have the pastors speak from the pulpit, and to especially talk to individuals personally.<sup>100</sup>

In the summer of 1915, the Reichsbank's efforts to enlist the clergy's help were broadened. Reichsbank President Havenstein sent a delegate to speak at a meeting of the German Lutheran Pastors Association on August 11, 1915.<sup>101</sup> The pastors were told of the necessity to collect all remaining goldpieces in private hands. A committee was promptly set up to promote gold collection in the various communities; appropriate directions and propaganda were dispatched to the pastors.<sup>102</sup> The clergy was exhorted to propagandize through sermons, through preaching at "war prayer meetings", talks at confirmation and religious instruction classes, and at children's services. Collection was urged through local clubs and house to house visits. Members of the community who were ashamed to hand in gold in public at that late date were to be instructed to do so at the parsonage. The Reichsbank would provide interest-free cash advances for the purpose of exchanging gold for paper money. The Pastor's Gold Collection Committee requested that individual pastors report news of their suc-

cess on a monthly basis via postcard. Finally, pastors were instructed to "use the trust of their office" to help collect the billion in gold still held by the public.<sup>103</sup> The Bavarian government likewise encouraged Catholic clergy to support gold collection in Catholic parishes.<sup>104</sup> Sanctified by the clergy, the Reichsbank's message echoed in churches throughout Germany.

Merchants too sometimes served as gold collectors in the Reichsbank's drive to obtain gold coins. In order to regulate the activity of merchants, the Reichsbank decided to issue certificates to certain merchants, authorizing them to exchange paper money for gold on behalf of the Reichsbank.<sup>105</sup> The merchant was to display the certificate to the public.<sup>106</sup> The Reichsbank was cautious when bestowing gold collection authorization. Above all, the Direktorium did not wish to see the gold collection degenerate into a business gimmick. Certain stores offered to accept gold coins above face value if a purchase was made.<sup>107</sup> The Reichsbank Direktorium therefore declared that "stores of all kinds are to be prohibited from displaying an authorization certificate if it is suspected that they are primarily trying to further their own business interest."<sup>108</sup> The Reichsbank was willing to permit merchants to serve as gold collection depots but it dis-

couraged them from paying premiums to customers bringing  
in gold.<sup>109</sup> As 1915 wore on, the Reichsbank decided to  
exert other pressures to ferret out additional gold coins.  
There were murmurs that many Germans had hidden quantities  
of gold coins in safety deposit boxes and bank vaults.  
Since the Reichsbank stressed the voluntary nature of the  
gold collection, the boxes were not searched and the  
imagined hoard remained out of the bank's reach. The  
Reichsbank Direktorium therefore devised a plan to make  
sure no gold coins were being stored in the deposit boxes  
of Germany.<sup>110</sup> In December 1915 the Direktorium requested  
all German banks contact safety deposit box holders, and  
to have these holders sign a declaration stating that "no  
gold coins are being stored in the deposit boxes."<sup>111</sup> The  
Reichsbank Direktorium further requested that those  
customers who refused to sign a declaration be given notice  
that their safety deposit contract would be abrogated.<sup>112</sup>  
To make customer response convenient, a postage-paid  
response envelope was included with the request that the  
signed declaration be returned within a week. The plan was  
executed with the cooperation of the Zentralverband des  
Deutschen Bank und Bankiergewerbes and was in full swing  
by the end of 1915.

Similar to the declarations of safety deposit box

holders was the use of so-called Urkunden. Urkunden were documents which citizens would sign, affirming that they held no gold coins. The amount of gold coin flowing into the Reichsbank steadily declined in 1916, yet the Direktorium suspected that hundreds of millions of marks<sup>113</sup> were still held by the rural population. To somehow obtain this gold, the Direktorium planned to use Urkunden in the small towns and villages. According to the plan, the head of each household would sign his name to a commemorative document, certifying that the household was no longer in possession of gold coins. Each person would have a given period of time to sign, and the signatures would be displayed in a prominent place, the better to embarrass "resisters." After a certain time, those citizens refusing to sign would be listed under a separate column on the document. To further shame such unpatriotic folk, it would be publicly announced that the Urkunde would be placed in the Ortschronik (permanent community history) to inform future generations who had failed to do their<sup>114</sup> duty. Since rural life lacked the anonymity of the city, the Urkunden could create real pressure.

In order to carry out the Urkunden policy effectively, the Reichsbank once again relied upon the clergy and the<sup>115</sup> teachers. By 1917, collecting gold coins was a difficult

task; most German citizens had already been solicited several times. If citizens still held gold, they had probably lied to previous solicitors. How would such people react when asked to sign an oath stating they held no gold coins whatsoever? The Direktorium realized such people needed an avenue of escape, and encouraged teachers and clergy to visit such people at their homes. Thus the hidden gold could be turned over to a Vertrauensperson confidentially, leaving nosy neighbors none the wiser. Then, at last, the hoarder of gold could sign an Urkunde with a clear conscience.<sup>116</sup>

By January, 1917 the Urkunden were ready. Distributed by the Reichsbank, each document had room for about 200 signatures.<sup>117</sup> The various branches of the Reichsbank were instructed to advise the main office in Berlin as to how many documents were needed for their respective districts. Branch officials were warned by the Direktorium that the plan would sometimes fail in communities of over 5,000 people, "but in communities of under 5,000 the connection between the local government and the people is so close that success appears assured."<sup>118</sup> The local governments, at least in Prussia, did cooperate. On April 14, 1917 the Prussian Interior Minister issued a proclamation instructing local officials to collect signatures from

citizens affirming that the signer held no gold coin.<sup>119</sup>  
The Ministry also specified the oath's text, and to make  
sure all citizens participated instructed that the oath  
be signed when bread ration cards were given out.<sup>120</sup> The  
Reichsbank would of course supply the signature forms, and  
bear the cost of the operation.<sup>121</sup>

The Reichsbank's appeal to the German people took  
other forms beside patriotism and pressure. Tangible  
rewards and incentives were an important component in  
the gold coin collection campaign. Early in the war, the  
Reichsbank found that the public desired an acknowledge-  
ment or souvenir when turning in their gold coins.<sup>122</sup>  
Accordingly, commemorative certificates were designed in  
1915. Engraved with the heading "Reichsbank Direktorium,  
1914-1915", the certificates read "[room for the donor's  
name] has exchanged gold coins for notes in order to  
strengthen the financial might of the Fatherland."<sup>123</sup>  
Successive exchanges could be registered on the back of  
the certificate. In January 1916, in order to stimulate  
the influx of gold, the Reichsbank Direktorium decided  
to issue new certificates.<sup>124</sup> This new series was to be  
given to people who brought in at least 200 marks in  
gold after January 31, 1916.<sup>125</sup> The 1916 series of cer-  
tificates (Gedenkblätter) were more decorative than earlier

issues, and were emblazoned with patriotic slogans such as "Gold in the bank, sword in the hand; gold and blood for the Fatherland!" and "Out of love for the Fatherland and a feeling of duty [name of donor] brought [amount of gold] to the Reichsbank." This certificate also mentioned that the collection of gold coins in wartime Germany was unparalleled in monetary history.<sup>126</sup>

Later in the war, the Reichsbank issued still more certificates. In January 1918 the Direktorium informed bank branches that individuals, firms, and groups of all kinds who had turned in 500 marks or more in gold since June 1, 1917 could receive a handwritten document signed by the President and the Vice-President of the Reichsbank. Branches of the Reichsbank were instructed to post copies of this certificate at cashier's windows to inform the public of this latest enticement.<sup>127</sup>

In 1915, the Reichsbank distributed wallets to hold paper money given in exchange for gold coins. The wallets were given out as a reward or incentive to "private persons who busy themselves with gold collecting and who deliver gold to the Reichsbank."<sup>128</sup> The Reichsbank obtained 10,000 wallets made out of "Patentpapier" in May 1915;<sup>129</sup> these were subsequently distributed to the branches. To stimulate the gold collection an additional supply was

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made available in August 1915.

Citizens who collected coins as a hobby were another group targeted by the Reichsbank. Such hobbyists would naturally be resistant to the bank's appeals; special incentives were therefore designed with the numismatist in mind. Numismatists collected coins by type of design and date of mintage, and were concerned about losing their carefully built accumulations forever. In July 1915 the Reichsbank Direktorium empowered bank branches to buy German gold coins ("coins dated 1888 will especially come into question") with the provision that the seller will be able to buy back a similar piece within twelve months of the war's end.<sup>131</sup> Bank branches were warned not to mix such specially bought coins with the overall gold stock. The new policy was to be publicized in the press.<sup>132</sup> In September 1915 the policy of buying coins with a return provision was extended. Foreign gold coins and commemorative coins "whose fineness can definitely be ascertained"<sup>133</sup> could be bought under obligation of future return. The Reichsbank was faithful to its promise; shortly after the Armistice, the Direktorium empowered branches to sell back the coins which had been bought under the "future return"<sup>134</sup> obligation.

Throughout the war years, the Reichsbank loudly

proclaimed the success of its gold coin collection campaign. Phrases such as "without precedent in monetary history" and "patriotism and sacrifice" were used again and again. The Reichsbank stressed that all classes of the population cooperated in the effort.<sup>135</sup> Privately, the Reichsbank was somewhat dissatisfied with the results of the gold collection. Increasing efforts only seemed to bring in a smaller yield of coins. In 1915, the Reichsbank branch in Kiel was "firmly convinced" that the country population still was hoarding large amounts of gold, and that it would require great exertion to obtain it.<sup>136</sup> The Kiel office provided the following example: after expending great efforts, students collected 120 marks in gold on an estate in Schleswig-Holstein. Soon after, the estate owner told his people he was prepared to pay eleven marks for every ten-mark goldpiece; quickly 780 marks in gold appeared; 600 from one person alone.<sup>137</sup> The Kiel branch attributed such behavior on the part of the people to old habits and fear.<sup>138</sup>

In 1915, it was estimated that the German public still held about a billion marks in gold coins.<sup>139</sup> In late 1915, Reichsbank President Havenstein was convinced that the people were still hoarding large amounts of gold.<sup>140</sup> He was correct. In January 1917, after two years

of vigorous effort, the Reichsbank Direktorium admitted that hundreds of millions in gold coins were outstanding in the rural districts alone.<sup>141</sup> In June 1917 Geheim-  
finanzrat Bastian suggested if any gold coins were found in a bequest, they should go to the Reich. He further suggested that word should be spread that people should turn in their gold coins now; later they would not be able to do so honorably. Bastian thought that such measures would pry many more gold coins loose.<sup>142</sup> Special certificates of appreciation were drawn up for citizens who turned in 500 marks or more in gold after June 1, 1917. The fact that gold was being turned in at such a late date is in itself indicative of long-term public resistance. At best, the Reichsbank's campaign to collect gold coins was only a partial success.

In the autumn of 1915 the Reichsbank was concerned, as always, with the level of its gold reserves. Since the summer, the gold reserves had been growing at a much slower rate than previously. Part of the problem was due to a falling off in the collection of gold coins, but a main culprit was the sending of gold abroad to pay for vital imports. The Direktorium therefore searched for ways to obtain additional gold. One great source of gold within Germany still lay untapped: the gold jewelry and gold

objects belonging to individual German citizens.

The question of buying gold objects from private citizens was discussed late in 1915. At a meeting of the Reichsbank Kuratorium in December 1915, President Havenstein stated that the Reichsbank had already been working on the question. Havenstein believed that large amounts of gold could be added to the Reichsbank's reserves through purchase of gold objects.<sup>143</sup> The collection of gold objects, however, presented greater challenges than the collection of gold coins. Gold objects were, more often than coins, treasured heirlooms; generally people would be reluctant to part with their gold jewelry. Tact and creativity were necessary if such a campaign was to succeed.

The Reichsbank had learned a great deal from the collection of gold coins, and much of that expertise was now applied to the buying of gold objects. First of all, no citizen would be forced to sell a gold object, and the sale would be carried out by volunteers in the local communities. The clergy, teachers, and local government officials would be utilized as in the gold coin campaign. Above all, the Reichsbank's headquarters in Berlin would direct the efforts closely, setting standards and guidelines for every phase of the operation. An avalanche of

publicity and propaganda conceived by the Reichsbank would blanket the nation.

At the end of January 1916 the Reichsbank was ready to commence purchase of gold objects from private citizens. The Direktorium decided to begin organizing the efforts in the Prussian Rhineland, and to gradually spread the program across the Reich.<sup>144</sup> The Direktorium also drafted a series of guidelines and rules which local gold collection committees were expected to follow.<sup>145</sup> First of all, the Reichsbank asked that an honorary committee of prominent citizens (Ehrenausschuss) be set up in all cities and large towns. This committee would oversee the buying of gold objects and coordinate the efforts. Reichsbank bureaucrats or officers were to serve on these committees wherever possible, giving the bank a direct voice even in local efforts. Delegates from the churches, schools, and press were also to be included. The Reichsbank would supply the local committees with tools, papers, and other necessary items.<sup>146</sup>

As for day to day operations, the Reichsbank closely regulated the actual buying of gold. Buying prices were set by the Berlin office. Precious gems were bought to be sold overseas for hard currency. Gold-plated objects were not purchased. Individual buying stations were

instructed to keep in close communication with the Reichsbank. Lists of purchased objects, as well as actual gold bullion were sent to the bank weekly. The Reichsbank also specified that each gold buying station (Goldankaufsstelle) had to have an assayer, a secretary, a cashier, and an "artistic advisor." The assayer was to be trained and sworn in; the artistic advisor was to make sure no items of historic or artistic value were melted down. In addition, a member of the Ehrenausschuss was to be on duty at all times to thank the sellers and present them with a commemorative certificate. Besides advancing money and lending material support, the Reichsbank supplied individual committees with propaganda and advice. A twice-monthly periodical, the Mitteilungen, was issued by the Reichsbank for the benefit of the gold buying stations. The periodical was designed as a place to voice problems and to exchange ideas, methods, propaganda, and suggestions. A web of regulation and support thus assured the Reichsbank close control over a nationwide effort.

In the course of 1916, the gold buying program was extended across Germany. In March and April, organization commenced in Alsace-Lorraine, Baden, the Rhine Palatinate, Hesse, Hesse-Nassau, Westphalia, Hanover, Oldenburg, Bremen, and Hamburg. By July it was reported that gold

buying committees would soon be in operation throughout  
the Reich. <sup>149</sup> By the end of the year, there were seven  
gold buying stations in central Berlin alone, most head-  
quartered in public buildings. <sup>150</sup> In the Grand Duchy of  
Baden, sixteen gold buying stations and forty-two "sub-  
stations" (Hilfsstellen) were in operation in 1917. <sup>151</sup>  
To help organize the effort in diverse areas, the Reichs-  
bank sent its officers and civil servants on speaking  
engagements. Reichsbankdirektor Gartenschlager, for exam-  
ple, spoke in Munich and other German cities, lending  
advice and stressing the vital importance of the gold  
buying work. <sup>152</sup>

As the organization of gold buying proceeded in  
1916, the Reichsbank was able to build upon a pre-existing  
network of contacts from earlier gold collection efforts.  
Wherever possible, the gold coin collection committees  
were urged to become active in the efforts to buy gold  
objects. <sup>153</sup> The school committees which had been active  
in collecting gold coins were likewise seen as important  
supports of the gold buying campaign. <sup>154</sup> In July 1916  
the Reichsbank sent gold buying guidelines to all German  
secondary schools. <sup>155</sup> Teachers were urged by their  
professional organizations to join the local gold buying  
committees and to "use the schools for this important

work."<sup>156</sup> The Reichsbank planned to use students as canvassers and receivers of gold objects, similar to the role they had played when collecting gold coins.<sup>157</sup> In addition, when no gold buying station was nearby, the school could act as a buying substation or depot itself.<sup>158</sup>

Students who solicited for gold objects were provided with an identification paper (Ausweis), stamped by the school. The student's first job was to distribute cards, which citizens would fill out if they wished to sell a gold object. Sellers would receive a receipt upon turning in an object, and teachers were asked to keep careful lists of any gold items collected. As a reward for hard work, students could receive souvenir pins, plaques, and the ever-popular day off from school.<sup>159</sup> Students who collected 1,000 marks or more in gold objects would receive a special certificate signed by the President of the Reichsbank himself.<sup>160</sup>

In order to better publicize the gold buying campaign, the Reichsbank adopted the slogan "Gold gab ich zur Wehr, Eisen nahm ich zur Ehr" (I gave gold for defense; I took iron for honor). The slogan was intended to set a mood of self-sacrifice, one which was most appropriate for the campaign. By appealing to the spirit of self-sacrifice, the Reichsbank hoped that people would set aside selfish

feelings which would cause them to hold on to their gold objects. Citizens were also indirectly reminded of the supreme sacrifice of the nation's soldiers, a recurring theme in the gold campaign.

In 1916 and 1917, the "Gold gab ich zur Wehr" slogan was spread throughout Germany. The slogan was often paired with a kneeling female figure symbolically sacrificing her gold jewelry. Such an image was powerful indeed, and since the woman held a prayer book in one hand the picture had religious overtones. The fact that the figure was a female was no doubt a bid to influence German women, who owned much of the desired gold jewelry. The female figure was used nationwide on gold buying propaganda, and became something of a trademark. Soon calendars, postcards, medallions, and leaflets, all issued in large numbers, were sporting the familiar logo.

The most important item featuring the kneeling woman and the "Gold gab ich zur Wehr" slogan was an iron medallion. The Reichsbank distributed these iron medallions as souvenirs to sellers of gold objects worth five marks or more. They could not be given to citizens turning in gold coins; only gold objects counted toward earning a medallion. The medallions were conceived as a badge of patriotism, akin almost to a soldier's medal. By law, the

medallions could not be counterfeited or duplicated or sold. They could not be transferred to another person except among family members or by bequest.<sup>162</sup> The law, however, encouraged duplication of the kneeling woman logo except on commercial products. In effect, the Reichsbank wished to make iron medallions scarce enough to be desirable.

The iron medallions were intended mainly for women who sacrificed their jewelry. To attract other segments of the population, the Reichsbank came up with other visible proofs of patriotism. German men seldom wore gold necklaces, but many did possess a golden watch chain. To encourage the sacrifice of golden watch chains, the Reichsbank offered iron watch chains to donors at cost.<sup>163</sup> The iron watch chains were servicable, made excellent souvenirs of the "eiserne Zeit" (time of iron), and proved a man's patriotism every time he checked his watch. Indeed, Germans<sup>164</sup> were encouraged to wear such jewelry proudly.

To hasten the success of the gold buying campaign, the Reichsbank launched an intensive propaganda effort. The intensive campaign was kicked off with an Aufruf (appeal) written by Reichsbank President Havenstein. German men and women were told first of all that the nation was fighting for its very existence; selling gold objects to the Reichsbank would help this cause. Gold objects would

help the nation's economy, assure Germany an honorable peace, and help rebuild the peacetime economy. <sup>165</sup> These ideas were meant to be attractive to a war-weary people. Havenstein went on to say that the sacrifice of gold objects was necessary and expected. <sup>166</sup> The Aufruf appeared in many forms; some beautifully printed with the kneeling woman logo. The Direktorium ordered that the Aufruf be widely distributed through Reichsbank branches. Copies were posted in banks, department stores, and shops. <sup>167</sup> They served as constant reminders to German citizens. Other handbills were quite blunt, demanding "Out with the gold! Out with the gold coins but also out with the gold jewelry!" <sup>168</sup> Citizens were told that forty years of prosperity had piled up treasures of gold jewelry. "What house doesn't have gold rings, brooches, bracelets, chains, bottles, spoons, or watches---often broken or obsolete?" <sup>169</sup> The desire for peace was exploited when people were told that selling their objects to the Reichsbank would shorten the war. <sup>170</sup> Newspaper articles compared the Germany of 1813 with the Germany of 1917. In 1813, people were told, Germany was also in the midst of great crisis and sacrifice. Patriotic Germans donated their gold and personal property in 1813 to free the country from Napoleon; their descendants need not donate their gold---selling it

to the Reichsbank would suffice.

In order to thoroughly educate the public on the necessity of turning in gold objects, a leaflet entitled "Zehn Fragen" ("Ten Questions") was distributed by the Reichsbank in 1917. The leaflet was written in question and answer form, with very little technical language. The Zehn Fragen explained that foreign nations expected payment for critical materials in gold. It further emphasized that selling objects to the Reichsbank was voluntary, but vital. It also reminded people that wedding rings of the living would not be bought: "the surrender of wedding rings of the living would only happen at a moment of extreme danger; and then they would be donated, not bought."<sup>172</sup> Wedding rings of the deceased, however, would be accepted by the Reichsbank.

The buying of gold jewelry and objects was bound to cause a certain degree of uneasiness and confusion among the German public. Again and again, people wondered why gold jewelry was still being sold in the shops. The Reichsbank replied that any privately held items could not be confiscated,<sup>173</sup> and that items in the store are probably only gold plated.<sup>174</sup> People were told to dismiss such suspicions. Evidently average citizens doubted that wealthy Germans were actually sacrificing their gold. To allay

such fears and promote national solidarity, the sacrifices of the wealthy were publicized. The German people were told that the Imperial family was doing its share.<sup>175</sup> The Crown Princess herself was named patroness of the gold object campaign. A report of May 1917 described how Count von und zu Egloffstein-Arklitten sold some very valuable family jewelry.<sup>176</sup> The Imperial Chancellor put himself at the head of the Berlin gold buying committee, and even sold the jewelry of his late wife.<sup>177</sup>

Reichsbank propaganda also tried to hold up examples of patriotic behavior for emulation. The Reichsbank publicized the sacrifice of municipal treasures such as golden mayoral chains in the cities of Dortmund, Gottingen, and Minden.<sup>178</sup> Heart-rending stories of poorer citizens parting with treasured possessions were designed to stimulate guilt and emulation. One story described an aged veteran of the Franco-Prussian War selling his gold watch chain for the cause.<sup>179</sup> Others told of people who donated cash derived from the sold objects to war charities.<sup>180</sup>

The most intense propaganda efforts preceded so-called Goldankaufswochen (gold buying weeks). While the gold buying stations were open year round (daily in some cases), certain weeks were set aside with the goal of collecting every last gold object. The Reichsbank prob-

ably theorized that specially set aside periods would be harder for citizens to ignore. Hamburg's gold committee held a gold buying week in February 1917; <sup>181</sup> Darmstadt did the same in April. <sup>182</sup> To ensure the "existence of home, hearth, women, and children", a gold buying week was held in Baden, Hesse, and the Palatinate in February 1918. It was emphasized that the gold buying stations would even be open on Sunday, normally a day of rest. <sup>183</sup> The Reichsbank coordinated special gold weeks in Mecklenburg in early June 1918; in Saxony and Posen in late June; and in Pomerania in July 1918. After two years of work, the Reichsbank was still mounting strong efforts; branches <sup>184</sup> were urged to support these gold weeks strongly. Citizens who sold gold jewelry in the summer of 1918 had resisted over two years of propaganda; those who turned in gold coins had resisted four years of constant appeal. Yet the gold continued to trickle in until the autumn of 1918, even as the German war effort was grinding to a halt.

By its own admission, the Reichsbank's four-year campaign to acquire all privately held gold in Germany was a failure. True, the Reichsbank commented upon the striking patriotism and spirit of cooperation present in the German people. In a very real sense, however, it could say nothing else publicly; anything less would be an admission of fail-

ure. Such an admission would doom further gold collection, shake confidence in the German currency at home and abroad, and convince the Entente that Germany was on shaky financial ground. The illusion of strength, so carefully cultivated by the Reichsbank, would thereby be dissolved. Underneath the glowing propaganda, the Reichsbank's leadership was less than satisfied. In 1917, after more than two years of intensive propaganda, the German people still held hundreds of millions of marks in gold coins, if not more, by the Reichsbank's own estimate.<sup>185</sup> In April 1917 the Reichsbank Direktorium declared that according to its own observations, wealthy Germans were relatively ignorant of or selfish toward the gold buying movement.<sup>186</sup> This after a year of constant appeals. "Too many hearts are still closed", the Direktorium further commented.<sup>187</sup> In July 1917 Geheimfinanzrat Bastian lamented that an understanding of the importance of the gold collection had not yet spread to all segments of the German population.<sup>188</sup>

On paper, the Reichsbank's campaign to concentrate gold in its own vaults seemed successful enough. By November 1916 the Reichsbank could boast that its gold reserves were double that of July 1914.<sup>189</sup> Yet much of that increase was itself an illusion. A good percentage had been added through the Reichsbank's acquisition of the

Reichskriegsschatz, gold which was in government possession anyway. And much of the heavy increases of July and August 1914 stemmed from gold recalled from the various governmental and semi-governmental treasuries. After the initial burst of patriotic fervor, the Reichsbank's gold reserves grew but slowly. More intensive and comprehensive propaganda brought steadily diminishing yields of gold.

Even if the Reichsbank had collected somewhat more gold from the German people, the war of attrition would have undermined its efforts. Any long war would have seriously diminished the value of the German mark; only a short, victorious war could have preserved the old monetary relationships. The Reichsbank, of necessity, propagated the fiction that a mark, pre-war or post war, would always be worth a mark but a glance at the balance sheet said otherwise. The central fact was that after 1914 the mark was no longer convertible into gold, and an ever increasing amount of paper money entered circulation. The Reichsbank could manipulate statistics ad infinitum, but nothing could conceal the fact that while the gold reserve had doubled, paper money in circulation had increased over seven-fold.<sup>190</sup> In fact, in the last year and a half of the war, the gold reserve actually decreased while the amount of paper in circulation increased drastically.<sup>191</sup> Propaganda could not erase this central fact, and the

Reichsbank was powerless to change it. The most the Reichsbank could do was to continue to disseminate the fiction of monetary strength, a policy pursued until the bitter end in November 1918.

The Reichsbank's gold campaign formed an important part of the Geldillusion during World War I. Whether it was actually successful or not, at home and abroad the campaign was presented as a triumph for the German nation. Statistics were interpreted as proof of German economic strength and the underlying solidity of the mark. The Reichsbank attempted to use gold as a psychological support for a currency declining in value. The mark was no longer convertible into gold, but the Reichsbank ironically turned to gold to create an illusion of strength.

The Reichsbank's gold collection campaign is also significant because of the extraordinary interaction carried on with the German people. A financial institution was suddenly charged with separating people from their valued possessions; no easy task. The Reichsbank responded to the challenge, building new organizational structures and cultivating new contacts. Ultimately the Reichsbank built a formidable gold collecting organization which reached into every corner of the country. In so doing,

the Reichsbank presented the German people with difficult decisions. Should one sacrifice one's own security and valued possessions for the welfare of the larger community? The question was answered, one way or another, by millions of German citizens.

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### CHAPTER III: THE REICHSBANK AND THE WAR LOANS

"The German people will not only defeat their enemy with the sword, but also with money. The War Loan will prove this."

-Paul von Hindenburg, 1917.

World War I was an incredibly expensive war both in terms of lives lost and money spent. As outlined earlier, the German Reich spent, depending upon the estimate, upwards of 160 billion marks in war costs.<sup>1</sup> Millions of marks were expended daily; somehow the huge outlays had to be financed. Without a steady supply of funds, the German war effort could not have proceeded. During the war, the Reichsbank assumed much of the responsibility for keeping the war machine supplied with cash. In 1914-1918 the German Reich chose principally to borrow money to cover costs rather than tax heavily.<sup>2</sup> This policy had important ramifications for the wartime Reichsbank as well as for the future of the German economy. Most of the German government's wartime borrowing took the form of Kriegsanleihen ("War Loans") which were interest-

bearing securities. Administered by the Reichsbank, these War Loans were offered to sale to institutions and the general public. The money thereby raised was to be used for the war effort.

Throughout the war, the Reichsbank claimed the Kriegsanleihen were secure, gilt-edge investments. The investor, claimed the Reichsbank, could only benefit from an investment in Kriegsanleihen. In addition, the Reichsbank strove to make the Kriegsanleihen into "Volksanleihen", loans broadly supported by the masses. While trying to involve all classes of the population in the effort, the Reichsbank simultaneously claimed that all classes were already strongly involved. None of the Reichsbank's assertions, however, was really true. The Kriegsanleihen were neither secure nor were they true Volksanleihen. The Reichsbank attempted to create the illusion of a rock-solid investment; in reality the Reich had no plausible plan to pay back the investors. The Reichsbank's claim, moreover, that the Kriegsanleihen were Volksanleihen amounted to only a somewhat biased opinion. The Volksanleihen would be better termed "a Kriegsanleihen of the well-off", for the actual support of small investors did not match Reichsbank claims.

In the Kriegsanleihen campaign, as in other facets

of the Reichsbank's wartime work, truth did not matter. What did matter was an illusion of monetary strength created for foreign and domestic audiences. The Kriegsanleihen contributed mightily to this illusion. Whether it was actually satisfied with the proceeds of the war loans or not, the Reichsbank presented each war loan as a resounding success. As a result, Germany's ongoing war debts would seem to be funded, creating the illusion of a healthy credit picture. Secondly, a successful war loan campaign would "prove" that the nation as a whole had faith in the monetary (and political!) system: a basic goal of the policy of illusion to begin with. The Reichsbank thus used the Kriegsanleihen, whether they were actually successful or not, as an instrument to further illusions of monetary strength and popular resolve, both of which were highly doubtful.

When the war began in 1914, the German government resolved almost immediately to float a War Loan. There was a precedent for such a decision, as war loans had been issued to raise money for the Franco-Prussian War of 1870.<sup>3</sup> In the late summer of 1914, the German leadership assumed that the war would be a replay of 1870: short

and victorious. The Reich had set aside a Reichskriegsschatz (War Fund) of gold and silver to be used in case of war. In a short war, the Reichskriegsschatz plus a quickly floated War Loan would pay for operating expenses. Later on, an indemnity could be extracted from the conquered enemy (again as in 1870) and used to pay back the War Loan. The Reichsbank and the German government originally envisioned one or two War Loans. As the expectation of a short war proved to be false, financial plans were revised and more War Loans were authorized. By the autumn of 1918 a total of nine Kriegsanleihen had been issued.

Several factors caused the German government to choose Kriegsanleihen as a principal method of financing the war. First, important sources of borrowing outside Germany had been cut off. Traditional centers of European capital such as London and Paris were now inaccessible. Neutral markets were often unwilling to lend Germany money at a low rate; a nation at war was a risk. In addition, other capital markets such as New York were cut off as the war progressed. The Reich therefore looked within its own boundaries for the capital needed to fuel the war effort. The less it needed to rely upon foreign sources, the better. A useful by-product of the War Loans was their propaganda value. Well-subscribed loans (or loans interpreted as such) were constantly held up as proof

of German resolve.<sup>6</sup> The Reich wished to show the Entente that its economic blockade had failed to break Germany. A successful loan would also bolster morale and dampen opposition at home.

Another consideration which pushed the Reich government into issuing Kriegsanleihen was the all-important issue of social peace. Wilhelmine Germany was riddled with class divisions, and though Burgfrieden was declared in August 1914 social antagonisms lurked just beneath the surface. The question of who was to pay the huge costs of war was potentially explosive. The imposition of heavy taxes would no doubt open an acrimonious debate as to who should pay what; morale would suffer just as unity was critically needed. Kriegsanleihen soothed such fears for subscription was voluntary, and each social class would presumably subscribe according to its ability. In addition the disparate social classes would all be "buying into" the war effort and thus have a vested interest in the Fatherland's success. On the other hand, voluntary subscription was not the most efficient means of tapping Germany's national wealth. Most of the German national wealth was in illiquid assets such as stores, buildings, and land.<sup>7</sup> Such assets did not lend themselves to conversion into Kriegsanleihen.

Another method of financing the war and another threat to social peace was inflation. The German government could have printed more paper money than it did, covering even more of its financial obligations with cheap paper. As it was, the mark's value was eroded considerably by inflation in the 1914-1918 period, both at home and in relation to other currencies. Between 1913 and 1918, wholesale prices in Germany more than doubled while the value of the mark fell from four to eight to the U.S. dollar. Additional printing of paper money would have stimulated inflation even more, risking serious unrest in workers caught within the wage-price spiral. The imperial government, unwilling to upset the uneasy internal peace, evidently saw Kriegsanleihen as one of the few politically safe means of financing the war. Kriegsanleihen bought the government time by keeping social peace. Essentially the question of who would pay for the war was put off until after the war was over.

On August 4, 1914 the German Reichstag voted to support the war effort by approving billions of marks worth of war credits. The Kriegsanleihen were created to fund these credits and mobilize German capital. The nine German Kriegsanleihen were floated in the spring and autumn of each war year. The basic terms of each loan

were very similar. The first Kriegsanleihe was offered for sale in September, 1914. The Anleihe carried a yearly interest rate of 5%, compared to the 3-4% rate of pre-war government securities.<sup>9</sup> The first Kriegsanleihe accrued interest from October 1, 1914 with interest coupons redeemable on April 1 and October 1 of each year. The bonds could not be redeemed until October 1, 1924 but could be sold on the open market.<sup>10</sup> In order to make the issue affordable to citizens of varied means, the Kriegsanleihen were sold in denominations ranging from 100 marks to 100,000 marks.<sup>11</sup> The customer did not have to pay the entire amount at once; for the first Kriegsanleihe he only needed to sign a pladge by September 19, 1914. Forty per cent of the purchase price was due by October 5; an additional thirty per cent by October 26; and the final<sup>12</sup> thirty per cent was payable on November 25, 1914. In terms of interest rate and payment terms, this was in<sup>13</sup> many ways an attractive investment.

Scarcely a month after the outbreak of World War I, the Reichsbank was ready to begin marketing the first Kriegsanleihe. On September 6, 1914 the Reichsbank Direktorium wrote to Reichsbank branches, outlining the procedures to be followed.<sup>14</sup> First of all, the public notice announcing the Kriegsanleihe in the press was to be made

by the Direktorium in Berlin alone.<sup>15</sup> The branches were told that they would receive a large supply of information sheets and subscription forms directly from a printing firm hired by the Reichsbank.<sup>16</sup> Bank branches were of course informed of the great significance of the Kriegsanleihe. According to the official notice listing the particulars of the first Kriegsanleihe, the "place of subscription" was the Reichsbank. Later in the notice it was stated that the Anleihen could also be purchased at the Prussian State Bank, other German banks and investment houses, at every public savings bank, and at life insurance agencies.<sup>17</sup> The issue was thus available at thousands of locations throughout Germany. The Reichsbank supervised the marketing of Kriegsanleihen at each of these places, and in early September 1914 it began to<sup>18</sup> send necessary informational support and paperwork. The first Kriegsanleihe set a pattern for the next eight, for as the war progressed the Reichsbank continued to use other financial institutions as subscription centers. Indeed, a greater amount of Kriegsanleihen were sold by German commercial and savings banks<sup>19</sup> than by the Reichsbank itself. At all times, however, the Reichsbank closely regulated the sale, supplying subscription forms and guidelines to banks throughout Germany.

The first three Kriegsanleihen floated in 1914 and 1915 were relatively successful. Each of these early issues was more successful than the one which preceded it in terms of number of subscriptions and amount of money raised.<sup>20</sup> The credits gained were able to cover the costs of the war during this period.<sup>21</sup> The Reichstag had voted five billion marks of war credits on August 4, 1914; 4.46 billion was raised in the first Kriegsanleihen<sup>22</sup> alone. Significantly, these successes were achieved without the help of a complicated propaganda organization.

After 1915, it became harder to maintain success in the War Loan drives. The war dragged on without an end in sight; there were no guarantees that Germany would win. The fourth and fifth Kriegsanleihen, floated in the spring and autumn of 1916 respectively, were relatively disappointing. Both the fourth and fifth Kriegsanleihen yielded less money than the preceding issue. Ominously, the number of subscriptions to the fifth Kriegsanleihe<sup>23</sup> was almost 1.47 million lower than the fourth. In response, the Reichsbank began to build a new "War Loan Organization" in the course of 1916. In the second half of the war this organization was to become increasingly elaborate, active, and centralized. After the fourth Kriegsanleihe (March 1916) war debts began to outweigh

the sums raised from the Kriegsanleihen.<sup>24</sup> This fact did much to stimulate the growth of a great propaganda organization.

An organization designed to systematically propagandize for the Kriegsanleihen took shape early in 1916 during the fourth War Loan.<sup>25</sup> The Reichsbank planned to set up working committees wherever possible; these committees were to solicit War Loan subscriptions among the citizenry.<sup>26</sup> In early 1916 the Reichsbank issued guidelines for the formation of a "Werbeorganisation für die Kriegsanleihe"<sup>27</sup> (Publicity Organization for the War Loan). These guidelines were to form the basis of an organization which would be steadily expanded as the war continued. First of all, the Landrat (District Administrator) was instructed to appoint a Vertrauensmann (official representative) for each community. The Landrat would also train the Vertrauensmänner for the work at hand. The individual Vertrauensmann was to supervise the War Loan campaign within his community, and was to build and supervise a local committee to carry out the solicitation work.<sup>28</sup> Thus the framework for a comprehensive effort began to take shape.

By the time of the sixth Kriegsanleihe (Spring 1917), the Reichsbank's solicitation organization was fully developed. At the summit of the organization was the

Reichsbank leadership in Berlin. Members of the Direktorium played a prominent role in the propaganda campaign. Bank President Havenstein, for example, crisscrossed the Reich on behalf of the Kriegsanleihen, delivering speeches<sup>29</sup> in places such as Frankfurt and Munich in 1917-1918. Other members of the Direktorium performed similar duties; Dr. von Grimm served as "leader of the whole Kriegsanleihen organization in the Reich."<sup>30</sup> Reichsbank civil servants and branches were ordered to support the solicitation work at every level. Reichsbank employees were encouraged to make speaking tours on behalf of the Kriegsanleihen;<sup>31</sup> all travel expenses would be absorbed by the Reichsbank. In addition the Reichsbank set aside a confidential fund of 500 marks per Kreis (district) to support the solicitation work.<sup>32</sup> By 1918 this sum had been increased to 1,000 marks per Kreis.<sup>33</sup>

Apart from the regular structure of civil servants and branches, the Reichsbank set up a unit called the Nachrichtenbüro für die Kriegsanleihen (Information Office for the War Loans) in 1916. This office was specifically charged with coordinating the organizational and propaganda effort throughout Germany. Huge amounts of information and ideas flowed from the Nachrichtenbüro to War Loan Committees throughout Germany. The Nachrichtenbüro's

headquarters on the Unterwasserstrasse in Berlin was even equipped with five telephone connections. Two numbers were specially set aside to receive requests for propaganda materials. Through its switchboard the Nachrichtenbüro could maintain almost instantaneous contact with War Loan committees anywhere in the country. <sup>34</sup>

The Reichsbank's Nachrichtenbüro also maintained close written contact with the local War Loan Committees through an elaborate chain of command. Regular written communications were forwarded through the Obmänner or Kreis (district) leaders. The Obmänner were also responsible for supervising the propaganda effort and organizing committees in each community in their district. The Obmänner then communicated with the next level of command, the Vertrauensmann who led the effort in a specific community. Each Vertrauensmann then developed and contacted a corps of workers to carry out the actual house to house solicitation. <sup>35</sup> The Berlin leadership was thus in touch with the house to house solicitors it considered to be the core of the overall effort. <sup>36</sup> Conferences were held to educate committeemen and coordinate the campaign. The Reichsbank hosted training sessions for Obmänner from all over the Reich; the trained Obmänner in turn hosted assemblies of the Vertrauensmänner from their districts. <sup>37</sup>

In theory, ideas formulated by the Nachrichtenbüro were to permeate all levels of the organization.

The Reichsbank Nachrichtenbüro promoted especially close communication between various levels of the organization during subscription periods. During the subscription drives, the Nachrichtenbüro sent out written memoranda to the Obmänner every few days.<sup>38</sup> These often lengthy memoranda dealt with every facet of the solicitation effort. The Nachrichtenbüro not only dispensed information, however, it also gathered data. The Nachrichtenbüro depended upon reports from Obmänner to gauge the size and success of local committees.<sup>39</sup> In 1917, for example, the Nachrichtenbüro requested that Obmänner submit the names of all Vertrauensmänner in their districts, as well as a list of functioning local committees.<sup>40</sup> Reports of Vertrauensmänner were also considered valuable; the Nachrichtenbüro needed such information in order to evaluate popular opinion and conditions in the field. In September 1917 Vertrauensmänner were asked to complete a detailed questionnaire on the nature of their community and the effectiveness of solicitation efforts.<sup>41</sup>

A major task of the Nachrichtenbüro was the education of the local War Loan Committee members. To prepare Vertrauensmänner and other workers in every way possible, a

series of Leitfaden or handbooks was written and distributed by the Nachrichtenbüro. The Leitfaden described all the mechanical particulars of the War Loans so that the solicitor would be familiar with basic facts.<sup>42</sup> More importantly, however, the Leitfaden stressed the arts of persuasion and offered practical suggestions in this regard. Vertrauensmänner were constantly instructed to think positively and to avoid controversial topics. The Leitfaden gave examples of how to handle clients during house to house solicitation, and told the Vertrauensmann<sup>43</sup> what to say when confronted with excuses or negativism. In short, the Leitfaden attempted to prepare the Vertrauensmann so that he had an answer for everything.

The Nachrichtenbüro also supplied local War Loan Committees with texts of letters and news releases. One Leitfaden contained a variety of texts for flyers and newspaper dispatches aimed at groups such as German women, German farmowners, and German workers.<sup>44</sup> Local committees were told how to report their success in the newspapers, and were supplied with specific quotations to be inserted in the copy.<sup>45</sup> The Nachrichtenbüro even supplied local committees with a selection of patriotic war poems intended for duplication or recitation wherever appropriate.<sup>46</sup> The Reichsbank took great pains to see that its organi-

zation would be supplied with the right words, and plenty of them.

Another component of the communication between local groups and the Nachrichtenbüro consisted of statistics. The Reichsbank was anxious to know the day-by-day progress of the Kriegsanleihen during the several subscription periods. Before the sixth Kriegsanleihe, for example, the Nachrichtenbüro sent out a series of seven postcards to each participating financial institution. The institution was to write the cumulative subscription figure on one of the pre-addressed cards. Each of the cards was to be sent to the Nachrichtenbüro's Abteilung für Statistik (Department of Statistics) at roughly four day intervals, thus revealing a nationwide selling pattern.<sup>47</sup> During the ninth Kriegsanleihe, this system of information was of crucial importance. When it became obvious that the issue was selling very slowly, the subscription period was extended.<sup>48</sup>

In addition to its own organizational structure, the Reichsbank enlisted other corporate groups for the War Loan campaign. Civil government at all levels worked closely with the Reichsbank to promote subscription. Provincial officials helped to organize local War Loan organizations.<sup>49</sup> The Prussian Minister of the Interior

urged Regierungspräsidenten (provincial officials) to cooperate "hand in hand" with the Reichsbank organization.<sup>50</sup> The Bavarian government helped to distribute Kriegsanleihen propaganda materials; 14,000 booklets were sent to Munich by the Reichsbank in March 1917.<sup>51</sup> Mayors were also enlisted by the Reichsbank; they were encouraged to help with the organization of War Loan committees in their towns.<sup>52</sup> Mayors were asked to lend their prestige to the effort, and in September 1918 all German mayors were requested to organize patriotic demonstrations supporting the latest Kriegsanleihe.<sup>53</sup>

Schools, churches, businesses, and clubs were also used by the Reichsbank. The bank valued the support of schoolteachers and clergy and encouraged their participation in committee work.<sup>54</sup> Subscription to the Kriegsanleihen was encouraged at school, and according to the Reichsbank 246,167 German high school students subscribed 31,063,302 marks to the third War Loan.<sup>55</sup> The Reichsbank also enlisted the help of private business; savings banks were asked to write to their customers urging subscription.<sup>56</sup> Local chambers of commerce were contacted too, and asked to urge private industry to encourage subscription among employees.<sup>57</sup> In 1917 when Anteilscheine (fractional shares of a war loan below the 100 mark

minimum) were delivered to subscribers, schools, factories,<sup>58</sup> and clubs were used as places of distribution. By using many different structures within German life, the Reichsbank was thus able to increase the scope, and perhaps the effectiveness of its War Loan campaign.

Though the Reichsbank assembled a formidable organization, convincing the German people to buy Kriegsanleihen was another matter. The German public exhibited a certain degree of reluctance and hesitation to buy Kriegsanleihen. In the early phases of the war, there were many citizens who were completely unfamiliar with securities and consequently held back. In 1914 and 1915, therefore, much of the Reichsbank's propaganda revolved around the terms and advantages of the Kriegsanleihen. As the war dragged on, however, doubts in the public's mind multiplied. By 1917, accumulated war debts had grown so that there were charges that the German government would never be able to pay the interest on, let alone redeem the Kriegsan-<sup>59</sup>leihen. Critics dismissed assurances that Germany would be able to bear the repayment burden because the eventual<sup>60</sup> size of the debt burden was unknown. Any doubts about the outcome of the war automatically made the Kriegs-<sup>61</sup>anleihen appear a risky investment; in 1918 such doubts threatened to ruin the solicitation effort. In addition,

war weariness and low civilian morale directly affected the marketability of the Kriegsanleihen. The Reichsbank thus labored under considerable negative influences. In response, the Reichsbank launched what was probably the most elaborate propaganda effort attempted in Germany up until that time. The effort was ambitious in terms of media used, themes covered, and sheer volume of propaganda material produced.

The first medium used by the Reichsbank in its Kriegsanleihen campaign was the German press. Throughout the war the press was cooperative, often giving space to articles concerning the Kriegsanleihen. The Union of German Newspaper Publishers worked closely with the Reichsbank in this regard.<sup>62</sup> The Reichsbank's Nachrichtensburo distributed dozens of articles to the nationwide organization for reprint in local newspapers.<sup>63</sup> Committees were told to keep periodicals supplied with new and different press releases, and were advised to make the articles short and easily understood.<sup>64</sup> From September 1914 onward a large segment of the German public were informed of the Kriegsanleihen campaign through the press.

In its efforts to reach a wide audience, the Reichsbank made effective use of posters. Throughout the war,

posters advertising the Kriegsanleihen were displayed all over Germany. For the first five or six days of the subscription periods, posters were put up announcing the Kriegsanleihe, and listing the terms of purchase. <sup>65</sup> These were affixed to official notice boards, public buildings, churches, waiting rooms, streetcars, and the like. The Reichsbank directly supplied official notice boards in towns of 8,000 or more people as well as all German banks, post offices, and railroads. Obmänner were asked <sup>66</sup> to distribute the posters elsewhere. After a week or so, these first posters were taken down and replaced with <sup>67</sup> a pictorial poster urging subscription. These too were hung by the thousands in a variety of formats.

For the sixth Kriegsanleihe, the Reichsbank commissioned the Munich firm of Fritz Maison to produce a <sup>68</sup> poster. The poster, entitled "Helft uns Siegen" (Help Us to Victory) featured a young soldier near the barbed <sup>69</sup> wire of the trenches. The general impression was one of youthful confidence, and the very mention of victory was optimistic. Other posters featured the ever-popular <sup>70</sup> Hindenburg, himself a symbol of victory. In 1918, a variety of posters were produced, and local Kriegsanleihen committees could choose from themes such as a knight, an angel, an eagle-dove combination, a steel helmet, or

a bell.<sup>71</sup> For the ninth Kriegsanleihe, the Reichsbank had colorful streamer-like placards printed. Each displayed the motto "Kriegsanleihe Zeichnen!" ("Subscribe to the War Loan!"). The Reichsbank hired a firm to hang these placards on shop windows throughout Germany.<sup>72</sup> Posters were also created to emphasize German economic strength. One depicted a huge triumphal arch whose supports symbolized German economic achievement.<sup>73</sup> Another 60x60 centimeter poster used pictorial tables to prove the health of Germany's economy.<sup>74</sup> Most of the Reichsbank's posters were produced in vast quantities, so that several examples of each could be found in even small towns.

Flyers and handbills promoting the Kriegsanleihen were produced in massive quantities. For the sixth Kriegsanleihe, the Reichsbank planned to distribute one flyer for every five urban inhabitants.<sup>75</sup> These flyers were to be delivered to households with the aid of youth groups or other local organizations.<sup>76</sup> The practice of distributing flyers to households continued through the ninth and last Kriegsanleihe in the autumn of 1918.<sup>77</sup> The Reichsbank generally produced a handbill detailing how and where to subscribe at the beginning of each subscription period. These notices generally included a paragraph summarizing the need for subscription: Germany is surrounded; to sub-

scribe is a patriotic duty, and the like. <sup>78</sup> Later in the subscription period the Reichsbank distributed more specialized flyers. One, for example, capitalized on German hatred of England, stating that Germany must beat England with money as well as weaponry. <sup>79</sup> Other flyers produced by the Reichsbank were designed specifically to appeal to a female audience. <sup>80</sup> The German population thus received extensive exposure to propaganda through the medium of flyers.

In the course of World War I, the Reichsbank produced a large variety of pamphlets supporting the Kriegsanleihen. One type of pamphlet was designed to train people working on the War Loan committees. The goal of these pamphlets was to create articulate spokespersons for the Kriegsanleihen. <sup>81</sup> Other pamphlets were specifically designed to inform the general public about the Kriegsanleihen, and were distributed en masse. "Kriegsanleihe Fragen" ("War Loan Questions") used a question and answer format <sup>82</sup> to supply the German public with basic information. Other pamphlets, such as "Die Verwaltung von Wertpapieren" ("The Administration of Securities") were more persuasive, <sup>83</sup> presenting the advantages of subscription. A booklet entitled "The Advantages of Capital Investment in War Loans" presented Kriegsanleihen as the perfect investment. <sup>84</sup> In 1918, when the future appeared uncertain, the

Reichsbank produced pamphlets devoted solely to proving the security of the Kriegsanleihen.<sup>85</sup> Like earlier pamphlets, they were designed to circulate as widely as possible.

Some of the Reichsbank's pamphlets did not mention the Kriegsanleihen directly, and were intended to "educate" the citizen so that he would be more inclined to subscribe in the future. "Die Feinde und Ihre Geldsorgen" ("The Enemies and Their Financial Worries") intended to show the financial weaknesses and strain of enemy powers, in comparison to the strength of Germany.<sup>86</sup> In 1918, the Reichsbank commissioned a series of booklets entitled "Deutschlands Wirtschaftswaffen der Zukunft" ("Germany's Economic Weapons of the Future"). These were designed to persuade the German people that their economy was strong because "this is the best preparation for the necessary work of a Kriegsanleihe."<sup>87</sup> Other Reichsbank pamphlets omitted economics entirely. "A Letter from an Officer to His Daughter" told of terrible deprivations at the front and the peaceful conditions in the homeland.<sup>88</sup> The underlying message: support the brave soldiers, and preserve the home front by buying Kriegsanleihen. Other booklets enticed the reader with humor. The Reichsbank commissioned a Berlin publisher to intersperse Gustav Hochstetter's "Lächende Geschichten" ("Humorous Stories") with stories

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promoting the Kriegsanleihen. Each Obmann received 125  
copies for placement in waiting rooms, coffee houses,  
and taverns.<sup>90</sup> The Reichsbank's stock of publications  
spanned the spectrum from the serious to the ridiculous.

In 1918 the Reichsbank launched a publication called  
the Kriegswirtschaftliche Blätter ("Wartime Economic News").  
Published every few weeks, the Blätter carried a variety  
of items explaining wartime economic measures.<sup>91</sup> Their  
basic function, however, was to support subscription to  
the Kriegsanleihen. The Kriegsanleihen organization all  
over Germany was supplied with the Blätter, and the re-  
printing of materials therein was strongly encouraged.<sup>92</sup>

Other printed matter produced for wide public  
distribution consisted of postcards and calendars. For  
the seventh Kriegsanleihe in 1917 the Reichsbank dist-  
ributed a little illustrated calendar showing the beginning  
of the subscription period in September as well as special  
days such as "Hindenburg Day" (2 October), "National War  
Loan Day" (14 October), and the "Last Day of Subscription"  
(18 October).<sup>93</sup> The recipients of these calendars were  
given ample reminder of their duty to subscribe.

Postcards were a popular form of greeting card in  
the early twentieth century, and the Reichsbank made  
careful use of this medium as well. Kriegsanleihen posters,

such as the one "Helft Uns Siegen"<sup>94</sup> depicting a soldier were miniaturized into postcards. In March 1917 it was planned to give one to each Bavarian schoolchild in the upper grades.<sup>95</sup> In September 1917 a postcard of an airplane pilot was made available for nationwide distribution. The Reichsbank was proud to present this "truly popular solicitation material", and asked Obmänner to order one postcard for every ten inhabitants in their district.<sup>96</sup> On this basis, the nationwide order would surpass six million postcards. In March 1918 the Reichsbank distributed "Wennerberg Postcards" for distribution in theaters and cinemas.<sup>97</sup> A Wennerberg card depicting children was designed to be given out in schools.<sup>98</sup> Poster-size versions of the cards were printed for public places.<sup>99</sup> Each "Wennerberg" card carried a watercolor illustration plus a short rhyme; the Deutsche Schulfugend card ("German Schoolchildren") read as follows:

Alle bis zur letzten Reihe  
zeichnen freudig Kriegsanleihe.  
Klüber als manch grosse Leute 100  
zeigen sich die Kleinen heute.

(Every last one  
joyfully subscribes to the War Loan.  
The little ones show themselves  
to be smarter than many grown-ups.)

In June 1918 the Reichsbank issued still another set of

postcards, "Deutschlands Soll und Haben" ("Germany's Debits and Credits"). These cards compared German economic strength with that of other nations in terms of coal production, bank deposits, agriculture, education, and the like.<sup>101</sup> The final card in the set depicted how the Entente wanted to destroy Germany. Like other wartime postcards, this set was mass produced and widely distributed.

Still another medium used by the Reichsbank for propaganda purposes was poetry. In March 1917 the Reichsbank sent Obmänner a selection of poetry to be submitted to local newspapers. The themes included U-Boats, Hindenburg, and lines such as "the sharper the knife, the fuller the victory, the quicker the end to war."<sup>102</sup> Money was constantly mentioned as a weapon. Additional poetry was distributed to Vertrauensmänner via the Leitfaden.<sup>103</sup> In March 1918 the Reichsbank released another selection, this time by a German teacher. Dedicated to the eighth Kriegsanleihe, it began "With God, My Kaiser, My Hindenburg!"<sup>104</sup>

Print media was only one component of the Reichsbank's World War I propaganda. Relatively new technology, such as slide projection and film were used extensively. In response to a disappointing fifth Kriegsanleihe, the

Reichsbank developed a series of public presentations or lectures to support the Kriegsanleihen. In late 1916 the Nachrichtenbüro announced the first three of a series of slide shows. The presentations were not direct advertisements for Kriegsanleihen, but were meant to pave the way, educating the German people in "proper" economic thought. <sup>105</sup> "Deutschlands Wirtschaftskräfte" ("Germany's Economic Strength") and "Deutschlands Finanzkraft" ("Germany's Financial Strength") both aimed to reassure the citizenry by presenting a rosy economic picture. <sup>106</sup> The third show, "Unsere Reichsbank im Kriege" ("Our Reichsbank in Wartime") emphasized the stability of the German currency with its supposedly strong gold reserve. <sup>107</sup> The last slide in this presentation advertised Kriegsanleihen.

The Reichsbank produced many copies of its slide shows, and War Loan committee members nationwide were encouraged to borrow the slides by mail. Vertrauensmänner were advised to make the presentations to all types of clubs in the weeks before Kriegsanleihen subscription periods. <sup>108</sup> Since the slide shows were silent, the Reichsbank provided the presenter with a suggested narrative. Presenters were encouraged to improvise and include humor where appropriate. <sup>109</sup> For some presentations, the Reichs-

bank provided large pictorial tables so that a lecture could be given if no slide projector was available.<sup>110</sup> In general, no admission was charged for the presentation, but local committees were permitted to ask a small sum to defray costs provided some seats were free "so that all classes of people might attend."<sup>111</sup>

In 1917 and 1918, the Reichsbank added additional titles to its inventory of slide shows. "Germany's Ascent and Future" (March 1917) lauded past accomplishments and promised a bright future.<sup>112</sup> "German Agriculture: Germany's Pride and Strength" (1918) was created to boost rural morale and advertise Kriegsanleihen in the countryside.<sup>113</sup> "Year of the Battles" (1918) gloried in German success on the battlefield and virtually promised final victory, ending with an appeal to buy Kriegsanleihen.<sup>114</sup> In 1917 the Reichsbank also released a series of three silent films showing its gold reserves as well as the printing of Kriegsanleihe.<sup>115</sup> These too were designed for wide distribution.

Evidently the Reichsbank was pleased with propaganda on film, and wished to broaden use of this media. In December 1917 the Reichsbank reached an agreement with a Berlin firm, the Deutsche Vortragsbühne. The Vortragsbühne produced a variety of slide presentations dealing

with patriotic and economic topics. These presentations were made available to War Loan committees nationwide. Committees ordered directly from the Vortragsbühne, and could choose from an array of seventy-five different shows. The topics ranged from "The War in the Air" to "North Africa, France's Bread Basket." In addition, a number of lecturers were available from the Vortragsbühne, which also agreed to help publicize the presentations. Through the medium of slide shows, audiences all over Germany were visually and repeatedly indoctrinated with the same messages: "Germany is strong, Germany will win, buy Kriegsanleihen!"

In order to reach people who might have missed the slide and film series, the Reichsbank extended its propaganda network to places of public entertainment. In October 1917 a "National Week of the German Stage for the Benefit of the Seventh Kriegsanleihe" was held in cooperation with the Deutscher Bühnen-Verein (Association of German Theaters). Theaters were to be decorated with Kriegsanleihen posters, propaganda postcards were to be distributed, and actors were to be available to accept subscriptions from the audience. Slides urging subscription were to be shown during intermissions, and even the playbills were to urge subscription. The Reichsbank supplied theaters with all the necessary materials for a successful

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effort. A similar "National Week" was held for the  
Eighth Kriegsanleihe in March 1918, since "the work in  
the theater had a strong influence upon the last two  
[sixth and seventh] Kriegsanleihen." <sup>120</sup> In the summer  
of 1918 the Reichsbank wrote to German variety theaters,  
cabarets, and coffee houses asking for help marketing  
the Ninth Kriegsanleihe. These places of entertainment  
were asked to present skits, sing songs, or to give a  
spoken prologue advertising the Kriegsanleihe. The  
Reichsbank offered to supply placards, postcards, and  
<sup>121</sup>  
flyers free of charge.

Speeches and public demonstrations were yet another  
method by which the Reichsbank encouraged agitation for  
the Kriegsanleihen. The Reichsbank regularly supplied  
its Vertrauensmänner with Werbevorträge, material to be  
<sup>122</sup>  
used for making speeches. During each subscription  
period, the Reichsbank suggested that speeches and public  
<sup>123</sup>  
demonstrations be held in the cities. Prominent people  
were often invited to speak at such demonstrations. Dr.  
Lentze, the Prussian Finance Minister, spoke at one such  
<sup>124</sup>  
rally at the Zirkus Busch in Berlin in March 1917. The  
Reichsbank also considered members of the Reichstag to  
be highly appropriate speakers at such occasions. In  
September 1917 Obmänner were instructed to convince their

local Reichstag or Landtag deputy to speak in favor  
of the Kriegsanleihen.<sup>125</sup> The Reichsbank Direktorium  
itself contacted party leaders of the Reichstag, requesting  
that Reichstag members of their party speak on behalf  
of the Kriegsanleihen.<sup>126</sup> The Reichsbank offered to  
defray any resulting costs to Reichstag members.<sup>127</sup> By  
1918, Reichstag members were speaking in areas other  
than their constituencies. By contacting the Nachrichten-  
büro, Obmänner could request a Reichstag deputy visit  
their district. Obmänner could even request a Reichstag  
deputy professing a specific political philosophy or  
party.<sup>128</sup>

Meetings of a religious nature were also exposed  
to Kriegsanleihen propaganda. The Reichsbank produced  
propaganda for inclusion in sermons. In 1918, the Reichs-  
bank distributed a pamphlet entitled "The Belief in  
Victory" to be used as a basis for preaching by the  
clergy.<sup>129</sup> Disbelief in victory was equated with disbelief  
in God Himself. The Reichsbank noted that it would be  
easy to mention the Kriegsanleihen in a sermon such as  
this.<sup>130</sup> The Reichsbank also produced a pamphlet by  
theologian Paul Piechowski called "The New German War  
Loan in a Religious-Moral Light." This work was similarly  
intended for "War Loan preaching."<sup>131</sup> Such efforts were

not limited to one religious group; Obmänner were told to get in touch with all denominations. <sup>132</sup>

For each of the last four Kriegsanleihen, the Reichsbank planned a "Nationaltag für die Anleihe" ("National Day for the War Loan"). The days were designed to be "especially impressive" and were generally held the last Sunday before the end of the subscription period. <sup>133</sup> The Reichsbank asked that giant public meetings be held, church bells be rung, and flyers distributed. Prominent people and citizens of all social classes were to participate. <sup>134</sup> Above all, banks and financial institutions were to remain open in order to accept subscriptions to the Kriegsanleihen. <sup>135</sup> According to the Reichsbank, the idea was successful enough to repeat. <sup>136</sup>

In its Kriegsanleihen propaganda campaign, the Reichsbank used a variety of media in addition to the basic house to house solicitation. Indeed the campaign was striking in its creativity and diversity. One may debate the effectiveness of all these efforts, but one thing seems certain: virtually every German heard the Reichsbank's message at some point in time.

In the course of World War I, the Reichsbank developed and refined its ability to produce propaganda. By 1916, propaganda had become increasingly subtle,

going far beyond simple appeals to buy Kriegsanleihen. One example of this sophistication was the division of propaganda work into Werbearbeit (solicitation work directly associated with the Kriegsanleihen) and Aufklärungsarbeit (educational or "enlightenment" work of a more general nature).<sup>137</sup> Aufklärungsarbeit was seen as a groundwork for successful later Werbearbeit. The Reichsbank thus considered propaganda an ongoing project, an activity not limited to the semi-annual subscription periods.

An analysis of the Reichsbank's Kriegsanleihen propaganda reveals several major themes. Patriotism was a constant and obvious propaganda component. Throughout the war, the German people were reminded that it was their patriotic duty to subscribe.<sup>138</sup> In March 1917 Reichsbank President Havenstein termed subscription a holy duty,<sup>139</sup> a term echoed by Prussian Finance Minister Dr. Lentze a few days later.<sup>140</sup>

The solidarity of the national group was emphasized strongly in Kriegsanleihen agitation. Reichsbank President Havenstein stated in a propaganda speech that all Volks-<sup>141</sup>genossen (folk comrades) must stand together. The word Volksgenossen is significant in that it carries connotations of völkisch blood ties as well as political

bonds. Havenstein also declared that "each individual is only part of the great whole over him, the Father-land."<sup>142</sup> From this philosophy it is but a small step to hatred of those outside the national group. In 1917 the Reichsbank produced flyers focusing such hatred upon the English.<sup>143</sup>

Solidarity with the brave soldiers in the field was another facet of patriotic propaganda. Germans were told to "think about the fighting soldiers in the field who daily risk their lives for those at home."<sup>144</sup> If a German said "I've already subscribed enough" he was reminded that soldiers don't say "I've fought enough" when standing before the enemy.<sup>145</sup> Since most Germans had a friend or relative at the front, this was a powerful argument.

Another main thrust of Reichsbank propaganda was the emphasis upon German strength, both economic and military. Perceived weakness in either area threatened to undermine the Kriegsanleihen; few citizens would want to invest in a defeated nation's war debts. As the war proceeded and Germany's debts mounted, the Reichsbank stressed German strength more and more. Accuracy was a secondary consideration in many instances. First of all, the Reichsbank depicted Germany as the land of economic miracles, where

amazing progress had been made in recent decades. <sup>146</sup>  
Germany was presented as a land blessed with abundant <sup>147</sup>  
resources, efficient agriculture, and dynamic industries.  
Secondly, the "unshakeable" German economy was shown to  
be fundamentally stronger than the economies of enemy  
states. <sup>148</sup> The underlying message was simple: an invest-  
ment in Germany's war effort was sound indeed. The Reichs-  
bank also told the German people that enemy economies  
were in terrible shape: the Entente had accumulated a  
huge foreign debt with U-Boats wreaking havoc on trade,  
the Russian currency had collapsed, all in addition to  
bad harvests, high prices, and shortages of raw mate-  
rials. <sup>149</sup> At the very least the German people could take  
comfort from the fact that their deprivations were shared  
by others. Late in the war, Reichsbank President Haven-  
stein summed up the unfailingly positive propaganda by  
saying "it's as if German economic strength and confidence  
grow the longer they're tested." <sup>150</sup>

Military reverses had an unfavorable effect on the  
success of the Kriegsanleihen. The Reichsbank's propa-  
ganda policy therefore stressed German military successes while  
virtually ignoring any reverses. In March 1916 the Reichs-  
bank stated that "in all theaters of war, west and east,  
our armies have had great success." <sup>151</sup> In the autumn of

1916 the German armies were described as being victorious on all fronts.<sup>152</sup> In 1917 a propaganda slide show included pictures of areas conquered by Germany plus sunken enemy boats. The presentation ended with the message that German military strength would bring about peace.<sup>153</sup> Similar slide shows produced in 1918 gloried in the defeat of Russia, the Treaty of Brest-Litovsk, and successes on the Italian Front.<sup>154</sup> In August 1918 the German people were assured that a major victory had been secured in the east, in the west defenses were strong, and U-Boats would continue to terrorize England and America.<sup>155</sup> At the same time, the Reichsbank was aware of an unfavorable military situation.<sup>156</sup> Clearly, people were not being prepared for a defeat which was fast approaching; quite the contrary. The Reichsbank's propaganda consistently prepared the German people for a victory which never took place. As late as October 1918 propaganda was still calling for a German victory and a German peace.<sup>157</sup>

From the very first day of the campaign, the Reichsbank marketed the Kriegsanleihen as an attractive investment. Reichsbank pronouncements guaranteed the Kriegsanleihen to be secure. "A secure, high interest investment", declared the Reichsbank in 1915.<sup>158</sup> "The Reich is the safest debtor", the Prussian Finance Minister de-

clared in 1917.<sup>159</sup> "The Kriegsanleihe is insured, formally through the promise of government and Reichstag, and materially through the work and tax strength of the whole people", declared State Secretary Graf von Roedern in early 1918.<sup>160</sup> In October 1918, Dr. Helfferich declared that "the security of the Kriegsanleihen is the first financial duty of the Reich."<sup>161</sup> Reichsbank President Havenstein himself stated that the nation could carry a heavy debt burden, and that bankruptcy was unthinkable for the German Reich.<sup>162</sup>

According to the Reichsbank, the Kriegsanleihen were not only secure; they were a sensible way to invest capital. In September 1914 and again in 1915 the German people were told that the purchase of Kriegsanleihen involved no sacrifice; on the contrary, the investor received security and a high rate of return.<sup>163</sup> A propaganda pamphlet, "The Advantages of Capital Investment in War Loans" depicted the Kriegsanleihen as the perfect investment: secure, yielding a good interest rate, easily administered, and easily liquidated.<sup>164</sup> To make the Kriegsanleihen even more attractive in 1917-1918, the Reichsbank advertised that "at the conclusion of the war, the army will be in the position to dispose of many types of materials: horses, vehicles, etc., and it is anticipated that

Kriegsanleihen will be accepted as payment.<sup>165</sup> In 1918, the Reichsbank advertised that those persons paying with Kriegsanleihen [not cash] will stand first in line to buy war surplus items. It was further noted that the Kriegsanleihen would be accepted at full value.<sup>166</sup>

In the long war of attrition, Reichsbank propaganda cleverly exploited the hopes and fears of the German people. Operating at several levels simultaneously, the Reichsbank presented the Kriegsanleihen as an excellent investment, but also threatened that terrible things would happen if the German people did not subscribe. As early as February 1915 Germany was told that enemies desired her annihilation.<sup>167</sup> Subscription to the Kriegsanleihe, it was claimed, could help stave off a world of enemies bent on the destruction of Germany.<sup>168</sup> Reichsbank propaganda warned that if the Entente succeeded, the Reich would be dismembered, foreign trade would be curtailed (with the resulting poverty), and high reparations would be imposed.<sup>169</sup> Throughout the war the word "annihilation" appears prominently in Reichsbank propaganda, a powerful threat indeed.<sup>170</sup>

By 1916, the German people were becoming increasingly war weary. Rumors began to circulate that subscription to the Kriegsanleihen would lengthen the war by keeping

the machinery of death running.<sup>171</sup> The Reichsbank set out to refute such rumors, and held out the hope that a successful War Loan would actually shorten the war.<sup>172</sup> In the autumn of 1916, the Reichsbank warned that insufficient subscription to the upcoming Kriegsanleihe would only lengthen the war.<sup>173</sup> Such warnings were repeated for the duration. This in effect was blackmail.

Another measure of the volume and sophistication of Reichsbank propaganda were the appeals to specific audiences. During the last two war years, the Reichsbank targeted certain classes and geographic areas, hoping to stimulate subscriptions in specific segments of German society. One such group was the farming population. In 1917, the Reichsbank distributed a model press release designed to appeal to farmers. Farmers were told that "your brothers, sons, workers, and horses(!) are at the front. This is not the time to hold back--subscribe!"<sup>174</sup> To improve the morale (and thus disposition toward subscribing to Kriegsanleihen) the Reichsbank produced a slide show specifically aimed at farmers. German agriculture was praised in comparison to that of England and France, and the Reichsbank asserted that German war taxes and war costs were smaller per capita than those of the enemy.<sup>175</sup> In 1918, the Reichsbank consistently informed

the agricultural population that Kriegsanleihen could be used to buy surplus army animals after the war. Kriegsanleihen circulars with pictures of horses, cows, and plows were posted in farming districts.<sup>176</sup> The Reichsbank also asked local governments to remind farmers that Kriegsanleihen could be used to buy war surplus.<sup>177</sup>

Women too were an important target in Reichsbank propaganda. In wartime, many women managed family incomes while their male relatives were away at the front, and at the same time many women entered the labor force. In the autumn of 1917, the Reichsbank appealed to German women saying that "you've already helped in earlier Kriegsanleihen against our jealous enemies." German women were urged to subscribe; that would shorten the war for fighting sons and brothers.<sup>178</sup> In September 1917 a flyer was produced with the message "Women, think of your husbands and brothers. Mothers, think of your children." The Reichsbank worked with the Nationale Frauendienst to distribute this propaganda, targeting "active women doing war work, and middle class women."<sup>179</sup> In 1918 the Reichsbank also distributed a pamphlet exclusively for women, "Deutsche Frauen in Kriegsnot einst und Jetzt" ("German Women in Wartime Emergency, Then and Now").<sup>180</sup>

The German working class was also the recipient of

Reichsbank propaganda. Workers were advised to subscribe to the Kriegsanleihen because it would help end the war and help keep their incomes secure. Workers were told that even small subscriptions would help. <sup>181</sup> To enable "all levels of the population" to subscribe even if they couldn't afford the 100 mark minimum, the Reichsbank authorized Anteilscheine or fractional shares of the Kriegsanleihen. Factories were used as places to distribute the Anteilscheine. <sup>182</sup> To further make sure the working classes were reminded of their duty to subscribe, Kriegsanleihen advertisements were printed on food ration cards. <sup>183</sup>

The Reichsbank also tailored propaganda to certain regions of Germany. In 1917 the Reichsbank Direktorium decided to distribute a pamphlet entitled "The Destruction of the Palatinate Wine Producing Area by the French in Earlier Wars." This pamphlet was to be distributed by the Reichsbank branch in Ludwigshafen to all areas of the Palatinate (Pfalz), especially rural areas. <sup>184</sup> The pamphlet was intended to pave the way for a successful Kriegsanleihen campaign. To conceal its motives, however, the Reichsbank sent out the pamphlets through the Pfälzer Wald-Verein (Palatinate Forest Club). <sup>185</sup> This pamphlet is but another example of the specialization and sophis-

tication of Reichsbank propaganda.

In World War I, the sheer volume of Reichsbank propaganda was striking. Pamphlets, flyers, and other printed matter were produced by the thousand and even million. A flood of communications was sent out to the Obmänner and Vertrauensmänner in a steady stream. Films, slide presentations, printed scripts, charts, posters, and calendars were mass produced. The cost in terms of raw materials, distribution, and personnel must have been staggering. In addition the flood of printed matter was produced in the face of a serious paper shortage.<sup>186</sup> This relative disregard of cost reveals the extreme importance attached to successful Kriegsanleihen.

Publicly, the Reichsbank consistently asserted that the Kriegsanleihen were a resounding success. To do otherwise would have been an admission of defeat, damaging morale at home and providing encouragement to Germany's enemies.<sup>187</sup> Privately, however, the Reichsbank leadership sometimes expressed dissatisfaction, disappointment, and concern over the popular mood. In spite of vigorous propaganda, a profound negative attitude existed among the German people, particularly from 1916 onward. The Reichsbank believed that this attitude stood in the way of success.

In 1916, widespread grumblings were reported against the Kriegsanleihen. In March 1916 it was reported that soldiers were writing their families not to subscribe because "when the Reich has no more money, the war will have to end and we'll come home sooner."<sup>188</sup> By September, specific incidents were being reported from all over Bavaria. In Mittelfranken, men on furlough called the war a swindle.<sup>189</sup> In Oberfranken, soldiers warned their loved ones not to subscribe.<sup>190</sup> In the Oberpfalz, propaganda was reported to help little; pessimism reigned.<sup>191</sup> From Regensburg it was reported that in the barracks the sentiment was "he who subscribes murders his brother."<sup>192</sup> The district government of Bad Aibling-Dachau reported pointed, negative questions directed toward a Kriegsanleihen Vertrauensmann.<sup>193</sup> In Dachau a "well respected pastor" reported that the country people had no enthusiasm for the next Kriegsanleihe. He further reported that people did not believe newspaper accounts of the war, and that he himself was afraid to refute negative rumors.<sup>194</sup> Similar incidents were reported in 1917.<sup>195</sup>

A host of other wartime problems spelled difficulty for the Kriegsanleihen. Anti-Prussian sentiment was reported in Bavaria in 1916.<sup>196</sup> Reichsbank President Havenstein hinted of anti-war agitation on the part of Social Demo-

crats in Upper Silesia, Saxony, and Berlin in September  
1916.<sup>197</sup> In December 1916 popular ignorance and mistrust  
was reported in spite of strenuous propaganda efforts.<sup>198</sup>  
In October 1917, Havenstein complained that the Reichstag  
Peace Resolution was a great danger to the success of  
the Kriegsanleihen, "especially if the Reichstag attempts  
more such stupidity."<sup>199</sup> Rationing and food problems  
also took their toll.<sup>200</sup> In 1917 union leaders pointed  
out that workers lacked enthusiasm to buy Kriegsanleihen.<sup>201</sup>  
In general the Reichsbank felt that the people focused  
their frustrations and fears on the Kriegsanleihen.<sup>202</sup>  
We can only imagine the net effect. In March 1917, Dr.  
Havenstein declared each of the first five Kriegsanleihen  
a victory, yet in the same speech he commented that short  
sightedness, idiocy, and unpatriotic thought had hurt the  
effort.<sup>203</sup>

In the 1914-1918 period, upwards of 98 billion marks  
worth of Kriegsanleihen were sold.<sup>204</sup> In what sense was  
this seemingly impressive amount a success of failure?

First of all, the 98 billion marks raised by the  
Kriegsanleihen failed to cover the total cost of the war  
by at least 62 billion marks. The first four Kriegsan-  
leihen basically covered war costs, but from September  
1916 onward, the gap widened. By autumn 1918 the gap

between subscriptions and outstanding treasury bills had widened to over 38 billion marks, a huge deficit.<sup>205</sup> From 1915-1918, subscriptions generally totalled 10-15 billion marks per Kriegsanleihe while war costs soared year by year.<sup>206</sup>

Secondly, how reliable is the figure of 98 plus billion marks? As the war proceeded, earlier issues of Kriegsanleihen could be mortgaged or exchanged for newer issues.<sup>207</sup> In a sense, therefore, credit was used as collateral to create credit; no new real resources were committed. Somewhat less, therefore, than 98 billion was actually raised from the German people.

Third, the billions of marks raised as the war proceeded were depreciated marks. The mark lost much of its value in the 1914-1918 period, and a billion raised in 1914 was worth more than a billion raised in 1918. The Reichsbank's glowing figures assumed a 1914 mark was a 1918 mark, prompting comments such as "war loan miracles created by the paper money printing press."<sup>208</sup> This is true to an extent, because at the end of the war over five times as much cash was in circulation as compared to July 1914.<sup>209</sup> The money supply grew drastically as the war proceeded, while subscriptions levelled off. The public also received more money in wages during the war. Bank

deposits grew markedly, revealing large amounts of money<sup>210</sup> which the public chose not to invest in Kriegsanleihen.

In such a setting, therefore, the Kriegsanleihen subscriptions are much less impressive than at first glance.

Fourth, in what sense were the Kriegsanleihen broadly supported by the masses? Were the subscriptions largely taken out by financial institutions or by average citizens? Small subscriptions (those 1,000 marks or less) represented 10.25% of the cash total of the Second Kriegsanleihe, 13.09% of the fourth, 8.68% of the seventh, and only 5.56% of the ninth.<sup>211</sup> On the other hand, the largest subscriptions (100,000 marks and over) generally taken out by large institutions represented 29.45% of the Second Kriegsanleihe, 37.19% of the fourth, 50.48% of the seventh,<sup>212</sup> and 62.06% of the ninth. This data indicates that the Kriegsanleihen were hardly Volksanleihen and became less so as propaganda efforts were stepped up. The largest number of subscriptions, 7.06 million, was achieved in the Sixth Kriegsanleihe, but this was an exception. The average number of subscriptions was about 4.3 million per Kriegsanleihe, this in a nation of over 65 million people.<sup>213</sup> On average under 7% of the population actually subscribed at any given time, not counting those who

bought fractions under 100 marks. Whether this indicates a Volksanleihen is therefore highly doubtful. There is still another dimension to the question of success or failure. When one bears in mind the extraordinary amount of time, manpower, and money expended by the Reichsbank to create a genuine Volksanleihe, the campaign can hardly be termed a success.

The Kriegsanleihen may have been failures in several senses, yet they were a necessity during World War I. Politically, they were the easiest way to postpone the thorny question of who was to pay for the German war effort. They allowed the Reichsbank to fund a good portion of the German debt without actually forcing one group to pay--for the duration at least. They also provided immense opportunities for propaganda and attempts to choreograph national enthusiasm and resolve. They were also held up as proof of German monetary strength; a questionable investment used to validate a shaky system of war finance.

NOTES TO CHAPTER III

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- 32 BA R28/5 Reichsbank Direktorium 23660, 7 August 1916.
- 33 BA R28/7 Reichsbank Direktorium 62 N. B., 3 January 1918.

- 34 See for example the listing of telephone numbers of BA R28/7 Reichsbank, Nachrichtenbüro, "An die Herren Obmänner!", 4 October 1917.
- 35 Ibid, "Richtlinien zur Wirtschaftlichen Aufklärungsarbeit", December 1917.
- 36 BA R28/9 Reichsbank, Nachrichtenbüro, NB. 13674, Summer 1918.
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#### CHAPTER IV: THE REICHSBANK AND MONETARY CIRCULATION

"Every German who helps to cut down the circulation of cash strengthens the economic power of the Fatherland!"

-Reichsbank Handbill, 1916

One of the main tasks entrusted to the Reichsbank was managing the circulation of money within Germany. Through its nationwide network of branches, currency and coin flowed in and out of general circulation. The outbreak of war in July 1914 transformed monetary circulation patterns in the German economy, and the Reichsbank was faced with adapting the monetary system to wartime needs. The Reichsbank failed to achieve its goals in several key areas of this effort.

First of all, there was the question of keeping the nation supplied with circulating medium. During World War I, there was an increased demand for all types of cash within the economy. This demand can be traced to many sources. Rising prices and wages necessitated larger amounts of cash for purchases and payrolls. Additional demand resulted from military occupation of areas such as Poland and Belgium. German currency was circulated in

these countries, increasing the demand for mark-denominated cash. Furthermore, the outlays and spending of the German military caused a constant demand for cash of every denomination. On top of this, large-scale hoarding by the German public increased demand for cash. The Reichsbank was physically unable to meet the demand for circulating medium, and as a result lost its monopoly of regulating monetary circulation. Individuals and businesses were forced to look elsewhere for the necessary instruments of exchange.

Uneasiness and fear engendered by the war caused the German people to hoard vast sums of money. Early in the war, much of the nation's supply of small change, gold, and silver disappeared into private hoards. By the end of the war, bank accounts were being closed in favor of paper money kept at home. This constant hoarding, relentlessly assaulted by the Reichsbank, represented an unquenchable demand for cash. In its campaign to forestall hoarding, the Reichsbank met with only limited success. In spite of elaborate propaganda efforts, the German people refused to part with their hoards of cash. Insecurity and selfishness within the civilian population doomed the Reichsbank's goal of minimizing hoarding.

While trying to keep money circulating and flowing

into circulation, the Reichsbank also tried to keep the money supply from expanding beyond its control. By law, one-third the value of Reichsbank notes in circulation had to be "covered" by an equal amount of legal tender (mainly gold and silver). Though this provision was meaningless after 1914, the Reichsbank attempted to keep down the amount of circulating paper money to the smallest necessary amount. The Reichsbank reasoned that the currency would appear stronger in relation to the gold reserve if the amount outstanding was kept to a minimum. Closely related to this goal was the Reichsbank's campaign to promote the "cashless transaction." As a way of keeping down the amount of paper money in circulation and at the same time circumventing the shortage of cash, all German citizens were asked to pay debts by check or money transfer. The people would therefore help to promote an illusion of monetary solidity. The entire nation was to be re-educated so that as little cash as possible would pass from hand to hand. Again the general population largely ignored the Reichsbank's efforts, and a substantially cashless economy remained an unfulfilled dream.

In spite of energetic efforts, therefore, the Reichsbank lost the battle of currency during World War I. Shortages of coins and later paper money remained

severe throughout the war. The Reichsbank campaigned vigorously against the hoarding of coins and paper money, but extensive propaganda efforts failed to mitigate the problem. On occasion the Bank admitted as much. In other areas, the Reichsbank, through statistical manipulation, tried to preserve a facade of the mark's pre-war backing and worth. These actions, which were really a fraud, did little to halt a deluge of paper. The Reichsbank's nationwide campaign to promote "cashless transactions" was little more than an attempt to sweep the deteriorating currency situation under the rug. Cashless transactions did little to save the value of the mark or mitigate the demand for cash. By October 1918, it was evident that most of the Reichsbank's efforts to control and redirect German monetary circulation had failed.

By 1914, Germany had become accustomed to a high degree of stability in her circulating coinage and currency. The mark, divided into one hundred pfennig, had circulated with few modifications since the early 1870's. Circulating coinage consisted of copper one and two pfennig pieces; copper-nickel five, ten, and twenty-five pfennig pieces, and silver half-mark, one mark, two mark, three mark, and five mark pieces. Higher values were minted in gold, or were represented by paper money. The

several German mints were generally able to meet the demand for circulating medium, and in early 1914 the Reichsbank possessed large reserves of all types of coins.<sup>1</sup>

The political crisis of July 1914 suddenly changed patterns of coinage circulation within Germany. Demand for all types of coins rose, while millions of marks were suddenly hoarded by the nervous public. in spite of propaganda efforts.<sup>2</sup> The resulting shortage threatened to complicate the mobilization process, so the Reichsbank was forced to place its reserve coin in circulation. In June 1914 the Reichsbank possessed a 340.9 million mark reserve of minor coin; by the end of July the reserve had fallen to 60 million, declining still further to 18.7 million (an all-time low) in early October.<sup>3</sup> In the period from July 23 to September 15, 1914 the Reichsbank disbursed 302 million marks in silver coin (90% of its supply) in addition to sums newly produced by the various mints.<sup>4</sup> Even though small denomination paper money was quickly prepared, this sudden infusion of small change failed to satisfy public demand. In early September, the Reichsbank Direktorium noted that there had been a shortage of small change since the outbreak of war.<sup>5</sup> By

the end of September, however, the Reichsbank confidently declared that the small change shortage was over.<sup>6</sup> A report prepared a few months later echoed the judgement,<sup>7</sup> and on December 22, 1914 Reichsbank President Havenstein announced that the money question was solved.<sup>8</sup> Actually the "money question" was far from solved. Simultaneous to these optimistic announcements, the Reichsbank was warning its branches that only small supplies of silver coin were available.<sup>9</sup> Bank branches were told to keep five and ten pfennig pieces circulating because of a bad shortage.<sup>10</sup>

By early 1915, the pre-war German coinage system was undergoing stress from many sources. There was no end to the shortage of coins in sight; millions of pieces needed to be made quickly and cheaply in a nation short of raw materials. The traditional copper and nickel alloys were now critical war supplies. Gold coins no longer circulated, and even silver was eyed for its strategic value. As a result, the Reichsbank struggled to keep the nation supplied with the change needed to carry on business. By mid-1915, the struggle was being lost. The Reichsbank's supplies of nickel coins ran out in August<sup>11</sup>, as did copper in October.<sup>12</sup> By November people were using

ten pfennig postage stamps in lieu of the scarce ten pfennig coin.<sup>13</sup> Similar conditions continued on and off until the end of the war.

While denominations of one mark and above were supplanted by paper money, small value copper and nickel coins were replaced by "war coins." The war coins were minted from iron, aluminum, or zinc. The Reichsbank was charged with distributing the new coins to the public. In the course of distribution, the Direktorium instructed Reichsbank branches to discourage the public from hoarding the war coins as souvenirs.<sup>14</sup> At the same time iron coins were being distributed, the Reichsbank was busy withdrawing nickel coins to be melted down for use in the war effort.<sup>15</sup>

Even with millions of marks in war coins in circulation, an ongoing shortage existed until 1918 and beyond. The Reichsbank therefore made continued efforts to keep coins circulating, and also instructed the German public how to carry on business without coins if necessary. Early in the war, the Reichsbank noticed that thousands of coins remained useless as long as they lay in collection boxes or vending machines. In December 1914 individual branches were asked to contact local utility companies to empty accumulations of coins in coin-operated

gas heaters.<sup>16</sup> In 1915, this effort was redoubled; the Reichsbank had the Reich Treasury send out a memorandum to the state governments, pressing them to speed emptying of the coin boxes.<sup>17</sup> After asking the Red Cross to empty its coin donation boxes, the Reichsbank took matters into its own hands and emptied the boxes forthwith. The coins were once again placed in circulation and paper money forwarded to the Red Cross.<sup>18</sup> Savings banks, who sometimes distributed little coin banks to their customers were told to "see to it that the banks are emptied often and the coins do not stay out of circulation." The coins<sup>19</sup> obtained were to be sent directly to the Reichsbank.<sup>19</sup> Using its many branches, the Reichsbank set up coin collection depots. Businesses, churches, and other institutions that were likely to assemble large numbers of coins were asked to bring them to a nearby branch, or the coins could be sent directly to the Reichsbank headquarters in Berlin. The Reichsbank gladly assumed all<sup>20</sup> postage costs<sup>20</sup>, and even supplied the packing materials.<sup>21</sup> In some cases, Reichsbank officials were sent out to country areas to pick up hoards of coins; this in the<sup>22</sup> midst of a personnel shortage.

The Reichsbank also encouraged the German public in their efforts to make do with fewer coins. The Direktor-

ium was in contact with a factory with about 1,000 employees; like most the factory payroll department struggled to find the small change needed to pay its workers. The factory decided to pay its employees in full mark amounts only, rounding the salary upward or downward and adding or deleting the pfennig amounts to the following pay. After hearing of this scheme, the Direktorium ordered all branches to contact the factories within their districts, pushing for this arrangement to be copied.<sup>23</sup>

In the second half of 1916 the coin shortage once again became particularly acute, "an emergency in some areas."<sup>24</sup> In November 1916 the Reichsbank's reserve of minor coins plummeted to 16 million marks, the lowest ever, and for months there was little improvement.<sup>25</sup> Reichsbank President Havenstein cited continued hoarding<sup>26</sup> as a main cause. The bank therefore launched a renewed propaganda campaign designed to discourage hoarding. As part of its campaign the Reichsbank began to distribute a pamphlet entitled "Kleingeldhamster" ("Small Change Hoarder") in January 1917. The pamphlet was a collection of short stories written on a simple reading level. Each story, based on incidents from everyday life, was designed to show the senselessness of hoarding. The message was

loud and clear: hoarding was selfish, stupid, and unpatriotic.<sup>27</sup> Yet it was practiced on a vast scale in wartime Germany, and the efforts of the Reichsbank did little to change this ingrained behavior in the German people.<sup>28</sup>

The Reichsbank note, a currency convertible into gold upon demand, served as the basic paper money of Germany prior to 1914. Several regional note-issuing banks and the Reich Treasury also issued paper money, but these emissions were much less important than those of the Reichsbank. For all practical purposes, the Reichsbank controlled the circulation of paper within Germany, a prerogative it guarded carefully. The amount of paper money the Reichsbank was able to circulate was limited in one sense by the *Dritteldeckung*: one-third of the value of circulating Reichsbank notes had to be "covered" by legal tender, which before World War I meant gold and silver. In 1909 Reichsbank notes themselves were declared legal tender. This enhanced the Reichsbank's standing, but the *Dritteldeckung* remained in force.<sup>29</sup>

During World War I the Reichsbank lost the control it had previously exercised over German currency. Significantly, the *Dritteldeckung* was retained, but the

term became meaningless. True, Reichsbank notes were covered, but this became a technicality as Reichsbank notes were no longer the only important circulating currency. A variety of types of "non-covered" currency were printed, and the actual amount of currency in circulation ballooned. Foremost among the new types of currency was the Darlehenkassenschein, or loan bureau note. As outlined the loan bureaus were set up all over Germany in August 1914 and their main function was to provide credit. The loan bureaus were supervised by the Reichsbank, with the President of the Reichsbank serving as head of the Darlehenskassen.<sup>30</sup> The loan bureaus issued notes on collateral, and their issue was not subject to the statutory restrictions of the Reichsbank.<sup>31</sup> Darlehenskassen notes were placed in circulation within weeks after the outbreak of the war. They were issued in denominations as low as one mark, and by December 1914 445.8 million marks in Darlehenkassenscheine were in circulation.<sup>32</sup> By December 1918, 10,242.2 million marks worth of these notes were in circulation compared to 22,187.8 million marks in Reichsbank notes.<sup>33</sup> For much of the war, a good third of the combined total were Darlehenkassenscheine.<sup>34</sup>

The quality of Reichsbank note coverage also changed

for the worse in World War I. Until August 1914, gold and silver formed the Dritteldeckung. During World War I Darlehenskassen notes, that is paper produced in large quantities, were made a permissible part of the Drittel-<sup>35</sup>deckung. Paper was thus backing paper, so the assertion that Reichsbank notes were "covered" in the traditional sense was a myth.

The ultimate indication of the Reichsbank's failure in the field of monetary circulation during World War I was the fact that the Bank lost control of the amount of currency circulating within Germany. The Bank did distribute its own notes plus those of the Darlehens-kassen, but other means of exchange beyond the control of the Reichsbank came into circulation as well. Postage stamps served as a circulating medium on occasion; the exact amount was anybody's guess.<sup>36</sup> In 1918, interest<sup>37</sup> coupons from the War Loans were declared legal tender. This added additional millions to the paper in circulation; interest coupons were not issued by the Reichsbank, and it was impossible to tell how many were circulating.

The greatest threat to the Reichsbank's control of German monetary circulation came from so-called Not-geld, or emergency money. Notgeld took many forms during World War I. In denomination it ranged from a few pfennig

to at least fifty marks; it could be a small coin or a paper bill; it was issued by an assortment of groups ranging from town councils to private businesses. If a certain town experienced a serious shortage of coin or currency, the municipal government, chamber of commerce, or even individuals would issue their own means of exchange against collateral. One thing remained constant, however: Notgeld was not issued by the Reichsbank. Notgeld was issued by hundreds or even thousands of entities; people accepted it out of necessity.<sup>38</sup> Billions of marks of this new currency was thus created, but the Reichsbank was unable to supervise these emissions.<sup>39</sup> In effect the Reichsbank's basic function of regulating the money supply had been challenged by the German public, who now printed and circulated their own money, sometimes without the knowledge of Berlin.

Though Notgeld played an important role in making everyday transactions possible during World War I, the Reichsbank recognized the danger such money posed to the accustomed monetary system. The first specimens of Notgeld appeared in August 1914 during the initial coin shortages.<sup>41</sup> Many of these emissions were without the approval of the Reichsbank. On September 1, 1914 the Reichsbank Direktorium ordered its branches to report

on the amount and denominations of such emissions. The Direktorium strongly wished to replace local Notgeld issues with small denomination Darlehenskassen notes and standard German coins.<sup>41</sup> In fact, the Reichsbank had already lost a measure of control over circulating medium; it had no sure data regarding who was issuing Notgeld in what amounts.

As long as acute coin and paper money shortages existed, however, Notgeld would continue to circulate. Communities and businesses simply had no choice if they wished small commercial transactions to continue. The Reichsbank evidently realized that Notgeld was a necessary evil, and if it could not order Notgeld out of existence at least some form of regulation could be exercised. First, the Reichsbank leadership needed to gather data regarding Notgeld in circulation; a monumental task. In late 1915 the Direktorium was still unsure of what had been issued in 1914.<sup>42</sup> In mid-1916, the Reichsbank's data on German Notgeld remained fragmentary.<sup>43</sup> Again, this is proof that the Bank's control over German monetary circulation had deteriorated. Private mints were turning out Notgeld in large amounts, and were even advertising their product.<sup>44</sup> In March 1917 President Havenstein wrote that "the Bank is aware that once again a number of communities,

administrative organs, Kassen, firms, private persons, etc. have issued Notgeld in the form of scrip, coupons, salary and exchange vouchers, etc. These coins and bills are valuable for the Reichsbank's collection. All branches are to investigate all emissions of Notgeld in their district." Thorough findings were to be sent to Berlin.<sup>45</sup> Havenstein noted that prior to this time, some branches had not collected the necessary information regarding emissions, a must if regulation of Notgeld was to begin.

In 1917, the Reichsbank attempted to somehow control the torrent of Notgeld. In April 1917 it was announced that a cash balance had to be on deposit with the Reichsbank before an entity could issue Notgeld.<sup>46</sup> This balance had to be frozen until the Notgeld was cashed in or redeemed.<sup>47</sup> Many communities petitioned the Reichsschatzamt, asking to be released from this requirement. As a result in December 1917 securities on deposit at the Reichsbank were made permissible collateral for Notgeld as well.<sup>48</sup> In view of the Reichsbank's imperfect knowledge of the situation, however, unauthorized emissions of Notgeld presumably continued.

In the autumn of 1918, the World War I coin and currency shortage reached its peak. The end of the war

was in sight, but the future was uncertain. Worried citizens feared their bank deposits would be confiscated to pay the costs of defeat, and started withdrawing capital from banks.<sup>49</sup> The cash thus obtained was usually hidden away, but in any case it was out of active circulation. The result was a mounting demand for cash of all kinds, a demand the Reichsbank and the government printing presses could never hope to fulfill.<sup>50</sup> This was not a shortage of five and ten pfennig pieces; even twenty and fifty mark notes were scarce. Because of the seriousness of the situation the Reichsbank not only tolerated Notgeld, it encouraged its production. The Direktorium instructed bank branches to speak with important municipalities and industries regarding the emission of Notgeld. The Reichsbank even offered to pay for half the production costs of Notgeld issued by German municipalities.<sup>51</sup>

German monetary circulation was no longer the exclusive preserve of the Reichsbank by the end of 1918. In 1913, an average of 1.95 billion marks in paper Reichsbank notes were in circulation.<sup>52</sup> On December 31, 1918 that sum had risen to almost 22.19 billion, not counting 10.24 billion in Darlehenskassen notes; 32.43 billion in all.<sup>53</sup> The 32.43 billion quoted by the Reichs-

bank did not include sums of assorted Notgeld and War Loan interest coupons, all of which passed as money. Indeed, if pressed, the Reichsbank could not quote the amount of paper in circulation: it did not know. The Bank had lost control of monetary circulation, the main reason for its existence.

Throughout World War I the Reichsbank placed ever increasing amounts of paper money into circulation, only to be faced with an endemic shortage of circulating medium. The Bank naturally searched for solutions to this knotty problem. One of the potential remedies it decided to adopt was the "cashless transaction" (Bargeldlose Zahlungsverkehr).

As outlined earlier, widespread use of the cashless transaction among the German people seemed to be the solution to many of the Reichsbank's problems. First, if one paid by check, less coin and currency would be needed to conduct business, directly alleviating the continuing shortage of circulating cash. This would be of immediate benefit to the Reichsbank and the public alike. Secondly, the Reichsbank hoped that cashless transactions would preserve an illusion of strength in the German currency. In 1917 and 1918, the "coverage" of Reichsbank notes was sinking toward the minimum mandated by the modified Drit-

<sup>54</sup>  
teldeckung. Even though the Dritteldeckung had been watered down to include paper backing, the "coverage"<sup>55</sup> of Reichsbank notes fell to 34% by December 31, 1917. The Reichsbank reasoned if cashless transactions were widely used, less notes would be needed and the statistics would improve or stabilize. In a very real sense this was a deception designed to disguise a deteriorating situation. Checks written in the name of cashless transactions were a means of exchange nonetheless. Whether debts were paid by cash or check, the actual amount of marks changing hands continued to expand. The Reichsbank cleverly thought it could hide this fact, or at least minimize it under the umbrella of cashless transactions. The ultimate aim was to preserve the value of the German mark, or at least a facade of its former value, at home and abroad in spite of four years of inflationary policies.

The Reichsbank's first important efforts to promote cashless transactions among the German people began in 1916. In that year, the Reichsbank's problems with the Dritteldeckung became more and more acute; cashless trans-<sup>56</sup>actions seemed to offer an avenue of escape. The Reichsbank began its efforts by contacting German savings banks, explaining it was in the public interest to further cash-<sup>57</sup>less transactions as far as possible. The Deutsche Spar-

kassenverband (The League of German Savings Banks) was asked to support the Reichsbank's plan that each German savings bank link up with the Reichsbank's check clearing system.<sup>58</sup> Since the majority of small savers patronized savings banks, cooperation of these institutions was vital. Without their help, use of cashless transactions would not permeate all classes of the population.

In 1916 and 1917 the Reichsbank attempted to spread the use of cashless transactions by working through other organizations. Perhaps this was because it felt the buying and collection of gold bullion plus the marketing of War Loans were more pressing problems. The Reichsbank probably avoided dealing with all problems directly in view of a serious personnel shortage.<sup>59</sup> In any case, the Reichsbank contacted state and local governments, asking their help in educating the public in cashless transactions. In addition, chambers of commerce, trade organizations, agricultural organizations, and the Zentralverband der Banken und Bankiers<sup>60</sup> were solicited for help. Even landlords' organizations were approached by the Reichsbank, in the hope that monthly rents would be paid by check rather than cash.<sup>61</sup> The Reichsbank felt that these groups were already in touch with broad segments of the population,<sup>62</sup> and that they were in a good position to instruct people. In general, therefore, the Reichsbank approached the

public indirectly at this stage.

Newspapers and handbills were the primary media used in the initial steps to promote cashless transactions. The Reichsbank recognized that a sustained propaganda effort was necessary for success, and bank officials prepared several newspaper articles.<sup>63</sup> These were to be duplicated at no cost to the Reichsbank in newspapers throughout Germany, and with no indication that the Reichsbank was the author.<sup>64</sup> One such article was entitled "Eine Pflicht der Daheimgebliebenen" ("A Duty of Those on the Home Front").<sup>65</sup> Other propaganda materials such as the leaflet "Cashless Transactions: Also a Way to Endurance and Victory" played upon the public's desire for victory and peace.<sup>66</sup> One very practical handbill consisted of questions and answers such as "What is a checking account? Who can open one? Why is it advantageous?"<sup>67</sup> The Reichsbank even printed diagrams of model checks, showing how such instruments were to be filled out and used.<sup>68</sup> The German government encouraged the Reichsbank's early attempts; in October 1916 the Reich government lifted the ten pfennig tax on checks, making payment by check more attractive.<sup>69</sup> To help promote cashless transactions among the lower classes, the minimum initial deposit for a postal checking account was reduced from fifty to twenty-

70  
five marks.

In early 1918, the Reichsbank Direktorium decided that not enough had been done to promote cashless transactions.<sup>71</sup> According to its own figures, there were only 0.34 postal checking customers per 100 population in Prussia in late 1917.<sup>72</sup> This growing concern paralleled the continuing paradox of burgeoning note issue coupled with a shortage of cash in circulation. The Reichsbank therefore announced in March 1918 that it intended to build a nationwide organization devoted to promoting cashless transactions.<sup>73</sup> The Direktorium declared that the general population must be awakened to the problem, and that a few newspaper articles would not suffice to solve the problem.<sup>74</sup> Above all, the Reichsbank was anxious to show that it had assumed leadership<sup>75</sup> in the promotion of cashless transactions.

The Reichsbank envisioned a nationwide, semi-permanent organization to direct the efforts to go "cashless." The organizational structure was planned to shadow that of the Reichsbank itself. A Zentralstelle would direct the nationwide effort from Berlin, providing guidelines, setting policy, and supplying necessary propaganda materials.<sup>76</sup> Below the Zentralstelle were several Provinz- or Landesstellen, who were to act as

regional coordinators and who were to report to Berlin regularly.<sup>77</sup> Personal contact with the general public was to be carried out by the Ortsgruppen, or local groups. The Reichsbank planned for the Ortsgruppen to have a good deal of leeway, since economic conditions varied from area to area. Each local group was to include prominent citizens with connections: civil servants, bankers, members of the press, clergymen, teachers, presidents of large organizations, and well-known landowners.<sup>78</sup> Above all, Reichsbank civil servants were to be a moving force on each committee. In fact, it was expected that Ortsgruppen would be organized in each town possessing a Reichsbank branch; Reichsbank officers could then easily lay the groundwork for a successful local committee. The Reichsbank also planned to support each group financially.<sup>79</sup>

In its letter of March 14, 1918 the Reichsbank expected Provinzstellen for cashless transactions to be organized by April 30, 1918 or shortly thereafter.<sup>80</sup> By July 1, 1918 the Reichsbank expected a detailed report on what had been accomplished so far.<sup>81</sup> On May 2, 1918 the Zentralstelle in Berlin was opened under the Reichsbank's "Department for the Promotion of Cashless Transactions."<sup>82</sup> From Berlin the network spread across the Reich. Within ten months there were forty-three Landes-

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or Provinzialstellen and 572 Ortsgruppen in existence. Of the 480 operating Reichsbank branches in 1918, 401 had Ortsgruppen operating under their auspices. An additional 171 Ortsgruppen operated in towns where there was no bank branch, making 572 Ortsgruppen in all.<sup>84</sup>

Many of the Ortsgruppen overlapped membership rosters with the local Kriegsanleihen organization. The Reichsbank approved of this trend; they saw the War Loan committees as a valuable organization whose energies might be channeled into additional areas. In fact, the Direktorium stated in March 1918 that "the work of the planned organization [for cashless transactions] and that of the already existing War Loan Organization are closely connected; they both seek to make unused capital...useful for all."<sup>85</sup> More importantly, the Direktorium realized that "the dissolution of the War Loan Organization may no longer be far away", and that it might be proper for this group to take over<sup>86</sup> the work of promoting cashless transactions. The Reichsbank was therefore building an organization designed to function well into peacetime; one which would continue to work and propagandize for its economic agenda.

In 1916, the Reichsbank contacted many social, political, and commercial organizations asking each to promote cashless transactions among its membership. In

1918, the approach was different. Reichsbank officials were instructed to actually attend and speak at group meetings of almost any kind, and were to see to it that a discussion of cashless transactions was put on the order of business.<sup>87</sup> Furthermore, such discussions were to be publicized in the local press.<sup>88</sup> In 1918, the Reichsbank felt that personal contact such as this was a key ingredient to success. The Bank even suggested doctors encourage their patients pay medical fees by check or money transfer.<sup>89</sup>

In late spring 1918 the Reichsbank launched an extensive propaganda campaign designed to promote cashless transactions among all levels of the population. This campaign, which was to last until the Armistice and beyond, had two fundamental principles. First, the German people were told that cashless transactions were more beneficial to themselves (easier, safer, more efficient) than cashless transactions. Going cashless, the public was told, involved no sacrifice (unlike the selling of one's gold jewelry); only benefits would accrue.<sup>90</sup> Secondly, the public was told that cashless transactions were vital for Germany's political and economic well-being.<sup>91</sup> In this way self interest and patriotism were constantly blended in the Reichsbank's

propaganda.

In May 1918, Reichsbank President Havenstein asserted that "the war is a great teacher."<sup>92</sup> In keeping with this view, education of the public was a key component of the 1918 propaganda push. Which institution, however, should a person use? An article entitled "Which Type of Financial Institution Should I Use for Settlement of My Payments?"<sup>93</sup> was written by the Reichsbank to answer this question. Intended for publication in daily newspapers throughout Germany, the article carefully explained the differences between each type of financial institution. The main purpose was to convince the non-check writing majority to open an account. Short manuals were also written, showing people how to actually use a checking account.<sup>94</sup> Another article, "Which Household Payments Lend Themselves to Cashless Transactions?" took the education process a step further. Now that the citizen had an account, he was taught to use it properly and efficiently.<sup>95</sup> The Reichsbank also produced a series of articles entitled "Open a Postal Checking Account."<sup>96</sup> Such efforts were directed toward the lower economic class, since a postal checking account required a small minimum deposit, cost little to use, and could be used for remitting small amounts.

The Reichsbank attempted to spread the message in other ingenious ways as well. Businesses were encouraged to print their bank and checking account numbers on all stationery, so debtors could simply order funds to be transferred to them from their own accounts.<sup>97</sup> Private persons were also instructed to display their account numbers on stationery. Businessmen were asked to paste little notices on receipts for cash, reminding customers<sup>98</sup> of the need to do business in a cashless manner. The Reichsbank even printed up a little green sticker which read "we ask you to display your bank account number and postal checking account number on your stationery and business forms." These stickers, available in large quantities, were to be placed on correspondence as a way of facilitating cashless transactions.<sup>99</sup> They served as a constant and repetitive reminder in this attempt to change financial habits.

Other types of media were also used to spread the cashless transaction message; newspapers were the first method used, and they always remained an important part of the effort. The Reichsbank also printed a wide assortment of pamphlets. In August 1918 about a dozen different kinds could be ordered in large quantities the better to inform "the broadest segments of the population."<sup>100</sup> Some

instructed volunteers how to solicit people to go cashless; others carried the message that the "backward" German payment system represented a gap in German armament.<sup>101</sup> To bring the message to the streets, the Reichsbank commissioned a Berlin printing firm to create a poster promoting cashless transactions. The poster was to be displayed throughout Germany "to the whole population" from August 1, 1918 on.<sup>102</sup> Non-print media was also employed. The Reichsbank created slide shows promoting cashless transactions and even commissioned a short (3½ minute) motion picture film. This film, described by the Bank as "entertaining" was to be distributed to cinemas nationwide. The Reichsbank asked that this film be spliced to the weekly program shown to all audiences.<sup>103</sup> As a result of the Reichsbank's efforts, most German citizens probably heard the cashless transaction message in 1918. Whether they responded positively was another question.

The great campaign to promote cashless transactions, launched in the spring of 1918, was in full swing by summer. In early October, however, a crisis jeopardized the success of the program. As a result of setbacks on the Western Front and governmental changes at home, rumors began to circulate among the German public. The financial rumors centered upon the monetary consequences of defeat.

One rumor evidently stated that bank accounts would be confiscated to pay for the costs of war, and predictably the public began to hoard and withdraw money from the banks.<sup>104</sup> Such a situation resulted in an increased amount of currency outstanding, exactly what the cashless transaction campaign hoped to avoid. On October 11, 1918 Dr. von Grimm, member of the Reichsbank Direktorium, acknowledged that confiscation rumors were circulating among the people. He said the fear was nothing new, and called it a fable, "a pure impossibility."<sup>105</sup> The Reichsbank consistently labeled such rumors senseless and dangerous, and instructed bank branches to counteract this rumor to the utmost.<sup>106</sup>

The Reichsbank evidently realized that rumor and the resultant hoarding would ruin and negate the beneficial effects of cashless transactions. From October 1918 onward, therefore, the work of the Cashless Transaction Organization centered upon counteracting hoarding of currency. The Reichsbank Direktorium, in a notice addressed to "fellow citizens" proclaimed the belief that one must have large amounts of cash "stupid."<sup>107</sup> Citizens were told that they would lose interest, cash could be lost or stolen, and checks could do the job equally well.

By the first week of November, hoarding once again

increased; the Reichsbank made oblique references to the "political situation."<sup>108</sup> Broad segments of the population believed cash was the best thing to have for whatever might happen; the confiscation rumor persisted as well.<sup>109</sup> The Reichsbank again attempted to refute such rumors, stating that in a desperate situation, privately-held cash could be rendered valueless anyway.<sup>110</sup> Branch heads were ordered to convene a meeting of the local Cashless Transaction Organization immediately to discuss measures which would discourage hoarding among the people.<sup>111</sup> Even after the German Revolution of November 9, 1918 the Reichsbank's Cashless Transaction Organization continued work unabated. The Bank was quick to stress the new government's approval of such efforts. Friedrich Ebert's announcement that "no confiscation of funds deposited in banks is contemplated" as well as Dr. Sudekum's statement that "hoarding of banknotes must cease" were circulated by the Reichsbank.<sup>112</sup> By the end of November, the bank was circulating a ten-point pamphlet entitled "Why is it Senseless to Hoard Banknotes?"<sup>113</sup> The prediction that the work would continue into the post-war days, forecast in March 1918, had been realized.

The Reichsbank made extraordinary efforts to promote cashless transactions in 1918. The efforts, however, were

largely unsuccessful. In August 1918, at the height of the campaign, the number of postal checking accounts increased by 7,400. At this rate accounts were increasing by only 88,000 per annum, hardly significant in a nation of 65 millions during a national emergency.<sup>114</sup> In early 1919, the Reichsbank admitted that in spite of great efforts, cash continued to be hoarded in large amounts while cashless transactions had not spread sufficiently among the people.<sup>115</sup> The worst hoarding of autumn 1918 took place months after the Reichsbank launched its nationwide campaign. Bank President Havenstein summed up the hoarding situation in late 1918 as "extraordinarily urgent" and worse than in the first few weeks of the war.<sup>116</sup> It was obvious in November 1918 that months of propaganda effort had failed to bear useful fruit.

The Reichsbank's cashless transaction campaign was an important component in the campaign of monetary illusion during World War I. Even though the effort was largely unsuccessful, the attempt was revealing. The Reichsbank hoped it could hide the ballooning amount of paper money produced by unfunded war finance through the medium of cashless transactions. As in other endeavors, the Reichsbank attempted to create a desired reality with statistics that did not tell the whole story. These

statistics were presented to the world under the label of monetary strength. In reality that strength did not exist.

In the important sphere of monetary circulation, the Reichsbank's interaction with the public was largely unsuccessful during World War I. The Reichsbank failed to prevent large-scale hoarding in spite of sustained efforts. The campaign for cashless transactions also did not translate into the mass movement the Direktorium had hoped for. Most importantly the Reichsbank lost control of circulating medium within Germany. Towns and businesses issued their own money, preempting the Reichsbank's main function. In 1918, the Bank could only estimate the German money supply; no Reichsbank official really knew. In a sense, the German public had charted its own divergent course.

NOTES TO CHAPTER IV

- 1 Reichsbank, Verwaltungsbericht der Reichsbank für das Jahr 1914 (Berlin, 1915), p. 8.
- 2 See newspaper propaganda efforts such as the article "Heraus mit dem Hartgeld", Berliner Lokal-Anzeiger, 25 August 1914, p. 3.
- 3 Reichsbank, Verwaltungsbericht 1914, p. 8.
- 4 BHStA MH10960 Sitzung des Reichsbankkuratoriums, 25 September 1914, p. 35.
- 5 BA R28/3 Reichsbank Direktorium 17580, 1 September 1914.
- 6 BHStA MH10960 Sitzung des Reichsbankkuratoriums, 25 September 1914, p. 35.
- 7 Reichsbank, Verwaltungsbericht 1914, p. 5.
- 8 BHStA MH10960 Königliche Ministerialrat Dr. Wolf to the Königliche Bayerische Staatsministerium der Finanzen, 23 December 1914 regarding the 22 December meeting of the Reichsbankkuratorium.
- 9 BA R28/4 Reichsbank Direktorium 20647, 7 October 1914.
- 10 Ibid, Reichsbank Direktorium 25181, 5 December 1914.
- 11 Ibid, Reichsbank Direktorium 22191, 30 August 1915.
- 12 Ibid, Reichsbank Direktorium 24988, 1 October 1915.
- 13 BHStA MH11029 Königliche Ministerialrat Dr. Wolf to the Königliche Bayerische Staatsministerium der Finanzen, 8 November 1915.
- 14 BA R28/5 Reichsbank Direktorium 29903, 4 December 1915.
- 15 BHStA MH11028 Reichsschatzamt to Königliche Bayerische

- Staatsministerium des Königl. Hauses und des Aussern, 4 July 1915.
- 16 BA R28/4 Reichsbank Direktorium 25181, 5 December 1914.
  - 17 BA R28/5 Reichsbank Direktorium 29903, 4 December 1915.
  - 18 BA R28/4 Reichsbank Direktorium 9943, 17 March 1915.
  - 19 BA R28/6 Reichsbank Direktorium 36687, 24 October 1916.
  - 20 BA R28/4 Reichsbank Direktorium 26233, 20 October 1915.
  - 21 BA R28/6 Reichsbank Hauptstelle in Bremen to Reichsbank Direktorium, 30 April 1917. See also Reichsbank, Verwaltungsbericht der Reichsbank für das Jahr 1917 (Berlin, 1918).
  - 22 Ibid.
  - 23 BA R28/6 Reichsbank Direktorium 11607, 20 April 1917.
  - 24 BHStA MH10961 Sitzung des Reichsbankkuratoriums, 22 December 1916, pp. 14-15.
  - 25 Reichsbank, Verwaltungsbericht der Reichsbank für das Jahr 1916 (Berlin, 1917), p. 13.
  - 26 BHStA MH10961 Sitzung des Reichsbankkuratoriums, 22 December 1916, p. 14.
  - 27 BA R28/6 undated pamphlet, "Kleingeldhamster".
  - 28 Proof of this failure is the frequent and continuing bemoaning of acute shortage and severe hoarding. For example, see Reichsbank, Verwaltungsbericht 1917, p. 4; BA R28/6 Reichsschatzamt I. 10884, 5 May 1917; and BHStA MJul6343 Reichsschatzamt I B 21035, 4 November 1916.
  - 29 Carl-Ludwig Holtfrerich, "Relations Between Monetary Authorities and Governmental Institutions: The Case of Germany from the 19th Century to the Present, un-

- dated paper, Archives of the Deutsche Bundesbank, Frankfurt am Main, p. 8.
- 30 See for example the signatures on BA R28/5 Hauptverwaltung der Darlehenskassen 900, 2 May 1916.
- 31 Holtfrerich, p. 11.
- 32 Reichsbank, Verwaltungsbericht 1914, p. 9.
- 33 Reichsbank, Verwaltungsbericht 1918, p. 20.
- 34 Ibid.
- 35 Holtfrerich, p. 11.
- 36 BHStA MH11029 Königliche Ministerialrat Dr. Wolf to the Königliche Bayerische Staatsministerium der Finanzen, 8 November 1915.
- 37 RGB 1918, p. 1257.
- 38 See A. Keller et al. Das Deutsche Notgeld (Frankfurt, 1920-1929).
- 39 The Reichsbank reported in March 1919 that 1.1 billion marks worth of Notgeld had been issued by communities in the last quarter of 1918 alone. See Reichsbank, Verwaltungsbericht 1918, p. 5.
- 40 BA R28/3 Reichsbank Direktorium 17580, 1 September 1914.
- 41 Ibid.
- 42 BA R28/5 Reichsbank Direktorium 29795, 4 December 1915.
- 43 Ibid, Der Präsident des Reichsbank Direktoriums 21375, 15 July 1916.
- 44 BHStA MJul6567 Königliche Bayerische Staatsministerium der Finanzen, 25 November 1916.
- 45 BA R28/6 Der Präsident des Reichsbank Direktoriums, 6 March 1917.

- 46 BA R28/7 Reichsschatzamt I.D. 24747, 21 December 1917.
- 47 Ibid, Reichsbank Direktorium 16935, 19 June 1917.
- 48 Ibid, Reichsschatzamt I.D. 24747, 21 December 1917.
- 49 BHStA MJul6567 Reichsschatzamt I. Ml. 19636, 4 October 1918. See also "Zinsscheine der Kriegsanleihen als gesetzliches Zahlungsmittel", Bank Archiv, vol. XVIII, no. 3, 1918.
- 50 Ibid, Reichsschatzamt Ml. 19963, 10 October 1918; see also BHStA MJul6567 Reichsschatzamt I. Ml. 19636.
- 51 Reichsbank, Verwaltungsbericht 1914, p. 13.
- 52 Reichsbank, Verwaltungsbericht 1913, p. 4.
- 53 Reichsbank, Verwaltungsbericht 1918, p. 20.
- 54 Ibid.
- 55 Reichsbank, Verwaltungsbericht 1917, p. 20.
- 56 BHStA MH10961 Sitzung des Reichsbankkuratoriums, 26 June 1916, pp. 15-16.
- 57 BA R28/5 Reichsbank Direktorium 2847, 24 February 1916.
- 58 Ibid.
- 59 Reichsbank, Verwaltungsbericht 1917, p. 29.
- 60 BHStA MH10961 Sitzung des Reichsbankkuratoriums, 26 June 1916, pp. 15-16.
- 61 BA R28/6 Reichsbank Direktorium 28472, 6 September 1916.
- 62 Ibid, Reichsbank Direktorium 36392II, 19 November 1916.
- 63 BA R28/5 Reichsbank Direktorium 17396, 15 June 1916.
- 64 Ibid.

- 65 Ibid.
- 66 BA R28/6 Reichsbank Direktorium 1394, 20 January 1917.
- 67 BA R28/5 Reichsbank Direktorium 17396, 15 June 1916.
- 68 Ibid.
- 69 Ibid, Handbill, "Bargeldlose Zahlungsverkehr", circulated in August 1916.
- 70 RGB 1917, p. 469.
- 71 BA R28/7 Reichsbank Direktorium 4185, 14 March 1918.
- 72 Reichsbank, Nachrichtenbüro, Kriegswirtschaftliche Blätter no. 8, 1918, p. 1.
- 73 Ibid, Reichsbank Direktorium 4185, 14 March 1918.
- 74 Ibid.
- 75 Ibid.
- 76 BA R28/8 Reichsbank, "Betrifft Werbearbeit zur Förderung des bargeldlosen Zahlungsverkehrs", 10 May 1918.
- 77 Ibid.
- 78 BA R28/7 Reichsbank Direktorium 4185, 14 March 1918.
- 79 BA R28/8 Reichsbank, "Betrifft Werbearbeit zur Förderung des bargeldlosen Zahlungsverkehrs", 10 May 1918. See also BA R28/8 Reichsbank Direktorium 8987, 7 April 1918.
- 80 BA R28/7 Reichsbank Direktorium 4185, 14 March 1918.
- 81 Ibid.
- 82 See BA R28/8 "Rede Sr. Exzellenz des Herrn Reichsbankpräsidenten Havenstein...", 2 May 1918.
- 83 Reichsbank, Verwaltungsbericht 1918, p. 6.

- 84 Ibid.
- 85 BA R28/7 Reichsbank Direktorium 4185, 14 March 1918.
- 86 Ibid.
- 87 BA R28/8 Reichsbank, "Betrifft Werbearbeit zur Förderung des bargeldlosen Zahlungsverkehrs", 10 May 1918.
- 88 Ibid.
- 89 Ibid.
- 90 Ibid.
- 91 See for example, Reichsbank, Nachrichtenbüro, "Kriegswirtschaftliche Blätter" 1918, no. 1, p. 1; no. 9, p. 1.
- 92 BA R28/8 "Rede Sr. Exzellenz des Herrn Reichsbankpräsidenten Havenstein...", 2 May 1918.
- 93 Ibid, Reichsbank, Abteilung für bargeldlosen Zahlungsverkehr, "Zahle Bargeldlos durch Überweisung oder Scheck!", 20 August 1918.
- 94 Ibid, "Welches Geldinstitut soll ich zur Erledigung meiner Zahlungen wählen?", 2 July 1918.
- 95 Ibid, Reichsbank, "Betrifft Werbearbeit zur Förderung des bargeldlosen Zahlungsverkehrs", 10 May 1918, see enclosures.
- 96 Ibid, Reichsbank, Abteilung für bargeldlosen Zahlungsverkehr, "Welche im Haushalt vorkommenden Zahlungen eignen sich zur Begleichung auf bargeldlosem Wege?", 2 July 1918.
- 97 Reichsbank, Nachrichtenbüro, "Kriegswirtschaftliche Blätter", 1918, no. 8, p. 1; no. 9, p. 1; no. 10, p. 1.
- 98 Ibid, no. 13, p. 2; see also BA R28/7 Reichsbank Direktorium 4185, 14 March 1918.

- 99 Reichsbank, Nachrichtenbüro, "Kriegswirtschaftliche Blätter", 1918, no. 13, p. 2.
- 100 Ibid.
- 101 BA R28/7 Reichsbank, Abteilung für bargeldlosen Zahlungsverkehr, 30 August 1918.
- 102 Ibid.
- 103 BA R28/8 Reichsbank, Abteilung für bargeldlosen Zahlungsverkehr, Rundschreiben Nummer 3, 30 July 1918.
- 104 Ibid, 22 August 1918.
- 105 BA R28/9 Reichsbank, Abteilung für bargeldlosen Zahlungsverkehr, Rundschreiben, 14 October 1918.
- 106 Ibid.
- 107 Ibid.
- 108 BA R28/9 Reichsbank Direktorium et al., handbill, "Mitbürger", 22 October 1918.
- 109 Ibid, Reichsbank, Abteilung für bargeldlosen Zahlungsverkehr, 5 November 1918.
- 110 Ibid.
- 111 Ibid.
- 112 Ibid.
- 113 BA R28/9 Reichsbank, Abteilung für bargeldlosen Zahlungsverkehr, Rundschreiben Nummer 11, 26 November 1918.
- 114 Ibid, "Warum ist es sinnlos, Banknoten und Kassenscheine zu hamstern?", circulated ca. 30 November 1918.
- 115 Reichsbank, Verwaltungsbericht 1918, pp. 1-2.
- 116 Ibid, "Rede Sr. Exzellenz des Herrn Reichsbank-Präsidenten Dr. Havenstein, gehalten anlässlich

der Sitzung des Zentralausschusses der Reichsbank  
am 30. Oktober 1918.", 30 October 1918.

## CONCLUSION

"Each individual is only a part of the great whole...the Fatherland."

-Reichsbank President  
Havenstein, 1917

The Reichsbank adopted many new roles beginning in August 1914. In general, these roles were symptomatic of increasing government control and involvement in society during World War I. Tom Kemp summarizes the trend, stating that "an apparatus of controls and new administrative organs was built up."<sup>1</sup> The state sector grew at a rate unknown in peacetime.<sup>2</sup> The Reichsbank's activities during the war must be seen as part of this larger picture.

During World War I, the everyday lives of the German people were touched by the government in ways unthinkable before 1914. The government regulated the distribution of food, fuel, and clothing; the government allocated resources and fostered the development of wartime industries. The Reichsbank, as an arm of the German government, participated in this increasing regulation of German life. The Reichsbank was appointed

custodian of the national bullion supply, and its officials decided who would be able to draw upon this supply for what purposes.<sup>3</sup> The Reichsbank's wartime propaganda spread the idea that all gold, whether coins or jewelry, was somehow the property of the nation as a whole. Circulating media in the form of minor coins or currency were likewise presented as national property existing for the good of all (and therefore not to be hoarded) rather than private possessions to be owned outright. Even capital in private possession was not fully "owned" by individuals alone; the Reichsbank emphasized the moral, if not legal, imperative of placing German capital at the disposal of the German nation. Thus we see a real extension of government interest into new areas of personal property and financial affairs. Philosophically, the Reichsbank transformed money from absolute private property into a resource belonging to the whole nation. This idea paralleled the general extension of government control over life during wartime.

Prior to 1914, the Reichsbank possessed a nationwide system of bank branches. As a consequence of its new roles, a vast additional operational network was added to this structure during the war. In every German city and town, a gold collection organization was built

up with its committees of citizens and cadres of officials. Similarly, the nationwide Kriegsanleihen committees spread into even the smallest towns. Thousands of people were integrated into the organizational structure. They were often politicians, teachers, and clergy: in many ways the most articulate elements of German society.

In addition to the nationwide network of committees, the Reichsbank also expanded its central administration in Berlin. In peacetime, the Berlin headquarters had concerned itself primarily with financial and intra-bank policy; beginning in 1914 the head office also became the nerve center of a vast marketing organization. Whole new bureaucracies were set up under the Reichsbank Direktorium. The Nachrichtenbüro für die Kriegsanleihen created and distributed huge amounts of war loan propaganda. The Abteilung für Bargeldlosen Verkehr carried on similar activities in its efforts to minimize the circulation of cash in the German economy. Each new bureaucracy commanded a large budget and a staff of civil servants. The Reichsbank organization was thus transformed. Staffed principally in 1914 by civil servant bankers and clerks, by 1918 the Reichsbank staff included large numbers of writers, media distributors, and volunteer workers from all walks of life. Previously limited to its network of

branches, the wartime bank organization extended its activities into diverse areas of public life.

Throughout World War I, the Reichsbank proclaimed that the war was a struggle for economic survival. Many historians list economic rivalry as a basic cause of the war, and certainly during the war economic aims emerged on both sides.<sup>4</sup> Economic warfare such as the English blockade and Germany's unrestricted submarine warfare heightened the sense that the war was an economic struggle. The very nature of World War I, however, dictated a close relationship between military, political, and economic developments. World War I was an all-consuming, total war requiring economic mobilization in the fullest sense. Such a mobilization affected most people in society,<sup>5</sup> and inevitably carried political overtones.

The Reichsbank's work in 1914-1918 illustrates the welding of economic and political concerns during the war. The Reichsbank was first and foremost a financial institution; during the war this institution assumed important political tasks. By 1916, Reichsbank propaganda was necessary for a successful war loan. Successful war loans were essential if the status quo was to be preserved within wartime Germany; the alternatives were taxation or rampant inflation, both of which could create volatile

domestic conditions. In addition, Reichsbank propaganda was charged with helping to shore up sagging morale on the home front. A successful war loan (or one which was interpreted as such) would support the government's assertion that the German people were strong and united, thus dampening opposition. The Reichsbank was by no means conceived as a "Ministry of Enlightenment", but during World War I it assumed many such functions. By 1918, morale, politics, and economics had completely merged in the work of the Reichsbank.

World War I marked the birth of modern mass propaganda. An analysis of the methods and content of Reichsbank propaganda reflect this important development. World War I was a war which involved the masses: mass conscription, mass mobilization, mass slaughter. The wartime governments somehow had to justify this disaster to their peoples; mass propaganda was a logical result of this need. The Reichsbank's propaganda, whether dealing with gold, war loans, or cashless transactions, was specifically oriented toward a mass audience. Propaganda materials were produced in vast quantities in order to reach as many citizens as possible. Some materials were designed to reach almost every German home, and arrangements were made for house to house distribution. News-

papers, a medium easily available to most German citizens, were a mainstay of the Reichsbank's effort. Posters were displayed in most public places. War loan solicitors made house to house visits, delivering the Reichsbank's message in a personal way.

Just as World War I speeded up the development of military technology, the war speeded up the development of more sophisticated propaganda. In 1914, Reichsbank propaganda was limited mainly to printed announcements, appealing to the patriotism of the German people. In a prolonged struggle, however, these simple methods were not sufficient. In 1916-1918, the Reichsbank's propaganda became more sophisticated in content and more varied in terms of media used. For example, later in the war, the Reichsbank began to target specific segments of the German population such as women or farmers. The bank learned to use gimmicks such as souvenirs or giveaways to attract attention. After 1916, the bank instituted a thorough indoctrination of its Vertrauensmänner who in essence constituted the Reichsbank's nationwide propaganda corps. The Reichsbank also made use of developing technology. Film was used to spread the Reichsbank's message; slides too were used on a large scale. Lithographic printing presses produced color postcards and

posters in huge quantities. Even the telephone played a key role in the distribution of propaganda and the collecting of information. By November 1918, Reichsbank propaganda was strikingly different from that of 1914 in terms of subtlety and presentation.

The massive propaganda effort mounted by the Reichsbank during World War I reached a climax in 1917 and 1918. One common thread of this propaganda was the expectation of eventual victory. The Reichsbank's message helped to accustom the German people to a victory which never occurred. After August 1918 such a victory was virtually impossible, but the message of eventual victory droned on for months after. The psychological consequences of German defeat in 1918 were immense, and the Reichsbank's message probably made the letdown all the more difficult. In addition, some people did subscribe to the Reichsbank's appeal for financial sacrifice. Some citizens did give in their gold, did buy war loans, and did keep cash in circulation. With defeat, what did they have to show for their sacrifices but a greater sense of insecurity?

In many ways, World War I was a seedbed for developments which were to culminate under the Third Reich.

An integral part of National Socialism was mass propaganda, and at least in terms of propaganda methods World War I can be considered an antecedent. The deluge of propaganda disseminated in the 1930's certainly did not arise out of a vacuum. It was influenced by the earlier propaganda effort of 1914-1918 in style if not in content. World War I constituted the formative years for much of the National Socialist leadership, and it is likely that this group was exposed to the Reichsbank's wartime propaganda. For example, Darracott asserts that "the propaganda of the Nazi Party learned important lessons from the posters of the First World War." <sup>6</sup> One propaganda thrust which seems to have had lasting effects was the "we versus they" theme. For four years, the German people were told that a hostile enemy wished to annihilate them. As a result, the idea of Germany as a threatened group, a folk community of Volksgenossen, seemed more plausible. The very term Volksgenossen in Reichsbank propaganda presages a wider use of the term in National Socialist ideology.

The interaction between Reichsbank and German people also sheds light on the relationship between government and governed. Several important questions must be asked: to what extent was the wartime German government able to

control the German people? What was the government able to accomplish without using compulsion? To what extent did the government respect private property? What sorts of things did the Reichsbank refrain from doing? In the gold collection campaign, for example, the Reichsbank steadfastly maintained that the exchange of gold was voluntary. Every sort of pressure short of compulsion, however, was employed. To have seized privately held gold would have attacked the very basis of the Wilhelmine socio-economic system: private property. The respect for private property thus delineated the Reichsbank's degree of success during World War I. The War Loans could have conceivably have been forced loans; certainly they would have brought in far greater sums. But a forced loan, with its disrespect for private property, would have brought about a serious crisis of confidence. Pre-war economic values, still cherished, would have been shaken beyond belief. The fact that the Reichsbank did not make a frontal assault upon these values in itself tells us a good deal.

Since the German people were not compelled to do the Reichsbank's bidding during World War I, some autonomy in terms of decision making was left to individual German citizens. Between 1914 and 1918, millions of

people had to consciously decide whether to turn in their carefully saved gold coins, a symbol of stability and security. Citizens were forced to make a similar decision about their gold jewelry; sentimentality was likely to complicate the situation in this case. Then there was the temptation to hoard coins in the face of current chaos and an uncertain future. A citizen could easily hoard, but should he in the face of the Reichsbank's message? Here was a moral dilemma of sorts. And finally, should a citizen buy Kriegsanleihen? Were they a safe investment, knowing that defeat was a possibility? And if one did buy Kriegsanleihen, what amount should be bought? Was a token amount sufficient, or should one buy to the limit of one's resources as the Reichsbank pleaded? Each German citizen faced these decisions for four years.

The Reichsbank undertook a variety of tasks in World War I, and on balance it was unsuccessful in completing specific tasks and meeting its goals. The public did respond to the Reichsbank's wishes to an extent, but not nearly on a scale congruent with the bank's public boasts. The German people did turn in gold to the Reichsbank, but a large percentage remained in private hands.

The Reichsbank lamented this failure privately even as it publicly declared the campaign a success. Similarly, the largest propaganda drive in German history failed to make the Kriegsanleihen a true Volksanleihen; all segments of the population held back large amounts of money from the war loans. The billions sold were not an unqualified success when seen in the context of inflation, wartime liquidity, and proportion of purchases by institutions and the rich. The Reichsbank's campaign to discourage the hoarding of cash was perhaps its most complete failure; all through the war people squirreled away vast amounts of cash. The effort to promote cashless transactions likewise had relatively little impact on public habits.

Though largely unsuccessful, the Reichsbank's wartime tasks complemented each other. They were all part of a system designed to hide the actual state of the German monetary system. The Kriegsanleihen were supposed to make sound war finance without taxation a theoretical possibility; the Kriegsanleihen, successful or not but always interpreted as a success, would validate national resolve and economic strength. The gold campaign, in actuality needed to collect gold for foreign purchases,

was similarly used to prove national resolve and willingness to sacrifice. In addition, the manipulated gold reserve statistics were used to prove the "gold strength" of the mark, which in reality had no gold value at all. The cashless transaction campaign, though a failure, was also "proof" of the strength of the German people just as it was an attempt to hide the ballooning amount of paper currency. Each of these activities was largely unsuccessful; each was held up as a paradigm of success. Each was an attempt to somehow conceal the difficult state of Germany's isolated financial condition during the war. Each of the activities, though an illusion, was used as a means to reinforce and prop up the others in a neat package. Still, the people resisted handing in their gold just as they resisted buying Kriegsanleihen and giving up their hoards of cash. The Reichsbank nevertheless preached the unshakeable strength of the German financial system.

The German people did not believe everything the Reichsbank told them during World War I; they were wary and acted accordingly. In one important respect, however, the wartime Reichsbank was successful: it made the best of an impossible financial situation. For all its failures, the Reichsbank was able to supply adequate amounts

of money to continue the war effort. In World War I, Germany was defeated on the battlefield, not because the nation ran out of money. In spite of many difficulties, the German financial system was still functioning at the end of World War I. The fact that it did not collapse completely in the face of tremendous stress is no mean achievement. By November 1918 the mark had lost half its pre-war value against the dollar, a substantial decline, but when seen in context another important achievement.

In spite of difficulties with the public the German government succeeded in avoiding bankruptcy during World War I. The deception and illusions coupled with vast borrowings and massive creation of money had postponed the day of reckoning. The Imperial government had created the war debt but avoided the reckoning, leaving the fledgling German democracy to pay the bills. Of all the burdens Weimar Germany inherited from Wilhelmine Germany, the financial burden was one of the most serious. Unfortunately for the German future it was also to be one of the most destructive.

## NOTES TO THE CONCLUSION

- 1 Tom Kemp, The French Economy, 1913-1939 (New York, 1972), p. 33.
- 2 Marc Ferro, The Great War 1914-1918 (London, 1973), p. 119.
- 3 BHStA MH15474 "Verzeichnis der Kriegsgesellschaften und sonstigen Stellen, die für die Übernahme konfiszierter Waren in Fragen kommen." (1917?)
- 4 See for example Bernadotte C. Schmitt and Harold C. Vedeler, The World In Crucible (New York, 1984), p. 316 ff.
- 5 This is a theme of Gerald Feldman, Army, Industry, and Labor in Germany 1914-1918 (Berkeley, 1965). See also Arthur Marwick, The Deluge (Boston, 1965), especially Chapter 5.
- 6 Joseph Darracott, The First World War in Posters, (New York, 1974), p. ix.

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