

EUROPEAN RECOVERY PROGRAM

Interview With

DR. HANS-GEORG SACHS

Bonn, Germany

May 14, 1964

By Philip C. Brooks, Director
Harry S. Truman Library

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EUROPEAN RECOVERY PROGRAM INTERVIEW TRANSCRIPTS

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DR. PHILIP C. BROOKS: This is a project, Dr. Sachs, that was suggested by Averell Harriman. Among other things he said, he thought it would be desirable to talk to some people here who could tell us what the Germans thought of the Truman Administration, and of the Marshall Plan and the way it was handled. May I ask what you were doing at the time?

DR. HANS-GEORG SACHS: Yes, from the very beginning,

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when I came back into the administration after the war, it was in the French zone of occupation. The three German Länder governments had set up a common central office, a small office, which served as a liaison on the one hand to the French authorities which were handling governmental affairs at that time in their zone; and on the other hand, to the ECA Mission in Frankfurt. They had a liaison office also in Baden-Baden. And I was acting as a liaison man between the three Länder governments (I was on their payroll) and with the Americans who were handling the ECA program in the French zone, and with the French authorities. Later on, when the Federal Republic of Germany was established, after the elections late in 1949, I came to Frankfurt and until the very end of the Marshall Plan program in Germany in the middle of the year in 1952 I was in that ministry as

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one of the responsible officials. I have been connected with these problems in my daily work for quite a number of years. Of course, that was quite a time ago and you will understand that I do not remember all the details.

The decisive turning point in Germany, as seen by the man in the street, so to speak, was the currency reform. The currency reform was a drastic one on the one hand, you see, because all savings were practically reduced to a very small amount, a percentage of 6 ½. But I remember very well that this currency reform alone could not have brought about the economic swing we were glad to note shortly afterwards. Even in the first months after the currency reform, there were some doubts whether the new Deutsche mark would be really hard currency. You remember that people in the light of their experience were rather suspicious. But

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at the same time, the ECA finance program set in with full speed, and from that time on, the situation changed drastically in Germany. I would venture to say that the Marshall Plan action was one of the really decisive factors in our economic reconstruction after the war. It was not the only one, as it was accompanied by the currency reform -- which was what put us back again on a sound financial basis -- and it was accompanied, of course, by the energy and the will of the German people to rebuild the country. But that financial backing and that generous gesture from the nation with which we had been at war only a short time ago, was really the fundamental, the sound basis on which we could build. You see how important this development can be judged from the fact that after the First World War, the atmosphere was poisoned for decay, with all the bad

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political consequences that followed here in Germany. Economically, we were grappling with the difficulty (in spite of the fact that the Americans didn't ask for any reparations) that the whole tendency of the victorious powers at that time was to get the money back they had spent in the war themselves. Now, we realized after this war, and it's one of the decisive facts in world history I should think, that the economic welfare of all our neighbors, of all countries, is so closely interconnected in the modern world, that we cannot think that we do not care what's going on in the neighboring country, and look only after our own interests. This very fact, that

the American statesmen have realized so very soon, is something which is quite a new event in world history -- I would go so far as to say this.

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BROOKS: Would you credit that more to the American statesmen than to the British and the French, for example?

SACHS: Well, the magnitude of the American program was, of course, much greater than what the others could do. I have to admit that France itself was in a difficult position. She had been occupied, and she had to support a financial burden, and the country had been the theatre of war twice. So it's understandable that they, at that time, were not able to make any substantial contributions.

The English did make a financial contribution within their possibilities. It was not comparable to what the Americans did, but they did what they could at the time.

BROOKS: Well, of course, many people have called my attention to the fact that Mr. Bevin moved

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very rapidly after the Marshall speech of June 1947 to organize the whole program.

SACHS: You see, we have to make a distinction, I think, between those programs which had been organized in order to fight directly against disease and hunger, these so-called GARIOA, government relief programs, which were in the initial phase financed both by American funds and by the British Government. They were, so to speak, the predecessors of the well-organized program that came afterwards.

BROOKS: The first thing I wanted to ask you was how they differed.

SACHS: This was a preliminary program, so to speak, which was very important in order as a first phase, but it was more intended to help people to survive, I would say. In size, it was not enough to stimulate economic activity. And,

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at that time, it was not accompanied by the currency reform, so I think something was lacking on the German side. They're closely tied together, but I think this program was a rather valuable one. Of course, you will realize, we had, later on, years later, in the early fifties -- we had a settlement of prewar and postwar debts at the London debts conference. I was a member of the delegation, and we declared our readiness to repay part of the funds we had gotten within the framework of the ECA program. Only part of it, and I'm frank to admit, on favorable conditions. That was a financial burden which we were able to carry, and you realize it has not caused any major damage to our financial system or to our economy. So that was a very fair offer we got from the side of our now Western allies. I think this conference in London, which also included settlement

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of these postwar debts, which had been financed out of public funds beside the private debt, was one of the major steps in order to consolidate our financial position. It was, so to speak, a peace treaty between the Western powers and Germany in the economic and financial field.

BROOKS: You were, yourself, with an organization known as the CRALOG Büro?

SACHS: I was in CRALOG before, yes.

BROOKS: That was essentially a relief organization, was it not?

SACHS: It was a relief organization. CRALOG was a central body, a partner for the American military government. It was easier for the American Government to handle all these affairs if they had one partner. So the scheme was

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that all the American welfare agencies of whatever religion or belief worked together in a loose form in that organization. I had the privilege of serving in the office in Baden-Baden, and before that in the Office of Activities in the French zone of occupation, but this was relief work.

BROOKS: Yes, but you were there at the time the Marshall speech was made, were you not?

SACHS: I was in Germany at that time, but not in the American zone; I was in the French zone.

BROOKS: Were people all over Germany pretty conscious of the Marshall speech and of the Marshall Plan? Was it something that aroused the public interest?

SACHS: It certainly stirred up a lot of interest because, after all, it had a two-fold aspect. One of them was the bilateral aspect between

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the governments of the United States and Germany; on the other hand, it had a wider scope, because it was intended to help rebuild Europe as an economic unit. It was a European reconstruction program. Germany was -- and this was not just a friendly gesture of the Western powers -- we were admitted from the very beginning to these international bodies in Paris which were handling this program. So the Marshall Plan did not only serve a purely national target. It made it possible for Europe to bring down economic barriers which prevented a free exchange of goods and services so far. So, I think it has a two-fold aspect and both of them were extremely successful.

BROOKS: Do you think most of the Germans thought, Dr. Sachs, that this was going to lead to economic union, to a common market or something

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like that?

SACHS: It is difficult to remember, of course, what the Germans at that time really thought. I must admit that the idea of some kind of European unity was very attractive for Germany from the very beginning. We were always in favor of some new form of political and economic cooperation in Europe which should improve what has existed in prewar times. We were only too conscious of the disadvantages of the national system which, after all, had led into a dead end road -- into a blind alley.

BROOKS: But it was quite a striking change from previous policy -- this was a matter of international cooperation.

SACHS: It was bold, new initiative, and I'm pretty sure it was recognized as such, because the effects of it were so visible. It was not only

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that speeches were made, but the practical consequences were immediate and tangible.

BROOKS: Well, there was a speech of Secretary Byrnes, for example, in Stuttgart which was from the day it was made considered to be a major turning point in American postwar policy in regard to Germany.

BROOKS: I don't think most Americans realized how significant it was.

SACHS: It really was. It is probably difficult for you to remember, now that you have come back to Germany, a prosperous and booming country, rebuilt and in full economic swing, it is difficult to remember sometimes how tragic and desperate the situation was at the time. I was working on a German body where we tried to find out what the economic prospects for the next years to come would be. And quite honestly,

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and I'm pretty sure that our views were shared by many foreign observers at that time, we came to the conclusion that particularly after the loss of the agrarian provinces in the East which could feed our population, after the loss of all the assets we had abroad, and with all the devastation that had remained in Germany because of the war, we were fully convinced and quite honestly of the opinion that it would take the life of several generations to rebuild Germany. We would never have dreamt of the idea that within a comparatively short period, we would not only stand on our own feet again, but -- as I heard just yesterday in Paris in an international body -- Germany is nowadays the strongest unit in Western Europe, with a grand national product of about one hundred billion dollars, with a foreign currency reserve of more than seven billion dollars and a yearly increase

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of government budgetary receipts in the order of four billion. This is quite tremendous, but if you go back and try to find out where the roots of this surprising process lie, you will come back to the political stability which we have enjoyed over a long period, to the energy and the will of the German people to build up their country again, and to the financial aid we have got in this grim postwar period from our friends abroad. Let me say one thing, that we are deeply conscious of

the responsibility to return, so to speak, in days where we are better off, that which we got in the past. In that sense, it is our willingness now to shoulder our burden together with the other countries of the Western world, be it in the field of the common Western defense, be it in the field of development aid to newly developing countries.

BROOKS: You now have an aid program of your own,

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I understand.

SACHS: And quite a sizeable program.

BROOKS: Would you say that the effect of the Marshall Plan was more important as a psychological matter or as a direct economic aid?

SACHS: No, I think both went hand in hand. I think this is fair to say. Of course, some people, materialists, only have seen that they could buy more products, more goods and so on, and that life became easier again. But others, who were more thoughtful people were conscious of the fact that after all, a new era had started. So I think both went hand in hand.

BROOKS: You've already suggested the Marshall Plan was closely related to many other developments. Would you say this was true also of the Greek-Turkish aid program, commonly called the Truman

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Doctrine? Mr. Truman's speech of March 1947 came just before the Marshall aid program. Some people in our country look at these as two quite separate programs.

SACHS: Well, I'll have to admit at that time, quite honestly, the Germans were so worried with their own problems, that they did not realize too well what was going on in the Mediterranean countries and in other parts of the world. We were so concentrated on our own problems, which is understandable in those difficult days, that I'm not sure whether they did devote much time to the study of this. There were some people, of course, who certainly did, but I would say the majority of the population did concentrate their attention on our own problems which were difficult enough. This situation has changed in the meantime. It has changed completely. Now, of course, we are very much interested in

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what's going on in Turkey, for instance, and Cyprus, and so on.

BROOKS: I found the same thing in Greece, that at that immediate time they were in desperate straits. But as things developed, they were very much interested, for example, in the recovery of Germany as a market for Greek tobacco.

SACHS: Some of our partners realized soon after the war, that the German market was a truly important market for many European countries -- Italy, Switzerland, the Netherlands, Sweden, and so on. They all are our major trading partners now.

BROOKS: Do you think there was a problem created by all this government aid, in a sense, with relation to the stimulus to private business.

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Were there differences of opinion or controversies as to...

SACHS: I do not think so, because, you remember what the system was in the Reconstruction and Loan Corporation in Frankfurt, the Kredit Anstalt, which was handling the banking system of the reconstruction of Germany, and which is now serving as a channeling system for our development aid. At that time when the foreign currency would come in, and those who imported the goods coming within the framework of the Marshall Plan scheme, had to make the payments in local currency, in Deutsche marks. These funds were built up, and these so-called counterpart funds were given in the form of loans to the German industries, to private industries and that was done deliberately. Of course, at that time, the interest rates were lower than they would have been in the free capital market,

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and there were capital markets, so it was a certain subsidy in order to get industry started again. Most of the money was deliberately channeled into private enterprise.

BROOKS: When do you think Germany was really on its feet economically? Was it at about the end of the Marshall program, or before that?

SACHS: Well, you see, when liberalization of trade was introduced in Europe through the OEEC, that was in 1951 and 1952, we had a balance of payments crisis. Imports went up very quickly when all the trade barriers were removed, when quantitative import restrictions were abolished. At that time, there was not enough confidence in the future of German economy. But this first crisis didn't last very long. It was overcome, I would think, in a year's time. But ever since then, let me say, ever since the end of the Marshall Plan --

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that was in '52 -- we had no major recession and no crisis, no setback.

BROOKS: This Rhine River traffic is tremendous. I'd heard about it, but it's very impressive.

SACHS: But these are not all German boats. Many of them are French or Swiss. It's a good sign of European cooperation.

BROOKS: I've also heard that at the time of the initiation of the Marshall Plan in 1947, some people in some countries were skeptical of the possibility of this international cooperation. They really wondered if these European countries could work together effectively.

SACHS: It was not so easy, I must admit that, because -- well, it's a natural tendency, you see, when money is put at the disposal of a group of governments, everybody will rule at once.

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Everybody will put forward arguments why he is entitled to have the lion's share. There were certainly good arguments, because all the European countries were not economically in very good shape right after the war. But, of course, you have to make a choice. And the very fact that these governments had to work together, under pressure for a couple of years was a good thing. When the Marshall Plan came to an end in '52, the European governments decided themselves that the instrument they had created in that European organization was such a good one, that they wished to maintain it. It might have been otherwise. They might have said, "Well, this is over, and let's close this institution because we don't need it any longer." But the very fact that they decided by their own initiative to maintain that cooperation and even to intensify it was a sign that the seeds were there and that

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they bore fruit.

BROOKS: You had some experience in these international committees before the conference you mentioned in London in 1952, did you not. Did you work with OEEC in Paris?

SACHS: Yes, I did. I was the alternate member of the steering board for trade over a period of three years. This was the leading commercial body of this organization which worked closely together with the European Payments Union, and was a predecessor of convertibility. They did much to bring about conditions which made possible a bit later a greater system of convertibility of currencies. They did a very useful work, and they still assist in a different way. They were reorganized when the United States and Canada decided to adhere to this organization, now the OECD. I'm quite active

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in this organization because I am chairman of its Trade Committee, where we get together with the representative of the United States to deal with questions of common interest. I'm also a German delegate to the Development Assistance Committee. I have just come back from the annual review, where our development program was scrutinized and examined by an international body.

BROOKS: When you began in this activity, when you first got into the ministry, or even from your observation before that, did you and the German people feel that the allied leaders understood the problems of Germany? For instance, in 1947, in the planning of the OEEC, Germany was represented by the Allied Control Commission.

Did the Germans feel that they were fairly considered there?

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SACHS: Well, I was not there at that time, you see, I only went back to the administration in June 1948 when the Marshall Plan program came into existence and I think it was only 1949 that

we became full members of the Paris organization. But I had been in Paris before that, early in 1949, and I know those German employees were working in the Bizonal office in the Hotel Balzac in Paris at that time. I think there was good cooperation between the Germans and the Americans at the time. I don't remember every having heard of any complaints.

One experience which I can recall in this connection, is that the bilateral ECA agreement which we concluded with the Government of the United States was the first agreement that the new Republic of Germany concluded after the war. I was vice-chairman of the German delegation and we were negotiating that agreement

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partly in the I. G. Farben building in Frankfort, and partly here in Bonn. That was just about the time when the German Government was moved from Frankfort to Bonn. It was very interesting, and I remember very vividly when we signed this agreement. High Commissioner McCloy was there and Chancellor Adenauer, and we had a little ceremony afterwards here in the Museum König.

BROOKS: I wonder if you have specific memories of some of the people who were involved, or incidents concerning any of them -- McCloy, Clayton, Bevin, Marshall, etc.

SACHS: Marshall I did not know, but of course, we had the so-called ERP Administrators, I knew several of them. One of them I met again recently, Mr. Michael Harris, who is now acting as one of the general secretaries of the OECD in Paris. He was with the Ford Foundation afterwards

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in Indonesia, and he was one of the ERP Administrators with whom I worked.

BROOKS: Yes, I met him. I taped an interview with Mr. Kristensen at the OECD.

SACHS: I always had the feeling that they were very much interested in the talks. We always had the feeling, which made it so easy, that we had a common task. So we tried to correlate our efforts, because everybody was looking for ways and means to speed up the program, and to avoid difficulties. That was a time which I remember with great personal joy.

BROOKS: How important in a situation like that do you think the fact that President Truman and General Marshall, and the people at the very top level, had indicated that they wanted things to go? Is that really of major significance?

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SACHS: Well, I think there may be tendencies in a nation, but you always need strong leadership which will make the people feel what they want. They have a great feeling where they would like to go, but no definite target. And it's always good if you have genuine and true leadership. This is an important thing, and is something which the American Government at that time certainly had.

BROOKS: Did the Germans generally feel this about Mr. Truman, do you think, that he was a strong and able leader who understood their problems?

SACHS: I think we had high respect for him and we still have. I've just read, with great interest, that he has just had his eightieth birthday.

He was President of the United States when very important events happened, which

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had also consequences for our country. We always had the greatest respect for him. I think we share the general belief of the American people that he was a very good friend.

BROOKS: Did you work with Robert Marjolin of Paris?

SACHS: Oh yes, he was Secretary-General of the OEEC at that time. He's in Brussels now, you know.

BROOKS: Yes, he's one of the people I want to see when I go there.

SACHS: He was a very good Secretary-General. He's a man of great intellectual capacity. He's brilliant, and he was appointed to this rank when he was a very young man.

BROOKS: When do you think that the Germans were convinced that the Morgenthau plan was not going to be put into effect? Gradually, the philosophy

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of the Marshall Plan, for example, completely took the place of the Morgenthau idea.

SACHS: As I think you have said yourself, an event like the speech that was made by Foreign Secretary Byrnes in Stuttgart was certainly considered by the Germans as a decisive move away from these ideas.

BROOKS: Are there any other points about this matter of German reaction to the Truman Administration and the Marshall Plan that you think should be mentioned?

SACHS: Well, I only can say that this program has certainly been very popular, and you will always realize in Germany that it is not just a program which has existed in the past and now is forgotten except in history. I think we remember it well, and during our lifetime, this generation, you

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can be sure we only know too well what the situation was before it came into action. So we would not forget what it has really meant to us.

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