

Mourning the Mark

By Terry Martin

If Germans are mildly apprehensive about introducing the euro, they're existentially disturbed about the loss of their Deutschmark. The demise of the German national currency is being accepted as a pragmatic necessity in the context of greater European integration. But in terms of cultural pride, it's not a welcome development. For many Germans, killing off the Deutschmark is an act of monetary altruism, a sacrifice of the country's chief emblem of stability, prosperity, and international relevance.

Understanding the Deutschmark's cultural significance requires an acquaintance with three key developments in German economic history: hyperinflation in the 1920s, currency reform in 1948, and the "economic miracle" of the 1950s and 60s.

Following World War I, Germany's economy was in tatters. Having exhausted its resources during the conflagration, the country was then burdened with paying enormous reparations to the victors. Galloping inflation soon followed, and the government began printing Reichsmarks in denominations of 50 trillion and 100 trillion. People carried their worthless cash around in wheelbarrows. Then came the global depression and mass unemployment. The Nazis exploited this misery, seized power, and started the Second World War.

By May 1945, Germany had been reduced to ashes. The Reichsmark was virtually worthless and consumer goods were scarce. People bartered whatever they had. Cigarettes provided a common substitute currency. The United States, the United Kingdom, and France, which occupied what became West Germany, were intent on forging a peaceful and economically viable future and, to that end, introduced a new currency in their administrative zones in 1948. The Deutschmark was born. The money was first printed in the US, then in the UK, and finally, in 1955, in West Germany itself.

Under the leadership of Ludwig Erhardt, the German economy underwent a spectacular recovery popularly known as the "economic miracle". Between 1950 and 1960, GDP grew an average of 8.2 percent. Manufacturing boomed, particularly in the automotive and machinery sectors. The country became a major trading nation (eventually the second biggest in the world). Unemployment dropped to less than 2 percent. Labor had to be imported. The Deutschmark grew in stature to become an international reserve currency. The country's independent central bank, the Bundesbank, became Europe's leading monetary authority. Its policy decisions affected markets well beyond Germany's borders.

In June 1998, the Deutschmark celebrated its fiftieth birthday. On that occasion, Bundesbank President Hans Tietmeyer praised the currency for having made "an important contribution to political and social stability." He also acknowledged the deutschmark's role as a beacon of Western ideals during the cold war. "For the people in the east--perhaps more than for West Germans--the Deutschmark became a symbol for prosperity and freedom," he said.

When East and West Germany were reunited in 1990, it was agreed that the Deutschmark would become the nation's currency. At great cost to the West German economy, then-chancellor Helmut Kohl insisted that the East's Ostmarks be exchanged one-to-one for the more valuable Deutschmarks. After reunification, the currency's enduring value (monetary and symbolic) extended beyond eastern Germany, and it was adopted as an alternative currency in former Soviet satellite states during periods of instability. In Kosovo, for example, United Nations authorities introduced the Deutschmark as the official legal tender, replacing the Yugoslav dinar in 1998. At the time a spokesman for the UN administrator in Kosovo said, "We are merely legalizing a situation that already exists." It was a situation that persisted in crisis regions throughout Eastern Europe well into the twenty-first century.

Like other eurozone citizens, Germans have had several years to contemplate the scheduled departure of their national currency. As early as 1998, the country's chief central banker was already warning his compatriots that bidding farewell to the Deutschmark would not be easy. "All national currencies represent their respective states," said Hans Tietmeyer with characteristic understatement. "But the bond between the deutschmark and the Federal Republic of Germany is a bit tighter than usual."

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