

CBSRA Commission,
Relief Section 143 / IVSP,
H.Q. British Troops Berlin,
B. A. O. R. 2.

June 29th. 1948

Dear Derek,

The situation has been changing here so rapidly lately that we find difficulty in keeping up with it.

The beginning of the latest trouble was the currency reform in the three western zones, to which Russia had been unable to agree, and so the other three powers went ahead and brought in their new currency. The immediate effect on Berlin was a complete isolation from the western zones of Germany, all interzonal passenger traffic was stopped, as the Russians were naturally afraid that Berlin and the Russian Zone would be flooded with the old Reichsmarks which had no value in the West, but for a week were still valid here. Then a meeting of the four powers was called in Berlin to discuss the new currency for Berlin, and it was hoped that some reasonable solution could be found. But although they sat nearly all night no agreement could be reached - and next day we heard the astounding news that the three western sectors of Berlin would have the same currency as the West Zones, and the Russian sector of Berlin would have the same currency as the Russian Zone. This was already impossible enough, but even the methods of exchange were not the same. In the three west sectors everyone could exchange 60 RMs for 60 Deutsche Marks in the proportion of one to one; after that the balance of the money must be handed and it would then be paid later in the proportion of one to ten.

In the Russian Sector the initial change was 70 RMs per head which could be changed to 70 Marks "new money", and then up to 5,000 RMs per head could be immediately exchanged in the proportion one to ten ... Here I should explain that this Russian sector "new money" is the old money with a coupon (like a postage stamp) stuck on it. The whole currency in the Russian Sector and Zone is such a farce, as almost immediately on the Black Market it was possible to buy pages of these stamps. The Deutsche Mark in the three west sectors is the same as the new Mark in the three West Zones, except that it has a B stamped on it. The result of all this is that the Deutsche Mark has a real value, and the Russian Mark (as it is already called) is worthless, and the exchange value on the Black Market was reported yesterday to be one Deutsche Mark for thirty Russian Marks.

The situation has brought things really to a head. On Thursday for example the Russian announced that the Deutsche Mark was illegal, and anyone in possession of them would be punished. Whereas the three western powers had authorised the issue of Deutsche Mark in their sectors. The Berlin Magistrat was in the unenviable position of having to interpret these two conflicting orders to the people. On Thursday evening there was a special meeting of the Magistrat in which the Burgermeister, Frau Schroeder, said that no occupying power was in the position to dictate orders that affected the whole of Berlin, only for their own sectors. This meeting of the Magistrat was the scene of unfortunate Communist demonstrations - but the attitude of the general public showed pretty clearly that these were only a comparative minority who were brought to the meeting in Russian Lorries!

Now all goods traffic by rail has also been stopped and food etc. is being brought in by air. The gloves are really off now, and we can only hope that some sort of compromise can be reached. But it has unfortunately led to a certain amount of "tit-for-tat" behaviour on the part of the "Allies" (ironical word!) The Russians have already stopped the supply of electricity to the west sectors, and we are only in a position to supply a very much reduced electricity, this will probably mean that many firms will have to close. In order to show how "tough" we are the Americans, and to a lesser degree the

British, have been driving around Berlin in tanks or jeeps with guns, but this is purely for display purposes.

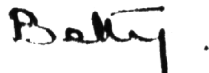
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At present there is naturally still a complete isolation of Berlin from the Western Zones, and we cannot at the moment clearly see how things are going to develop. It is quite clear that the Russians wish to have Berlin to themselves, but how far they would go to accomplish that it is difficult to know. The other three powers are also equally determined to stay in Berlin. The German people are naturally the scapegoats in the situation, and it has had the effect of bringing them too into the conflict. There has never been so much plain speaking, and in many cases a firm supporting of the West against the East, which is a really courageous thing to do. An example we have just had was an announcement on the news that the "Falcon" youth organisation, youth organisation of the Socialist party, have today decided to hand back to the British Military Government the food given to them for their summer camp, that it should be used to help feed the Berlin population in the present situation. This is really a wonderful gesture, knowing how much they too need the food for their camps. It is really a struggle now between East and West here in Berlin, and the people are taking sides. We have a tremendous responsibility to these people. - For us, if we fail, we can draw out and go home defeated. - for them, their home is here in this conflict-torn city, and defeat for them may mean concentration camp, forced labour or the like.

I have tried to give you a picture of what we here are going through, for friends at home, unless they have been here in Berlin, it may be difficult to really imagine it. All we can do is try to be a source of optimism and encouragement, and to hope that those who have the unenviable task of negotiating in the situation may act wisely.

With best wishes,

Yours sincerely,



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RS/143/IVSP.

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