

Oral History Memoir  
of  
CHARLES P. KINDLEBERGER

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Cambridge, Massachusetts  
July 16, 1973  
by Richard D. McKinzie, Harry S. Truman Library

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NOTICE

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MCKINZIE: Professor Kindleberger, maybe a place to start would be to ask you why and how you entered the Government service in the 1930's, It would appear that you had specifically trained yourself for an academic career, and then, as I recall, in 1936 you began to work for the Federal Government. Had you had that in mind during the course of your training?

KINDLEBERGER: Well, let me try to recall to you the position in the 1930's. I heard later that at Harvard one job for a Ph.D. in economics came in in

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1935, and in 1936 one job came in. As far as I know there was nobody looking for academic jobs at Columbia where I trained because there weren't any academic jobs. Very early I decided I wanted to get into the Federal Reserve Bank of New York to learn more about foreign exchange from the factual point of view. I met Randolph Burgess at a party at Jim [James] Angell's house, or maybe it was at Arthur Burns', and asked him whether they had any jobs?

He said, "Come down and see me," I went down to see him and it turned out that I arranged in the June of '36 to take a job in October, not before. I was still working on my thesis. I hadn't finished the thesis. I decided to go down to Washington, and then I got a job with Harry White and Frank Coe, two people who later had career troubles, and

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worked the summer of '36 with them in the Treasury on purchasing power parity calculations. It's a technical kind of question about the foreign exchange rates. I studied particularly France. I have in my files quite a number of papers, I think, would show what I was doing there. Later on, that association turned up to haunt me. And particularly it was said by George Sokolsky that I was one of (Henry, Jr.) Morgenthau's men put into the State Department to carry out the Morgenthau plan. You can see how it's easy to draw that inference, but it was erroneous. At the end of the summer I told Harry White I was leaving to go to the Federal Reserve Bank where I had this job arranged.

He said, "Do you want to stay?"

I said, I didn't know whether I wanted to stay. I was really quite interested in this foreign exchange question. On the other hand, if

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you would raise me to a full P-2 -- I was getting \$2400 -- and I said, "If you'll raise it to \$2600, I'll stay."

And he said, "No, I guess not." And I have recounted this story in the preface of my book on the world depression. I went then to the Federal Reserve Bank of New York. In the Federal Reserve Bank of New York I worked with Emile Despres half time and with Louis Galantiere half time. Louis Galantiere ran the Foreign Research Department, and Emile Despres was interested in foreign exchange transactions. He wrote a weekly letter to the Secretary of the Treasury on what was happening in the foreign exchange market. When he went to Littauer School in 1938, I think it was, I took that over from him. So Despres and I had been associated as early as '36, a long and intimate, and very fruitful association for me.

A little later on the Bank of International

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Settlement said they wanted some young American economist to work on their staff. They asked the Federal Reserve Bank in New York to nominate somebody, and they asked I think through Leon Frazer who was then the President of the First National Bank, and Allen Sproul -- I think probably Allen Sproul not Werner Knohe, or not Randolph Burgess, Sproul asked me. I thought that would be a good experience. Fairly stupid of me to do that, because a man with broader vision could have seen a war was coming, but I couldn't. I agreed in February of '39 to go to Europe to work for three years. It happened that with the fall of Czechoslovakia I didn't see how I could change that arrangement. I was then beginning to be quite discouraged. I went to Europe with my wife. We had no children at the time. After the fall of Paris though I decided I wanted to get out. Either the war would be short and the wrong people would win, or

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it would be long and it was a poor place to be. So Emile Despres, who was then with the Federal Reserve Board in Washington, and I corresponded with each other. He would write telegrams to Mr. McKittrick urging me to come back signed (Marriner S.) Eccles. I should perhaps note that Mr. Eccles really signed them, but they were drafted by my friend, Despres.

The Federal Reserve Board paid my way back and that of my furniture, which in a lighthearted moment I'd taken over. This cost a couple thousand dollars which I didn't have. That's how I got back to work at the Federal Reserve Board with Despres. Now I worked directly under Walter Gardner who was the head of the Foreign Research Division. I was in on the lend-lease negotiations just briefly, as a 'fly in the wall' with Walter Gardner. Eddie Playfair and Roy Allen were the low level negotiators for the British and I worked with them on the balance

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payments estimates. I saw Harry White and saw something of his unpleasantness when he forced the British to sell American Viscose, if you recall that episode.

It wasn't winning the war much that I could see. Still it was better than sitting in Basel doing nothing. And then bit by bit, OSS got formed.

MCKINZIE: Wasn't there an interim period where you were sort of the Secretary of the Joint Economic Commission of the United States and Canada?

KINDLEBERGER: That's true, yes. I forgot to indicate that. Alvin Hansen who was working on the staff of the Federal Reserve Board in Washington was appointed by Mr. Roosevelt, the American head of the Joint Economic Committee for Canada and the United States, and he asked me to be Secretary, and I was. Then we saw White and Coe again there. And as a matter of fact, I was

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questioned later on by the FBI about some Canadians who were regarded as suspicious characters. This was a Committee which didn't really do much in the long run. What it essentially did was to introduce people to each other. Once the people who were doing, say, price control in Canada met the people who were doing price control in the United States they didn't want us sitting around listening to them all day, They wanted to get on with the business. Initially the War Production people had to meet and then the power people always met, and the fiscal people had always met, and working on a similar problem Bureaucrats on both sides would work close together. In a war situation there were some that hadn't joined up and found the modus operandi. Once that was done we really had very little to do.

MCKINZIE: I talked to a lot of people who contend that

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that those very early cooperative endeavors with the Canadians and with the British, and a number of other bilateral things, and lend-lease itself, were not simply a matter of winning the war. That they had in mind, conceivably, a different kind of world after the war. That lend-lease, for example, was not just a system of providing material to Allies, but that the provisions of it were consciously for the creation of a different kind of economic world after the war. Did you see that at the time?

KINDLEBERGER: Well, there were aspects of that. As Secretary of the American side my counterpart was a man named Skelton. Sandy Skelton, the son of the former Foreign Affairs Permanent Secretary in Canada (a Civil Service Canadian type). He and I wrote a long paper on postwar plans. Once you got a certain number of things going there was a

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question as to what one would expect of postwar plans. I never was really very sold on that -- that struck me as a make-work. You were too far away to see what the end situation would be. So much of what went into the Canadian agreements were ad hoc.

The Hyde Park agreement of '41, for example. The Hyde Park agreement was in fact a way to finance Canada by helping it to finance Britain. We would lend-lease certain things to Britain, but give them to Canada.

To a certain extent the Canadians didn't want any help from the United States, that was a matter of pride, and I thought that to a certain extent we were window dressing. The Canadians always had this special relationship with the United States and with Britain, and they always played it carefully. It wasn't that they really didn't want to have a close tie with the United

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States. They wanted to stay right in the middle the way they always did. And I thought that when they needed help from us -- they wanted it both ways, of course, as everybody does, They wanted to be a big independent country that grants aid, but doesn't receive it. This meant that we needed some devices by which the United States would help them to help Britain by putting things through. I don't mean to make too much of that, but the special situation of Canada involved a great deal of ad hoc things. I don't think I have a copy of that memorandum I wrote with Skelton anymore. A lot of other postwar work was being done by [Leo] Pasvolsky in the State Department.

MCKINZIE: Yes, indeed.

KINDLEBERGER: I can't remember that I took it very seriously. I ground it out. No problem to grind out memoranda, but obviously nobody paid any attention

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to it later on.

MCKINZIE: The question is prompted by the contention by some writers that there was a kind of "Hullian vision" of an integrated economic world after the war. And that from the very early days of the war all U.S. assistance to Allies, and all planning for treaties was directed toward that kind of integration of economies.

KINDLEBERGER: I think that's fair enough. That certainly is in Article 7 of lend-lease, and in the Atlantic Charter, and its in the Hot Springs meeting of FAO, and it's in a great many aspects. But the Canadian business was really rather separate and very much ad hoc, I think. It involved a special relation not the universal, not the multilateral. By the way it is of some amusement to me that a young man named Preeg came by the other day from the

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National Planning Association with a manuscript, which he asked me to comment on -- talking about the world's being regionalized and Canada is in the United States orbit.

I said, "Aye, I have read that book fifteen years ago when William Yandell Elliot wrote it with a study group on postwar economic foreign policy for the United States." (It was written [Theodore] Geiger and [H. van B] Cleveland) "and I didn't believe it then, and I don't believe it now, because the Canadians don't want it like that. They have their pride and their independence, and they want to be at a certain amount of arms length. They need the favors and they'll take the favors, but they want it dressed up so they don't seem to be taking them," and so on. But I would have thought that the Canadian case was an exception. By the way, in my book in the depression Hull comes out looking rather poorly

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I think. He has a monomania on tariffs, and Mr. Clayton, whom I'm a tremendous admirer of, is a little bit like that, but not nearly so bad. The OSS came along. A good many people were getting out of the Federal Reserve and going over to OSS. Despres and Chandler Morse did this fairly early. Chandler Morse was a great friend of mine, too, and a great friend of Despres. After I had been at the Board two years--I said I'd wait two full years really to give them a little value for moving my furniture. Actually I was getting quite restless in working on postwar things. 1942 was a very poor time to work on postwar matters, I thought. There was nothing left to do currently, with respect to the Canadian work, and talk about distant future didn't interest me, so when an opportunity came to go over to OSS I went.

Despres was a member of the Board of Analysts

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of the Research and Analysis Division, a Board headed by William Langer and having on it Finney Baxter and Ed (Edward S.) Mason. It was a very distinguished group of people. Sherman Kent the Yale historian, and a geographer from Wisconsin, whose name I forget, and the Russian historian Girard T. Robinson. It was a very distinguished group of scholars organized in OSS to do, not the hokey-pokey, not the fancy spying, but simple straight analysis to see what brains could do. I was asked to come over to start something called the Military Supplies Section. I knew nothing about military supplies; that didn't make any difference. The hypothesis was, a good one I think, that any economist who put his mind to something could learn it. We could create instant experts. I remember telling (Harold J.) Barnett, "Barney, next Monday you are an expert on oil." Now we had some absolutely brilliant experts like Walter Levy the oil consultant,

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who now has a private firm in New York. If you haven't talked to him you really should, because he is superb. He later worked in the Mutual Security Administration on oil. And if you are interested in the question as to whether oil interests dominated the United States policy, Levy is the man who can tell you how he fought them, and how he won most of the time. He's a great man, I think. For example, he's the man who insisted on changing the pricing system for oil, under the Marshall plan, and so on--with the backing of his betters. He has a lot to contribute I think in the analysis of the ideological, to people who are interested in ideological problems.

I went over to work in OSS with Chandler Morse who was the head of the Research and Analysis Branch in economics. I was the head of the section on, military supplies. Sidney Alexander

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was head of a section on industrial economics. He's a distinguished economist here at M.I.T. now. There were many others. Wheeler whose brother defected to Czechoslovakia, Donald Wheeler was in manpower, Carl Kaysen, who later was in the White House, worked for Alexander. There has always been an issue as to whether the OSS had a more distinguished

group of economists than the OPA. Walter Salant, my good friend, and [J. Kenneth] Ken Galbraith think that OPA had more, Seymour Harris was OPA, But Despres, and I, and others think they were wrong--no matter. But as I understand, Mr. [Major Gen. William D.] Donovan's insight into the whole reason for OSS was that nature had abhorred a vacuum, he assumed there would be many vacua and that in the course of this he would find a use for good people. He made some silly mistakes. For example; he hired a lot of polo players, I'm told, and taught them how they run speed boats, and hoped that there'd be occasions where the people who knew

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how to whip and dash and turn would be able to find useful employment in the war. I'm told these Winston Guests' and Pete Boswicks' sat out the war doing nothing. But in the case of intellectuals he was entirely right, and it was found that the intelligence services of the Army, Navy, and Air Force were extremely limited, bureaucratized, and ineffective. Very early I found myself in this military supplies business working on bombing targets in Germany. We wanted to know what was going on in German production of weapons and what to do about it. In February of '43 went to Europe to work with the American forces. The Americans at this time were buying their intelligence from the British readymade, and we had to prove ourselves by showing that the British made mistakes. We did so in a rather interesting episode when we were persuaded the British were advising the American Air Forces to bomb a target that had

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been abandoned by the Germans, and that proved to be right. It was rather a dramatic encounter. I had asserted to this English officer that the plant had been moved to Marienburg in East Prussia. He said, "Oh, no, here is the compass correction card of a shot down craft which has 'Foche-Wulf, Bremen' on it." And I took it from him, turned it over, and it had Marienburg written in hand on the back. You have to record a few of such wins to gain the faith of your customers. On the London staff I had [Walt] Rostow, [Harold] Barnett, young William Salant, John deWilde. I had Carl Kaysen. Later on Bob Roosa. A very distinguished group of economists. We worked like dogs, and I think we were effective. Among other things we worked out the plan to bomb France--for this invasion. We got in a big hassle with the British as to how to bomb a transport system. The American ground forces then wanted somebody to tell the American

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Air Forces what to bomb, and I was one of the few experts around on German supply and transport. So I was out to get a little nearer to the action. I went on General [Omar] Bradley's staff in intelligence as a G-2 Section, Supply and Transport. And there the OSS business of their vacua to be filled, you know, they had lots of these intelligence guys being trained at--wherever it was--but they didn't have the economists approach to many things, There are times when I got things done; we worked out a system of bombing railroads. Once the Army learned the technique they did it all the time even when it wasn't appropriate. I can remember going down to a prisoner of war interrogation center and saying you've got all these prisoners what are you

asking them. Well, they were asking them for the old crap about order of battle and stuff like that. I say what we need to know is

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what railroads are running and where they are going. And I'd like you to find out how everybody got to the battle from where, and what lines they are going through and so on. Well, you know, these guys just loved being asked to work. The routine work was stupid on the part of these prisoner of war interrogators, they just loved having a creative job to do, and they produced brilliant reports, I thought. At the end of the war then, I found myself in Germany on the staff of General Bradley. The war has been won, and now how the hell do I get out? I have a bunch of my letters back to my London office, and I don't know quite where they are. I didn't go through the files, but that's another collection of these letters. [The letters Ambassador Kindleberger refers to here and in other places in this transcript are (1) letters from the 12th Army Group in Europe to members of his staff in London; (2) letters from Kindleberger to his office as he toured Brussels, Berlin, and Vienna for the Department of State in 1946; and (3) letters to his office from Moscow in March-April, 1947.] You can see that I write a lot. You can hear that I talk a lot;

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I think they have historical value although they are difficult to interrupt because there's lots of jargon and in house jokes and so on. I propose to leave these papers plus some more from the State Department period to the Truman Library.

I got back to Washington through OSS and Despres. OSS was stopping work for the military and was beginning to work for the State Department. Despres said the State Department needs people to tell them what to do about the peace. There had been work going on as recorded in Panrose's book which you know, [James W.] Riddleberger had been with JEC and others. But Despres said we have to build a staff for the reparations question. We have to staff--the whole backstopping of the ground forces, General [John H.] Hilldring's operation in Germany. He said, "Come on back." And he got me out of the grind back into OSS from the Army, and this led me to the State Department.

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I was anxious to rejoin my loved ones after two and a quarter years away, so I bought it.

I got home and I said, "Well, now Emile I'm going to take a two months vacation."

He said, "We'll give you a week." And there I was, you know, having sold myself like a Faust, I got a week of holiday and went back to work. I was a reparations adviser in the State Department to backstop the group that had gone with [Isador] Lubin and [Edwin W.] Pauley to Moscow. Despres, Collado and other experienced people were going to Potsdam and they needed someone in Washington to backstop the field operation. Collado you ought to talk to.



MCKINZIE: Right, I have talked to him.

KINDLEBERGER: Despres went to Potsdam with [William L.] Clayton and I guess with Mason too. He was on the board of analysts with Despres and he and

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Despres were very close, and I was very close to him too, then. I don't see as much of him as I'd like to now. But I decided I didn't want any more Germany. I was sick of it, I had had a lot of it, and I tried to say that I'd like to get out. There was a job open as an adviser in the British section and Collado was the head of the Office of Financial and Economic Development, whatever it's called, OFD. He was an old friend of mine. He had been in the Federal Reserve Bank in New York and he actually had been at the Treasury in 1936 and he had been at the Fed beginning about '37 or '38, so that our careers had wandered in and out. He got me over there, and I started to work on the British loan. And then it seemed that the German problem was getting worse. I had no affinity to stay in German affairs. I wanted out, and this is particularly of relevance later on to the Sokolsky suggestion that I was

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a Morgenthau man planted to carry out German policy, which was absurd. But finally Mason, and Despres, and Collado all said that they really had to organize a section to work on German-Austrian Economic Affairs, a division of the State Department, and they were going to set up a division on Japan and Korean Economic Affairs. Would I take over, and bring in my gang which were all streaming back from overseas? We went to work. I knew nothing of the people up to that point who were working on property. That was the [Seymour J.] Rubin's, the [Monroe] Karasik's, the [Walter S.] Surrey's, these lawyers who had been interested in the Safe Haven Program of granding German assets. I had nothing to do with that up to that stage, but...

MCKINZIE: But this division was at first supposed to take care of occupation areas, was it not, in Japan, Korea, Austria, Germany?

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KINDLEBERGER: The office was. I can't remember who was the head of it at first. Rubin was the Deputy. I can't remember who they had, that's funny. And I was in charge of one division, Ed [Edwin M.] Martin was in charge of Japan-Far East, and Surrey was in charge of enemy property. That was a coordinate division, which worked in both areas, whereas each of the others of us worked in separate areas. It so happened that more property people like Karasik came in to work with me. I inherited an odd body like George Adams, who now teaches economics at Cornell. The whole gang worked together very well, John deWilde who was Deputy--I was Chief--he was Deputy Chief. Barnett was in charge of the reparations section. Rostow was in charge of the production section. I would say. Salant worked on--I can't remember, William Salant not Walter, the younger brother. By the way the State Department

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historians got them mixed up, and I wrote them a letter straightening out the...I said in my memorandum, "Walter Salant told me."

They said, "That's William Salant," it wasn't, it was Walter, but they are tricky to separate out.

We then went to work on reparations and we did that for a long time. There were reparations issues, reconstruction issues, feeding issues. I went to Berlin and Austria in the summer of '46, that's where one of those piles of letters comes from. We elaborated the policies with respect to reparations, which are published in the documents in not just in Foreign Affairs, but in these little things.

MCKINZIE: Oh, it's a State Department Publication, *Our Occupation in Germany*.

KINDLEBERGER: Yes. Lots of these. That's the one I

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had in mind *U.S. Economic Policy Toward Germany*. I think most scholars don't recognize these, and that has some darn important statements in it.

MCKINZIE: This is a transcript here. It is Publication 26-30, 1946, I suppose, isn't it?

KINDLEBERGER: I think so. What we did was to try to rationalize the 1067, and the Potsdam Agreement, and to say we wanted reparations not to hold the Germans down forever, but to have a short, sharp, quick surgical kind of thing. It was a way to try to get on with the job of democratization, and so on.

MCKINZIE: May I ask, so many people that I have talked to who comment on reparations issues have invoked the unfortunate experience after the first World War and contend that that was on everyone's mind?

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KINDLEBERGER: That's true. There isn't any doubt that's true, and in particular people were worried that the United States paid German reparations to France and England--World War II by lending Germany the money which was later not paid back. As a matter of fact, we paid German reparations to Russia this time, by the Russians grabbing the food while we had to feed the Germans. The truth is that economists just like generals fight the last war, and we were anxious to treat Germany as a single economic unit. That was the so-called first charge principle that the first charge on all exports would be the imports that the country had to have. This meant that you have to treat the four zones as a single unit economically, so that you couldn't take something out of one zone which was needed in a separate zone. We failed

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utterly on this.

MCKINZIE: At the time did you think that there was still hope?

KINDLEBERGER: I can't remember when we thought there was still hope. The hope was beginning to fade very rapidly, in the spring of '46, by the way, there's an issue from the spring of '46 which is unclear in my mind. General [Lucius D.] Clay stopped paying reparations out of removals of property from the Western zones to the Soviet Union in May of '46. This was well before the Stuttgart speech of September '46. And he did that without, as far as I knew, any authority from the State Department. I'd never seen a telegram anywhere which says that he was authorized to do this. Since he was presumably following U.S. policy laid down by the State Department and the President it was unclear to me what happened.

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Well, Jimmy Riddleberger never told me but he said, "Have you contemplated the possibility that Mr. [James] Byrnes at the Council of Foreign Ministers in Paris telephoned him and authorized it?" I have contemplated that possibility since, and I think it's quite likely. I think Jimmy was telling me something. The fact of the matter is here's a fundamental change in U.S. policy--stop paying reparations out of the Western zones to--of which there's no piece of paper--no historical record. I think that's interesting. It's not clear at all to me that President Truman was consulted in this, because Mr. Byrnes probably didn't consult him on the telephone from Paris. I know the tension between Byrnes and Truman, and it's an interesting historical point that's all--small point.

MCKINZIE: Right. Did your division draw up any kind of game plan to be followed? Everybody seemed to be

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grinding out papers on this and that, on not only reparations, but on the plan for the development of Germany after the war.

KINDLEBERGER: Sure, sure, oh, yes. This document I speak of was one part of it. Particularly the statement which is a reinterpretation of JCS-1067. More than that, very early, as early as the summer of '46, we were trying to get the [Gerhard] Colm, [Joseph M.] Dodge, [Raymond W.] Goldsmith report going, to get the monetary situation straightened out. Now that didn't take effect as you know until '48, and that was a continuous frustration for everybody, a frustration which came about for a number of reasons, This is another one of the interesting things which historians have missed out on terribly that is the monetary problems of armies of occupation, "Red herrings" abound in this field, In particular

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it was thought by many people that because Morgenthau gave the plates to print occupation currency to the Russians that lost a lot of money for the Army. Nothing could be further from the

truth. Whether you lose money in your occupation currency depends only on whether you redeem local currency. [Gen. Douglas] MacArthur lost three hundred million dollars in Japan where the Russians had no access to occupation currency. The Americans lost four hundred million dollars in Germany, and it had nothing to do with the plates. Frank Southard's book on *The Finances of European Liberation* about Italy shows that they lost zero in Italy because they very quickly decided in the Economic G-5 Section that they wouldn't redeem any lira. They'll convert dollars into lira, but they will not convert lira into dollars. And if anybody sells cigarettes for lira, or Mickey Mouse watches, or cigarettes, or candy, or silk stockings, or

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coffee, or anything else they can't get dollars for them. They can get lira, but not dollars. The problem is that the people who were interested in the issue all were later smeared with the McCarthy brush and never could get their story out. The Army basically covered up. The Army nicked and dined--stole the money back over the next five years in the occupation currency. What they would do is pay out yen and take out dollars. And so they really took it from the civil GARIOA plan. Anytime anybody wanted any local currency, the Army would sell it for dollars, keep the dollars and put them in the Troop Pay account. In contrast the British went to Parliament. and said we need an appropriation of two hundred million dollars to make good our Troop Pay account deficit. It's a fascinating story, which really should be put together sometime

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but it is very difficult. People like Harold Glasser, who were in the middle of it were excoriated as Communists, and have not surfaced again. Harry White would know about this. I was told one time by Harold Glasser that he'd keep a record of all his dealings with the Army Paymaster General, because it occurred to him at this time that this was a bad thing to do, but I don't know what's happened to that. I suppose that story really belongs to the Roosevelt administration, rather than to the Truman administration, but it's an important story, utterly neglected by everybody.

While I'm talking about reparations, by the way, I should say that there is a thesis just been done a couple years ago by one of the men who worked for me later on, named Joseph A, "Jack" Todd. He wrote a thesis very late, I guess after working with me he went into the

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State Department and served around the world in various places. When he resigned from the State Department, possibly early retirement, but I don't know, he decided to get his credentials and went up and wrote a thesis with Carl Friedrich at Harvard on the reparations settlement. It was not to my mind, the thesis I would have written on the subject, because he wanted to spend more time on the role of the [Christian] Herter Committee in these matters, and I'd found the Herter Committee a pain in the neck, I may say.

MCKINZIE: In what way? This junketing around.

KINDLEBERGER: Yes, They wanted to take part in the action and William Yandell Elliott is a big--this is closed,

MCKINZIE: Yes, I understand that.

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KINDLEBERGER: But he was a big blow-hard. He really just wanted to be busy. You know that he gave a course at Harvard which was called Elliott in war, Elliott in peace, Elliott in the hearts of his countrymen, which...

MCKINZIE: Since this is closed he doesn't want to talk about that--any of it.

KINDLEBERGER: About the Herter Committee stuff?

MCKINZIE: No.

KINDLEBERGER: Why not?

MCKINZIE: Well, because he says he was too busy doing work for President Nixon.

KINDLEBERGER: Well, the Todd thesis I thought wasn't very good. By the way, the book by [Benjamin] Ratchford on reparation assignment is useful, and I thought Price's book on reparations was

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useful, and a few other things; but Todd worked for me and I had a close view. He got deeply into some issues that were amusing, such as the horses issue. I don't know if you ever heard of that.

MCKINZIE: No, I never heard of the horse issue in reparations.

KINDLEBERGER: Well, one of the big problems with reparation was how to distinguish reparation from restitution, from war trophies, which is what the Russians call war booty. The Russians gave us a terrible time on these issues. It's hard to say in retrospect, and even at the time it was hard to say they were terribly wrong. A country like Belgium gives up on the first day. Everything it loses survives the war intact. In a country that fights to the last--"scorched earth" policy--nothing is left over. It's hard to say that

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restitution comes ahead of reparations in these circumstances if you take a moral view. If you take a legal view about property, why you make the case that identifiable property has to be returned to the jurisdiction from which it was taken. But you can see something of the case that the Russians had. At one point in all this, the U.S. Army (not my greatest love, I think, the U. S.

Army) wanted to take some of the horses they had liberated from Germany and have them certified as to the lineage so they could play polo with them. The Army Remount Station wanted them registered with the Jockey Club of the United States. The Jockey Club said that they didn't know that these horses were properly owned by the Army. So they wanted to get the State Department to say that they were properly owned. This issue came to me in charge of reparations and restitution, and I very properly and quickly

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turned it over to the legal advisers office, and a man named [William W.] Bishop, I forget his first name, a professor of law at the University of Michigan now. He and I worked out over the telephone, a document which didn't stand up very well, I may say, which is to say that the horses that they had taken that belonged to the German Army already, they could keep, as war trophies. They were war trophies, if title already inhered in the German Army. Horses that the German Army had stolen, even from the Hungarians or the Polish--they were the ones that they were particularly interested in--they would have to return as restitution, even restitution to an enemy. But the horses that had been bred in Germany would go as German and we could keep them. Of course, that turned out to be excoriated as Kindleberger's stupid doctrine of restitution. I never said this

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at all. The reason it was pronounced stupid was because it is well known that these things go by the nationality of the mother, the mare. A little subtle for an economist, but Todd kept going with this problem long after I'd left the issue. Even Clay in his book mentions this horses issue I think.

MCKINZIE: Those meetings on reparations were taking place almost at the same time as the peace conference was going on in Paris.

KINDLEBERGER: Which peace conference?

MCKINZIE: The 1946 conference of the Foreign Ministers.

KINDLEBERGER: In May, yes. They were trying to work out the level of industry.

MCKINZIE: Right. That's what I was going to ask you to comment on. That all had to be settled,

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the whole business of reparations and the level of industry before you could really get on with the next and perhaps critical question of what was going to be the role of Germany in the next few years?

KINDLEBERGER: Ah, yes. But you see our interpretation by now of the level of industry was something you come down to, but it's not a ceiling. You adopt the level of industry. You take away the property. You get rid of it. You clear the decks, and then you let up except for a few forbidden industries like aircraft and weapons. It was the Russians who thought you were fixing the level of steel that Germany would live by forever. We denied that in this occupation document, *U. S. Economic Policy Toward Germany*, as early as the fall of 1946. Rostow and I worked on this with [Ernest] Gross. The press release is July 11, '46, the press release of May '46, I guess it was

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in the fall of '46 this came out. I may have the timing wrong--perhaps February '46, but it's perfectly clear in this that the American view which we were trying to get--December '45 the Paris Conference on Reparations we were working on that. Jim Angell is the man to talk to about that and Russell Dorr, but on the whole it's a rather vacuous topic--doesn't mean much. Look at production--the export of coal in July '45, was the first thing we got to work on, coal. The idea was to get the coal out, and then we started off very quickly worrying about producing more coal. And we were trying to talk about extra rations for coal miners. There were positive elements in all this all along. I learned one of the problems about extra rations for coal miners--how do you prevent them from taking them home to their families?

Well, I think the coal question was the

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basis for a positive view of Germany. Before that it was still in the de-Nazification stage and retribution. Having been in the Army in Germany I was aware of this quite strongly, and particularly the fact that the American forces stumbling on concentration camps and seeing piles of dead bodies, emaciated, starved, felt vindictive and aggressive. I shared this myself having been through Nordhausen in probably late April or early May 1945. Nordhausen was a sight that's hard to forget. At the same time I got in an exchange with Sweezy, Paul Sweezy now a Marxist, then OSS member, saying that I thought that the non-fraternization couldn't last. It was a big thing that the troops should not fraternize. Eisenhower was strong on this. It was easy to understand it. We thought that all Germans were despicable and had been guilty of this crime. I remember very well myself, observing

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that in two cases and I think three, the American Army in its infinite outrage took the lord-mayor and his wife of a neighboring town, through the concentration camp and made them see the horror of it. And in these two cases--maybe three, the mayor and his wife went home and committed suicide that night. It made me understand, which I hadn't been aware of, the capacity of the human mind to reject things. I think what happened is in the sub-conscious mind the lord-mayor and his lady had known, the nearby units, but in their conscious mind they had been unwilling to understand and they had put it out of their minds. Only when they could no longer evade this they were overwhelmed by their guilt. I found that very moving as the way the human

mind behaves. But the Americans were so damn sanctimonious in this question about Germans. I really began to correspond with Sweezy and

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say this non-fraternization is wrong, You don't want to fraternize with them, but you don't want to regard them as less than human beings. We are going to have to treat them as human beings in the long run, and we are all guilty--you know. I was moved by this issue. I still find it moving.

MCKINZIE: Of course, I should explain, one reason that I keep asking you about the positions that your office was taking is that I am aware that you got documents of a kind of conflicting nature. You got the Morgenthau business from the Treasury Department on one hand, and on the other hand there was residue of all of that planning that was done in the State Department by Leo Pasvolsky's people, which did envision a rather early return of Germany into some sort of European economy. Dean Acheson says in his book that

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he didn't realize that Europe without a reconstructed Germany was analogous to a body without a heart. He and other people had felt that perhaps Great Britain could assume the economic role that had been played by Germany previously, and somehow this was all your heritage or the legacy that was dumped into your office.

KINDLEBERGER: I would allow no member of my staff to use the cliché "the heart of industrial Germany" for the Ruhr. I wasn't worried about that. If Acheson did it he was out of line. No, it's true that we very quickly became aware of the role of Germany in Europe. The Germans had problems of their own. The coal question is one I spoke of. Very quickly it became the repair of mining machinery in Poland--Poland acquired Silesia, the Silesian mines. As all the capital equipment of

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Europe was very far depreciated it needed to be replaced and renewed and the Poles couldn't do it. How are you going to get Polish mining going without helping the German machinery industry. And we found ourselves in this very fast. So what we tried to do was to convert the Morgenthau doctrine in U.S. economic policy toward Germany into a statement which said, "The Germans have sinned. They have gotten way out of line and they have hurt people, therefore, we are going to pull them down quickly to the level of the neighboring countries and it's going to be short, sharp, quick, surgical," but then we let them go. Now the Russians never would agree to this as far as I know, and we had to agree that there were some industries which they could not operate. But that was the interpretation and I think that's a reasonable way to sort of thread your way. We also would add,

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by the way, in the spring of '47 when food was scarce, that the Germans were last in line. Food got terribly scarce worldwide and the Marshall plan I think was in large part a response to a very bad harvest. This view was not generally accepted. My colleague who taught International Economics at Harvard, Gottfried Haberler, would get furious with me when I said that balance of payments is often determined by the bounty of the harvest. He believes in more deep-seated forces. But I have expressed it elsewhere that the bad winter of '47 made us exaggerate the depths into which Europe had been driven by the devastation of war, and the recovery of the good harvest of '48 led us to exaggerate the efficacy of the Marshall plan. Don't forget that in the spring of '47--winter of '47--spring of '47 we were having a terrible time feeding the Germans. They couldn't get wheat. They had to take corn.

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They didn't know how to cook corn. They didn't know how to make corn mush, or Indian pudding, or whatever one makes out of corn, you know, corn pone. It was just a disaster to try to cope with this kind of food. It wouldn't set on their stomachs as the expression goes and they just hated it. That was the way it was. As I say, we tried to take the food away from the population in general and give it to miners. We also tried to deliver coal as a first priority to the Allies. It quickly became clear this wouldn't work too well. Railroad engineers would take a trainload of coal and tear into a curve going like hell then slam on the brakes as they rounded the curve so that the stuff would spill out, or they'd slow down going through a town and people with shovels would climb aboard and shovel like mad as they'd creep through the town. They'd come out the other end with a train half empty.

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Nobody's going to be able to handle that kind of thing. And very quickly we learned that rations didn't mean anything. Everybody had a lot of money. Buying the rations was nothing. What they really wanted was to be paid in kind, and we allowed this in the coal business. So-called Deputat-Kohl was a truck system in which workers got paid in goods.

Of course, then they built up a market of private compensation. A coal mine needing cement would take a truck full of coal and wander around looking for a cement factory. And people would go off in the country with their lares and penates (household goods) trading them for potatoes. The whole system of orderly exchange broke down, and this is what moved Mr. Clayton.

MCKINZIE: The Geneva thing in 1947.

KINDLEBERGER: Yes. I said I could recognize the sentences that Mr. Clayton wrote in the Marshall plan speech, because he was worried about the

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breakdown of the nexus between the country and the city. It was collapsing. The country was in the driver's seat--food was scarce, therefore, they were in control; and it became so every rat for

himself, and you go out looking for potatoes yourself rather than have a decent economic system in which potatoes come in and are fed through the wholesale, jobber, retail system. And that breakdown moved him very much.

Let me go back to the thing I mentioned at lunch, the moratorium, I find that an interesting subject. I have mentioned it in a book I wrote on *American Business Abroad*. It's a small book published by the Yale Press.

MCKZNZIE: The title is?

KZNDLEBERGER: *American Business Abroad*--it's on six lectures on direct investment. Lectures which were never given, by the way, but three of them

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were written for a lecture, for an occasion which never came to fruition. I thought it was useful to express the view that even laissez-faire economists believe that if the market isn't working don't rely on it. If the market doesn't work it's important not to be doctrinaire about using market's--when the market has broken down, don't rely on it. It's as simple as that. The example I give is something we developed in the State Department. I don't really have a record as to who developed it. I think I did, but I'm not certain, and I don't want to claim credit that isn't my due; but we all felt, I think, that it was outrageous to let foreign businessmen go into Germany and buy up things. And my letters from Berlin here do talk about the moratorium. Now the moratorium was a device we worked out. There would be a moratorium on direct investment in Germany until the dust settled, until things got

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squared away, until the markets were functioning again, until monetary reform. This last was an important aspect of it, until we knew what assets were worth. Because we found that there were some American companies going in, some army people who in civilian life were in business, were negotiating with German companies particularly to buy them up, or to buy fifty-one percent of the stock. Particularly the interest of the German company was in wrapping the American flag around itself. We already had had to assert that for the purpose of reparation removals we would remove American owned property last. You wouldn't take out Jewish-owned property that you were going to restitute. You wouldn't take out property that was owned by a foreigner which you would restore. You'd take out German property first. So there was a strong interest in people in becoming instant American. There was a very strong interest in foreign

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business moving in to see what they could buy cheap. It was said that one chemical company, I mercifully forget which one it was, but I think it begins with R, that's in my mind--very unpleasant man connected with it. However, with a fist full of ten dollar bills he was trying to buy what was loose. Ten dollar bills and the American flag would really get you quite a lot in those days. We decided this was not going to go well with democratization. We didn't want to

have the view around that we had fought Germany in order to acquire it as imperialistic venture. So we worked out in my shop with no help, by the way, from Riddleberger and his political boys, the notion that we were going to have a moratorium on investment until things got shaken down. We didn't even know enough to put it in terms that the market shouldn't be relied on when there is market failure, but that was intuitively the view.

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I thought we've trouble selling this to my betters, until I hit on a lovely device which made it work very easily. It wasn't really any problem at all. Clayton came from Texas, Clay came from Georgia, Byrnes came from South Carolina, you just had to say the word "carpetbagging" and they understood brilliantly what we were talking about.

So we said, "no, 'carpetbagging'."

And they said, "Ok. let's cut 'carpetbagging' right out." It was easy, but it was an important policy. We had a hell of a time with the French and the British, kicking them out where they were picking up investments. We had to sell this on a tripartite agreement. We couldn't ever get the Russians to think about agreeing. Because of course, they were picking up out of the Potsdam Agreement Austrian properties, and they were also picking up properties in Germany under a more tenuous provision of the agreement. I'd like to come back to the Austrian property question, because that has some aspects to it too. We got beaten on the moratorium once, as

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a matter of fact. The Singer Sewing Machine Company had a property that was on the east side of Elba, which had been engaged in making machine guns, and the Russians had regarded it as a war trophy and stripped it. We would not think that was an appropriate war trophy. War trophies are only those things which are property of the Army, where title was passed to the Army. If it was a manufacturing plant, which was making things to be sold to the Army--not yet sold, it would not qualify. The Russians were very difficult to argue with and you see in this case there was a certain amount of passion involved, a sewing machine company making machine guns. So we got nowhere with them in getting them to restore that. In any event, a very able able lawyer from New York named Lightner came down to argue with Mr. Clayton. And Mr. Clayton, as he often did (always I think) brought in his staff

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and said, "Mr. Lightner says that he ought to be given a chance to buy a property in Germany to replace this one which was stolen. What do you think?"

I said, "Later, postpone it. The dust hasn't settled, if we give it to him we'll have to give it to other people." And Mr. Clayton, after listening for a long time, overruled me because Mr. Lightner found the right words. Words are important in these matters. He said, "We have lost our trading position."

As a commodity man with Anderson and Clayton, Mr. Clayton was moved by the concept of a loss in a company's trading position and overruled us on this case. I fought like hell, appealed later on and so on, but got nowhere. Luckily Mr. Lightner found that the sewing machine company he wanted to buy, the Pfaff Sewing Machine Company, wouldn't sell. What he wanted to do was wring its neck. He didn't really want to make money

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in Germany. What he wanted to do was put it out of business all over the world or at least calm it down and destroy the competition. Pfaff was, for one reason or another was--it was in Kaiserslautern I think it was--feeling secure enough so they didn't have to sell, and they didn't want to sell, and they wouldn't sell. So that worked out. But I think it gives you a case of Mr. Clayton's mind. Anybody who says by the way, that he was conspiring for the capitalistic system is just "full of wet hay." He was moved by these words. They touched a resonant point in him, and having known the guy, as I say I'm a great admirer of his, a tremendous admirer of his. When I said "carpetbagger" he salivates in a certain way, when this other guy says "trading position" he salivates in a different way. I think that explains the man, rather than some ideological view which is...

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MCKINZIE: Rather than some kind of grand design.

KINDLEBERGER: Exactly, exactly. He's just not that kind of a man at all. By the way, he went along, I think it was he, and all in a sense went along and the State Department went along with something we did in Austria which I think is worth noting.

One of the problems with the Russians was that when we renounced title to German property in the Eastern Zone of Austria they thought that was a clear grant of title to them. We denied that it was, but they insisted that it was and since they were in command in the occupation we couldn't do anything about it. We had terrible problems, by the way, with some American properties there which the Germans had taken over. We would argue under the restitution policy that we ought to regard that transfer to Germany as null and void, and the Russians would argue against it. We had some Mobil Oil properties we wanted to get back

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for Mobil. Mobil asked us to get them back. By the way the circumstances under which Mobil lost them were not very, complimentary to Mobil, I should add. There was something called the "as is agreement" in the oil cartel. And the "as is agreement" said everything stays as is. Nobody breaks into anybody else's market. And when Anschluss occurred and Austria lost its identity Mobil could sell in Austria, but it couldn't sell in Germany in the "as is agreement." So they sold their property to Jersey, I think, but the title was held by Jersey's subsidiary in Germany. It thus became German property in the Russian view and they grabbed it as German. We said they couldn't, as it was American, but you can see what a hairy problem this was. Well, at this stage

we had a lot of problems in Austria. Particularly because Arthur Marget was too clever early and got the occupation currency tied

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up to limit the Soviet's expenditure of it. That's another story, took a complicated story. But at this stage we thought that we ought to do what we could to settle the German asset question. So we said to the Austrian government, "Why don't you nationalize all oil properties, East Zone and West Zone and see what happens?" We were interested in knowing whether the Russians thought they were not subject to Austrian law or not. We know we are subject to Austrian law. We suspected the Russians thought they were not subject to Austrian law. They claimed extraterritoriality, the thing they accuse the Americans of asserting all the time. We think they have it. So we encouraged the Austrian Government to nationalize these properties in an effort to see how the Russian Government would react. Happily in the sense of the capitalistic system, and for my position in government, they blew up as anticipated so the Austrian Government didn't nationalize anything. If the word had gotten out that an American civil servant had encouraged

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a foreign government to nationalize U.S. property I don't think it would have gone down very well. This seemed to me, however, a perfectly legitimate thing to do where we were testing exactly where the Russian Government stood. And as a matter of fact, it turned out later on that ten, fifteen years later that the Russians did in fact sell the property to the Austrian Government against compensation. This was exactly what we would have provided. The compensation I think, the United States provided under the Marshall Plan. But I found that an interesting example of the freedom which we had not to be ideological, for what it's worth.

MCKINZIE: Did you participate in those Austrian negotiations then?

KINDLEBERGER: Not very closely. I was not in the Austrian negotiations in Moscow in 1947. I think I mentioned to you before we turned this machine on

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that I had been overheard on the telephone by the FBI. I am persuaded--I don't have direct evidence, but it's sufficient--I never mentioned the thing that Sokolsky brought up about me and Mark Clark. Anyway, there could have been no possible way, except to listen to an internal conversation on the telephone in the Department, for Sokolsky the columnist (the right wing columnist) to say that I was part of a conspiracy against Mark Clark, but he did say that. And what made me think it must have been that telephone conversation is [Jacques J.] Reinstein worked on Austria and I worked on Germany when I got to Moscow. So for seven weeks in Moscow I saw nothing of the Austrian negotiations, I worked exclusively on the German with Mason.

MCKINZE: You didn't make clear what telephone call you thought that had been.

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KINDLEBERGER: Well, Francis Williamson called me one day in the State Department in February of '47 to invite me to a meeting in Ben Cohen's office to discuss what to do about Mark Clark and the terrible performance he was rendering in some capacity, I've forgotten what. I guess he was pontificating already on what the Council of Foreign Ministers would do, and he was getting ahead of the State Department, and the State Department felt a necessity to bring him back into line. Since I was normally in charge of Germany and Austria--Williamson was the counterpart to Riddleberger on the political side working on Austria while Riddleberger worked on Germany--we didn't really divide that much in my shop. Charlie Rogers worked with Rostow on Austrian problems. But at my level, and at the section chief level, there wasn't anybody particularly who worked on Austria. So that if

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there was a meeting to be gone to at a higher level than one that Rogers would go to, I went, but I just went to listen. I was prepared to discomfort Mr. Clark to the extent that it needed to be done, but I wasn't particularly an active member of a cabal against him. And the other thing was, of course, in the second column Sokolsky used, was saying that I was being planted by Mr. Morgenthau and Harry White to carry out the Morgenthau plan in the State Department. The circumstances by which I got to the State Department from the Treasury in 1936 are so roundabout it seems to me that that was purely exaggeration. The reason is that the FBI had been listening to people who had been associated with White, and that's how he associates me with White. Not that it was a direct association, but having worked with Harry White for three months I show up nine years later as working on Germany. It is quite an easy inference by somebody who doesn't trace the

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thing, that I'm a plant.

MCKINZIE: The implication of that though is that the columnist was fed information by someone who...

KINDLEBERGER: I'm fully persuaded he was. I'm fully persuaded that when J. Edgar Hoover found nothing to interest him about me he gave it to Sokolsky. And one more thing, I was very much puzzled one day when I had been called by a newspaper reporter, and a very good one, Felix Belair. Felix Belair called me one day to talk about Mr. [Herbert] Hoover's appointment to a mission by President Truman to worry about feeding Germany. To us that was really a very awkward matter. We were trying to feed Germany. We were trying very hard to feed Germany. We didn't want any help from Mr. Hoover or from his admirers like Tracy Voorhees. Many people think that the Hoover gang was simpleminded in its adoration of the great engineer. We were

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working very hard, so when I was called up on the telephone by Felix Belair, whom I'd known well a long time, and he asked me how I felt about it.

I said, "I felt terrible about it, because it was going to add to our complications in our life, and we were working hard and didn't need this." Next day the *New York Times* front page said, "State Department objects to Hoover's appointment by Mr. Truman," And I learned very quickly that everybody in the world knew that I was the source of it. Now, Felix Belair didn't tell them, and I didn't tell them? I never knew how it was instantaneously communicated to the whole world. It was my expression of my own personal opinion. It wasn't based on anything ideological, just based on the simple bureaucratic necessity to work without having your elbow jiggled all the time. Mr. Hoover was sore as hell at me and I don't blame him for that. Of course he would react negatively to anybody who would react negatively to him--quite

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normal. But again I was shocked at it getting out so fast. So that later on when I was having these security problems, and trying to straighten myself out by threatening to sue Mr. Sokolsky, I could only piece together that I had been listened to and the world had been regaled with these conversations, because I was told within twenty-four hours it was known in the White House.

MCKINZIE: To whom did you have to answer for that?

KINDLEBERGER: Nobody, nobody. Just Mr. Hoover, and all I got was that he was sore as hell.

MCKINZIE: Could you talk about the Moscow conference?

KINDLEBERGER: Yes, I can talk about the Moscow conference a little bit. The Moscow conference was hard work. I decided I needed a little rest so I took a boat over to London and planned at the other end.

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I got exhausted in the Department. You know, we worked seven days a week. I'd bring work home every night, and I found it--I had a kidney stone in '48 that's really what precipitated the big weight loss, and that's why I left. I explained in my letter of resignation to the people that I wasn't leaving on ideological grounds. I wasn't leaving because I was sore at anybody. I was just leaving because I was exhausted.

MCKINZIE: You mentioned you got down to 140 pounds.

KINDLEBERGER: Yes. From 160 pounds.

MCKINZIE: Did you go over with some more of the delegation?

KINDLEBERGER: No, Just by myself, and I caught up with the others. Harding Bancroft was on the boat. He was a legal adviser to the State Department--ended up as Vice President of the *New York Times*.

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He and I became friendly then. I enjoyed that. I caught up with them--I guess I got to Berlin a day ahead of everybody, and had a chance to catch up with [William H., Jr.] Draper and Don Humphrey who worked with Draper and with what went on. But once we got there to Moscow we just got stonewalled all the time. As far as I was concerned, we were still trying to work on this line of settling Germany--getting Germany going again. Secretary Marshall I think, had the impression that something could be done. A lot of people had the impression something could be done. It's quite likely that [Charles E.] Bohlen by this time was discouraged. Durbrow was to my mind the least positive man in the State Department. He was always saying that we ought to go back to doing what we did before with the "ice breaker." Now the "ice breaker" story was one that I heard so many times I got sick of it. During the war--there was an American boat tied up in Murmansk and we tried to get its

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release. The Russians would delay, delay, delay, delay, and they wouldn't give us a no; they wouldn't give us a yes; they'd just say they were working on it. And so the Russians then brought an ice breaker down to the Panama Canal and wanted to get it through the Panama Canal, and we said, "No, we couldn't give the clearance. Big problems about getting it through. The lock gates were very sensitive. If it were to hit the lock gates it would be awkward. We'd try to work out engineering things. We were working on it. How about the boat at Murmansk?" And this tit for tat kind of thing was Durbrow's contribution. There was a lot to that, as a matter of fact, it turns out that we were a little bit more idealistic than Durbrow. Durbrow was thoroughly cynical. He wanted to handle everything in this way and to be tough and so on.

In this connection it should be mentioned that

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Mr. Byrnes had tried this with Yugoslav restitution--I don't know if you know this story, but in the end in the collapse of the war a lot of people, Nazi, right wingers, Germans, picked up everything that was loose, and started to move it up to the heartland, to Germany, Yugoslavia, Hungary, and so on. A lot of it was lying around on barges in the Danube upstream. A lot of it was just terrible stuff, you know, old fur coats and junk, just junk, and some machinery perhaps; but the Yugoslavs wanted it back, and they said they were entitled to get it back as restitution. At this time they were beginning to shoot down American airplanes flying over their territory. Mr. Byrnes was going to try this "tit for tat" stuff with them. And so he said, "No." He was out to lunch, or he wasn't around, there was something that wasn't right; he had a few more things to do and so on. He was playing it very negative. He tried to



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play this Durbrow game. We just don't know how to play that game very well. The Yugoslavs hit us in every single forum they could find. In the UN they'd bring up these goods on the barges in the Danube. "The barges in the Danube" was the slogan. At Council of Foreign Ministers they'd bring them up, and at the E.C.E. they'd bring them up. Everywhere Byrnes went popped up the Yugoslav barges. He finally got so sick of it he said "Give the junk back to these guys." So, this notion about we can play this game, it's not our game I judged. So we were always trying to find a modus operandi.

I don't remember much of those seven weeks. I could refresh my memory by reading those letters. I just know it was a very frustrating time. I did amuse my wife in the first place I could call her by telephone because they had the

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exchange rates so loused up. You could call Washington for \$5.00, if you called the other way it cost you \$90.00, something like that. So, I would occasionally call home and if Sarah was out she'd be paged all over town, and it really gave her quite a lot of status to have her traced down at a dinner party and say, "Moscow was calling," But seven long weeks, hard work. I had a little desk--two of us at a desk this size, more of a table not a desk. And Secretary Marshall would go to a movie every night to purge his mind. And Arthur Marget, who was an economist in Austria, went to the ballet every night. He would duck work all the time, and the rest of us worked like dogs. It was not a very happy time. It was a very unsuccessful time. We didn't get anywhere.

MCKINZIE: Would you have delegation meetings periodically, and sort of assess the general situation how things were going?

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KINDLEBERGER: Yes. I can't remember the details, Ed Mason may remember better than I do. He was my superior. He was asked to go there to be in charge of economic work on Germany, and I assisted him. He had been, you know, Deputy Assistant Secretary or Assistant Secretary, I'm not sure which. He came back from Harvard to do this job. Willard Thorp had taken his place but Willard was busy doing other things. He was an old friend and he and I worked well together. I remember it as being a period of intensely hard work, but I can't remember anything got accomplished.

Some pleasant things happened there. I remember seeing [Hervé] Alphand, [Maurice] Couve de Murville, [Eugene] Sargeant talking in the hall saying that Jacques Rueff wanted to be invited from Brussels where he was in the reparations agency and should we invite our maître. And then they would laugh and giggle--suggesting that

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they didn't have the greatest respect for him. And I've used that story a lot about how you've got to watch when your students turn on you later on. "Maître" they would say in a very sarcastic way and giggle like hell, I loved that.

I was saying I entertained my wife by counting the animals I saw, because in Moscow, big city, I saw five mice, four cows, two dogs, and one cat. Because the animals were all gone after the war. The mice survived in some way I don't know, but the big hotel Moscova had mice running about. The cows were taking a load of hay to the abbatoir to be fed a block around the corner, I guess, and get a drink of water, and then--it seemed very odd to see cows, and horses, and mice, no dogs or cats in the city.

MCKINZIE: Did you come back with the delegation?

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KINDLEBERGER: Yes. We left in February. I left a week ahead. The Truman plan had just come out--the Truman Doctrine for Greece. I remember talking to Willard Thorp about it. And they thought that it was terrible negative, and we were unhappy about that, the negative aspects of it.

MCKINZIE: Namely that it was anti-Communist in its...

KINDLEBERGER: Well, just military. It wasn't any more positive than that. It turned out that a lot was done in a positive way to, say, build military roads in Turkey which were--but there was nothing much being done--we were economists. We were interested in economics. It was military; it was negative; it was anti-Communist. I think in the long run it's clearly justified. Later on, I think Point Four owes a lot to that. I had the impression from Ben [Benjamin] Hardy and from Joe Jones that

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Mr. Truman was very unhappy about the negative reception the Truman Doctrine had gotten. He wasn't jealous of the positive reception of the Marshall plan, but wanted more of a positive thing from Hardy. Hardy wrote the inaugural speech of 1949 which brought us Point Four.

By the way another fellow to talk to is Walter Salant, who has the view that he had made a big contribution to the Point Four.

MCKINZIE: I know about that after the fact, I'm going to talk to him.

KINDLEBERGER: Well he's, as I say, a great pal of mine. He and I got into the correspondence about his brother's name being wrong in the paper, and then he added some words about his role in the Point Four thing.

How does Joe [Joseph M.] Jones book stand up by the way?

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MCKINZIE: In substance I think very well. Everybody I've talked to says they have no quarrel with it.

KINDLEBERGER: I have the two pages here somewhere that I wrote for the memorandum: "Submitted as political poop for a Cleveland—[Ben T.] Moore study on Europe..." I don't have the date on that.

MCKINZIE: Was that taken fairly well verbatim?

KINDLEBERGER: This is what I submitted to them, and I think they put it in their memoranda verbatim. But what it says is still very negative. By the way, there was a nice passage between Cleveland and Moore who were very much more idealistic than we were. We were quite idealistic, but they were anxious to get on this big program for Europe, and we were concerned with working

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in Germany, that was our job. After a long discussion with George Jacobs, one of the young men who worked for me, and for Rostow, Cleveland said to him, "The trouble with you Jacobs is you've got 'tunnel vision'."

And Jacobs said to him, "The trouble with you Cleveland is you're 'wall-eyed'."

That had a terse ring to it.

MCKINZIE: How about the political people and the economic people, did they talk to each other?

KINDLEBERGER: Not much.

MCKINZIE: Understand each other?

KINDLEBERGER: Not much. I think, as I said before, that the political people like Durbrow were much more cynical than we were.

I've had young historians coming around to interview me to raise the question as to whether

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the political people and the economic people were at "swords points" and whether we were positive and they were negative. I think that can be very readily exaggerated. I would have thought that they had been at it much longer than we had, and particularly Riddleberger in the JEC. That was a terribly difficult negotiation. They'd been to Potsdam. Those of us who came in later, having been in the war tearing things down and now getting ready to build things up,

naturally had a much more positive attitude I think. That would be true of Rostow and me, and so on. We were much more ready to try new things. Such as the Rostow plan in 1946 which Byrnes took as a memorandum to the Council of Foreign Ministers saying can we not have a more European-wide plan. It ended up as the ECE. It was to take the things we had already, the European Coal Organization, the European Inland Transport Organization, the European Economic Emergency Committee, the EECE, I've forgotten what the initials are, and to form them into a long-run thing. And that was Rostow's idea, which I strongly

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supported, and which Byrnes took up for a while. Also there's a column about it about that time saying what the Secretary is taking to Paris in his brief case--this plan for Europe. I suspect that Rostow, who was a friend of Stewart Alsop's, had leaked that, in an attempt to put pressure on the Secretary; and it did end up as the ECE, but that didn't end up anywhere.

MCKINZIE: After that was there talk about channeling aid through ECE?

KINDLEBERGER: There was talk about it in the Marshall plan, but the minute the Russians didn't join that ended that.

This question as to whether the offer to the Russians was genuine or not is an issue that comes up all the time, and at my level it was genuine. Everybody I talked to believed this was a test. This was a chivalrous offer to the Russians. We'll

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give aid to you, and to the Czechs, and to the Poles if you join.

MCKINZIE: There is often an espoused view by younger historians that offering it to the Soviets was made with the almost certain knowledge that they would refuse, and therefore, that they would be responsible for the division of Europe and not the...

KINDLE BERGER: Why would anybody know they would refuse? I didn't know they would refuse, and I was in the State Department at the time, and talking to people who were working on this issue. As I think I said in the memorandum, we were conscious of a sense of great excitement about it. I told Leonard Miall to tear up his program. You've seen Leonard Miall's account in *The Listener* in the BBC, and now here's an account of the same thing that Alfred Reifurur wrote for Gene [Eugene] Rostow.

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MCKINZIE: Under the beginnings of modern American foreign policy.

KINDLEBERGER: Marshal plan mostly. We were conscious of a sense of excitement about it. It may be that people like Secretary Marshall knew that they'd turn it down, but I don't think so. I don't know enough to know what Marshall was thinking. I didn't see him that often. And I don't

claim any insight, but I saw him a lot in Moscow before this, but I regarded him as a man who doesn't dissemble. I don't know if you have the sense that I do of what a great, great man Marshall was. A very funny, odd man, but a great man; a man who was Olympian in his moral quality; a man of whom one stands in awe. You didn't make jokes with the Secretary. He was a man who, when he made decisions, everybody knew nothing small and calculating went into the decision. One had the feeling that he was a man

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apart from most men, at least I did. I've a very strong sense of that. I knew Bradley well, and I knew Marshall. I didn't know him intimately, but I saw him a lot. The same thing I would say for Bradley, I saw him a lot. I saw both people in briefings. And I saw many generals like [Hoyt] Vandenberg who was just a dope. Lot of these men are stupid. Bradley was shrewd as hell, calculating and very military. He would make little judgments which were brilliant from the military point of view. Marshall was always the big picture man, never small, never tactical so far as I judged; but that's just a personal view.

MCKINZIE: Were you aware then of his decision to create a policy planning staff, and have them take up this whole question of restoring economic health to Europe at the time he did it when he called

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[George F.] Kennan back from the War College?

KINDLEBERGER: No, no. I would have distrusted [Francis P.] Matthews I think, probably.

MCKINZIE: Oh, really.

KINDLEBERGER: Matthews was probably the leader on Europe of the Durbrow school. I think he might very well have been calculating and cynical, but I wouldn't of thought that Kennan would be, nor would I have thought that Marshall would be.

MCKINZIE: Were you called in by the policy planning staff when they were set up to...

KINDLEBERGER: I did write some things for them, but I don't know that I have them.

MCKINZIE: The reason I asked that was they decided fairly early that there was going to have to be some resolution of the German question. Germany

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was going to have to be a part of that thing, and there was going to be a problem of convincing France, among others, that that was necessary. Then were all the questions about how much each should get, and that brought up the immediate question, should Germany get as much on a per capita basis?

KINDLEBERGER: Oh, it was nowhere near that stage then. That was left to the Europeans to work out in a very adroit way. Of course, how much Germany got was left for the year later for the Europeans to work out.

MCKINZIE: Yes, that's quite true. The United States was supposed to provide, I think the exact words are, "friendly assistance" to the Europeans, and I'm trying to get at whether or not you had a part in determining how much "friendly assistance" would be.

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KINDLEBERGER: Later on I was in charge of all the estimates.

I was interested in Clayton and Douglas when the CEEC gave us the thirty billion program the first time going back and saying, "No, that's too much."

MCKINZIE: How was that cut?

KINDLEBERGER: Well, they just said, "lower," and they got down to the sixteen for the four years, somehow, and then later on I was involved. There were an awful lot of things of which as a scientist I am unhappy about in this period.

MCKINZIE: Is it too cynical to say that that cut was made not so much on the basis of what it would require to rebuild Europe, but on the basis of what Congress would accept?

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KINDLEBERGER: True. We had been through that once in the British loan, which won by one vote.

I was saying, looking back, there are a number of things about that operation that I feel a little bit ashamed of. One thing is that the theory we used was entirely wrong. We said we were going to try to estimate the balance of payments needs of Europe. Now, Fritz Machlup later on, in a well-known paper, makes it clear that it's not the needs that get estimated from the program, but the program that gets estimated from what you give them. It's a budget problem. They are willing to spend any amount of money you give them, and to say what they need for a given program is rather ridiculous; so this is why we could easily cut the thirty billion down to sixteen. Later on we got locked into agreeing, because of the bankerish view of the administration, that we would give them

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commodities instead of money. So we programmed twenty-six commodities instead of money. So we programmed twenty-six commodities for seventeen countries for four years and a quarter, but that didn't solve the balance of payments problem. So then we had a "fudge factor," and later on I was in charge of the fudge factor, which was a very uncomfortable place to be. And,

particularly, the country experts and commodity experts had to be reconciled, and of course, that was reconciliation that occurred through the fudge factor of which I was in charge.

MCKINZIE: Lets back up here and digress a little bit. You were talking about as a scientist not particularly liking the way some things were done and using the British loan as an example. You can go back and use all kinds of other examples, about the creation of the International Bank for Reconstruction and Development, as to whether or not it was going to be capitalized at a level

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which would be sufficient to bring about the reconstruction of Europe. I know that John Maynard Keynes proposed creation of something that is slightly different than the International Bank which was capitalized at some thirty odd billion dollars.

KINDLEBERGER: That was the IMF he was talking about.

MCKINZIE: His was a kind of an amalgam of a number of functions, as I recall. Perhaps you could argue that it was either going to cost that or it wasn't, that the British needed in the postwar period either six billion dollars to be reconstructed with anything less. That must be excruciating and agonizing for someone who feels that there are rock bottom figures that you actually have to have. Now, in 1947 did you have in your mind a rock bottom figure which would be necessary for European reconstruction?

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KINDLEBERGER: I can't reconstruct what I felt. I knew from time to time we did things in emergencies that were illegal, obviously. Illegal perhaps is too strong a word, but it went beyond the powers of the organization I have in mind this that the International Monetary Fund was set up to handle short-run balance of payments problems. It came into operation in the spring of '46 when the French were in desperate shape. We made a short term balance of payments loan to the French that perfectly clearly was going to be a long term loan. I say we, I mean the Government. I was not concerned with that. That's the kind of thing you do in an emergency. You use anything that's loose, even if you have to pry it loose rather violently. I think you could argue that to give not enough for the British

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would be the first step--the first installment. So in time we were getting awfully sick of going back to the Congress with "this is our final program," You see the Bretton Woods was sold us as an ultimate program. The British loan was sold as the final thing that was necessary,

MCKINZIE: UNRRA had been.

KINDLEBERGER: UNRRA had been. They all went like that. Well, anyway, you made a remark before about UNRRA which interested me saying the Marshall plan was an attempt to get Germany off the U.S. relief roll.

MCKINZIE: In a sense that the military was having to ask for huge appropriations to sustain all kinds of operations.

KINDLEBERGER: It can well be that this was an internal fight within the government, that the military didn't

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want to take the rap, and they wanted these charges put on somebody else. I think that's probably right, but much more serious is the fact that I was involved in the early days of '46 financing the British role in Germany; financing the British role in Italy, and financing the British role in Austria. The British insisted in the second tranche of UNRRA, as a condition for going along, that Austria and Italy be taken off military relief and put on UNRRA. The United States felt very badly about that. Mr. Clayton was very upset about that. You know, the second UNRRA negotiations occurred in August of '45. Mr. Clayton stopped in London on his way back from Potsdam and when he got there the United States was prepared to go ahead with the second tranche of \$2,750,000,000 or whatever it was, I can't really remember the number, and various countries objected. The Russians objected: they wouldn't do it unless Byelorussia and Ukraine, a couple countries they happened to know, got on

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the payroll. The British wouldn't do it unless Austria and Italy came off military relief, of which they paid half to go onto UNRRA, of which they paid eight percent, something like that. The Canadians backed out altogether. It was that experience of Mr. Clayton's, as I understand it, which really made him take a different view of the Marshall plan later on. In the Marshall plan you have a multilateral agreement, but you also have bilateral agreements, and--no country gets anything unless it signs a bilateral agreement with the United States. This is because in UNRRA the United States was paying for initially what--seventy-eight percent later eighty-six percent or some numbers of that order, with only one vote in seventeen. If you are paying for it you ought to have a veto. Otherwise, it's taxation, and we haven't reached that stage yet in the development of international politics where other countries can tax

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the United States. So I think that UNRRA experience was very unhappy for Mr. Clayton and bothered him a lot. And that's why as I understand it the...

MCKINZIE: That more than the fact that the Soviet Union used a lot of UNRRA supplies without the UNRRA designation on them?

KINDLEBERGER: I don't think that was important. I think he just didn't like this other reaction.



I may say that Clayton and Douglas, I think, created a lot of problems for the aid business by working out the counterpart funds technique. Douglas was a banker, and as a banker he wanted to retain a hold on these, the recipients, not just a bilateral agreement but counterpart funds. If we give you the goods, and you sell them for money, it's your money, not our money, but we can tell you how to dispose of it. In the

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first place it's counterpart funds were very corruptive for Congress. The Congress said five percent of that should be reserved for the expenses of the U.S. Embassies, and they used that as a slush fund for congressional trips; and I think that was really very corrupting.

MCKINZIE: You would have preferred it without any counterpart funds?

KINDLEBERGER: Well; it's more complicated than that. In a case like Greece where the Finance Minister is fighting a battle against the other members of his cabinet, he likes to have somebody say you can't have those counterpart funds because the Americans won't let you. He has a stick to stand for appropriate policy at home. With Britain, we never used them at all. The British just created more money--left the counterpart funds withering on the vine. In the case of France, where they had

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a law which said the Bank of France couldn't create more money, the counterpart funds gave rise to all kinds of issues which were very serious. They couldn't raise taxes; they couldn't expand the money; so they had to have the counterpart funds. If we didn't let them have the counterpart fund, the government would fall. So here we are in the middle of the French politics.

MCKINZIE: Which constitutes, according to one view, U.S. intervention in the internal affairs of a sovereign nation.

KINDLEBERGER: Well sure, sure. You could see how this arises. In the pinch, as I remember in 1950, when I was up here already I went down to Washington one time, and heard that there was a big fight going on in Government with the high levels Marshall and Hoffman saying don't blow the whistle on the French, and the lower levels [Richard] Bissell and [W. Averell] Harriman, and a few others

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like that saying blow the whistle on them. I think the suggestion that the age/responsibility gap was what determined U.S. policy is something that the revisionists ought to think about too. Because it wasn't any economic interest that determined that. It was just that people like Marshall didn't want to take the responsibility for blowing the whistle on the French, so they said let them have it. In counterpart funds you arrive at all kinds of illusions, I think. It's easy to understand how Mr. Douglas would think of the idea, but I think, in retrospect, it may have

helped in a few cases like these, but you had to treat them all alike. In a developed country it made no sense, but in an undeveloped country it might make sense.

MCKINZIE: After the Marshall speech on June the 7th I understand that your shop turned out a whole series

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of papers on every conceivable contingency, which might be countered by the Marshall plan and these papers were discussed by a group called informally the Board of Directors.

KINDLEBERGER: I think that's right. My recollection of it is a little vague. There was constituted a working staff of which I was in charge. I got out of German affairs, and got into this operation. There had been, as I think mentioned in this memorandum, a group that met with Thorp each week, and that group I think went on meeting. It was [Paul N.] Nitze and Thorp, and probably Clair Wilcox and a lot of people like that. I was told to constitute a staff, which I did from varied people in the commodity division, some people in the INR--the research group, can't remember what the initials were, and some country people; country, and commodity, and research people. And we got a whole set of commodity teams

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going, and we got a whole set of country teams going, and as I say, this was all headed up to me. We turned out papers like crazy, but I haven't got much recollection of them.

MCKINZIE: That is to what kind of decisions were made that might have affected the course of events.

KINDLEBERGER: No, I'm sorry.

MCKINZIE: Well, I understand. It was a long time ago.

You contributed, some years, back a memorandum dealing with the origins of the Marshall plan, which is now printed in the 1947 volume of the *Foreign Relations of the United States*, in which you talked a little bit about the influence of James Reston and some other people on the origins of all this. Could you comment a little bit about that?

KINDLEBERGER: I have read that memorandum from time to time, and recently when I found it was in print. But I think it's fair to say that I was a very close friend of Leonard Miall who was a BBC

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correspondent. He was a close friend of Mr. Reston's, and of Malcolm Muggeridge, who was a correspondent for the *Daily Telegraph* at that time, and of a number of people; and he and I were in the same car pool. A car pool that had such distinguished characters as Thomas Elliott,

Congressman at that time, and later the Chancellor of Washington University, St. Louis, and a man named Clifford Durr who was in the Defense Plant Corporation; we had Charles Siepman who was in OWI; and [Owen] Lattimore and various kinds of people riding with us. It was a group that went to Seminary Hill in Alexandria, and it was an amusing, interesting, fun group. But Miall was our contact with the world of affairs; and in that memorandum I explained that Miall said, "I filed my story for tomorrow, but here's this little press release (about Secretary Marshall's speech at Harvard). Should I write another one?"

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And I said, "Yes," This was the time when Philip Balfour did not wire the story, just mailed it as a commencement speech. But I would have thought you ought to go back to Delta, Mississippi for example; some people say that was the beginning of it all. I think these ideas were terribly general, at the time, terribly general. I don't think anybody had a monopoly of them at all. Walter Lippmann was writing columns of this sort. Mr. Acheson was giving speeches of this sort. Mr. Clayton--they all had a somewhat different view. These views converged in the Marshall plan speech. But the Marshall plan speech probably had a lot to do with the stonewalling of the Soviet Union in Moscow. Now whether the Soviet Union had the idea that the system was collapsing--the economy of Europe was collapsing, therefore, they were going to pick up the marbles, I don't know. I am not sufficiently sophisticated

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in things like that. But it seems perfectly clear that they thought they were winning in Greece and Turkey and were until that program went in. They were rolling ahead. The Communists in Italy and France were doing well, and it was necessary for somebody to take some actions and there wasn't any other leadership than the United States. I think the United States was forced into a position of leadership, and I don't think there was much dissent. I think it was ridiculous to say that this was because we wanted to sell goods or hold on to markets, and things like that. I think it was simply because it was perfectly clear that the world we knew was collapsing.

MCKINZIE: I guess a question that I ought to address to you as an economist is whether or not it was necessary simply because everything else which had been planned before failed? That is to say is it possible to look realistically at the Marshall

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plan as a way of making up for the inadequacies of the International Bank; of the increased capitalization of the Export Import Bank; of the international financial machinery that was created at the end of the war?

KINDLEBERGER: I think it is fair, and I think one should add that there are more problems than that. One was that Germany had not corrected its monetary disorders, which when they were corrected a year later proved to be very helpful in getting productivity rising rapidly there. Part of the inadequacy of these plans was because nobody counted on the rise in the price level. Mr. Taft was one who insisted on taking the price controls off in June of '46. That was done very

early. There might have been something to be said, although I think we couldn't run it--for keeping the price controls on longer until we soaked up some money, and tried to restore the old price level.

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The kind of thing they did in Germany and successfully, I doubt we could have worked that. Very few countries can. The Belgians didn't; the French didn't; the British didn't. They let the price level go up to the money supply rather than reduce the money supply to the existing price level. That cut down the value of the monies that had been planned by very substantial amounts--cut them in half almost. And then I think it's fair to say that the bad conditions of 1947 have been underestimated in their impact on this issue. I don't know if you recall what happened in Britain with the freeze; trains couldn't run, coal couldn't move, outside plumbing froze. The French had floods which washed out the winter wheat. For the spring wheat there wasn't enough seed. Everywhere it was a year of the kind that are not unknown in history. The potato famine of '46, I think, could easily compare with it if we were careful enough historians. It was just a very tough year, The United States

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had a residual supply but we were stretched thin. Many people don't really recognize what the U.S. did in these periods. But let me take the matter of coal. A man named Jim [James A.] Stillwell who was in commodities work in the Department was appointed by Clayton to manage coal exports. We had to export coal from the United States. We used to import a little coal before the war. It was a small amount, generally it came in under a back haul rate. A back haul rate is where the main freight is paid by the cargo going over, and the boat to get a little freight, maybe in ballast, will offer very low rates for such cargo. Welsh coal was burned on Beacon Hill because of back haul rates. Coal was regarded as something that didn't move across big bodies of water. It was shipped to British coaling stations but you wouldn't expect international transoceanic trade as a regular thing. And yet when the war came along, and we needed to get coal to Europe we started to move coal out. Of course, the place to start is Hampton Roads, but after a time Hampton Roads was overwhelmed. Stillwell was in charge of this, and

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bit by bit he got that coal up to forty million tons a year. They were loading it in clam shell buckets on to barges in Puget Sound to go to Europe, a landing in Texas, Portland, Maine, everywhere. Coal was being loaded all over this United States to be shipped all over the area. It was a fantastic operation, expensive as hell; boy it was expensive, you know. It was just awful the price they paid for it, but price was no object in these matters, you see. This used up the available monetary resources very rapidly. Nobody has thought much about this issue, but I think it's a good issue.

I once crossed the street in Washington with a fellow named Harold Stein (he's dead now); but Harold and I were trying to argue whether you get people to do things by challenging them or by coaxing them. We posed two cases in this coal case if the government had said we had to export

forty million tons, the industry would have dropped dead and not moved a lick. On the other hand, Roosevelt said fifty thousand airplanes, and they finally got fifty thousand airplanes. But you know, there's no answer to this kind of question.

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In one case, under certain circumstances, you bring them along inch by inch until you've got it really going. In another case you give them the distant vision of what they've got to do to get their socks pulled up. I find that an interesting contrast.

MCKINZIE: It certainly is.

Once you went out of the German division into general work on the Marshall plan did you go to Europe and work with any of the people who were making plans?

KINDLEBERGER: No.

MCKINZIE: You didn't ever go back, then?

KINDLZBERGER: No. I saw a lot of these people when they came here. I was in touch with our embassy people, of course, at length. Lot of telegrams went across my desk, I don't have much recollection.

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Mind you, I had had one week's vacation since I'd been out of the army, and I was about to go on a three weeks vacation when that damn Marshall plan came along; so I lost a vacation. This is also part of the getting tired and pulled down.

MCKINZIE: I can imagine. Then you mention that you were involved with the country allocation.

KINDLEBERGER: Yes.

MCKINZIE: In a sense wasn't this duplication of the work of the CEEC?

KZNDLEBERGER: No. We had to put the justification together for the Congress. They were interested in global amounts. We had to justify this twenty-six commodity, seventeen-country, four and a half year estimate which I think was such a phoney.

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MCKINZIE: Where did that come from?

KINDLEBERGER: Some banker type got the idea that we didn't want to give them money we wanted to give them goods, and therefore, you've got to tell them what kind of goods they are

going to get and what the volumes of goods are. Certainly it's quite easy to figure out bread grains, feed grains, oil, but then when you get down to the end these twenty-six commodities by no means are the only commodities that are to be shipped and you have got to have some play in the system. This was a very complicated thing to do.

MCKINZIE: I perhaps misunderstood what you told me. You didn't then in a sense "bird dog" the CEC through their activities?

KINDLEBERGER: No, no. They gave us this amount, and we sort of gave Congress a typical allocation.

This kind of thing would happen. We'd stay

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up all night, night after night. The first work ever done that I know about in economics on computers used the Pentagon's computers at night. One guy smashed his car up coming home the next morning, dead tired, fell asleep at the wheel I think, and we all contributed fifty dollars he needed for the deductible on his insurance. A girl got her arm broken going home after working all night. So we all chipped in to pay for that. Acheson was very good about things like that. He'd take the lead in these things. I remember one day in a wash room two chauffeurs, black they were. One saying to the other, "My God you look terrible," And the other guy saying, "I have been up all night working on the Marshall plan." Well, that was the kind of spirit we had you see. It was good. Of course, we had kept the chauffeurs to take the girls home, because everybody was working so late and working so hard.

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MCKINZIE: Tell me about the "fudge fund."

KINDLEBERGER: Oh, that was not a fund. It was just that we had to have the thing come out to \$5.2 million for the first year and a fourth and got locked in very early to the amount. Then we had all these damn numbers. Any time anybody changed a number they had to defend it, so we had to change another number somewhere else in the system. That was just messy, just messy as hell. And the Belgians--you couldn't justify much in the way of these twenty-six commodities for the Belgians. It looked as though they'd had a big deficit in their balance of payments the year before, and the Belgian expert was going frantic trying to get more into the Belgian estimates. The contingency items were generally small but were huge for Belgium relative to other things. Just before I was to testify before the Congress' Appropriations Committee I discovered that what had been the

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problem is that year before they had decided to kill the cat by stuffing it with cream, and allowed free imports. A lot of this was silk stockings, and liquor, and coca cola, stuff like that. We couldn't possibly justify this, so I had to hide it, because I just can't stop and undo the numbers

again--just can't do it. I felt like hell about this. But I testified before [David F.] Tabor feeling very, very unhappy. I should say this that I had a most educational experience in this spring of '48, because I was the guy who knew so much about various things and I was asked by the Department to go down and sit on the floor of the Senate during the debate, and sit in the House gallery available to the committees in case they needed something. Now they never did need anything. I was truly impressed by how a loud voice and bluff will get by in these matters sometimes. Time and time again I thought, God they need me now if they ever need me, but they never did. One of my

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favorite stories I've been telling year after year in classes is about [Joseph H.] Ball--I could see McCarthy, and [William E.] Jenner, Ball, and [H. Alexander] Smith, and [Henry Cabot, Jr.] Lodge, and all these guys at work. The two weeks, three weeks on the floor of the Senate is a liberal education, everybody should have that opportunity. I loved that. At one point Ball got up and said that there was no need to have a Marshall plan at all. What they should have done would be to--following the Henry Hazlitt line, "Will dollars save the world?" The thing was to do was to balance the budgets, and reduce the exchange rate to the purchasing power of parity. I figured they need me now, I got it clear what the purchasing power parity is in words of one syllable. I expected Francis Wilcox to run over and start to say, "What the hell is that all about Charlie?" He never did; never lifted a finger. Vandenberg got

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up and said, "Senator Ball is wrong again." He said, "Senator Ball mentioned the purchasing power of parity doctrine. That's ridiculous, everybody knows the purchasing power of parity doctrine was developed by Keynes. We want no part of it in this country." I was the only guy in the whole room who knew that the purchasing power of parity was devised by Gustav Cassel. It was beautiful.

MCKINZIE: You resigned, then, shortly after this, I guess?

KINDLEBERGER: When the legislation got through I decided to resign at a time that would suit them. I began to look for a job, but I...

MCKINZIE: Were you soured of government employment?

KINDLEBERGER: Well, I thought I'd like to try academic life. I suspect I thought that Truman would not get elected, too. And that I would not want to serve in another administration, but I was hedging

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my bets, building my fences, and also I applied for jobs at Princeton and Yale, which I didn't get. Bissell got me this job, and I've never regretted it.

MCKINZIE: Well the dumbest question I've asked all day is, do you think all that effort was worth it? In short, do you think it had any effect on the way things turned out?

KINDLEBERGER: Oh, I think so. More than that I had a tremendous sense of gratification. From a big job--you experience life. Oliver Wendell Holmes is quoted by [Arthur] Schlesinger all the time, as saying, "Any man who misses a war has lost out on a great experience of his generations." Any challenge of this sort in which you "work like a dog" is something to fill your life, I think. No, I had some great times.

MCKINZIE: Thank you very much.

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