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EAST GERMANY

"SECRET BANK ACCOUNTS" FOR EAST GERMANS

SOURCE BERLIN: Confidential.

DATE OF OBSERVATION: Current period.

EVALUATION COMMENT: This information, which originated with a source believed to be reliable, indicates that the surplus of currency now available on the GDR market might lead to an impending currency reform. Measures like the one described in this report are doomed to failure and will most likely be followed by more radical ones to establish the monetary balance.

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In order to absorb millions of east marks secretly hoarded by East Germans, the German Democratic Republic on 26 February 1954, issued a directive permitting East Germans to open a "secret bank account," not subject to capital of inheritance taxes. Tax offices, it is expressively stated, are not allowed to ask banks for information on where the money comes from.

While the need for such a directive is evident in view of the apparent inflationary tendencies in the GDR, opinions of officials of the Finance Ministry are split entirely on the question as to whether the directive does not also constitute a trap, designed to catch sooner or later violators of the East German law, providing that no one is supposed to have more than 300 east marks of cash.

Although the directive clearly admits that East Germans do not trust State-run East German banks, it is also evident that the directive in the first place is to appeal to private businessmen who are not as strictly controlled as yet as are "State-owned enterprises," for instance. The number of employees who could possibly be in possession of sizeable amounts of cash is exceedingly small anyway.

An official of the East German Finance Ministry today reported that the efforts of the "Deutsche Notenbank" to get secret accounts opened have not been very successful as yet. It is obvious that East Germans feel that Banks,

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Finance Offices, the Police and the Party cooperate much too closely and that therefore sooner or later the so-called secret accounts will be stolen partly or altogether by the always money-hungry Communist Government. Businessmen, on the other hand, know that they deliver themselves to the mercy of the prosecutor by admitting that they are in possession of large sums of money.

It is also evident that great amounts of east marks belonging to East Germans are at all times in the hands of trusted friends in West BERLIN. The official believes that after the end of the Five-Year-Plan, new money will be issued in order to catch up with hoarders. "Until then no one need fear," the official thought.

End.