

Oral History Interview
with
MICHAEL J. DUX

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Washington, D.C.
July 14, 1975 by Richard D. McKinzie, Harry S. Truman Library

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MCKINZIE: Mr. Dux, I'd like to begin by asking you to talk about what prompted you to go into Government service.

DUX: Well, this is a decision which I made fairly early in my schooling, in college. After a false start in a pre-engineering course and a year of calculus, I decided that wasn't for me. Having lived abroad a few years, I was naturally interested in foreign affairs and decided to concentrate on that. So I studied political

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science, with a good deal of economics thrown in, and then applied for a job in the State Department and started here, actually, in late '41. I graduated in June, '41, and started in the State Department in December. And a few months later I was drafted in the Army, spent three and a half years in the Air Force, and came back to the job in January of '46.

MCKINZIE: When you were in your college years at Miami University, did you have a particular world view? Did you approach that first job, when you came in 1941, with some idea about how the world community ought to be?

DUX: Well, I was very much interested in the Union Now concept -- Clarence Streit impressed me a great deal. The fact that I had a chance to meet him at one point may have helped a little. I was not completely sold on the idea; I was

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skeptical whether it would really work, but I was certainly interested in a much closer association between Europe and the United States.

MCKINZIE: Were you an enthusiast for the United Nations?

DUX: Yes, very much. I regretted the passing of the League of Nations, although that was before my time; and, yes, I thought the United Nations was a good idea. I was not too happy about some of the provisions in the Charter, the fact that the veto was built in the way it was, and the three votes for the USSR. But on the whole I thought that something like that was necessary.

MCKINZIE: Did anything happen to you during the war to affect your view of the postwar period?

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Did you have a vision of what reconstruction would be like? Did you anticipate a prolonged period of Soviet-American-Chinese- British-French friendship, as evidently Franklin Roosevelt anticipated, or were you thinking in those terms in the war?

DUX: No, I was more in agreement with [Winston] Churchill, who was very skeptical of the alliance of our strategy of going through Italy rather than the Balkans. I sided with him on that question, partly because I, even at that time, thought that leaving the Balkans to the Soviets and not establishing ourselves there would bring too much Soviet influence into that area.

MCKINZIE: When you came back from the war and came back then to the State Department on a fulltime basis, were you able to pick up where you had

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left off, or did you consider it almost like starting all over?

DUX: I really started all over, because I started in an entirely different bureau and a much more interesting job. It had to do with postwar occupation policy of Europe, mainly reparations,

including the question of the gathering up of German external assets as a means of obtaining reparations.

MCKINZIE: Mr. Dux, in that whole business of reparations and handling of the former enemy countries, there was some point at which opinion turned around; that is, it changed, from a point of extracting reparations and of conscious efforts to reduce those societies to harmless ones, to a position of building them back up, not only to take the monetary

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load off the United States, but to make them viable forces in a new coalition. Do you recall your own thinking about that transition? Was that a difficult one for you to make, and do you remember at what point you made that?

DUX: Yes, I think so. Of course, there was from the beginning, I think, the general feeling, certainly in this country, that reparations can be more harmful than beneficial, and that it was one of the mistakes we made after World War I. And for that reason, I think, the Potsdam Agreement was very ambivalent on reparations. What we were doing at that time in my office was really concentrating on German external assets, with the thought that there was something which, in effect, represented a safe haven for some German industry which had escaped the damage which Germany had suffered

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internally. And it also represented a kind of economic penetration by Germany in other countries, particularly strong in Latin America, and this was a source which we could tap, without directly affecting the conditions in Germany -- of the average German and of German industry within Germany. We recognized that some rebuilding had to take place; we could not just reduce Germany to an agrarian state. The Morgenthau plan under Roosevelt was not very popular, but we looked at external assets as something that would provide a source of reparations without affecting the prospect for rebuilding.

MCKINZIE: Were there a number of proposals for the handling of external assets? For example, was it ever proposed to liquidate them all and then simply take the proceeds and divide them according to the...

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DUX: Oh, yes, it was proposed and the process was begun. We liquidated most of them in this country. The major exception was the General Aniline and Film Corporation, GAF, which we said was owned by I.G. Farben, the German dye trust, but which the Swiss claimed belonged to them. This argument went on for many years and was finally settled out of court, so to speak. We did keep control of the company and did eventually sell it. We had several conferences with the Latin-American countries in which we all agreed that we would liquidate the German assets. We made agreements with the neutral countries to pick up German assets there -- in Spain, Switzerland, and Portugal -- with varying degrees of success. The Swiss realized shortly after they had signed the agreement that this would eventually get them into a lot of trouble with their neighbor and

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began to drag their feet almost immediately. And that wasn't resolved until we made the debt settlement with Germany, which, I think, was about 1954. A compromise agreement was reached, with German consent, so that the Swiss felt they were not harming German interests since the Germans had agreed to the process.

MCKINZIE: Where did Argentina fit into all these things, because Argentina had such a different situation at the end of the war?

DUX: Argentina, as I recall, did quite a bit -- undertook quite a few liquidations of German assets there. It didn't complete the process; they also stopped about half way through, looking ahead to eventual resumption of a normal, close relationship with Germany.

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MCKINZIE: In those early days, did this work take you into what someone has called "intellectual reparations?" The Soviets always contended that while they withdrew a lot of machinery, the United States got a lot of patents or a lot of industrial processes as the result of the investigation, if not dismantling, of German industry. Was there a conscious effort to get at those things in these German industries that were scattered....

DUX: Oh, yes, there was a special office through which these German patents were made available to American industry, free of charge. Of course, all that was overtaken by the fact that the patents were running out anyway, and that the technology became obsolete. But for some time at the beginning, I think there was some valuable intellectual property

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that was being made available to American industry -- another form of reparations.

MCKINZIE: With this special concern, then, for German assets outside of Germany, did you have any dealings at all with the [Edwin] Pauley mission that went to Germany -- and there was a mission to Japan too -- to have a look a sort of on-the-ground assessment of what could be dismantled in the way of reparations?

DUX: The Pauley mission was concerned with removals from Germany and Japan. We took nothing from there, and most of the industry that was dismantled actually went to the Soviets. I'm not sure it ever did them much good; I think most of it was never assembled in any useful way. It sat at railway sidings here and there and didn't really fit together, I think. The Soviets didn't know

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how to put it together at the time.

What it did, in the long run, was to clear out a lot of obsolete machinery in Germany and allow them to replace it with newer technology.

MCKINZIE: In both Japan and Germany, and particularly in Japan, the Department had to operate in conjunction with the military. Even though the Department had policymaking responsibility, the policy, in a sense, is made by the person who is there running the show. The Army has its own tradition of giving huge authority to the "commander in the field." When you're talking about reparations, was there the shadow of the Army in the background with its ideas about the subject?

DUX: Well, it was probably more than a shadow --

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certainly, in the case of Japan. We had the so-called Far Eastern Commission which was supposed to make occupation policy for Japan and sat here in Washington, but the real policy was made, meanwhile, by General [Douglas] MacArthur in Tokyo. And the Pentagon was a very effective buffer between the Far Eastern Commission and General MacArthur. This didn't necessarily give the State Department any problem, because the effect of this arrangement was that the Soviets had very little influence in occupation policy in Japan. We sat here, and we debated and discussed various papers and eventually would put something together which was then sent out to Tokyo and filed.

MCKINZIE: Were you on the Far Eastern Commission at an early enough date to have gone on one of those inspection missions to Japan?

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DUX: No, I didn't.

MCKINZIE: Well, I take it some of the members, at least, did go once and sort of took a tour of the islands and...

DUX: Yes, that's true, but I was only one member of the U.S. delegation, and a very low-ranking member at the time.

MCKINZIE: Well, I take it that you were aware at the time that the Far Eastern Commission was not having much influence on what was going on?

DUX: Yes, definitely.

MCKINZIE: As a young man who was just getting into the State Department, your career was building; did that frustrate you to sit on a commission which served no practical purpose?

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DUX: Well, we realized -- I realized -- that in a sense it did serve a purpose, that they were performing a shadow play which had its function. In some instances, when it served to hamper policies which we in the State Department had wanted to pursue, then, of course, it was a source of frustration. There was some of that, too, in the case of Germany under the military government. There was some friction at the time between State and the Pentagon.

MCKINZIE: Well, there was talk that the military would very early give up control over Germany and there would be what eventually became a High Commissioner rather than a military governor. The records are somewhat unclear on the subject as to exactly why this didn't take place earlier. Was there any discussion, that you recall now, about whether or not

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the State Department ought to be in control, or that there ought to be some sort of German organization at least overseen by an official of the State Department, rather than an official of the Army?

DUX: Well, I recall that there was some feeling that control should pass to a civilian agency and should have passed somewhat earlier than it did, and there was some friction, some frustrations. General [William H., Jr.] Draper was in charge of occupation policy in the Pentagon and quite often we used the term that we had been "Draperized."

MCKINZIE: I take it he was a very strong man.

DUX: Yes.

MCKINZIE: There are lots of still unanswered

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questions about when the military government, in conjunction with the Department of State or separate from the Department of State, decided that Germany had to be integrated with the rest of the Western European economy. I understand that in 1946 and 1947 Germany was being sustained by GARIOA funds, that it was a drain on the Army, and that Lucius Clay did make some representations to people here in Washington about some kind of a change which would get that load off of the U.S. Army. And of course, given earlier emergencies of 1947, with the near collapse of France and Italy, it was necessary to do something. But there are a few people who have gone so far as to say that it appears that the idea of the Marshall plan came about as a device of rebuilding Germany and thus getting Germany off the dole. Is

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there any validity to such a speculation?

DUX: I don't think so; certainly, I have no recollection that that was the consideration. No, I really thought it was the other way around, that there was the feeling that something needed to be done for Europe as a whole, and for some really bad situations of hunger and poverty -- not so much in Germany, but I think it was worse in Italy. As I recall, there were the food riots in Italy. There was actual hunger in Italy and then, I think, to some extent, in France. And it was probably that situation more than anything else that brought about the Marshall plan.

The Harvard speech was early in June '47, and the plan was obviously being worked out before that. I think the fact that the winter of '46 to '47 was an extremely harsh

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winter in Europe may have had as much to do with the Marshall plan as anything else. I think we realized that Europe needed assistance, that the situation was really bad.

MCKINZIE: Did your office get called on by anyone from the Policy Planning Staff, or did anyone from your office, that you know, have any input into the Policy Planning Staff in those few months before June of 1947, when they were really going through the sort of base plan for the European Recovery Program?

DUX: I'm sure that there was input from top levels of the Bureau of European Affairs. The Bureau of German Affairs came along later, when State took over responsibility for the occupation of Germany, when there was a High Commissioner. I know there was a lot of discussion of the possible incompatibility

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between a reparations and external assets liquidation program and a reconstruction program. And I think it was at that point that really the assets program began to limp, although it was not discontinued. It was considered then as not a definite conflict between the two -- not a clear contradiction. But some of the steam went out of it at that point, and it became a process of orderly liquidation of a program, rather than a full-fledged pursuit of a program.

MCKINZIE: Some people who have talked about reparations, both internal and external, in terms of Germany, have said that at various points they believed that the French were somewhat more contentious than the Soviets. Did you have any feeling of that working on it from here?

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DUX: No. No, not really, not in the type of work that I was doing at that time.

MCKINZIE: Your job was simply to find out what the Germans had and then how to get ahold of it and how to get it in a moveable form, I take it.

DUX: Yes.

MCKINZIE: I guess that the question that has to be asked about that is, was anyone championing, at that time, a go-slow; did the Germans have a friend in court?

DUX: Yes, they did; even within the Department, there were voices which advised a go-slow on the more negative aspects of occupation policy -- that is, reparations and the liquidation of external assets.

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MCKINZIE: I assume that there were plenty of people who said that we should go slow in extending the Marshall plan to Germany, although there were others, were there not, who said it wouldn't work without having Germany in?

DUX: Yes.

MCKINZIE: What was your own feeling about the Marshall plan?

DUX: Well, I thought it was really a very enlightened approach to the problem.

MCKINZIE: Did you have any thought at all that the Soviet Union would participate in it? They were invited.

DUX: They were invited, which surprised me and a lot of other people, I guess. But as I

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recall, things happened fairly fast; the rejection came very quickly, and then once it came it was no surprise. But what was more disturbing was the action of Czechoslovakia; in a sense, our offer to extend the Marshall plan to Czechoslovakia brought about the downfall of the middle-of-the-road democratic government and extended Soviet influence.

MCKINZIE: How did the Berlin airlift -- or the Berlin blockade, I should say -- affect the work that you were doing at that time? That was '48.

DUX: That was '48, yes. By that time, we were just more or less finishing up the external assets program, and I was moving into other aspects of a German occupation policy. In fact, we were beginning to move more into a financial program, an investment policy, and, of course,

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the currency reform of 1948.

MCKINZIE: Which was ostensibly the reason for the Berlin blockade.

DUX: Yes.

MCKINZIE: You have been involved in the planning of the currency reform itself?

DUX: Yes.

MCKINZIE: The planning for the currency reform must have been undertaken with almost certain knowledge that there would be a Soviet reaction. And it must have been undertaken with the certain knowledge that in order for the Marshall plan to work, there had to be a currency reform. Wasn't that a kind of agonizing box to be in, that you had to have it for the Marshall plan to work, but that if you did have it you were

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going to have a Soviet reaction?

DUX: Yes, I'm sure that that must have worried the planners -- at, again, the higher levels, I would say. I was just one of the people who were working on a piece of it and mostly really got into general financial questions and foreign exchange control questions after the currency reform, when we began to make fullest use of it by reestablishing some sort of normal financial

relationships and putting the banks back into business -- the follow-through on currency reform, more than the planning.

MCKINZIE: And you were concerned with the European Payments Union and how it operated in regard to Germany?

DUX: Right.

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MCKINZIE: Did you find that, at that point, there was an awesome presence of the Army, or of General Clay's economic advisers, let's say?

DUX: No, at that point not, because at that point we all knew that the Army was phasing out and that there would be a civilian High Commissioner, and we were preparing for that take-over. And it was shortly after, in 1949, that the State Department established a Bureau of German Affairs. Before that, a lot of these things were handled in the Economic Bureau and in the Bureau of European Affairs; it was not at all a coordinated operation, coordinated, perhaps but not centralized. In 1949, when the Bureau of German Affairs was established, all of these activities -- the whole range of German occupation policy -- was brought together into

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one bureau.

MCKINZIE: You were in an interesting position, because you were not only involved with the German currency question and then the Bureau of German Affairs, but you were on the Far Eastern Commission until 1949, so that you were really concerned with the whole problem of taking the two major enemy countries and reforming them and bringing them back into the community of nations. While often it apparently is clear about what policymakers expected for Germany -- namely, it would be integrated, in an economic way at least, with Western Europe -- it's somehow less clear what the Far Eastern policy of the United States was, at least as it affected Japan. Dean Acheson referred to the "two great workshops" of Europe and Asia, Japan and Germany, in 1948 or so, and lamented the fact

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that they hadn't been rebuilt. Well, was anybody thinking about Japan as the "great workshop of Asia" in 1947 or 1948?

DUX: No, I don't think so. Of course, looking at it now, that is obvious what it was, but I don't recall that anybody thought of it in those terms. I think they were more inclined to think of Japan as "that menace in the Far East" that had to be re-educated and sent along a different path, which is what MacArthur set out to do and, I think, really, did very well. There's no doubt that he created a new and different Japan during his tenure as Supreme Commander. And I think a lot of his reforms are still shaping policy in Japan today.

MCKINZIE: One thing he didn't do -- and I'm wondering

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how he felt the Far Eastern Commission dealt with it -- was the business of decartelization of Japanese industry. From the very beginning, there was talk of breaking up everything, and then later there was talk of breaking up a good deal less, and still later, while nothing was being done, there was talk of breaking up very little. And then in the end, I understand, very few of the Zaibatsu were actually fragmented. Why was that? Do you recall those discussions?

DUX: No, I was not, personally involved in those discussions. But I'm sure that on his part it was the realization that this was the way Japan needed to function in order to survive economically. He was concerned primarily with reducing its military potential and making social changes, but I think he must

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have recognized the consequences of changing the economic structure of the country. Or it may have been the same thing that happened in Germany. There, of course, we did go much farther in breaking up the so-called cartels, the large banks, but they have been put back together very neatly; certainly the three major banks, are now among the top four or five; a couple of new ones have come into the picture, but certainly the three big banks are again right on top. And German industry is-- well, there's been some decartelization there; instead of one big chemical trust, they now have four major chemical companies. I think there is still a good deal of interplay between the four. They each have sort of carved out their own area of the chemical industry; there is some overlap, but there are also some areas where the other three don't compete

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with the fourth.

MCKINZIE: There maybe hasn't been all that much change. Again I would like to go back to when you first came back to the Department. The Under Secretary of State for Economic Affairs was Will Clayton, a man who, incidentally, had a great deal of charisma and a man who also had very definite views on world economic principles. He argued them rather forcefully, and some people have gone so far as to say Will Clayton was a kind of free trader, that he believed in a kind of economic integration which would bring about a mutual interdependence, and mutual interdependence was the key to peace. How pervasive was that idea? Was that the idea of Will Clayton's, or did it mean that most of the Department accepted that view?

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DUX: I think they did, yes. I think it was accepted. I think Will Clayton definitely was speaking for the economic branch of the Department, the Economic Bureau.

MCKINZIE: What happened in 1949, so far as your interest in the Far East was concerned, when you came off the Far Eastern Commission?

DUX: You mean why did I leave? Well, mainly because of the reorganization and the establishment of a separate Bureau of German Affairs; I had really done more work on the German side by that time than the Japanese, and so I went into the German Bureau.

MCKINZIE: What happened when the Korean war then broke out? In the interim NATO had been founded, and then the Korean war came and there was a great push to make NATO a physical reality.

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Were you involved at all in any of those discussions about Germany's place in NATO?

DUX: No, I wasn't. No, that was really regarded as a political-military arrangement; that was another office of the Bureau of German Affairs, and I was in the Office of the German Economic Affairs.

MCKINZIE: Did you work with Jacques Reinstein at all?

DUX: Yes, very closely.

MCKINZIE: He seems to put a great deal of stock in the drafting of the document which created a German political entity, contending that that document itself has a sort of foundation in it for the German economic structure. I take it that people were acutely sensitive to that when that was being done.

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DUX: Oh, yes.

MCKINZIE: Were you involved in the discussions on that?

DUX: Yes, I was; we were all involved in it. It came to be our major occupation, or preoccupation, at that time. The Occupation Statute is what you're referring to?

MCKINZIE: Yes.

DUX: Yes, we saw that as, really, an interim peace treaty and the charter for our postwar relations with Germany, recognizing that we could not have a normal and regular peace treaty for some time, in view of the Soviet attitude at that time. And so we put everything into that Statute, including the final windup of the reparations program.

MCKINZIE: Some things do come to an end.

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Were there very divergent views about how that should be written, within the Government?

DUX: Well, at that time there were still two opposite points of view on Germany, the whole idea of a restrictive policy versus a cooperative policy -- that argument was still alive. The cooperative policy won.

MCKINZIE: That's interesting, in view of the fact that the Secretary had taken the position, much earlier, that there should be a policy of cooperation and, indeed, that Germany should be

involved in one way or another with the new military force of Western Europe and the United States. That brings up the question of influence of the staff, of the bureaucratic imperative at work here, that there is a difference between policy pronouncement and the man who carries it out. Was that important, that staff

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dialogue? To put it another way, was there slippage between the policy pronouncement and policy implementation in the offices here?

DUX: Well, I would say there was temporary slippage, or there was potential slippage, but in the end it was always brought back to the policy pronouncement.

MCKINZIE: Could you illustrate that?

DUX: Well, it's very difficult to illustrate, because it comes out in so many small ways, in the fine print and the subparagraphs when you are drafting a document; you can so easily shade it one way or another. And there had to be, at every point, review and effort to make sure that it was consistent with the announced policy. And I think as it emerged,

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the final document certainly was a charter for cooperation and reconciliation.

MCKINZIE: I'd like to ask you a couple of other questions about German economic well-being and the policy towards Germany. There was a contention by some Europeans, British and French, that with the Korean war and with the U.S. defense effort which accompanied the Korean war, raw material prices in the world increased so much, inflating costs, that very many of the gains which had been achieved through the European Recovery Program were lost because of the increase in prices -- that some kind of aid had to continue beyond the Marshall plan, that the Korean war really messed up the stability of, particularly, commodities, and that some kind of aid was going to have to be forthcoming to kind of help them through this period. In your books of Germany, was that

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true?

DUX: I can't say that I was really very much aware of that, but I might have been more aware of it if I had been dealing with German industrial development. At that time, I had been working mainly on financial affairs, and more and more on the question of investment policy that became more and more important. But we relaxed restrictions progressively and had to review them constantly.

MCKINZIE: On a case-by-case basis?

DUX: No, not on a case-by-case basis, but the many cases that came up of possible investment and undesired arrangements required that the whole policy be reviewed. If a particular case looked like a good and helpful arrangement, then the question was, "Well, if we allow this, then

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what else? How can we not allow another one, and shouldn't we then change the general policy?" And there was still, for several years, the aftermath of the currency reform and what happened to bank accounts. And the thousands of people in this country who had bank accounts, who had German bonds, and other property in Germany were writing to us and wanting to know, "Why are my 10,000 marks only worth 10 marks now, or a hundred marks?" And we had a flood of letters. We had several people busy dealing with those, and then in that process, of course, you could find problem areas that might have to be dealt with; is it really right that these people can't get something back on this particular kind of investment?

MCKINZIE: In the case that you just illustrated of

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the 10,000 marks which became whatever, 10 marks, that was in fact the case, wasn't it? There was no restitution made as far as, say, Americans who had German bank accounts?

DUX: Not the bank. accounts, no. No, all they could do was point out to them that you had a bank account which had a nominal value of, say, 10,000 marks, but those 10,000 marks really couldn't buy anything in Germany; you had a hundred marks left to buy something.

MCKINZIE: What level had to clear such policy as, say, investment policy -- the Assistant Secretary?

DUX: Yes, it had to go to that level, and it did; the Bureau was small enough and tight enough. Actually, it was under a director who ranked along with the Assistant Secretaries, but didn't have the title.

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MCKINZIE: This is [Henry A.] Byroade you are talking about?

DUX: Yes.

MCKINZIE: Being involved as you were with banking policy and the German banking community in a direct way, were you concerned about the policy which had been in effect since the war, which prohibited members of the Nazi Party from participating in positions of authority -- which bank officials can certainly be in? Now, I asked the question for this reason: I have talked to people who have said that they felt that the rebuilding of Germany was somewhat impaired as the result of not having the talent, the technical talent, quite aside from the political convictions of those people. Was that at all any problem?

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DUX: No, I don't think it was. At least I wasn't aware at the time that it was a major problem. They did have the de-Nazification panels; by the time that talent was needed I think it was possible for people to clear themselves.

MCKINZIE: In the course of these discussions about German economics, there was no tie in with NATO at all, so far as you were aware?

DUX: No. In its beginnings, I think, NATO was very purely a military arrangement, in a sense then moved into the...

MCKINZIE: Even up to 1952, when there was still a possibility of incorporating a German contingent (which was going to be a drain on the German economy if it did occur), those kinds of peripheral problems, in short, weren't injected into the kind of planning

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that you were doing?

DUX: No.

MCKINZIE: In the kind of planning you were doing, was there talk about the effect of a glut or a lack of East-West trade?

DUX: Well, not a glut; arrangements were made for East-West trade, and we were trying to encourage it, under certain controls. But we were trying to encourage it, partly, to keep some contact between the two Germanys.

MCKINZIE: You hadn't given up?

DUX: Oh, no. I don't think that they have given up now. I wouldn't be surprised if some fifty years from now there would again be one Germany. You know, things do move, and it is basically the same people, speaking the same

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language -- the same cultural background. I could see a possibility, in the very long run, of economic conditions moving so close together that there is no longer any need for the Iron Curtain or for the barbed wire on the wall. If it weren't for the fact that East Germany would still lose most of its productive manpower if the zonal barrier weren't there, it could be taken down. That's really the main reason for keeping it. If at some future time that difference disappears or becomes very small, or if, as could happen, things get really bad in the West, then there's no need to maintain that barrier, and eventually there could be a political joining again.

MCKINZIE: But you were sensitive to this possibility even at the time you were involved?

DUX: At the time we really had higher hopes; we

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didn't think of it much in terms of very long term developments. We had hopes that perhaps someday, in the near future, there could still be some settlement there.

MCKINZIE: Did you have any particular thoughts on how to end what was called at that time the dollar gap. I'm speaking now of from '49 to '52 or '53, something like that?

DUX: Or a little beyond.

MCKINZIE: Yes.

DUX: Well, we thought mostly in terms of bridging it through the Marshall plan.

MCKINZIE: But in the meantime there was this huge problem. Did your work with German finances involve you with the use of counterpart funds?

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DUX: We had, as I recall, a very large balance of counterpart funds which also was liquidated in the currency reform; whether that became a problem after that, I don't recall that it did.

MCKINZIE: At least it's not one that registers large with you now, as you think back on it?

DUX: No, I think they were able to utilize them to a very large extent, and a good part of the counterpart funds, I recall now, were utilized. I guess they were fairly consumed in our installations and costs of building the Embassy and the housing development and things of that nature.

MCKINZIE: You sort of considered an era had passed by 1954 or 1955. Why do you date that?

DUX: Well, I think because of the Occupation Statute and then, the shift from a High Commissioner to an Ambassador.

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MCKINZIE: The Federal Republic?

DUX: Yes, establishment of the Federal Republic.

MCKINZIE: You could see, then, that there was no particular change in policy in 1953, when John Foster Dulles became Secretary of State and Eisenhower was President?

DUX: No, I think, in that respect, there wasn't any particular shift that I could trace to that change of top level direction in the State Department. By that time, things were so far along and there wasn't any effort to reverse any policy. I suppose that was mainly because I think President Eisenhower was fully in agreement with what had been done and with what was being done.

MCKINZIE: I take it, Mr. Dux, that you found this exciting work, because you ultimately joined the

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Foreign Service -- in fact, at the end of this period in the Bureau of German Affairs.

DUX: Actually, I had tried to several years before that; I had applied for lateral entry, and I was barred by a technicality, a bureaucratic technicality. When the Bureau of German Affairs was formed and I moved from the Economic Bureau to the Bureau of German Affairs, the job I went into was one which was still being paid out of Army funds, because it was in the middle of the year and there was arrangements between State and the Army that Army would simply continue to pay for those positions. And I moved into one of those Army budgeted positions, which required a transfer, on paper, to the Department of the Army. And this was reversed the first of July, 1950, when that position was funded by the State Department. And a year or two later, when

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I applied for lateral entry into the Foreign Service, they found that I had not had continuous service in the State Department for the past three years.

MCKINZIE: You had to wait until....

DUX: Had to wait three years. By the time that period was up, the Reston plan was in its final stages, and it was just a matter of waiting for that to be implemented, and that's how I came in.

MCKINZIE: Well, I thank you very much, sir.

DUX: All right, sir, you're welcome.

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