

Oral History Interview
with
GUNTHER HARKORT

Representative of the Federal Republic of Germany to the Economic Cooperation Administration (ECA), 1949-52.

Bonn, Germany

November 12, 1970 by Theodore A. Wilson, University of Kansas

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NOTICE

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Oral History Interview*
with
DR. GUNTHER HARKORT

[Dr. Harkort's "interview" consists of his written answers to a few general questions and a list of specific questions submitted to him by Dr. Theodore A. Wilson, University of Kansas, as part of his research for the Truman Library Institute's special project on foreign aid during the Truman Administration. Dr. Harkort submitted his replies in German and a translation was then prepared for the special project.]

Bonn, Germany
November 12, 1970

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QUESTION: Would you describe the political, economic and social climates into which United States aid was introduced?

HARKORT: When in 1947 Secretary of State Marshall announced the Marshall Plan, the war in Europe had been over for two years.

The Potsdam Conference had divided the German "Reich" into four zones. Contrary to the conference provisions, the Allies had not succeeded in preserving -- even loosely -- an economic unity. In fact, the Soviet Occupying Power sealed off its zone completely, demanding from it high reparations and organizing it according to Soviet ideas. On January 1st, 1947 the British and American Zones had been joined together economically to form the Bizone; the

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French Zone however, remained separate and on its own. A political amalgamation of only the three Western Occupation Zones loomed very remote at that time.

In the preceding very, cold winter of 1946-47 food and heating supplies to the population had dropped to their lowest point.

Industrial production in 1947 was stagnant at a very low level: vis-a-vis 1936, coal at 70 percent, iron and steel at 25 percent, machinery and optical instruments at 40 percent, textiles a little over 30 percent (Bizone Joint Report, September 1948, pp. 72-74).

It is true that exports (of the three Western Zones and Berlin West) in 1947 amounted to \$318 million which was \$112 million higher than in 1946, but half of this amount consisted of coal; another quarter was made up of other raw materials (coal and wood were compulsory export items) and only 10 percent were manufactured goods. Imports amounting to \$843 million were \$155 million higher than in 1946, of which only \$243 million were financed through Germany's own import proceeds. (*Wiederaufbau ((Recovery))*, p. 79).

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The currency reform had not yet taken place; the new currency, the "Deutsche Mark," was not introduced until a full year after Marshall's speech on June 21, 1948. Thus, we might say that it took a very, long time until the foundation was laid for a recovery of the German economy. The dismantling process was continuing, even though in the summer of 1947 a new directive from the Chiefs of Staff had reduced the number of factories and other establishments to be dismantled.

By the end of 1947 a total of eight million expellees and refugees had poured into the West Zone. (St. Jb., 1952, p. 30)

In summary: the Marshall Plan aid reached West Germany in the middle of a political and economic predicament which in essence did not differ greatly from the catastrophic condition immediately following the end of the war. This climate of stagnation in misery, of hopelessness and despair, could not have endured much longer. The fact that no social disturbances arose may have had three reasons: Everyone was fully occupied in keeping his family and himself alive from day-to-day; distress and privation were general and evenly distributed,

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with only a very few faring relatively better; and resignation and the need for rest were widespread, as well.

QUESTION: What economic problems did you consider most serious and urgent?

HARKORT: The most urgent problem was the importation of foodstuffs and raw materials to afford the chance of resuming and raising production. For a solution, foreign currency was lacking -- and this lack was compensated for by the dollars of the Marshall Plan aid. At the same time it behooved Germany to increase her imports as quickly as possible and earn her own foreign exchange. Therefore, a liberal trade policy, a liberal economic policy, and a policy of strict price stabilization were advisable.

Import figures for the later area of the Federal Republic (with Berlin West) amounted to only \$689 million in 1946, reaching \$2.237 billion in 1949. Respectively, 68 percent, 71 percent, 65 percent and 43 percent of imports during these four years were financed through the foreign aid. Without foreign aid, increased imports and consequently a rise in German production would not

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have been feasible. German exports in the first three years were substantially less than the amounts of foreign aid. (*Recovery*, p. 79)

QUESTION: Did American representatives hold different views of the situation?

HARKORT: Differences of opinion did exist. In 1951, under the effect of the balance-of-payments crisis, the ERP representative at the German Federal Government, Mr. Jean Cattier, who had only recently arrived in Germany, demanded the reintroduction of exchange control measures. On the German side there was little willingness to acquiesce, in spite of the prospect of an early end to the aid program. In the fall of 1951 there was a report by Professors Hansen and Musgrave which became known to the public only much later and which Professor Erhard firmly rejected. The American professors were recommending an economic policy of credit expansion, putting up with the danger of stronger price increases than Professor Erhard deemed acceptable.

QUESTION: What were the conditions which you, your government,

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believed were necessary for the achievement of complete recovery?

HARKORT: If West Germany's economy was to get going again, i.e., if it was to be reconstructed, the German view considered the following to be necessary: an increase in production of goods and services in all areas; a rise in productivity; large-scale return and new investments; an increase in exports; an only limited increase in consumption in the less vital areas in order to facilitate capital buildup; a currency reform in order to create a stable new currency in lieu of the inoperable "reichsmark."

QUESTION: How was "recovery" defined?

HARKORT: The recovery, as envisioned by the Germans in 1947, did not set any high goals for itself. No one had thought that the standard of living of the prewar era could be reached again in the foreseeable future; the starting condition did not permit such hopes. What people did strive for was a certain prosperity sufficient to enjoy social peace at home and to ward off extreme political systems. And even such a state of affairs,

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it was believed, could not be reached without foreign assistance over many years.

Moreover, the return to a gross national product as high as in 1936 would have made possible only a substantially lower standard of living per capita, in view of the influx -- by 1947 -- of eight million refugees, in view of the annihilation and dismantling of manufacturing plants, and in view of the destroyed cities and dwellings.

The American authorities themselves were far from being optimistic. In *Country Studies XVII Western Germany* (1948) p. 41, it says: "The recovery program for Germany assumes an austere standard of living throughout the entire period....because food consumption per capita will be only about 80 percent of the prewar figure, the population will be about 25 percent greater, and housing will be considerably below prewar."

QUESTION: What were the most serious obstacles to recovery and to further economic development in your country?

HARKORT: The most significant obstacles to the economic recovery of West Germany were the following: 1. The division of Germany, which had dismembered a uniform economic body.

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According to an estimation by the OEEC, the trade of the area of the Federal Republic with the remaining parts of Germany in 1936 amounted to 4.4 billion reichsmark, whereas the turnover in interzonal trade (1950) was only 670 million DM. (*Fdnf Jahre, ((Five Years))*), p. 30; Stat. Jb, 1952, p. 233) The Western Zones had been severed in particular from the agricultural surplus areas of Middle and East Germany. Of the total production of the German "Reich," the three Western zones' share in percentage figures was: sugar beets 32, rye 41, potatoes 42, wheat 52, hogs 53, milk 59, cattle 62 (*Five Years*, p. 14). The bulk of some branches of industry (brown coal, clothing, optics, electrical industry, glass, ceramics, paper) had also been located in German districts outside the Western zones.

2. The destruction of numerous production plants in the war (about 12 percent vis-a-vis 1938), and their reduction by dismantling (8 percent) [*Five Years*, p. 32]. [Also, there was] a wrong structuralization by force of the war economy; enormous wear and tear which had not yet been replaced; and obsolescence.

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3. The lack of raw material to the extent that even those production plants left intact could not be operated.

4. For this reason and because of less efficient work performance (famine, lack of housing and heating, occupation with providing survival-level needs) there was a very low job productivity.

5. No foreign currency to finance the most necessary imports. Very little export, ironically consisting -- above all -- of coal, wood, and scrap metal which would have been in urgent demand for the country's own reconstruction.

6. Eight million utterly destitute expellees and refugees; later, even more arrived (in 1952, approximately 20 percent of the total population).

7. A currency which had become unable to function and with which practically only rationed goods, rent and taxes could be paid. No incentive to earn more money by increased efficiency.

8. Money in extremely short supply; no money market.

QUESTION: In all of the countries included in the European Recovery Program?

HARKORT: In all European countries, to which the ERP provided

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aid, the central problem was the "dollar gap": the term for the lack of that one foreign currency with which alone one could acquire the necessary food, industrial raw material, fuel, fertilizer, etc. Even where actual war destruction was relatively slight, industry found itself in a run-down state due to the war; it was obsolete, its structure distorted. It would have taken a long, long time for a country to once again produce enough by its own efforts in order to defray the cost of imports from self-earned means. The governments would have had to adhere to a regime of austerity that probably might have been beyond people's strength.

QUESTION: What were the most significant political, economic, and social conditions within your country which contributed to recovery and to economic development?

HARKORT: The most important factor for the success of foreign aid was the willingness on the part of the Germans to find their way back to a halfway normal standard of living.

Millions of people had been bombed out, millions had fled. Whoever had salvaged his house saw his pecuniary assets worthless, his stockholdings devaluated. Food and rudimentary

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supplies left everything to be desired, neither matches nor sewing cotton being available at the outset. As late as 1948, six million households did not have their own living quarters, versus 0.8 million in 1936 (*Five Years* p. 15). The desire to change this situation as quickly as possible aroused every bit of work energy of an industrious people. It was clear to every individual, even to the trade unions, that the primary concern was increased production. Everything else had to wait.

Likewise, the German authorities (Professor Erhard) viewed as their main task the unfettering of every productive force in the country; more elbowroom was given to private initiative, and economic and financial policies were organized so that private initiative became worthwhile.

The refugees and expellees, posing at first seemingly unsolvable problems, in later years formed a reservoir of ready and willing workers, such as no other European country had available.

QUESTION: In those states included in the European Recovery Program?

HARKORT: The reasons for the success of ERP aid in the other

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European countries were on principle the same as those applied to Germany, the urgent desire to return to normal conditions and to work for it. But nowhere were the hardship and privations as acute as in Germany, and therefore nowhere the readiness for hard work so general and constant. Also, the psychological situation of nations who felt themselves to be victors was quite different. The Germans knew that they had to start from the very beginning and that without the utmost efforts of their own they would not regain a lifestyle worthy of human beings.

In 1948 industrial production reached only 52 percent of the 1938 level; by way of comparison, in Great Britain it was 116 percent, in France 110 percent, in Italy 99 percent (*Five Years*, p. 31).

As late as 1949 the export volume index (1936 = 100) amounted to 37, compared to Great Britain's 146, Italy's 131 (St. Jb. 1952, p. 61*).

QUESTION: What were your expectations regarding the nature, extent, and duration of United States aid at the end of the war?

HARKORT: This question can be directed only to the inhabitants

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of the countries allied with the United States. The Germans, at the end of the war, were not expecting any American aid; they could not expect it. Our hopes were much more limited; no excessive war indemnities and dismantling, not too much compulsory exportation, no excessive interference -- of the inexpert or inexpedient kind -- in our way of organizing and restarting the economy.

QUESTION: At the time of Secretary of State Marshall's speech in June, 1947?

HARKORT: When two years later, in June 1947, Secretary of State Marshall presented his plan, the situation was substantially different. We knew that the Americans were interested in Germany's economic recovery for political, economic and humanitarian reasons. They had realized -- and we were aware of it -- that they were not giving the European recovery a chance without including an economic recovery in Germany.

QUESTION: At the beginning of the war in Korea?

HARKORT: When the Korean war broke out, the American relief measures were in full swing. We did not assume that the demands

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of the war would lead to a suspension of the ERP; we knew, however, that it was going to be difficult to the American Government to get the ERP funds appropriated by Congress. We certainly, then, overestimated the time during which we would be urgently dependent upon American aid. The aftermath of the war itself, creating a demand for German goods in markets all over the world, contributed to reducing the time in which we needed assistance.

QUESTION: Do you believe the aid program of the Truman administration facilitated the economic and political union of Europe? If so, in what ways. Was it the serious intent of the U.S. Government that they do so?

HARKORT: It is absolutely indisputable that the Marshall plan with its emphasis on Europe's economic cooperation and with its practical initiative, which led to the establishment of the OEEC, did provide the decisive thrust towards all further integration efforts.

Only Churchill's famous Zurich Speech of September 19, 1947 took place prior to the foundation of the OEEC (April 1948)—but even that event came after Marshall's Harvard Speech. The agreement over the Council of Europe did not

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go into effect until August 1949. All the remaining developments, particularly the establishment of the EWG, followed only later.

The impulses emanating from the Marshall Plan were by their nature more effective for an economic integration and less significant for the political unification of Europe. Whatever progress was made in the purely political field received its impulses also from the foundation of the NATO and from ideological motives of Europe's self-consciousness.

The OEEC for the first time brought together the European governments for economic cooperation, taught them the methods of such cooperation, shifted the discussion from the political to the professional sphere, showed them the first successes and made them expect even greater ones.

I am convinced that the American Government meant what it was saying when it urged the Europeans to economic cooperation. The more quickly and the more intensively it was brought about, the earlier Western Europe had to regain its economic vitality ("viability" it was called then) and become independent of American aid. Worries about worrisome

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competition from an economically integrated Europe were quite remote at that time.

QUESTION: Did you view United States economic aid as primarily anti-Communist in purpose?

HARKORT: General Marshall had not excluded originally the participation of the communist states of Europe and the Soviet occupation zone of Germany. They excluded themselves -- at Soviet request. Thus the basic conception of the plan was probably not anti-Communist. If it was later misconstrued as such, then through Soviet fault.

Which is not to convey the idea that General Marshall and the American Government did not expect from their proposal a safeguard of Western Europe's political stability -- independence, liberty and democratic institutions -- and a strengthening of American influence and of American prestige; even beyond the Iron Curtain, if for instance Czechoslovakia, Poland, Hungary had participated.

It is true, however, that with the Korean war defense against communism shifted decidedly to the foreground; instead of recovery, it was now mutual security.

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QUESTION: What were the broad motives of the Truman administration in providing this assistance?

HARKORT: Like all government decisions, surely also Truman's decision was the result of a good number of motives.

Probably the crucial point of view was that Western Europe had to become economically viable again. The entire area had to be politically and economically stabilized if it was not to remain permanently dependent upon American economic aid, if in the long run it was to be again a receptive market for American goods, if it was to become a politically valuable partner of America. This had to happen relatively fast. Therefore, a big campaign was much more expedient than an ongoing modest subsidy. Only a spectacular program could get the Europeans to understand that American aid was help for self-help and to make the decision for cooperation, not only with the Americans but also among one another.

Secondly, the short-term securing of sales in certain American economic branches, e.g. agriculture and maritime shipping, were [in effect] advocating the plan (Nourse Report). The Foreign Assistance Act of 1948 prescribed

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that 50 percent of the delivered goods were to be transported on American ships; 25 percent of the delivered wheat had to be purchased as wheat meal.

Thirdly, there was also no lack of purely humanitarian motives.

QUESTION: Would you comment upon the effects of the aid program in the overseas dependencies of European nations?

HARKORT: On the German side there is little knowledge about the effect of the Marshall Plan on the Dependencies of Great Britain, France, Italy. The recovery of the mother countries quite certainly brought along increased imports from the overseas Dependencies, facilitated deliveries to the colonies, which they had been unable to before, and even gave them a chance to financially support their colonies.

QUESTION: What, in your view, were the most serious difficulties anticipated and experienced regarding cooperation among the nations receiving aid?

HARKORT: The cooperation among the European governments, as desired and initiated by the American Government, met

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with two principal difficulties: The European nations were not at all accustomed to such a cooperation. Today there are numerous international and European organizations. Ministers and officials are familiar with the procedures and the possibilities of international cooperation; they are backed up by experienced international secretariats. When the OEEC came into being, all this had to be learned first.

One of the most important early tasks of the OEEC was to divide up the American aid among the European nations. Even in the oldest and most experienced organizations, a dividing process of this kind belongs with the most difficult of chores. Here, a young fledgling organization had to cope with it.

Differences of opinion perceivable from the beginning with regard to the desirable degree of European integration produced a disturbing effect, the British mostly wanting less than many others. The OEEC could pass resolutions only unanimously. While this is the case with most international organizations, it made the job of the OEEC especially difficult: the crucial issue was to come to a decision quickly.

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Also, the presence of German representatives was at the outset something which people had to get accustomed to.

QUESTION: Were you kept informed regarding the influence of domestic considerations within the United States (the role of Congress and of public opinion especially) upon the Marshall Plan and other aid programs?

HARKORT: Starting in autumn 1949 I was a member of the German delegation on the Marshall Plan in Washington and thus had the opportunity -- in Washington very little remains secret -- to observe the influence of the different Government organs, of public opinion and of interest groups. The German representatives reported on it to their government. German public opinion was definitely less well informed than if the Marshall Plan were carried out today; there were hardly any German correspondents in the USA as yet. But even in Germany it was generally known for example that we were obliged to request tobacco in our programs, although we

ascribed to it a lesser degree of urgency than to other goods; without the votes by senators and representatives from the tobacco

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growing states, the passing of the appropriation bills was in jeopardy. It was clear anyhow that American aid was also in the immediate interest of the American economy, since it opened up additional export possibilities. The aid was "tied" (in colloquial words: there were "strings attached"), i.e. the goods had to be imported predominantly from the USA. The so-called "offshore" purchases were kept within narrow limits (less than 20 percent). (*Recovery*, p. 24)

QUESTION: Was the reaction to these aid programs within your country uniformly favorable? Would you identify any interest group or groups as being particularly important in creating support for and carrying forward the program?

HARKORT: In the three Western Zones public reaction to the Marshall Plan, and this is really quite obvious, was unanimously favorable, even enthusiastic. I have no recollection of any opposition worth mentioning against the German participation.

It would be very difficult to single out a group which might have particularly stood up for an efficacious

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realization of the proposed aid. Politicians and officials, the representatives of the economy and of the trade unions, professors and journalists all gathered together in support of the program; there were no serious opponents.

QUESTION: Would you describe the mechanics of administering the aid (especially your role) from the point of view of your country? Were significant changes required? Did the arrangements put into effect by the Economic Cooperation Administration require important administrative changes?

HARKORT: The contractual basis for the implementation of the Marshall Plan in West Germany was above all an agreement arranged in July 1948 between the American Government and the three military governors. Later came the agreement of December 15, 1949 on economic cooperation between the American Government and the government of the Federal Republic of Germany -- by the way the first international agreement concluded by the new German government. It was supplemented by an exchange of notes in December 1951 after the establishment of the MSA.

Speaking of myself, from October 1949 through

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September 1952, I was an economic adviser with the German representation [delegates] at the ECA/MSA, Washington. The mission, a field office of the Federal Ministry for the Marshall Plan, protected German interests vis-a-vis the Washington authorities. Its tasks were essentially

of operative nature: technical implementation according to directives from Bonn. The big decisions were made in bilateral government talks or in the OEEC.

The Economic Adviser was not involved in the operations of the mission, he had to pursue the development of the ERP policy, in the Government and in Congress, in order to prepare the German government for imminent decisions. He observed public opinion in the USA with regard to the aid program. His reports attempted to cover also the political, economic, financial and monetary scene in America, as a backdrop to the aid policy. This was all the more necessary because the Federal Republic was represented in the United States at first only by the mission, no briefings being available by way of an embassy or consulates. Thus the mission held for a long time a monopoly of official reporting.

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Every week a detailed report went to Bonn, with copies already run in the mission, to brief the Marshall Plan Ministry and other interested parties. In addition, there were ad hoc reports as occasion demanded.

At the same time the Economic Adviser acted as consultant for the Chief of the mission in questions of political economy.

Prior to the establishment of the Federal Republic, the "office of adviser (Dr. Otto Schniewind) for the Marshall Plan to the Chairman of the Administrative Board" (of the Bizone) safeguarded the concerns of the ERP. He was assisted by an "ERP work committee" in which participated, besides the administrations of the Bizone, also the Bank Deutscher Lander, the trade unions, and expert authorities. In other respects, the responsible entity in charge of implementation was the Administration for Economic Systems. Also the other administrations established ERP reviews of their own. A committee from the L9nder and administrations secured cooperation with the Lander. The ERP Committee of the Economic Advisory Council (Parliament of the Bizone) was continually briefed by the Administrative Board.

In the fall of 1949, during the very structuralization of the Bonn ministries, a special ministry, the Federal

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Ministry for the Marshall Plan, was established; it was to be headed by Vice-Chancellor Dr. Franz Bldcher (Free Democratic Party). Its areas of competency were the negotiations over foreign aid, the two foreign mission at the OEEC (Paris) and at the ECA/MSA (Washington), the domestic organizations, and also the equivalent resources -- all of it under tight Allied control. A number of technical tasks were delegated to the ERP business office. On November 5, 1948 by Act of the Economic Advisory Council, with government funds and in the character of a public-law corporation, the "Credit Institution for Reconstruction" (Frankfurt) was established; its main task became the bank-like distribution of the equivalent resources.

The German organization of ERP aid management proved to be a success. The facilities created for it have lasted for many long years and still exist today. The Marshall Plan Ministry, later a Federal Ministry for economic assets of the country, partly now entrusted with new tasks, but

still managing the ERP budget (equivalent resources), was not dissolved until the forming of the Brandt administration in autumn of 1969. The Credit Institution for Reconstruction has become a large state-owned banking facility, which, besides the distribution of the ERP budget resources, concerns itself with the long-term financing of exportation. Above all, the

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Institution was turned into the Development Bank of the Federal Republic -- for the handling of German monetary assistance to developing countries -- and more new duties are assigned to it on a continued basis. Two members of its board of directors, Dr. Martini and Dr. Rieck, had already been acting in leading positions in the office of adviser for the Marshall Plan (Bizone), later in the Federal Ministry for the Marshall Plan.

QUESTION: What was the nature of and results of "public relations" efforts regarding ERP and other programs? Would you comment on the organization of this effort, their relative success, and which activities were most successful?

HARKORT: The ERP aid was accompanied by a stream of information and publicity, from both the American and the German side. The Federal Ministry for the Marshall Plan -- its very establishment and existence under the leadership of the vice-chancellor had an "advertising" effect -- developed a lively publicizing activity, from detailed yearly reports to daily press information. Hardly has a campaign-type action ever encountered such a large response from German public opinion, none such a thoroughly positive one.

On the American side, it seemed to us, Paul G. Hoffman was little short of a genius in public relations.

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QUESTION: Did the United States aid program have influence upon the political system and international political alignments of your country? If so, in what ways? Did U.S. aid serve to strengthen democratic processes by the general aims? By the methods adopted?

HARKORT: The ERP was one aspect of Washington's slowly evolving policy to proceed from the suppression of the Germans toward cooperation, towards alliance, towards friendship with them. Less than two years after Marshall's speech the Parliamentary Council convened, the Constitution of the Federal Republic of Germany was agreed upon on May 23, 1949, and Konrad Adenauer was elected Federal Chancellor on September 16, 1949.

It is only from this moment on that we can speak of an independent German policy. Its unequivocal orientation towards the West rested on a number of motives; among them, and playing a part, was America's readiness for cooperation which was clearly proven with the Marshall Plan.

Numerous reasons, from the direct influence of the Allies up to their own experiences with national socialism, made democracy appear to the Germans as the only possible form of government. Except for the Communists -- who also spoke of democracy, but meant something quite different by it -- from the beginning all German parties and all

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somehow important personalities found themselves in the camp of democracy. An immediate influence of the ERP program can hardly be demonstrated here. Only relatively late did its implementation pass over to the German side, to the Ministry for the Marshall Plan established in the autumn of 1949, and it even then still remained under strict American control. Aid programs, by their very nature, cannot directly promote democracy; the relationship between helper and receiver is too unequal. Notwithstanding, of course, the ERP aid did support German democracy indirectly; its success repealed different kinds of radicalism on the right and on the left in a lasting manner.

QUESTION: Do you believe the Americans who carried forward the aid programs were well prepared for the economic, political and psychological effects of the aid programs? Would you comment in general upon the ability, knowledge of European problems, and so forth, of Americans with whom you worked?

HARKORT: The ECA attracted at the outset a large number of knowledgeable, active people -- this was an opportunity for a gigantic task, tempting for political, economic, methodical and humanitarian reasons. Chief ECA representatives combined idealism and pragmatism in the best sense of the American tradition.

Giving aid to foreign countries is not easy. Whoever wishes to help quickly and efficiently and who at the same time calls on the receivers for self-help, needs great persuasive power, ample subject knowledge and a good deal of psychological skill. On the whole, one might say that the American personnel of the ECA/MSA did justice to their task.

For aid to Great Britain, France, and Italy the ECA dealt with the governments; for aid to the Western Zones of Germany it negotiated in the first instance with the three military governments, which welcomed advice by German experts, but made their own decisions regarding the aid program, just like in all other matters. It is for this reason that Allied, especially American, personnel was engaged in the organization and implementation of the aid to a much larger degree than in other countries.

In terms of the quality of the military government personnel, opinions differ somewhat. All in all, it is

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probably fair to say that really good people made efforts to return home to the United States as quickly as possible; he who saw less opportunity over there, remained. This is a generalization, exceptions prove the rule.

A relatively large portion of the military government personnel were German-born individuals who had emigrated during the national socialist era. If they were able to forget their understandable resentment -- and many were -- their knowledge of the land and its inhabitants was very useful for the proper implementation of the aid program.

Cooperation between the personnel of the German and the American administrations was more harmonious and smoother than in areas where the American administration had to realize programs which met with German resistance: e.g. in dismantling projects -- but also in decartelization and decentralization.

QUESTION: In your view, where would Europe be if the aid programs of the Truman Administration had not been provided?

HARKORT: Without the Marshall Plan aid the economic recovery of Western Europe would have taken many years longer,

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possibly with the consequence of a radicalization in the suffering population. The cut in economic control would have been longer in coming, and it would not have been possible to liberalize foreign trade. If it had not been for the OEEC, European economic cooperation would not have come about at all, or only much later.

QUESTION: Should (or could) American aid have been funneled through United Nations agencies, such as the Economic Commission for Europe?

HARKORT: After the communist nations of Europe had declined their participation in the Marshall Plan, the United Nations, especially the Economic Commission for Europe, were surely not a usable instrument for the organization and distribution of aid. Aside from this, there must be serious doubt whether they were qualified at all for such a task. The donor country's freedom of decision would have been severely restricted; would the United Nations have permitted a tie to American deliveries, and if not, would Congress have appropriated the same high amounts? Would the distribution among the recipient countries not have become even more difficult, if non-participating European governments and -- via the organs and the bureaucracy of the United Nations -- even non-European government had been able to influence it?

QUESTION: Did the cancellation of lend-lease come as a surprise? To what do you attribute this decision? How serious were its effects?

HARKORT: Germany did not receive lend-lease; this was a system of support between the United States and its war allies. I have not formed any judgment on whether the end of lend-lease surprised the recipient countries and what consequences arose from it.

QUESTION: Did antagonism toward Germany influence measures taken for the economic recovery of Europe?

HARKORT: Aid for the downed adversary, so soon after the end of the fight, is scarce enough in history. But of course one was willing to help one's allies more than a former enemy. Therefore the Germans, who had the greater distress, were granted per capita a lesser aid than the French, the British, and others. Also, the others received aid predominantly as a gift, the Germans

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only as credits, even though they were described as "grants" (bilateral agreement). It was not until a later date (London Debt Agreement of 1953) that a large part of Germany's obligations were remitted: The American Government reduced its demands regarding foreign aid by two-thirds. Total ERP aid for Great Britain came to \$3.176 billion, for France \$2.706 billion, for Italy \$1.474 billion, and for West Germany (including West Berlin) \$1.537 billion (Price, p. 90). Converted into per capita figures as of 1950-1951 (St. Jb. 1952, p. 13) this meant: Great Britain \$64, France \$64, Italy \$32, and West Germany \$31.

QUESTION: Did Secretary of State Marshall's speech come as a surprise? Was the emphasis upon European initiative surprising?

HARKORT: For me, Secretary Marshall's speech came as a surprise -- both the aid program and the emphasis with which he demanded a European initiative.

QUESTION: What was your country's greatest need from the Marshall Plan?

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HARKORT: We were lacking the most necessary foreign currency to feed the population better and to purchase raw materials, without which production could not be increased. Through the Marshall Plan these imports were made possible -- that was the main issue.

QUESTION: Would you comment upon the invitation to the Soviet Union to participate in the discussions at Paris? Was the invitation sincere? Why did the Russians refuse to participate? What might have happened if they had taken part?

HARKORT: On the motives for the invitation to the Soviet Union I can offer only speculations.

I consider the invitation as a sincere one, although it was hardly expressed with great hopes.

The participation of the communist nations, or of the Soviet Union itself, would have meant a cooperation between West and East under American aegis and inspired from Washington. A formidable success for American politics -- therefore the Soviet "no."

Such a cooperation perhaps could have held back the subsequent sharpening of American-Soviet differences.

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The Cold War was barely beginning in 1947. But these are purely hypothetical reflections; Moscow did not want from the very outset whatever might have developed from such an East-West cooperation.

QUESTION: Were there efforts at cooperation in Europe before Secretary of State Marshall's speech?

HARKORT: Prior to the establishment of the OEEC, the Germans did not take part in Europe's economic cooperation. Their participation begins with the OEEC, in which they were represented at first by the occupying powers and then by the German authorities.

Besides the 1947 Benelux tariff union limited to three small nations, plans for integration did exist prior to the establishment of the OEEC, but they failed to materialize: UNISCAN (Great Britain and the Scandinavian countries), a Franco-Italian tariff union, furthermore Finebel, Benefit, Fritalux. These plans did not provide for Germany's participation.

QUESTION: How critical was the food situation at the time the Marshall Plan was announced?

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HARKORT: Food supplies reached rock bottom in the winter of 1946-47, i.e. a few months prior to General Marshall's Harvard Speech.

If you compare the food consumption of the average consumer per capita and diem in the German "Reich" of 1936 with the level at the end of 1946 in the US Zone (British Zone about even, French Zone 20 percent less), the result is a calorie consumption which is lower by one-half: 1964 versus 3113. For total albumen consumption the figures are: 52.1 g versus 84.7 g; for the consumption of animal albumen: 16.8 g versus 39.5 g. Fat consumption amounted to only 18 g versus 119.9 in peacetime. Temporarily the consumer could only be allotted as little as 1,000 calories, 20-30 g of albumen, less than 10 g of fat (*Five Years*, p. 53).

Such figures depict the terrible famine, famine to a degree which excluded intensive work performance. Everyone was forced to resort to the black market and seek a certain improvement over such scanty rations. Suffering the worst were the city households and the expellees pouring in from the outside.

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The causes: in 1947-48 food production came to only 58 percent compared with 1935-39, of which only 50 percent was from animals. There was a lack of fertilizers, machinery, feed concentrates and -- in view of the controlled nature of the economy -- a lack of incentive to produce. Furthermore: the loss of the agricultural surpluses of Central and East Germany; the neutralization of fisheries; only insignificant food imports (approximately \$8-10 per capita in 1947); increased demand due to the influx of eight million refugees; for every 100 hectares of arable land there were 236 people in the German "Reich" of 1936, and 358 people in 1952 (in 1947 probably somewhat fewer). (*Five Years*, p. 14).

QUESTION: Were U.S. efforts to achieve nondiscrimination in trade taken seriously?

HARKORT: At the time the Marshall Plan was proclaimed, German foreign trade was despairingly small; mainly because German production was so modest and domestic demand enormous, but also because, in a world of a controlled foreign exchange economy, trade met with difficulties on every front, obliged to find its path without connections

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to the still hostile environment. If any country, it was Germany who could expect advantages from a foreign trade without discrimination. Moreover, nondiscrimination conformed to Professor Erhard's ideology.

QUESTION: Might one say that U.S. aid was a means of ending American responsibility for Europe?

HARKORT: I would not say that the Marshall Plan was to end America's responsibility for Europe. Probably the United States at that time felt more strongly responsible for Europe's economic recovery than at any later point in time. In fact, they were the only ones who by helping could give the possibility for self-help. Not America's responsibility was to be ended, but rather a certain form of fulfilling it; namely the ongoing economic support from American budgetary means.

QUESTION: Was "neo-isolationism" a fair description of the attitudes of many Americans, especially Congressmen, with whom you had contact?

HARKORT: I hardly met with any "isolationists" or "neo-isolationists" in Washington in the years 1949-52.

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Admittedly, my interlocutors were mainly officials of the Marshall Plan authorities -- at that time altogether obsessed with their task -- and journalists with special interest in Europe. We also talked in particular with Senators and Congressmen who backed the Marshall Plan. You used to read about isolationists in the newspaper.

QUESTION: How do you explain the unexpectedly rapid recovery of Europe after the Marshall Plan was inaugurated?

HARKORT: At the time of the launching of the Marshall Plan, Europe was a starved region, without raw materials, with destroyed, run-down, obsolete, in Germany also dismantled production facilities. Add to this a dirigistic economic system chaining the domestic and foreign economies, partly a legacy of the war, partly called for by shortages of all sorts, and partly dogmatically intended. The German currency reform was yet to come in June 1948.

But unlike the situation in developing countries, there were in existence a good number of production sites which had remained intact or could be repaired rapidly. These were able to produce again, as soon as workers could be nourished somewhat sufficiently and the raw material

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could be acquired. The great reservoir of entrepreneurial capabilities, the technical knowledge and experience, the work discipline and the work habits, heritage of a century of industrialization, were all intact awaiting only the physical conditions for their unfolding. When these conditions arose, the production machine started up again with great verve, driven by the endeavors of the impoverished, the bombed-out, the expellees, to create a new economic

foundation for their lives. Never has Germany worked so hard. In addition, there was that German economic policy unwaveringly promoting private initiative and accumulation of capital.

QUESTION: What effects did the Korean war have upon U.S. aid programs? Upon the development of the OEEC?

HARKORT: Two and a quarter years after the initiation of the Marshall Plan, war broke out in Korea. ERP aid legislation for the 3rd year (1950-1951) was already in effect and did not undergo any amendments. Nevertheless it was unavoidable that, in light of the events in Korea, the main emphasis shifted from economic aid to defense aid.

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The ECA was eliminated, and in its place stepped, in 1951, the Mutual Security Agency (MSA) with more comprehensive duties. The Mutual Security Program for 1951-52 still earmarked \$1.5 billion for the purposes of the former ERP Program so that in its last year, albeit with lesser resources (1950-51 \$2.3 billion), it could be continued and brought to an end (Price, p. 162). Aid for recovery was renamed "defense support," the latter, however -- at least in Germany -- serving the same purposes as the former. The rearmament of the Federal Republic did not follow until later. The Eastern trade of the recipient countries was placed under control of the Battle Act (October 1951).

The OEEC continued its work. Confusion over the distribution of authorities between the OEEC and the Financial and Economic Board of the NATO was disposed of by the abolition of the Board.

QUESTION: Do you recall your reaction at the time the Greek-Turkish Aid program was announced?

HARKORT: I did not, then, recognize or understand the significance of the aid to Greece and Turkey. Perhaps people thought that here the United States assumed a

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responsibility which Great Britain was no longer able to bear. But I failed to see this decision by Truman as the beginning of a rescue action which later was to cover all of Western Europe; this was possible only in retrospect.

QUESTION: Would you agree that the importance of the Marshall Plan was not so much the amount of aid given but the fact that the aid was concentrated in a short period of time?

HARKORT: An apportionment of the same old amounts over a longer period of time would have meant small amounts in each year. That would have delayed the recovery considerably, and the aid would also have lost a good portion of its psychological effect. Whoever helped quickly, helped more than doubly.

ERP aid for West Germany was per capita only half the amount granted to France and Great Britain. Yet German industrial production from 1948 to 1952 rose by 129 percent, French production only by 28 percent, and British production by only 14 percent (St. Jb. 1953, p. 48) .

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QUESTION: Would you comment upon the period between the announcement of the Marshall Plan and the approval by Congress of the ERP legislation? How important was so-called "interim-aid" in meeting your country's needs?

HARKORT: Before the three German zones received Marshall Plan aid, they were supported from GARIOA sources.

"Interim aid" based on the legislation of December 1947 went to France, Italy, Austria, because their food and fuel situation looked so critical that one could not wait until the implementation of the Marshall Plan. For Germany "interim aid" was not provided. It is true that, in April 1948, \$21 million were made available for the ERP from interim aid funds, but it appears unlikely that Germany received a part of this, and, at any rate, the amount was insignificant. (Price, p. 72). [Harry B. Price, *The Marshall Plan and Its Meaning* (Ithica, N.Y: Cornell University Press, 1955).]

QUESTION: Was there general confidence that Congress would enact aid legislation on the scale the President and the OEEC recommended?

HARKORT: The Germans in 1947 were not very familiar with the American Government system. When a Secretary of State

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or someone with an equivalent title makes a proposal to his government, this government will surely find a way to put it through: this is probably what most Germans were thinking, for in the parliamentary governed nations of Europe you would figure that way. About the consequences of a sharp separation between executive and legislative, the German public at large learned only in later years -- especially from the very Congressional debates on foreign aid.

QUESTION: Do you believe American aid programs would have developed as they did if President Roosevelt had lived? What role did President Truman play in your view?

HARKORT: It always remains pure speculation when you make a conjecture on how someone else would have acted in the same historical situation. Perhaps it can be said that Truman more strongly than Roosevelt listened to expert advice and made courageous decisions accordingly. I have always assessed very highly Truman's personal role for the policy which expressed itself in the Marshall Plan. Including Germany in the Plan must have come easier for him; Roosevelt, after all, had led the

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struggle against the Germans for years.

But Truman, too, had a long way to go. On December 21, 1945, in a letter to Senator Hawkes (New Jersey), he wrote: "While we have no desire to be unduly cruel to Germany, I cannot feel any great sympathy.... Perhaps eventually a decent government can be established in Germany so that Germany can again take its place in the family of nations. I think that in the meantime no one should be called upon to pay for Germany's misfortunes except Germany itself." (U.S. Government Printing offices: 1946. 684468-15117).

QUESTION: What other American leaders would you single out as having played significant roles in this period?

HARKORT: In answer to this question, the top of the list must be the name of Paul G. Hoffman, the first administrator of the ECA. He is unforgotten in Germany.

Other American individuals to be named: Harriman and Acheson, Herter and Vandenberg, and for their activities in Germany, General Clay, and McCloy.

SPECIFIC QUESTIONS

QUESTION: Would you comment on the economic aspects of United

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States occupation policy? How important, for example, was JCS 1067? How important was the Potsdam Declaration?

HARKORT: The economic policy of the American military government was -- better: became sooner -- more understanding and sympathetic than the British and especially the French. The American side was more active, had more resources at their disposal; but an ideological missionary element could be sensed for a long time. It also appeared inconsistent that aid was granted through GARIOA and ERP; next to that, industrial plans were retained, dismantling continued, and restrictions were loosened only at a slow pace.

Nonetheless, the military government knew how to gain the trust of German politicians and officials. The relationship between the two sides did not remain without conflicts, but was never radically disturbed. General Clay and Mr. McCloy did gain highest esteem and respect.

The economic provisions of the Potsdam Conference and Directive 1067 ruled the economic policy of the military government for many years with only a gradual subsequent relaxation.

QUESTION: Might one describe the role of France in the

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German occupation during the first two years as being even more obstructionist than that of the Soviet Union?

HARKORT: The Soviet Union participated in the Potsdam Conference; France did not. Since the agreement at Potsdam adhered to the idea of German unity, the Soviet Union was committed

to this goal; France was not. The Soviet Union at that time had reason to hope that it might be able to exert its influence in a loosely reunited Germany; France was not strong enough for this.

Although not largely industrialized, control over the French zone was economically significant for France. This economic interest, coupled with very little inclination to take first steps toward a restoration of German unity, caused the French at first to decline participation in the Bizone.

Later they changed their policy, and the three western zones were economically united in 1949. At that point in time, participation by the Soviet-occupied zone had already become inconceivable.

Therefore, whether one must describe French or Soviet politics as more "obstructionist" depends on the contemplated point in time.

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QUESTION: It is correct to say that the primary goal of U.S. occupation policy was German economic unity and self-sufficiency? Was this the British aim also?

HARKORT: In the beginning period of American occupation the first goals were the shattering of all national socialist structures, the prosecution of the guilty individuals, re-education towards democracy and the preservation or restoration of an administrative residuum in an area where government and administration had completely collapsed. Only vague ideas existed at first about the prerequisites for economic viability, even at a very low standard of living. Quite early already one must have realized that the Morgenthau Plan was impracticable in a highly industrialized, densely populated country where cities and factories were largely in ruins and where expellees and refugees poured in by the millions. But holding on to Directive JCS 1067 (of April 1945) over two years shows how slow the trend was to distance oneself from the illusions of the very beginning.

While the Potsdam Conference had retained a loose form of German unity, except for a very few control

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Commission resolutions, no decisions were made involving all of Germany; the planned German central organs were never created. Each of the four generals governed his Zone at his own discretion. It was not too awfully long until the Americans had to recognize the fact that in conjunction with the Soviets an even modest degree of political and economic unity could not be produced.

After that, there was no other alternative but to strive for an economic unification of the American and British and -- once the initial French resistance had been overcome -- all three Western Zones. For the American Government this was all the more important because the American Zone, predominantly agricultural, was dependent upon an economic union with the British Zone where the Ruhr area with its coal was located. The "Bizone" came into being on January 1st, 1947.

Thus, in the beginning, economic reunification was not a primary goal of the American occupation policy; it became so only later, not, however, as a reunification of all four zones, but merely the three western zones. Generals Clay and Robertson summarized the reasons for the formation of the Bizone (The European Recovery Program,

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Joint Report of the US and UK Military Governors, September 1948, p. 1) as follows:

... the USSR had prevented economic and political unity with the Western Zones.

The heavy expenses arising out of this continual division of the country compelled the US and UK authorities to combine the economies of their Zones under a single administration.

In other words: the establishment of the Bizone was not politically motivated. Political reunification constituted a long-range political goal of the Germans which later found the support of the Western Allies. All in all, we were in those days under the impression that the British Government from a beginning had less difficulty in recognizing the need for at least an economic reunification. They were, however, less active in German matters than the American Government -- they were more intensely occupied with their own problems and economically dependent on aid themselves. The prominent role in the reorganization of West Germany was played by the Americans; it was they who were politically the mighty ones and who also disposed of the means.

QUESTION: Might you discuss the reparations-dismantling issues?

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HARKORT: In view of the experiences gathered after the First World War, the Allies essentially forwent reparations from running production. The compulsory deliveries of coal, lumber, and scrap metal might just as well be the most likely to count as reparation payments of this sort. For the rest, German foreign assets were expropriated, and the production facilities dismantled in Germany went to the victorious countries.

No Allied action has met with as passionate resistance on the German side as the dismantling issue. The destruction of manufacturing plants, which served the exclusive production of war material, was reluctantly accepted. All other dismantling evoked greatest indignation, not only from the affected labor force and staff, but in the entire nation. The argument of the occupation authorities was that the plants to be dismantled could not be operated anyhow due to a lack of raw materials, that German production was still very far from the capacity limits of the industrial plants and that the exceeding capacities could therefore be removed without damages. This very global argumentation was not accepted in view of the more distant future. It also became clear very soon that the recipient

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countries derived only little benefit from the dismantled German machinery.

The extent of the actual damage caused by the dismantling policy cannot be ascertained; the psychological damage was considerable and weighed heavily on the relationship towards the occupying powers.

The ERP legislation of 1948 contained a section 115 f, according to which one was to forgo the dismantling of factories whose preservation might be useful for the program.

QUESTION: The level-of-industry controversy?

HARKORT: Directive JCS 1067 of April 1945 was valid for the American Zone over more than two years. The first industrial plan of 1946 called for the dismantling of 1,500 manufacturing plants; heavy industry was to be limited to 50-55 percent of the 1938 level. The second industrial plan -- nearly concurrent with Marshall's Harvard Speech -- lowered the dismantling numbers to 849, a little later down to 700, and further reductions followed in 1949 (Wallich, p. 348). [Henry C. Wallich, *Mainsprings of the German Revival* (New Haven: Yale University Press, 1955)]. It seems that the actual dismantling action was not

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executed very promptly; otherwise many deletions from the dismantling list would have come too late.

Industrial plans are understandable as procedures for dismantling decisions. What is not understandable is why there was a long-standing belief on the American side that it was possible to introduce a genuine market economy for Germany (this must have been the intention, why otherwise decartelization?) and, at the same time, to physically limit the most important branches of the industry. Such limitations, had they continued to exist, would have prevented the development of the market-oriented economic system in postwar Germany.

The juxtaposition of foreign aid and dismantling, incomprehensible when viewed from a more distant point in time, was justified by the American Government with the reasoning that the Germans did not need the factories on the dismantling list in the foreseeable future.

QUESTION: Would you comment on the decartelization program as it affected German reconstruction? What caused the effective stoppage of efforts to bring about decartelization?

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HARKORT: In part, the decartelization and decentralization programs, which the American Government pursued with such special zeal, were based on a misconception: cartels and large enterprise had been depicted as inventors, supporters and beneficiaries of national socialism. That was a gross generalization, as proved by Gustav Stolper as early as 1947 (*German Realities*, p. 179 ff.) [Gustav Stolper, *German Realities* (New York: Reynal and Hitchcock, 1948).]

In part also, and the longer the more, decartelization and decentralization were defended with the arguments which the anticartel and antitrust policies had evolved in the United States on their own: in Germany, a genuine competitive economy was supposed to be created.

The anticartel policy was duly adopted by the German side (Professor Erhard). His cartel legislation of July 1957 superseded the cartel regulations created by the allied authorities. The Allies with their politics, in all certainty, helped elucidate the dangers of competitive restrictions

in a land where for centuries cartels had not been viewed with the mistrust they deserve. To this extent, a lasting positive result was achieved.

Less lasting was the outcome of decentralizations. Originally, I.G. Farben Industries was to be subdivided

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into 94 units. In the end, three large successor companies (plus one smaller one) came into being. These remained independent and separately evolved into global enterprises. I.G. Farben, even from the German viewpoint, had been over dimensioned. However, the independent parts of the large banks were reunited in 1957 under their historic names and under exclusion of their West Berlin branches. The United Steel Works did not resurge, but, instead, other large-scale concerns were formed in the mining industry.

No matter how one might judge the allied decartelization and decentralization policies, they did not make a contribution to recovery and reconstruction in the years of the Marshall Plan aid. They spread an appreciable measure of uncertainty among entrepreneurship, among staff and labor force, and they claimed the time and energy of the affected management teams and their lawyers, while contributing nothing to the improvement of the climate between occupation and occupied. German entrepreneurs are all but born anti-cartelists; here, it seemed to them, tried and proven forms and firms in Germany were being destroyed in order to help the foreign competition. Anticartel and decentralization

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politics appeared to many Germans as a supplement to the policy of dismantling.

The more the military government, later the Board of the High Commissioner, withdrew from a direct influence on German relations, the more the American anticartel and decentralization policy stepped into the background. But still the "Treaty on settlement of war and occupation-related questions" of May 1952 contains a "Second Part: Decartelization and Decentralization" in which the three occupying powers reserved a substantial authority for themselves.

QUESTION: Might you describe the effects on Germany of the winter of 1947-48?

HARKORT: The bitterly cold, endless winter of 1946-47 is stuck in the memory of the Germans, who lived through it, as the time of the shortest and most meager supply ever 1,000-1,500 calories per day, very little heating fuel, worse, in that aspect, than in any winter of the war and postwar years. The war had been over for 1 ½ years; nevertheless privation and misery were unequalled, with no chance of improvement in sight. The urban masses were too much in need of rest, physically too weak, too resigned to

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rise in rebellion. But despondency was deep, was it to remain so forever?

In December 1947 average consumer supplies were considerably worse than in December 1946: calories 1,400 (1,534), protein 45.7 g (57.7 g), of which animal protein 9.4 g (37.5 g), fat 9.9 g

(19.2 g) (Joint Report, nec. 1948, p. 73). In 1946-47 the German consumer received rations of 340 g of textiles, 20 g of darning yarn, 265 g of soap and detergent. (*Five Years*, p. 32).

According to American calculations, after deduction of the compulsory exports, the Bizone in 1947 had at its disposal 55-60 million tons of coal versus approximately 90 million tons in 1938. The domestic fuel was miserable.

QUESTION: Do you recall the operations of the Citizens Food Committee?

HARKORT: Vivid as the memory of the unforgettable achievements of CARE is, I do not recall the Citizens Food Committee.

QUESTION: How important was the problem of coal production? Was it the key to recovery?

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HARKORT: At the end of the 1940s, coal was still, besides brown coal and hydraulic power, Germany's most important energy source; petroleum played only a modest role. Without an increase in coal production -- no economic recovery. All the more so, in view of the fact that we were burdened with substantial coal deliveries to the neighboring countries which were all suffering from coal shortage and whose demand the occupation authorities wanted to satisfy with preference -- and also at low prices. These compulsory coal deliveries had first of all a more disturbing effect than the dismantlings.

Since the very end of the war Germans and occupation authorities had tried hard to achieve a rapid increase in hard coal production, not only on account of German domestic demand, but because all European neighboring countries were asking for German coal. For a variety of reasons, the success of all these efforts remained limited. In 1948 hard coal production reached only 74 percent of the 1936 figures, in 1952 only 105 percent, while the industrial production index in the latter year was already up at 145 percent (*Five Years*, pp. 98-99).

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QUESTION: Might you comment on the administration and operation of OMGUS?

HARKORT: I did not have any personal contact with the OMGUS headquarters in Berlin. My experiences confine themselves to the OMGUS field office at the "Lander Council" in Stuttgart and to the field office of the American and British military governments at the Administration for Economics (Bizone) in Minden.

The OMGUS policy naturally followed Washington's policy, through the various developmental stages, from the stark hostility of the early time to the trustful cooperation of later years. Indisputable merits for such progress go to General Clay and subsequently McCloy, whose names are highly respected and esteemed in Germany. Germans in close working relationship with OMGUS officials gratefully remember the understanding and sympathy encountered there, even in the early times when the dismantling policy was still in rigorous practice. The more the official was directly accountable for relevant and regional problems, the more he was inclined to

make the most lenient decision allowed by his instructions. This is also true, in most cases, of the American military.

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Among the OMGUS officials, who demonstrated a special understanding of German economic needs, I personally remember above all Karl F. Bode (German-born) -- in Stuttgart and Minden - - and Carl R. Madher -- in Stuttgart. There is much praise for the first representative of the ECA in the Western Zones, Mr. Collison; one recalls that at the very first meeting with him one could immediately sense the new spirit of American politics.

QUESTION: Of GARIOA?

HARKORT: GARIOA (Government and Relief in Occupied Areas) provided the funds for the first foreign aid to Germany. The U.S. Military government realized very soon that, in order to prevent "epidemics and unrest," they had to finance, at their own cost, the importation of mainly foodstuffs, besides seeds, fertilizers and fuel. This was the purpose of the GARIOA aid: preservation, not reconstruction; an action for the present, rather than for the future. Raw materials for industry were hardly imported at all; the resources from the ERP aid served that purpose later.

GARIOA aid was granted from 1946 through March 1950, i.e. during the very worst times of need. In terms of the

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amount, it was larger than the total of ERP aid to Germany (\$1.6 versus 1.5 billion). In addition, Great Britain granted GARIOA aid equivalent to \$800 million, France \$15 million.

In the enclosure (Appendix) there is a table showing the imports financed through GARIOA in the different years from 1946-47 on.

These funds were granted for the four American fiscal years 1946-47 through 1949-50, in the first two years as the only means, in the two following years together with ERP aid.

The imports financed from GARIOA sources included foodstuffs (72 percent), then freight (11 percent), fertilizer, seeds (7 percent), fuel (4 percent), the small remainder going to education, exchange programs, salaries for civil employees and the like.

From the end of the war until 1948, 65 to 70 percent of the total imports were financed through GARIOA.

The GARIOA funds originated from an entitlement in the budget of the Department of Defense (for the first time in the 1946-47 budget). Already prior to this -- since the end of the war -- the American Army Administration had

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financed most urgent imports, in accordance with the provisions of the Land War Statute of the Hague; the amounts involved are not known to me.

QUESTION: Of the Joint Export-Import Agency?

HARKORT: After the end of the war, the Germans were prohibited from traveling abroad; their assets in foreign countries were confiscated; foreigners were altogether unwilling to deal with Germans and sign contracts with them. Therefore, there really remained no other choice than to conduct importation and exportation chiefly through employees of the military governments.

The JEIA was founded in Minden on January 1st, 1947 as an American-British establishment with an initial capital of approximately \$100 million (made available by the American and British governments). This money plus the very modest export receipts were, besides the GARIOA aid, the only means with which to finance importation. The Bizone did not have any currency reserves.

In the JEIA, imports and exports of the Bizone were managed monopolistically. Until the end of 1948 German exporters were not permitted to do business.

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The JEIA required invoicing in dollars and thus made the Bizone -- in the middle of the European soft currency nations -- a hard currency area. With the consequence that these neighboring countries, all of them trying hard to save dollars, were willing to purchase in Germany nothing but coal, wood and scrap metal -- raw materials which they were unable to get from anywhere else at all, or, if they could, only in exchange for dollars.

The system of the JEIA was, as I said, perhaps unavoidable at first, but it appeared from the outset to be less than efficient and a far cry from the American way of life.

The JEIA and its procedures did not leave a good memory with the Germans. For that matter, it contributed to the fact that German foreign trade experienced quite a late start. The same is true of OFFICOMEX, the respective agency of the French Zone.

QUESTION: Do you recall your reaction to the speech of Secretary of State Byrnes at Stuttgart?

HARKORT: I heard Byrnes' speech on the radio on September 6,

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1946 and knew enough English to understand it. Naturally, one always runs the risk of confusing later knowledge with the impression at that time. But I believe I remember well that we pricked up our ears. Up to that time, we had been addressed in a reproachful, admonishing manner, oriented toward the past. Here, instead, the American Secretary of State pointed to a more hopeful future with constructive announcements which permitted expectations for a turning point in American politics. Whether we fully recognized the significance of the speech -- how could we claim this today from sheer memory? We knew very little, then, about the development of

American politics; German newspapers hardly existed as yet, and foreign newspapers were inaccessible. Consequently, the radio remained as the only source of information.

QUESTION: How pronounced was the anti-Socialist bias of OMGUS and of the U.S. Government?

HARKORT: People were well aware that the American Government had different ideas of Germany's future economic system than the British government of that time; and this could be sensed in both Zones. The American authorities would

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hardly have pursued decartelization and decentralization with such great zeal, if they had aimed at a central administration economy.

On the other hand, the pragmatic economic policy of OMGUS, the day-by-day economic policy, was at bottom probably not so very different from the one practiced in the British Zone. Not, anyway, in the early times when absolutely everything was lacking and when the currency had become incapacitated. Under such circumstances we must realize that planning and apportioning is done "from the top," no matter whether, on principle, one prefers a liberal or a central administration economy.

The impulse toward liberalization of the German economy came from the German side itself, from Professor Erhard. With his -- indeed audacious -- proposals for an elimination of economic control, he had a difficult time gaining General Clay's acceptance. Clay gave his consent against the advice of his officials, who were arguing that the time had not yet come for such rapid steps in the direction of a market economy.

QUESTION: Was the "economic magnet" thesis, that successful Bizonal economic cooperation would inevitably attract

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the French and Soviet Zones, given serious consideration?

HARKORT: There was much talk, in those days, about the magnetic effect which a successful economic recovery would have on the other two Zones; true for the French Zone, utterly erroneous for the Soviet Zone. The most beautiful economic success in the Bizone would never have been a reason for Moscow to annex its Zone to the Bizone. This would have grossly contradicted its political conception of Europe's future. Actually, we have always been aware of that.

QUESTION: How serious were Communist efforts to block ERP aid in the Bizone?

HARKORT: The influence of the Communists in the Bizone was slight. It is not known to me whether they engaged in more than only verbal efforts to prevent the acceptance of American aid. They could hardly have come up with a better policy, if they wanted to ruin their already low

popularity at an even faster clip. During the first elections to the "Bundestag" in August 1949 Communists reached only 5.7 percent of the total votes cast. Their

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chances of agitating against the Marshall Plan were therefore much slimmer than in Italy and France, where very large Communist parties existed.

QUESTION: What was the attitude of the Soviet Union?

HARKORT: The Soviet Union prohibited participation in the Marshall Plan to the countries within their sphere of influence and to the Soviet-occupied zone of Germany. I do not know whether the Soviets, in dealing with Allied or German agencies, took any official steps against the inclusion of the Federal Republic; if so, then surely without the expectation to succeed. In terms of publicity, the Soviet Union treated the Marshall Plan, of course, as a further example of American imperialism.

QUESTION: What efforts were made to coordinate recovery efforts in Germany with the activities of the ECA and the OEEC, before German participation in the OEEC?

HARKORT: I do not have any knowledge of coordination efforts prior to the incorporation of the three German Occupation Zones into the OEEC. Between Marshall Plan start-up and the establishment of the OEEC there was a lag of only a few months.

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QUESTION: On whose initiative was the effort made to gain special treatment from ERP for the Bizone?

HARKORT: I wonder what "special treatment for the Bizone" could mean. I have no knowledge of any initiative for such special treatment -- apart from the fact that Germany's three Western Zones received ERP aid only as credits, the other countries largely as grants.

The French Zone occasionally claimed to be provided less well than the Bizone. I am unable to verify whether this was the case, and if so, who was responsible for it, American or German authorities.

QUESTION: Might you describe German participation in the OEEC and coordinate agencies?

HARKORT: The Committee for European Cooperation, which was created in 1947, prepared the establishment of the OEEC. The OEEC Convention took place on April 16, 1948; for Germany it was signed by the commanders-in-chief of the three Western Zones. As far as that goes, the Germans were in it from the beginning -- earlier than in any other European or worldwide organization.

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The commanders-in-chief represented German interests in the negotiations and work sessions of the OEEC; they did call in German advisers -- for the period of a full year. Then the Federal

Republic of Germany was admitted as a member. On October 31, 1949 Vice-Chancellor Blücher participated for the first time in a Cabinet Council meeting. The country established a Permanent Representation of its own -- the first postwar German representation abroad. From the outset, great importance was attached to involving in this work not only government officials, but also experts from private German industry.

Meanwhile, the Federal Republic of Germany had been created, and its government immediately established a Federal Ministry for the Marshall Plan. Under this new ministry came the German mission to the OEEC headed by Dr. von Mangoldt-Reiboldt. This gentleman had been working for the Bizone administration in Paris since July 1948, as an adviser to the commanders-in-chief, and it was he who prepared the establishment of the mission. From the spring of 1949 on, there was also a permanent German office for the French zone in Paris.

Almost simultaneously -- without any connection with the OEEC but a result of the Marshall Plan -- in the autumn

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of 1949 in Washington a German liaison office was admitted to the Marshall Plan authority, at that time ECA, later MSA. Also this second German representation abroad took over the business from a group of American officials. Headed at first by Hans C. Podeyn, it likewise reported to the Marshall Plan Ministry. I myself belonged to it from its inception -- October 1949 -- through September 1952 as Economic Adviser.

QUESTION: Would you discuss the general effects of the Marshall Plan in West Germany?

HARKORT: The Marshall Plan had effects of general nature on two spheres: the psychological and the economic.

I. Germany's inclusion in the Marshall Plan confirmed to the Germans (and also to the allied officials employed in Germany) the great turning point towards cooperation, as had been announced through the speech by Byrnes. Even before the Federal Republic, by joining NATO, had become an ally of the United States and other former wartime adversaries, it had turned into their economic partner. At the same time, the Federal Republic, when admitted to the OEEC, appeared to have

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once again equal rights in the circle of European nations -- this, too, a real turning point.

II. The general effects in economic areas were quite varied. a.) ERP aid made possible the importation of foodstuffs and industrial raw materials, and with it the start-up and rebuilding of industry, a higher production, and growing exports. In 1946-1949 annually between 72 percent and 43 percent of German imports were financed through foreign aid (GARIOA and ERP).

The index for German industrial production (in 1936 = 100) stood at 32 in 1946, at 63 in 1948, at 90 in 1949, then at 135, 145 (*Recovery*, p. 63). German exports, \$206 million in 1946, amounted

to \$642 million in 1948, \$4.037 billion in 1952 (*Recovery*, p. 79). This is the main contribution of the Marshall Plan. (See appendix for comparison).

Industrial productivity (without energy and construction) rose from 82 in 1949 to 108 in 1952 (in 1936 = 100). There were many reasons for this. The Technical Assistance Program of the ERP, without any doubt, made its contribution. Particularly important became study trips to the

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United States. Most of the German participants reported to have received valuable stimulation not so much in technical as in managerial and sociological areas (*Recovery*, p.36).

b. German foreign trade could not have developed so satisfactorily and the viability of the Federal Republic could not have been attained so soon without the success of the OEEC and the EPU, without the liberalization of foreign trade and the multilateralization of payment transactions.

The Federal Republic had a keen interest in the broadest possible liberalization, was in constant support of rapid progress and fulfilled its assumed obligations to the letter. The economic boom in the Federal Republic, coincidental with import price increases caused by the crisis in Korea, did force a short-term suspension of this measure as necessary, and the rest of the member nations did not respond with de-liberalization. German foreign trade very soon turned active again.

Early on, it had become evident in the OEEC that the progress of liberalization would remain narrowly limited,

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if one had to continue balancing surpluses and deficits bilaterally or in triangular transactions. Therefore, in July 1950 and at American suggestion, the members of the OEEC created the EZU (Europäische Zahlungsunion), in English EPU (European Payments Union), an entirely original, albeit intellectually complicated system of multilateral balancing.

For each member of the EZU and the currency area attached to it (the sterling bloc) there was now only one balance of payments vis-a-vis all the other participants, an extraordinary relief for trade, truly made possible only by the willingness of the United States -- at that time without any worries about their balance of payments -- to tolerate the discrimination of the dollar domain. The participating nations committed themselves to an economic policy of straight balancing. The system created credit facilities to compensate for temporary payment-related imbalances.

During the mentioned crisis in the German balance of payments, the EZU granted the Federal Republic a special credit of \$120 million, half of which it had to contribute itself. As the suspension of liberalization could quickly be lifted again, it was possible to repay this special credit very soon.

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The Federal Republic was from the beginning a member of the EZU. In 1958, Dr. von Mangoldt-Reiboldt became its second president and, reelected annually, remained so until 1958, i.e. until the EZU was dissolved after the transition of the European nations to convertibility.

c. Like the GARIOA aid, the ERP aid created equivalent resources. These poured into a special Federal fund. By the end of 1952, this ERP special fund reached 5.35 billion DM, consisting of equivalent resources as well as redemption of and interest from investment credits granted from equivalent values (*Recovery*, p. 25). In the first six months of 1950, 17.5 percent of the net capital investments of the German Federal Republic were financed from equivalent resources; in the first six months of 1952 only as little as 3.3 percent (*Recovery*, p. 27).

With the equivalent resources, a money fund, under American control, was available to the German government which in a carefully planned manner could invest or facilitate investments wherever other government or private means did not suffice. It also became possible by way of mixed financing (ERP money and private money) to grant credit on more favorable conditions.

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d. An especially important role was played by the ERP (and GARIOA) equivalent resources in the rebuilding process of West Berlin's economy.

Berlin had lost 82 percent of its industrial capacity due to destruction and dismantling. Stock inventories still available at the end of the war had been confiscated. It was a split city; it had lost its position as the German capital, was cut off from its environs and went through the 1948-49 blockade. In the second six months of 1949, the production index stood at 22 percent (in the Federal Republic at 90 percent) of the 1936 level. This was immediately after the end of the Berlin blockade (June 1948-May 1949).

In the German-American agreement of December 15, 1949 on mutual cooperation, decisions and provisions were made regarding aid for Berlin from the Federal Republic. Berlin was to receive from Bonn the largest possible aid, from Germany's own resources and from equivalent resources. Approximately 10 percent of ERP equivalent resources intended for investment purposes were to be invested in Berlin whose 2.2 million inhabitants amounted to only 4.5 percent of the population of the Federal Republic; add to this some further

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ERP and GARIOA equivalent resources from the ERP and GARIOA special account. The credits from equivalent values were granted on more favorable conditions than in the Federal Republic.

In the two and one-half years from January 1, 1950 through June 30, 1952 a total of 3.157 billion DM (gross) was invested in West Berlin. Of this amount 974 million DM or 31 percent corresponded to ERP and GARIOA equivalent resources, 421 million DM or 13 percent to the public budget; the remainder was financed privately. In addition, there was the financing of orders placed with the Berlin economy.

In the second six months of 1952, Berlin's production index had risen to 55 percent but was still far behind the index of the Federal Republic. Economic assistance for Berlin remained as an ongoing task of the Federal Republic. At the outset of this assistance, when the financial capabilities of the Federal Republic were still very limited, ERP and GARIOA funds made an irreplaceable contribution to the defense of Berlin (*Recovery*, p. 140-141).

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QUESTION: Did it bring about great changes in U.S. policy toward Germany?

HARKORT: The decision to include the defeated enemy in the Marshall Plan aid must be considered as the great turning point of American policy toward Germany. Instead of looking back to the past, from now on, one was looking ahead to the future. Instead of punishing, admonishing, educating, one was beginning now to cooperate. With this attitude a change came about in the entire climate surrounding the relationship between occupying power and occupied, even though, unavoidably, elements of the first period also continued to be active in the second. He, who gives, has an inevitable interest in the progress of the recipient.

QUESTION: Is it fair to say that the U.S. had no German policy before 1947?

HARKORT: Even prior to the Marshall Plan, the American government had a German policy: eradication of national socialism, education toward democracy, decartelization, dismantling, also famine control and gradual restart of the German economy within certain limits. But the

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thought of genuine cooperation was missing and surely also the conception of a future relationship between the two countries, in a long-term perspective. No longer Morgenthau; not yet Marshall.

QUESTION: What were the effects of the Korean war upon recovery efforts in Germany?

HARKORT: 1.) The Korean war, more precisely the war-related added demand for goods of all kinds everywhere in the world, came as a windfall for the Federal Republic. Its economy was barely on the point of regaining its export capability; it had extensive reserves of inexpensive labor; its prices were still low. Supply shortages helped overcome still existing resistance against the purchase of German goods. German exports between 1950 and 1951 rose from 8.4 to 14.6 billion DM, then to 16.9 and 18.5 billion DM.

2.) After the outbreak of the Korean war, Congress pressed for legislation which was to prevent the continuation of aid to those nations supplying armaments of warfare related material to Communist countries (Cannon Amendment, Kem Amendment of 1950, Battle Act of October 1951). Such

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legislative action did not impede German recovery. The production of armament in Germany was prohibited anyway. Foreign trade with the Communist countries played no part in those years, due to poor delivery capabilities on both sides and the political tension between them. In

1951, as little as under 4 percent of German exports went to the Communist countries in Europe (St. Jb. 1952, p. 256).

QUESTION: At what stage, in your view, was it recognized that German recovery was essential to full European recovery?

HARKORT: The waiver of implementation of the Morgenthau Plan and its toned-down offshoots -- (Directive JCS 1067, Potsdam Conference, Industrial Plans) -- points out the beginning of the realization that without including Germany we cannot make Europe viable again. In the Harriman Report of November 1947 this is stated quite clearly (p. 117): "No part of the economic aid requested by the CEEC (the later OEEC) countries is more fundamentally necessary to the recovery of Western Europe than the aid asked for the rehabilitation of *German* industry, agriculture and transport." It seems to me symbolic of the victory of this insight that Germany from the

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outset was involved in the work of the OEEC, even though it was represented there first by proxies of the military governments.

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APPENDIX

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The enclosed table shows the imports financed by ECA/ MSA (American fiscal years July/June).

In the five-year period of 1948-49 through 1952-53, imports for a total of \$1.537 billion were financed from ECA/MSA funds. On December 31, 1952, allocations were utilized at 97 percent.

The highest amount (\$479 million) is shown for fiscal year 1950-51. In 1952-53 the aid program ran out with \$67 million.

In 1948-49 and 1949-50 the Western Zones additionally received considerable GARIOA aid. The by-far highest financing performance of both kinds of aid together (\$967 million) goes to fiscal year 1948-49.

Compared to the imports financed through GARIOA, ECA/MSA aid already in the first year (1948-49) showed only a relatively small portion used for foodstuffs (40 percent), and this portion receded later (30 percent in 1951-52). The portion pertaining to raw material for industry rose in the same time frame from 21 percent to 31 percent. For Germany, in contrast to other recipient countries, machinery imports financed with ECA/MSA funds were insignificant (\$30 million) for 1948-52. (*Recovery*, p. 156).

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Imports financed with funds from GARIOA and ECA/MSA in million \$ (July-June)

	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53	
GARIOA	263	580	579	198 ¹	--	--	--	1620
ECA/MSA	--	--	388 ²	416 ⁵	479	210	67 ³	1537 ^{4, 6}
Total	263	580	967	614	479	210	67	3157

1) until 3/31/50

2) from 4/3/48

3) until 12/31/52

4) after deduction of credits (\$23 million)

5) includes \$172 million of GARIOA funds transferred from GARIOA to ECA (GARIOA aid not included in figures)

6) allocated ECA/MSA funds utilized at 97 percent on 12/31/52

Recovery, pp. 23-24.

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