A YEAR OF POTSDAM

"During the Period of Occupation Germany Shall be Treated as an Economic Unit"

– The Potsdam Declaration


US ZONE OF GERMANY /
GREATER HESSE, WUERTTEMBERG BADEN, BAVARIA
BRITISH ZONE
KASSEL
KURHESSEN
GREATER HESSE
SOVIET ZONE
NASSAU
GIESSEN
HESSEN
WIESBADEN
FRANKFURT
CZECHO-
SLOVAK
HESSEN
LOWER FRANCONIA
DARMSTADT
WUERZBURG
UPPER and MIDDLE FRANCONIA
FRENCH
MANNHEIM
BADEN
HEIDELBERG
NUREMBERG
WUERTTEMBERG
BADEN
LOWER BAVARIA - UPPER PFALZ
BAVARIA
REGENSBURG
WUERTTEMBERG
STUTTGART
SCHWABEN
ZONE
MUNICH
UPPER BAVARIA
KEMPTEN
AUSTRIA
SWITZERLAND

ERRATA -- "A YEAR OF POTSDAM"

1. Pages 4 and 5 were intended to follow pages 6 and 7.

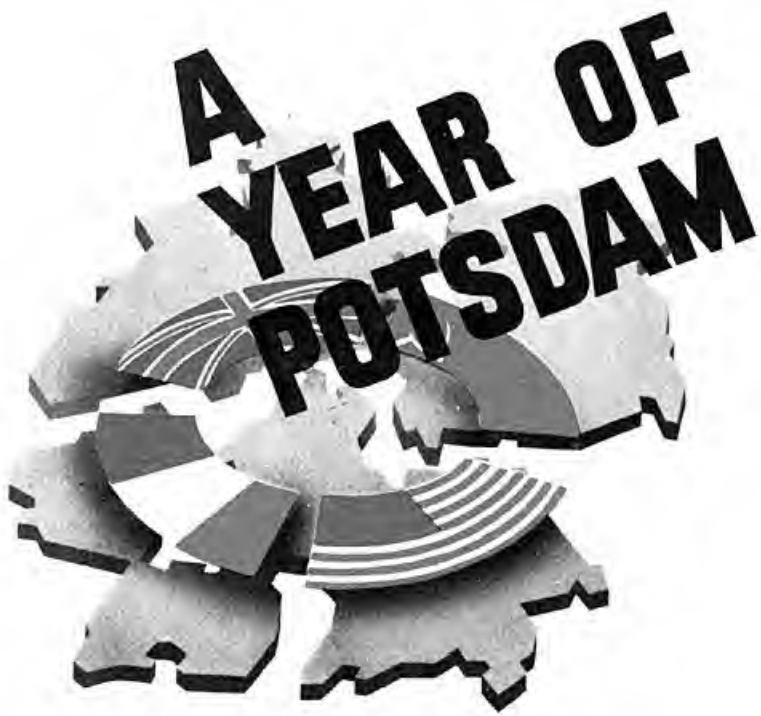
2. Pages 172-173: That portion of the article from "Law 52 Promulgated", top of page 172, to the words "on 21 January 1946 in the following form" should precede the "Definition of the Term 'Restitution'" which begins at the top of page 170.

3. Page 170: In Article 5 of the "Definition of the Term 'Restitution'", eleven words are omitted. Article 5 should read:

> "The Control Council will deal on all questions of restitution with the government of the country from which such objects were looted."

4. Page 59: Section headed Food Imports states that "by the end of June approximately 126,000 tons of food imported for United States account had been distributed to support ration scales and in the U. S. Zone".

The correct tonnage is 726,000 tons.



THE GERMAN ECONOMY SINCE THE SURRENDER

PREPARED BY THE

ECONOMICS DIVISION

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OFFICE OF MILITARY GOVERNMENT
FOR GERMANY (US)

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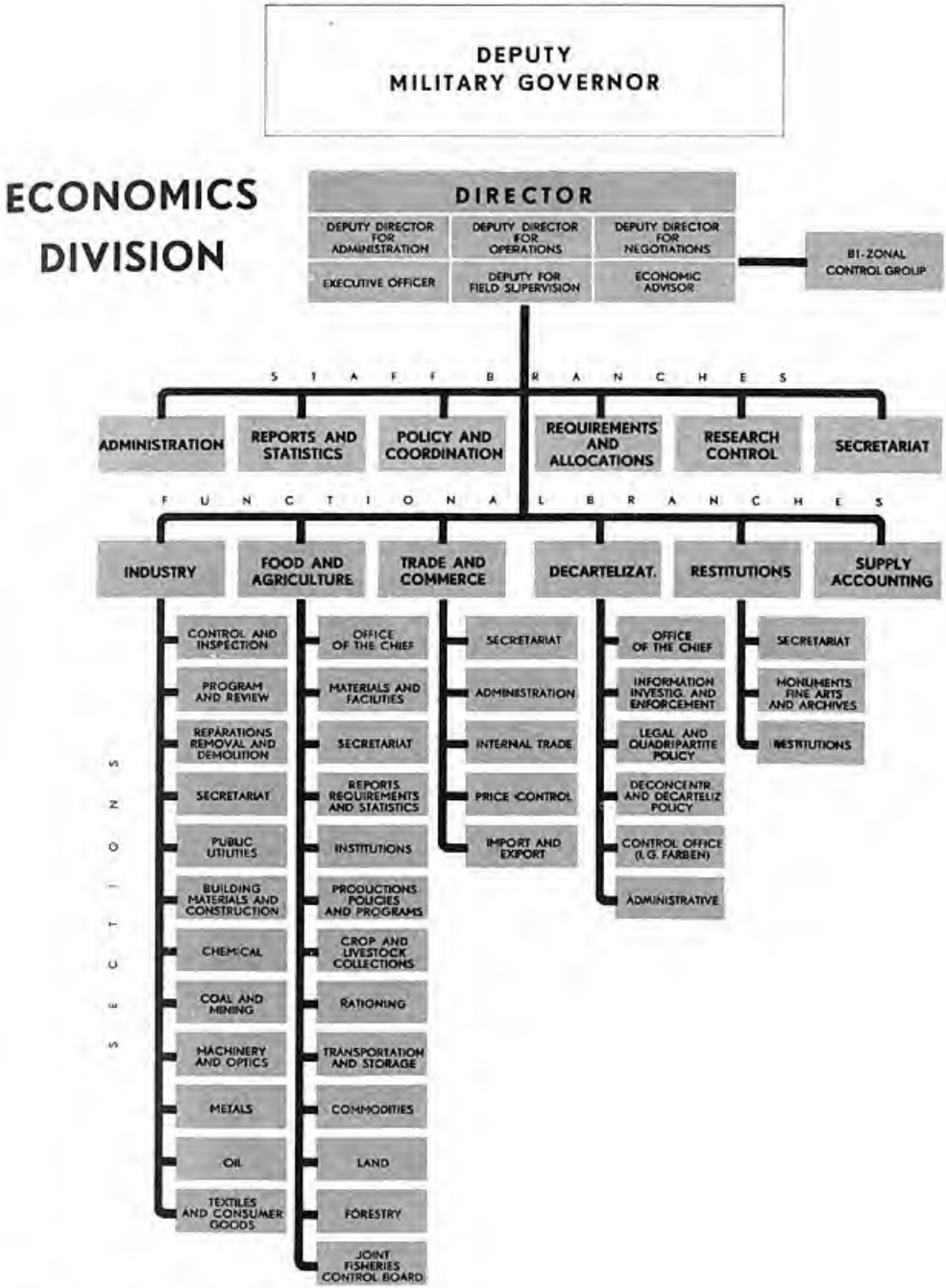


Brigadier General William H. Draper, Jr.
Photo by Byers

U.S.A. in Germany

Our program in Germany is a difficult program, it requires a firm determination to destroy Germany's war potential through demilitarization, denazification, and the removal of war making capacity in heavy industry to be given in partial reparation to the countries which suffered from German aggression. It demands the punishment of those who led Germany into the suppression of individual rights and then into aggressive war with ruthless purpose. Simultaneously, it calls for the restoration of the responsibility for self-government to the German people through democratic processes. It requires the re-education of the German people to a liberal philosophy of life. It requires firm justice in exacting punitive measures tempered with considerate courtesy and aid to those in Germany who will work to restore democracy.

Lt. Gen. Lucius D. Clay in a Letter to OMGUS personnel on the occasion of the first anniversary of U. S. Military Government in Germany

Headquarters, Office of Military Government for Germany (US), Berlin.
Photo by Byers

A YEAR OF POTSDAM

by Brigadier General William H. Draper, Jr.
Director, Economics Division

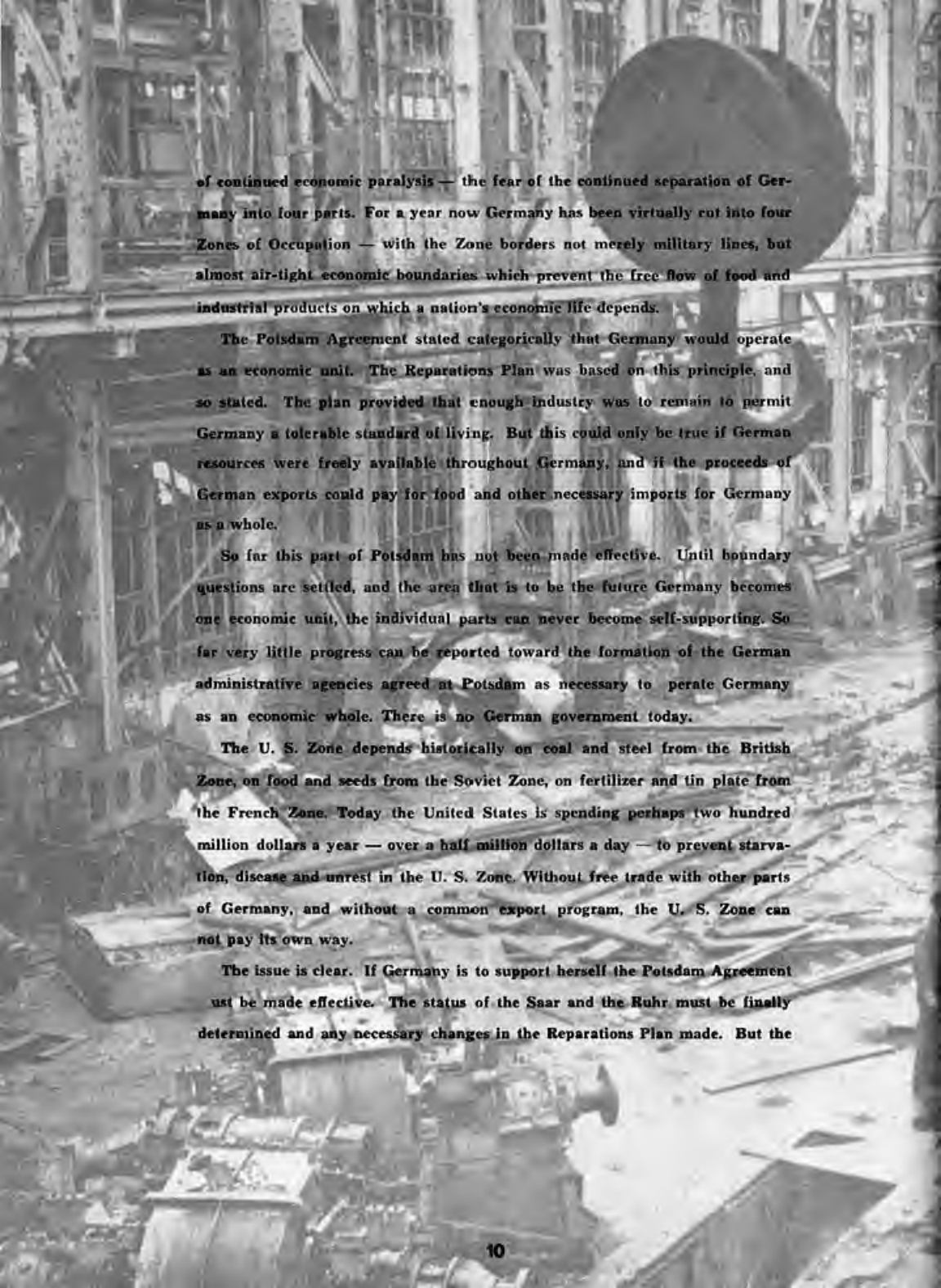
A year ago Germany surrendered. At Potsdam the Big Three decreed that never again would Germany menace the peace of the world.

Now Germany has been disarmed. Her army, the famous Wehrmacht, has been smashed into bits. Her air force — Goering's pride — has been destroyed. Her navy has been broken up. Germany is also being disarmed industrially. High explosive plants have been blown up. I. G. Farben, the world's biggest cartel, has been seized; its top management has been jailed; some of its many plants have been destroyed, some offered for reparations, and all put under separate control.

The Allied Control Authority has approved the Plan for Reparations — actually a plan for industrial disarmament. While somewhat more than half of Germany's total pre-war industry will remain, only one-third of the heavy industry which made the steel, the big guns and the tanks for Hitler's war of aggression will be left. Germany is being demilitarized, denazified and deindustrialized.

Today Germany, like much of Europe, is hungry. Physical deterioration from slow starvation has begun. Coal is short. A second winter with little heat lies ahead. These shortages exist not because of reparation removals but because those industries which are to remain in Germany cannot yet be revived. Germany is paying a heavy price for the destruction she brought on herself. But the fear in Germany today goes deeper than hunger and cold. It is the fear

Signal Corps Photo



of continued economic paralysis — the fear of the continued separation of Germany into four parts. For a year now Germany has been virtually cut into four Zones of Occupation — with the Zone borders not merely military lines, but almost air-tight economic boundaries which prevent the free flow of food and industrial products on which a nation's economic life depends.

The Potsdam Agreement stated categorically that Germany would operate as an economic unit. The Reparations Plan was based on this principle, and so stated. The plan provided that enough industry was to remain to permit Germany a tolerable standard of living. But this could only be true if German resources were freely available throughout Germany, and if the proceeds of German exports could pay for food and other necessary imports for Germany as a whole.

So far this part of Potsdam has not been made effective. Until boundary questions are settled, and the area that is to be the future Germany becomes one economic unit, the individual parts can never become self-supporting. So far very little progress can be reported toward the formation of the German administrative agencies agreed at Potsdam as necessary to perate Germany as an economic whole. There is no German government today.

The U. S. Zone depends historically on coal and steel from the British Zone, on food and seeds from the Soviet Zone, on fertilizer and tin plate from the French Zone. Today the United States is spending perhaps two hundred million dollars a year — over a half million dollars a day — to prevent starvation, disease and unrest in the U. S. Zone. Without free trade with other parts of Germany, and without a common export program, the U. S. Zone can not pay its own way.

The issue is clear. If Germany is to support herself the Potsdam Agreement ust be made effective. The status of the Saar and the Ruhr must be finally determined and any necessary changes in the Reparations Plan made. But the

future Germany must be allowed to operate as an economic unit. Otherwise it is obvious that the Reparations Plan and the industrial disarmament of Germany cannot become effective as now planned, because the four Zones cannot exist separately with that amount of industry removed. The U. S. Delegation has therefore advised the other Occupying Powers that until the situation is clarified, no reparations plants other than the few agreed for advance deliveries will be dismantled. The U. S. position on reparations remains unchanged. When the boundaries of the future Germany are determined and she begins to operate as one country, industrial disarmament can proceed and a large share of her industrial plants, machinery and equipment can go in reparations to the countries ravaged by Germany.

At Paris, a year after Potsdam, the Council of Foreign Ministers debated the issue. Our Secretary of State urged that the Potsdam agreement be made effective as a whole, that Germany be disarmed in both a military and industrial sense, that reparation be made to the devastated countries, that central German administrative agencies be created and that Germany be treated as a single economic unit.

However, no agreement was reached. The U. S. Delegation then offered to join the economy of our Zone of occupation with any one or more of the other zones. This would break down some at least of the economic borders now choking the economy. The intention is not to divide Germany, but to bring about the economic unity called for by Potsdam as rapidly as possible. General McNarney, the U. S. Zone Commander, has officially confirmed our Government's offer to the three other occupying powers at a meeting of the Allied Control Council.

A year of Potsdam has clarified the issue. Potsdam must be carried out as a whole or it must be revised.

Photo by Ries

Basic Objectives of Military Government

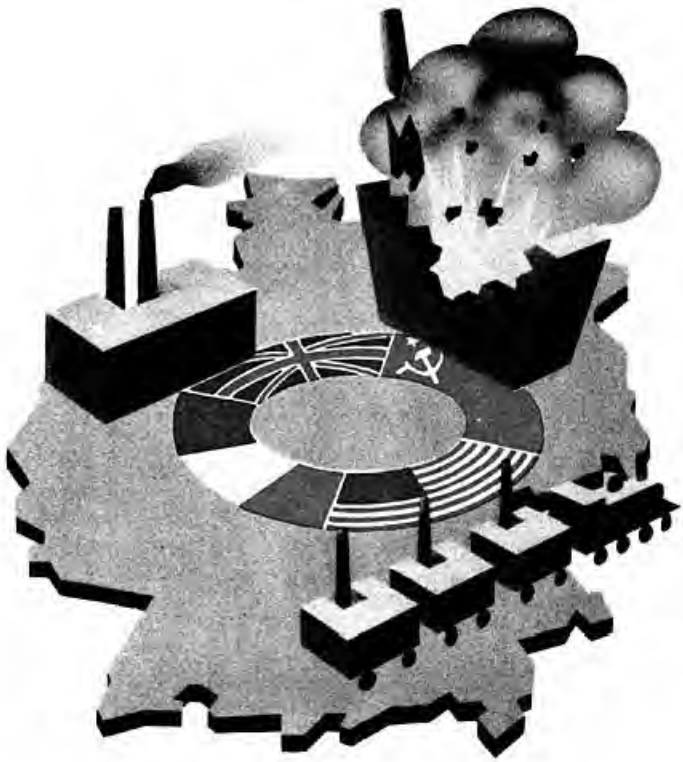
It should be brought home to the Germans that Germany's ruthless warfare and the fanatical Nazi resistance have destroyed the German economy and made chaos and suffering inevitable and that the Germans cannot escape responsibility for what they have brought upon themselves.

Germany will not be occupied for the purpose of liberation but as a defeated enemy nation. Your aim is not oppression but to occupy Germany for the purpose of realizing certain important Allied objectives. In the conduct of your occupation and administration you should be just but firm and aloof. You will strongly discourage fraternization with the German officials and population.

The principal Allied objective is to prevent Germany from ever again becoming a threat to the peace of the world. Essential steps in the accomplishment of this objective are the elimination of Nazism and militarism in all their forms, the immediate apprehension of war criminals for punishment, the industrial disarmament and demilitarization of Germany, with continuing control over Germany's capacity to make war and the preparation for an eventual reconstruction of German political life on a democratic basis.

Other Allied objectives are to enforce the program of reparations and restitution, to provide relief for the benefit of countries devastated by Nazi aggression and to ensure that prisoners of war and displaced persons of the United Nations are cared for and repatriated.

— Directive of Joint Chiefs of Staff (JCS 1067) to General of the Army Dwight Eisenhower



THE FOUR POWER ECONOMIC OCCUPATION OF GERMANY


STORY OF THE
ECONOMICS DIRECTORATE

"15. Allied controls shall be imposed upon the German economy but only to the extent necessary:

(a) to carry out programs of industrial disarmament and demilitarization, of reparations, and of approved exports and imports.

(b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of standards of living of European countries. (European countries means all European countries excluding the United Kingdom and the Union of Soviet Socialist Republics.)

(c) to ensure in the manner determined by the Control Council the equitable distribution of essential commodities between the several zones so as to produce a balanced economy throughout Germany and reduce the need for imports.

(d) to control German industry and all economic and financial international transactions, including exports and imports, with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein.

(e) to control all German public or private scientific bodies, research and experimental institutions, laboratories, et cetera, connected with economic activities."

— Economic Principles, Report on the Tripartite Conference of Berlin, 2 August 1945

By Tom Falco

Several times a month, an American brigadier general, a British civil servant, a French financial expert, and a Soviet engineer leave their respective sectors of Berlin and go to the Allied Control Authority Building, located in a park amidst the destruction of what was once a thriving business section of Berlin. There, in the building that once housed the Kammergericht, highest court of Prussia — but which is now headquarters of the Four-Power government of Germany — these men sit down with their staffs and go about the business of shaping the economic life of postwar Germany:

How much coal can Germany export to the liberated countries and still maintain a minimum level of civilian economy?

Which plants in what industries will be made available for reparations?

How much steel capacity should be left in Germany, and what proportion should be retained in each of the four zones?

What progress is being made to demilitarize Germany industrially, and is the job moving along at the same pace in all zones?

How can Germany build up her export balance so as to acquire foreign currencies with which to pay for vital imports such as food?

What can be done to speed expansion of the building, textile, ceramics, furniture, agricultural and other "peaceful" industries?

How can the economic unity of Germany, called for in the Potsdam Declaration and reiterated in the Reparations Agreement, be put into operation?

Main Entrance to Allied Control Authority Building, Berlin.

Photo by Byers

It is questions such as these that must be considered by this group, and the answers passed up to the four-power Coordinating Committee and the Allied Control Council, the two top bodies in the Allied Control Authority. These four men, together with their working staffs, constitute the Economic Directorate, one of the most important of the twelve quadripartite Control Staff Directorates in the ACA. Like its counterparts in the ACA, the Economic Directorate takes the various problems connected with the occupation of Germany and tries to settle them in terms of the basic policies agreed to by the governments of the Four Powers. To do this job, the directorate is organized into seven committees — Food and Agriculture, Industry, Central German Administration, Trade and Commerce, I. G. Farben Control, Fuel, Liquidation of German War Potential —, upwards of a dozen subcommittees, and numerous working parties.

April 1946 was "American month" at the ACA Building. During that month, U. S. members of all directorates and committees acted as chairmen. This extended to the Allied Control Council, consisting of the commanding generals of the four zones of occupation, and to the Coordinating Committee, made up of the four deputies to the commanding generals. March was "Soviet month", with Soviet members in the chair. May would be "British month", and June "French month." In keeping with the quadripartite character of ACA activity, all chairmanships rotate month by month.

* * *

It is 1100 hours on a Friday morning in April. The Economic Directorate is about to go into session. In a large room on the second floor of the ACA Building — the same room where a two short years ago Hitler set up his Volksgericht, or People's Court, to try some sixty persons accused of plotting against his life — forty to fifty Americans, Britons, Frenchmen and Soviets are gathered. Secretaries are bringing in sheafs of papers. Stenographers are at their places. The members, with the aid of interpreters, are chatting with their colleagues. Tobacco smoke drifts up toward the high ceiling. Brigadier General William H. Draper, Jr., director of the Economics Division, Office of Military Government for Germany (U.S.), is chairman of the meeting.

The General walks toward a set of tables arranged in a hollow square. They are stacked with papers. Water pitchers and ash trays are conveniently placed. Pads and pencils are within easy reach. The General sits down in the center of one of the four sides, flanked by his deputy, his interpreters, and his secretaries. The British, French, and Soviet delegations do likewise.

"Shall we begin our meeting"?

The general's words are immediately translated into Russian. As almost always, translation into French is not necessary. René Sergent, the regular French member, is present; he speaks English as well as he does French. The directorate can put to good use the time thus saved. Its agenda is long, with anywhere from eighteen to twenty-five items listed.

"Shall we take up the confirmation of the minutes?"

Each of the members has before him a transcript of the minutes in his own language. All three versions — English, French and Russian — are the same. Correction of the minutes is now in order. The delegation on the left of the chair is first (it was the Soviet in April), then the work of correction proceeds clockwise from the chair — to the French delegation, the British, and finally the American. Each of the members states at which point in the minutes he may have been incorrectly quoted, or at which point an idea of his has not been properly expressed. An "a" may become a "the"; the word "imperative" may be changed to "important". First and last, the aim is to have the minutes present a true picture of what happened at the last meeting, a precise record of the decisions made and action taken.

Confirmation of the minutes may set the stage for the day's first display of parliamentary strategy. One of the members may have agreed to something which, on later study, he finds he should not have agreed to. It is then his job to try to convince the other members that this agreement was illogical, or unnecessary, or capable of being accomplished in some other way. Sometimes he succeeds; sometimes he doesn't. The remaining members have studied the minutes too, and may have good reason to resist any change. Throughout, each of them is intent on the discussion. It is no time for napping. The wrong word may commit a government to a course of action it does not want to take.

The Delegates

There is Konstantin Koval, the Henry Kaiser of the Soviet Union. He is husky, handsome, and tough as steel. As Deputy Minister for Heavy Industry, he is a driving force behind the Five Year Plan.

There is René Sergent, Inspector of Finance for France. He is slender, wears horn-rimmed glasses and has all the social graces. He speaks exquisite English, and applies to each problem the mind of a logician.

There is Eric Seal, career civil servant, who heads the British delegation. He is of medium build, wears glasses, and smokes a pipe. Now chief of the Trade and Industry Division, British Control Council, Mr. Seal was secretary to Winston Churchill during the early war years and later was assigned to the British Admiralty in Washington, D. C. He succeeds the

irrepressible Sir Percy Mills, who rose from factory sweeper to industrialist and war time controller of the machine tool industry of Great Britain. The soul of politeness, Sir Percy Mills' words could, on occasion, sting like a wasp.

There is General Draper, an infantry officer in both wars. The general is an economist by schooling, an investment banker by calling. In early 1940, he was called to active duty from his position as vice-president of Dillon, Read & Co., New York investment bankers. A colonel at that time, he helped General Hershey develop the Selective Service System. Then he saw active service in the Central Pacific as regimental commander of the 136th Infantry, and was later assigned to Washington, D. C. There he did a number of jobs for the Army — from general staff work to supervision of contract terminations. In March 1945 he was detailed to Germany as director of the Economics Division, U. S. Group Control Council (now OMGUS).

General Draper's problem many times is to bring together apparently inreconcilable points of view among the various members.

Sometimes this ability can be turned to neat purpose for the American side. At a meeting last fall, the Soviet member brought up his zone's need for hard coal, available from the British Zone. The British member said that his Zone was quite willing to supply it, but sufficient transport was not at hand. General Draper suggested that each of the three set up a pool of 1,000 railway freight cars to make such a deal possible. All were quick to proclaim this a capital idea — to say nothing of it, being a generous gesture on the part of the American delegation. Then the general suggested that it would be impractical to let those wagons return empty from the Soviet Zone. Why not fill them up with brown-coal briquettees (which the U. S. Zone happened to need from the Soviet Zone) and drop them off on the way back? The point scored.

All four men are relatively young, ranging in age from the early 'forties to the early 'fifties. All are keen-witted and quick, among the best their nation can produce. All recognize that they are part of an international team that must win the peace as it won the war.

The Interpreters

The directorate's interpreters are as varied and colorful a group as the persons they work for:

Richard A. Steele, the U. S. member's Russian interpreter, was born of American parents in Harbin, Manchuria, went through Russian high school, then studied English at Cambridge. His first visit to the United States was in 1939, after which he served in the U. S. Army, saw combat, and was

commissioned. In September, 1945, he was assigned to the U. S. Group Control Council, and recently converted to civilian status.

The Soviet member's English interpreter is young, boyish Lt. W. Talmy, known as "Tommy". His father, an engineer, was a purchasing agent for the Soviet Union, and Tommy was born in Brooklyn, where he went through grammar school. He speaks "American" rather than English, often has to repeat his translations for the British delegation.

The French member's Russian interpreter is Elaine Tschavtschavadze. Miss Tschavtschavadze is a genuine Georgian princess and has a penchant for American chewing gum. A cousin of hers is a U. S. Army lieutenant in OMGUS.

The British member's Russian interpreter is Harry E. Ward, a Russian emigre who became a British subject (and changed his name). He has been a professional interpreter for many years. Amongst his associates he is affectionately known as "Papasha", or Pop.

Of these four, two have important duties other than interpreting. Dick Steele is also a liaison officer for the Economics Directorate; Lt. Talmy is also one of the secretaries for the Soviet delegation.

The members of the directorate and interpreters necessarily spend considerable time together. Mutual respect has developed; also real friendship. Dinner parties among the members are frequent, and on two occasions they have gone hunting together.

To the person sitting in on a regular meeting for the first time, however, there is little evidence of after-hours comaraderie. With his brief before him, a member is apt to speak looking stolidly at the person addressed. Perhaps he twirls a pencil as he talks or fingers a cigarette lighter, using it to tap with on the table, from time to time, to emphasize his remarks.

Of course, there are disagreements. Considering the diverse political, economic and social views represented, they are inevitable. Still voices are seldom raised. When — figuratively — a member is pushed into a corner, his face may flush, his eyes may flash, his voice may be tinged with iron; but he never loses his temper.

On 15 August 1945, two weeks after signing of the Potsdam Declaration, the Economic Directorate met for the first time. It was "American month" at the ACA and General Draper presided. He is the only one of the present group who was at that first meeting. René Sergent, the French member then as he is now, was unable to attend. Maj. General S. I. Shabalin was the Soviet representative; Sir Percy Mills the British.

Between that time and August 3, 1946 — first anniversary of the Potsdam Agreement — there have been 58 meetings of the Economics Directorate. It has been nerve-wracking, hard work for all concerned. It is rare for a

session to wind up before 7 p. m. And last February, when the post-war level of German industry was being worked out, the directorate labored far into the night, sometimes adjourning only with the dawn.

At the first meeting, on 15 August, there was considerable discussion about the basic principles laid down in the Potsdam Declaration. In its 50-odd meetings since that time, the Economics Directorate has played a vital part in endeavoring to implement those principles. Once the economic unity of Germany is reiterated and made effective by all of the four powers, the economics Directorate will likewise play a vital role in finishing what was begun at Potsdam.

The Economics Directorate in Session: American element (upper left); British element (lower left); French element (upper right); Russian element (lower right); and, left to right, General Draper, U.S. Member; Mr. Seal, British Member; Mr. Koval, Russian Member, and M. Deboysson, French Member.

Photo by Ries

THE INDUSTRIAL DISARMAMENT OF GERMANY

Reparations and the Future Level of German Industry

With the approval by the Control Council on March 26, 1946, of "THE PLAN FOR REPARATIONS AND THE LEVEL OF POST-WAR GERMAN ECONOMY IN ACCORDANCE WITH THE BERLIN PROTOCOL", eight months of intensive study and negotiations by the occupying powers were successfully concluded. The plan, seventeen pages in length, is the basis for specific determination of the nature and amount of industrial equipment to be removed as reparations. It is the first major step toward implementation of those provisions of the Berlin Protocol which impose controls upon the German economy to the extent necessary to "carry out programs of industrial disarmament and demilitarization, of reparations, and of approved exports and imports".

The plan as finally approved is first of all a guide to industrial disarmament to assure, in the words of the Berlin Protocol "that Germany never again will threaten her neighbors or the peace of the world". Reparations are a part of industrial disarmament — of the process of eliminating industry not necessary to the maintenance of a German standard of living "not exceeding the average of standards of living of European countries", excluding the U. K. and the U. S. S. R., but sufficient "to enable the German people to subsist without external assistance." With these principles before them, the experts were confronted with two apparently irreconcilable facts. **Nearly all industry supports modern war, but it also supports people.** With her present territory and population, Germany cannot subsist without large imports, particularly of food, and exports of industrial products are the only known source of payment — unless the occupying powers make gifts. The history of the reparations plan is essentially the history of an effort by quadripartite study and negotiation to strike a balance between the requirements of economic disarmament and of self-support.

"DESTRUCTION OF FABRIK KAUFBEUREN". Lieut. General Lucian K. Truscott, Commanding General, Third Army, pushes explosive generator, blasting the first buildings of the Kaufbeuren Powder Plant.

Signal Corps Photo

Standard of Living Board

The United States' contribution to the solution of this problem began with the organization of the German Standard of Living Board to frame preliminary recommendations concerning future production levels. The Board's report, commonly referred to as the Hoover Report in honor of the Board's Chaiman, Dr. C. B. Hoover, was published on 21 September 1945 and was introduced into the Quadripartite machinery as a basis for discussion.

Other overall plans were submitted by the British, French and Soviet delegations in January and February, 1946, and a second U. S. Memorandum, prepared under the direction of Dr. B. U. Ratchford, was presented officially as the American position to the Economic Directorate on 29 January 1946. The final plan as approved by the Control Council embodied work of all the delegations modified by quadripartite reconciliation of the differing viewpoints reflected in the several reports.

To facilitate the preparation of a plan acceptable to all occupying powers, the Economic Directorate agreed on 15 August 1945 to organize the Level of Industry Committee. At its first meeting on 17 September 1945 this committee created a Technical Staff to operate as a Working Party of economists. During the six months between the date of its organization and preparation of the Economic Directorate's draft plan, the LOIC and Technical Staff held sixty-four meetings in an effort to develop and agree upon the hundreds of separate questions requiring answers. Some issues were not resolved until 8 March 1946 when the Control Council accepted a complete set of proposals subject to final approval by the several governments.

Final demolition of Fabrik Kraiburg at Muehldorf, once a producer of double-base smokeless powder for the German Army.

Photo by Byers

I. G. Farben military explosives plant at Ebenhausen, before and after demolition operation.

Signal Corps Photo

The plan rests on four major assumptions:

Germany will consist of the present German territory lying between the Oder-Neisse line and the present western boundaries.

The population within these boundaries will be 66,500,000 in the target year 1949.

Exports will encounter no special discriminations in foreign markets.

Germany will be treated as an economic unit in accordance with the Berlin Protocol.

Zonal Authority Unworkable

The importance of these assumptions is apparent. Placing Germany's eastern boundary on the Oder-Neisse line eliminated about 25 percent of the former Reich's agricultural resources, but did not greatly affect total population, since the anticipated immigration of Germans not permitted to remain on foreign soil is expected to offset the loss. If substantial changes should be made in Germany's western boundaries, industry important to the whole of Germany would be affected, thus necessitating revision of permitted production levels in the remaining Reich territory. Similarly, if the population proves to be greater than 66,500,000, necessary imports of food and raw materials will require higher levels of production, both for export and for domestic consumption. The salability of German exports is a critical assumption. If it is in error, the problem of German self-support will be almost insoluble. Finally, since the plan is intended to apply to the whole of Germany, zonal autonomy in such matters as reparations removals and trade would make the plan unworkable.

With these assumptions as a starting point, the economists were confronted with the problem of estimating requirements for major consumer goods, such as food and clothing; the kind and amount of exports necessary to balance imports; and the amount of basic production in mining, metallurgy, machinery, chemistry, and electric power necessary to support estimated consumption and export levels. And this had to be consistent with a maximum reduction in war potential, on the one hand, and the encouragement of agriculture and peaceful industries on the other. The resulting pattern of restricted and unrestricted industries is obviously not the only possible answer, but it is one answer to an extremely complex problem. Most important, it is an answer that was acceptable to the Four Powers.

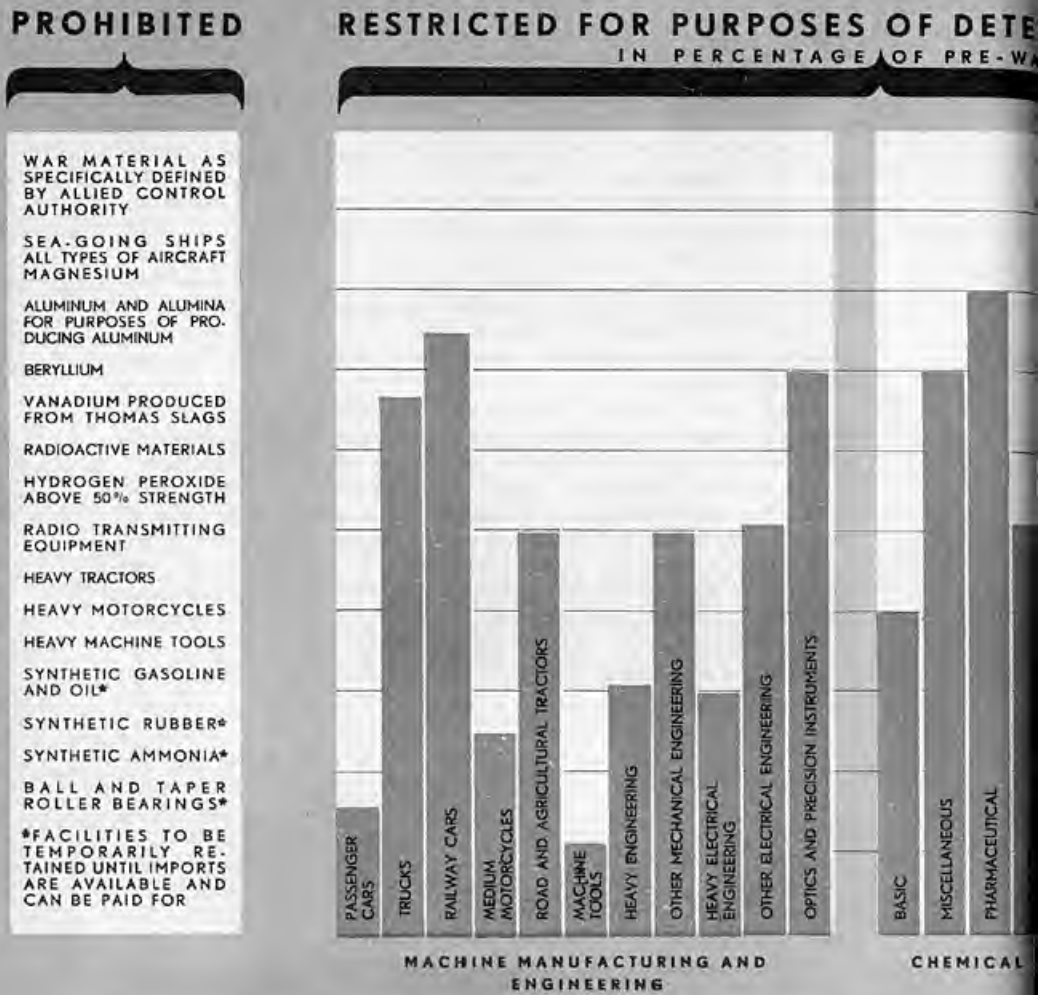
The plan as written begins with the specific disarmament features of the Berlin Protocol — elimination of the production of arms, ammunition and implements of war, as well as all types of aircraft and seagoing ships. In addition to these prohibitions the plan states that all industrial capital equip-

ment for the production of fourteen specific items of critical military importance will be eliminated. These items include synthetic rubber, gasoline, and ammonia; ball and taper roller bearings; heavy machine tools of certain types; heavy tractors; aluminum (primary), magnesium, beryllium, and vanadium (from Thomas Slag); radioactive materials; radio transmitting equipment; and specific chemical products. The elimination of domestic production of the first four items is contingent upon the availability of imports and the means of payment. Thus, by striking out items of critical military importance not essential to the German peacetime economy, the first step toward industrial disarmament is achieved.

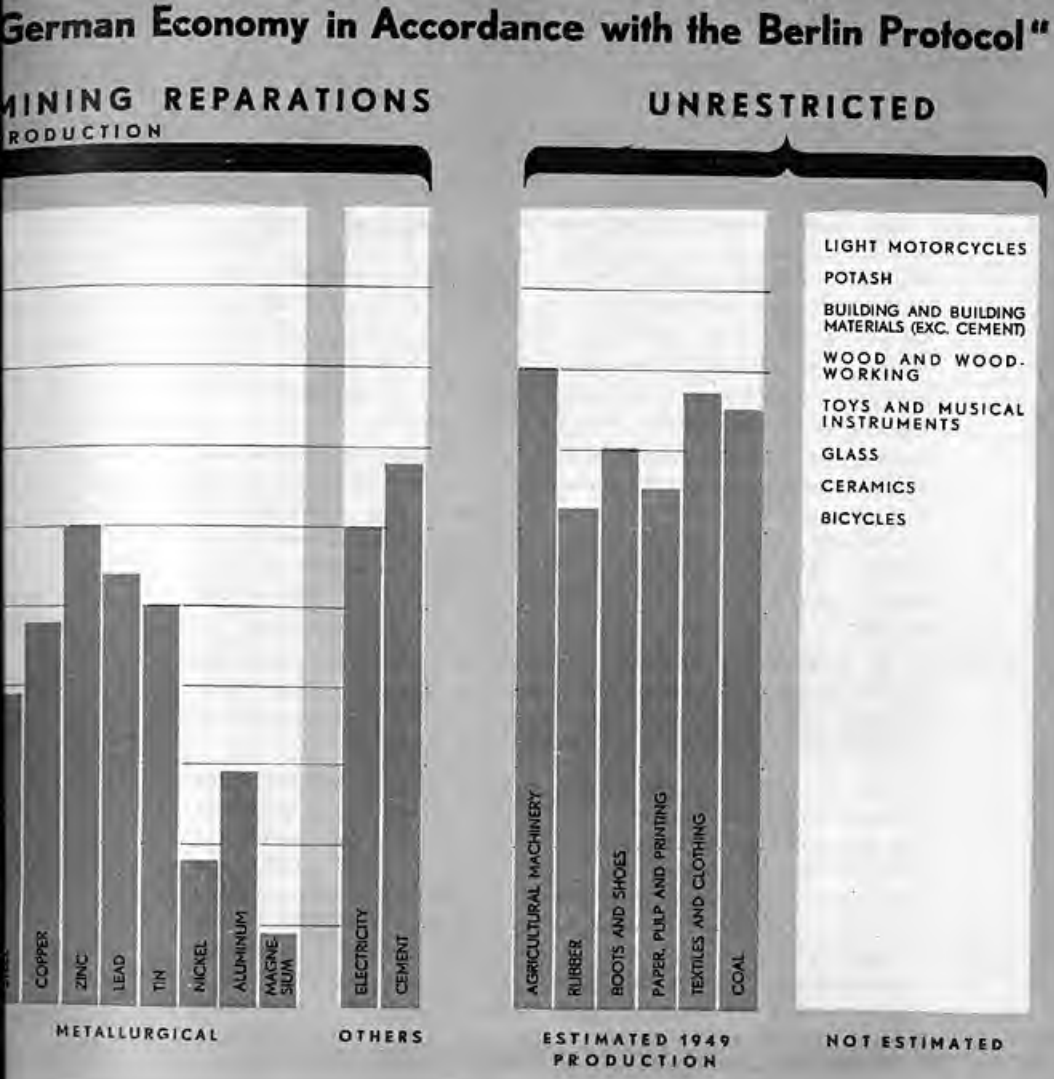
Certain other industries, primarily the metallurgical, machinery, and chemical industries, are necessary to both war and peace. It was necessary, therefore, to restrict such production to amounts no more than enough to support the prescribed standard of living. Ingot steel capacity is thus reduced to 7.5 million metric tons, or to 39 percent of 1936 production, and annual production was limited to 5.8 million tons until otherwise determined by the Control Council. Similarly, drastic restrictions have been placed upon the production of such non-ferrous metals as copper, zinc, lead, tin, nickel, aluminum, and magnesium. Only reclaimed aluminum will be produced domestically, and a limited amount of magnesium will be imported.

Restrictions on the mechanical and electrical engineering industries differ

"The Plan for Reparations and the Level of Post-W



in the several branches depending upon relative military significance. Thus machine tool capacity is to be reduced to 11.4% of total 1938 value, and such tools will be limited as to size and type by the Allied Control Authority. Heavy mechanical engineering is reduced to 31% and light mechanical engineering, consisting mainly of machinery production for the consumer goods, to 50% of total 1938 value. The production of private motor cars has been



reduced to 16 % of 1936 production. In the field of electrical engineering heavy types of equipment are limited to 30 percent, within an overall limitation for the entire electrical industry, of 50 percent of total 1938 value. In this way Germany's capacity to produce those types of equipment which heretofore have been converted to the production of armaments will be reduced to the level necessary to support a minimum peace economy.

The chemical industry, a third major source of supply in a modern war economy, has been cut back to preclude the diversion of facilities to military production. The basic chemicals, nitrogen, calcium, carbide, sulphuric acid, chlorine and alkali, have been reduced to 40 percent of total 1936 capacities. Considering the fact that these basic chemicals include those required for fertilizers, this reduction is extremely severe. Certain other chemicals, notably pharmaceuticals and dyestuffs, have not been so sharply reduced because of the necessity for allowing sufficient exports to pay for imports

Two other industrial restrictions are notable. Installed capacity for the production of electric power is reduced from more than 15 billion KW in 1936 to 9 billion KW in 1949, or 40 percent below 1936.. Such a limitation on generating capacity is expected to be an effective deterrent to expansion of such war potential industries as electro-metallurgy and chemicals. Cement is the only building material included in the restricted list, but it is also the most important. Production capacity is reduced to 68 percent of 1936 production.

The industries already described are expected to yield the bulk of anticipated deliveries of industrial equipment on reparations account. Such equipment will constitute the difference between existing capacity and the amount required to meet the prescribed production levels.

Two other groups of industries are included in the plan, but are not expected to provide reparations. The first of these groups includes coal mining, railroad rolling stock production, agricultural machinery, textiles, rubber (natural and reclaimed), paper, and boots and shoes. Levels for these industries are fixed or estimated, and although they are not expected to yield reparations, the possibilities of exacting reparations are not excluded if the Control Council decides that there are surplus capacities suitable for reparations. The second group of industries includes building and building materials (except cement), furniture and woodworking; flat glass, bottle and domestic glass; ceramics; bicycles; small motorcycles and potash. No levels have been set for these industries, and they are "free to develop within the limits of available material and financial resources."

These are the major features of the plan. It starts by eliminating production essential to a war, but not necessary to a peace economy. Then it cuts deeply into industries which are major supports for war, but necessary to the maintenance of peaceful production. Finally, in accordance with the policy of encouraging peaceful industries, it allows a wide range of freedom for peaceful industries to develop.

Balance of Payments

One other feature of the plan merits discussion — the balance of payments. The ultimate balancing of imports and exports is essential to self-support in Germany. Without sufficient exports to balance necessary imports, there is danger that import deficits will continue to be a drain on the treasuries of the occupying powers. The plan states that approved imports will not exceed RM 3 billion, and exports totaling, RM 3 billion at 1936 prices will be provided for in the industry levels. Of the total proceeds from exports, not more than RM 1.5 billion will be spent for food and fodder. Any portion of this amount not needed for food and fodder will be used to pay for occupation costs and other charges.

The total food import bill is a little larger than the 1936 bill, and amounts to 50 percent of the total imports for 1949. Considering the fact that Germany will be supporting a population equal to, or even greater than, the 1936 population without the highly productive area east of the Oder-Neisse line, the import allowance will not support a very luxurious diet. Estimates indicate a per capita calorie consumption of about 2700 per day, a large proportion of which will consist of grain and potatoes rather than the more expensive meats

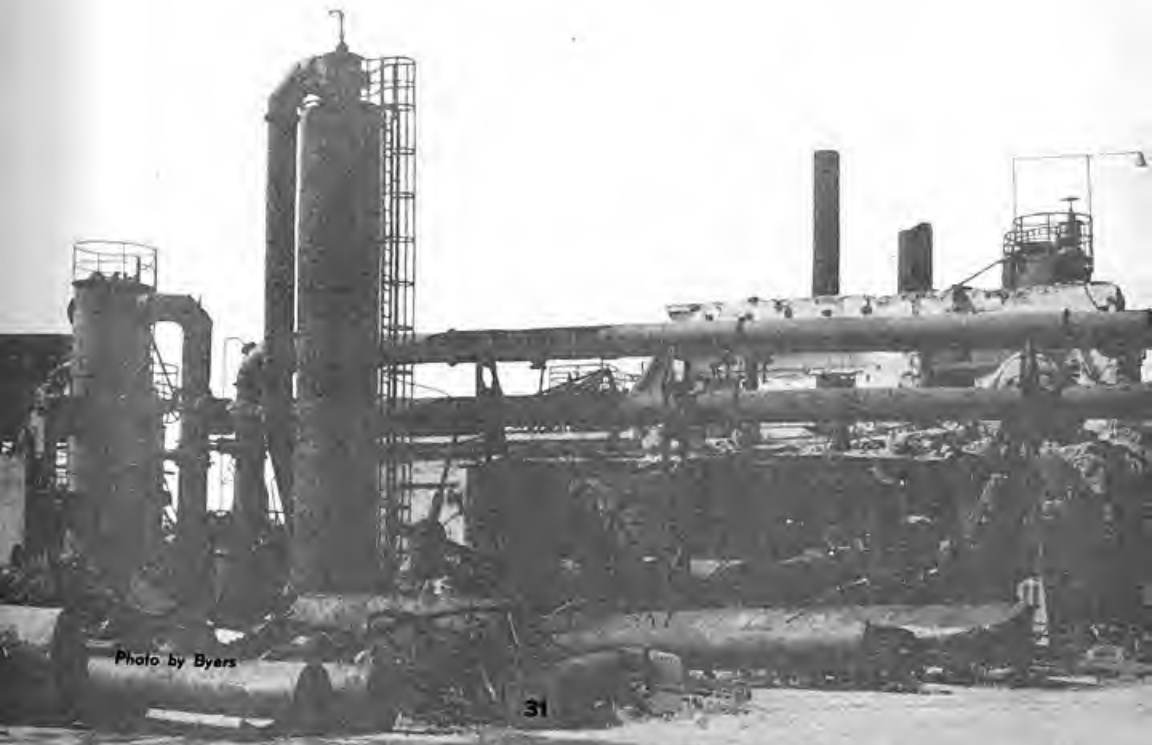


Photo by Byers

and fats. It is not assumed that minute control will be exercised over the German diet, but lack of internal agricultural resources and export capacities will compel the Germans to rely heavily on inexpensive high-calory foods.

While estimated total imports in the target year 1949 will be nearly 30 percent less and exports 38 percent less than in 1936, the changed composition of imports and exports illustrates better than do the total figures the effect of the plan on the German economy. Among the imports, for example, those items which will not be produced domestically when it is physically and financially possible to import them — ball and taper roller bearings, synthetic gasoline and oil, nitrogen fertilizer (from synthetic ammonia) and rubber — will cost almost twice as much as the same items in 1936, and will amount to 14 percent of the total import bill as compared with 5 percent in 1936. Raw materials, on the other hand, will amount to only 41 percent, and miscellaneous imports 35 percent, of 1936 expenditures for the same items.

Exports, even more than imports, reflect the effects of economic demilitarization. Exports of metal products — machinery, electrical equipment, optics and precision instruments, and non-ferrous metal goods — are reduced to 37 percent, and chemical products to 42 percent, of 1936 exports. In line with the policy of encouraging peaceful industries, emphasis is placed on exports of products from natural resources and light manufacturing industries. Exports of coal, coke, and potash are estimated at 122 percent, and consumer goods — leather, textiles, glass, ceramics, paper, etc. — at 109 percent of 1936 exports. Thus Germany is almost excluded from export fields in which she was preeminent prior to the war — metallurgy, engineering, and chemicals — and turned toward the production of consumer's goods.

It is estimated that the general effect of the plan is to reduce the level of industry as a whole (excluding building and building materials industries) to about 50 or 55 percent of the 1938 level. It is not now possible to translate this figure into an estimate of average consumer income. The real effect upon the German standard of living, therefore, is not too clear. It will depend, in part, upon the manner in which the occupying powers deal with the planned removal problem. If industry in general is too badly disorganized in the removal process, the achievement of permitted and estimated levels in 1949 will be made more difficult. Long-range results will be influenced even more by the ability of the German people to reorganize industry and to find new methods of achieving economic utilization of remaining industrial resources. The speed of the anticipated gradual recovery from present emergency levels of industrial production will depend to a large degree on food and coal availabilities, and the degree to which interzonal and export trade and financial problems are handled for Germany as a whole. The location, character, and

volume of employment opportunities will be greatly changed after the plant removal period, and the maintenance of a reasonable level of consumer income will depend upon the extent to which unrestricted industries can be expanded and the labor force adjusted to the new pattern of industry.

The plan is only a first step toward solution of the reparations problem. It is not a document for the long-range control of Germany and should not therefore be regarded as a complete answer to the problem of the German industrial war potential. The lasting controls over German industry will probably be written into the future peace treaty. Indeed, the plan itself may, in the light of experience, require revision either because the basic assumptions prove to have been unwarranted or because the parts do not balance. It would be almost a miracle if it were not faulty at least to some degree, considering the fact that it represents quadripartite planning and compromise. The real achievement lies in the fact that a plan has been developed and agreed on by the four occupying powers.

"It is our inflexible purpose to destroy German militarism and Nazism and to ensure that Germany will never again be able to disturb the peace of the world. We are determined to disarm and disband all German armed forces; break up for all time the German General Staff that has repeatedly contrived the resurgence of German militarism; remove or destroy all German military equipment; eliminate or control all German industry that could be used for military production; bring all war criminals to justice and swift punishment and exact reparation in kind for the destruction wrought by Germans; wipe out the Nazi Party, Nazi laws, organizations, and institutions; remove all Nazi and militarist influences from public offices and from the cultural and economic life of the German people; and take in harmony such other measures in Germany as may be necessary to the future peace and safety of the world."

— Occupation and Control, Crimea, 3 February 1945

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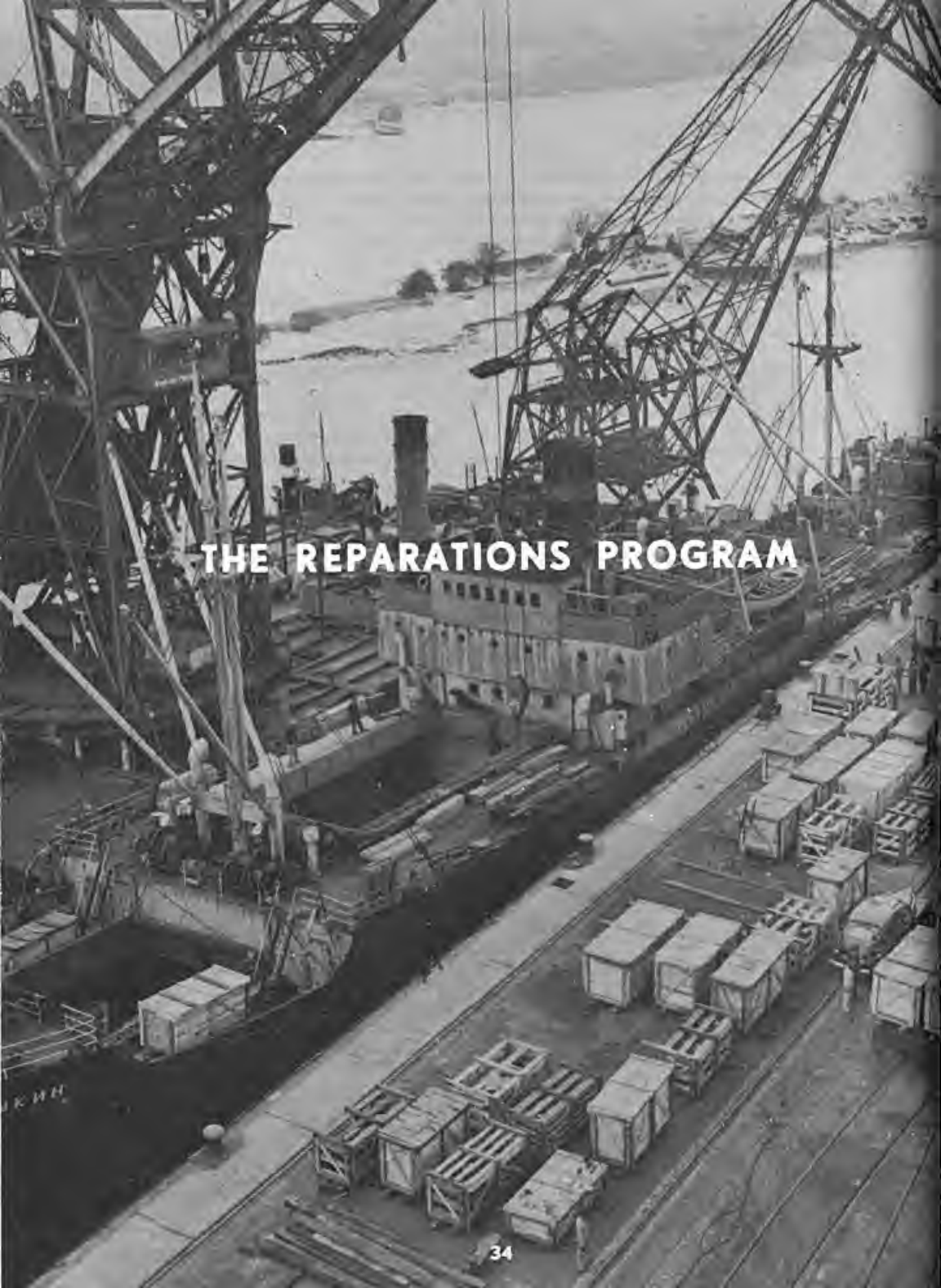
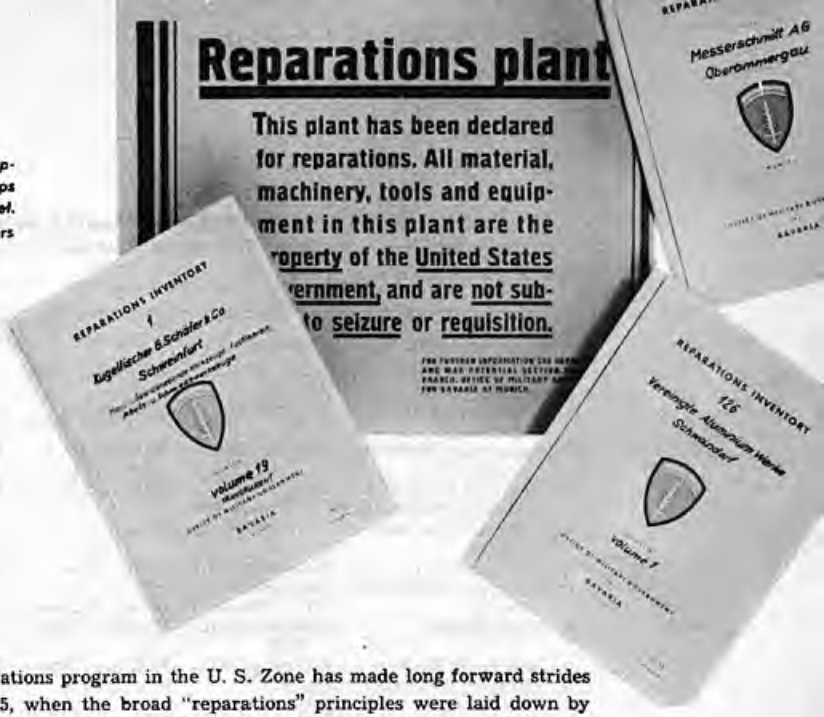


THE REPARATIONS PROGRAM



Machinery and general purpose equipment being loaded on Russian ships in Bremerhaven en route to the Soviet.
Photo by Byers

The Reparations program in the U. S. Zone has made long forward strides since June, 1945, when the broad "reparations" principles were laid down by the governments of the United States, United Kingdom and the Union of Soviet Republics. In the twelve months that followed:

War plants were destroyed;
Reparations plants were dismantled;
A quadripartite Plant Evaluation Formula was adopted and put to use;
Advance Reparations plants were allocated;
Deliveries of reparations equipment got under way.

Approximately 17,000 persons in the U. S. Zone are working on one or another phase of reparations activity — destruction, dismantling, shipping, evaluation, administration, statistics.

As of Aug. 1, 1946, 156 plants in the U. S. Zone had been confirmed for reparations by the Economic Directorate. Industries represented include aircraft, armaments, chemicals, machinery, metals, oil and shipbuilding.

Of the 156 plants "confirmed", 24 were allocated as "advance reparations" in October, 1945. These allocations were made in conjunction with a swift appraisal* of the plants, known as "Operation RAP". This represented an attempt to make available in the shortest possible time a number of reparations plants to the Soviet Union and the Western Nations.

* The basic clauses of the evaluation formula agreed by the Coordinating Committee of the Allied Control Council on 7. January 1946: Plant and equipment shall be evaluated at 1938 replacement cost, in Reichsmarks, without taking into account delivery and installation expenses. War damage, if any, will be deducted and depreciation allowed at rates to be agreed upon, subject to a multiplier of 1.35 for every year of war use. Maximum allowance deductible for war damage and depreciation will be 78 percent of the 1938 cost and will be applied to the unit of allocation as determined by the Economic D[illegible]ectorate of the Allied Control Authority.

Dismantling of these plants began immediately and, as of 1 September, seven of the 24 plants had been completely dismantled. Dismantling status of the 24 allocated plants follows:

Reparations Number	Name of Plant	Location	Product	Diamantling Started	Diamantled Percent
1	Kugelfischer Georg Schaefer	Schweinfurt, Bav.	Ballbearings	1 Mar 46	97*
2	Bayerische Motorenwerke No. 1	Munich, Bav.	Aircraft-Engines	1 Mar 46	82
3	Deutsche Schiffs- & Maschinenbau AG. (Deschimag Shipyards)	Bremen (Werk Weser)	Shipbuilding	1 Mar 46	27
4	Grosskraftwerk AG.	Mannheim, W/B	Power Plant	Not yet begun	
5	Kloeckner-Humboldt-Deutz	Oberursel, Gr. Hesse	Diesel Engines	15 Nov 45	61
6	Fritz Mueller	Oberesslingen, W/B	Machine Tools	3 Oct 45	5
7	Bohner & Koehle	Esslingen, W/B	Machine Tools	8 Oct 45	4
9	Hensoldt & Soehne	Herborn, Gr. Hesse	Fire Control	10 Oct 45	100
10	Gendorf	Gendorf, Bav.	Power Plant	16 Jan 46	40
11	Hastedt	Bremen	Power Plant	17 Oct 45	88
12	Toeging AG. Innwerk	Toeging, Bav.	Power Plant	11 Feb 46	8
13	Daimler-Benz (Goldfisch) (Underground)	Mosbach, W/B	Aircraft Engines	1 Mar 46	80
14	Bayerische Motorenwerke No. 2	Munich, Bav.	Aircraft Engines	2 Oct 45	100
15	Fabrik Hess. Lichtenau	Hess. Lichtenau, Gr. Hesse	Explosives	6 Feb 46	24
16	Deutsche Schiffs- & Maschinenbau AG.	Bremen-Valentin	Shipbuilding	1 Jan 46	100
17	C. F. Borgeward	Bremen	Torpedoes	22 Jan 46	62
18	Norddeutsche Huette AG.	Bremen-Oslebshausen	Steel Mfg.	Not yet begun	0
19	Hahn & Tessky Indexwerke	Esslingen, W/B	Autom. Screw Machines	25 Oct 45	60
20	Fabrik Kaufbeuren	Kaufbeuren, Bav.	Explosives	19 Oct 45	100
21	Fabrik Aschau	Muehldorf, Bav.	Explosives	27 Oct 45	30
22	Fabrik Ebenhausen	Ebenhausen, Bav.	Explosives	15 Oct 45	100
23	Wehrmacht Ordnance Plant	Strass, Bav.	Shell Loading	1 Mar 46	100
24	Wehrmacht Ordnance Plant	Geretsried-Wolfratshausen, Bav.	Shell Loading	1 May 46	2
25	Wehrmacht Ordnance Plant	Deschnig, Bav.	Shells	1 Mar 46	100

*USSR Portion only.

Status of Dismantling and Demolition of German War Plants 1946

On 31 March 1946, the first shipment of reparations equipment — from the huge Kugelfischer ball-bearing Plant at Schweinfurt — was loaded on rail cars and forwarded to Bremen, there to be transshipped to the Soviet Union. Since then, reparations equipment has been forwarded to Bremen from three other plants: Daimler-Benz Underground Aircraft Engine Plant, Deschimag Shipyards and Gendorf Power Plant.

As of 1 August 11,100 tons of reparations equipment from these plants, all representing "Advance deliveries" were made available at the port of Bremen for transhipment by water to the USSR. Shipments totalling 9092 tons of equipment have been made from the Port of Bremen to the Soviet Union as follows:

Date of Shipment	Name of Ship	Tons loaded	Source of Equipment
19 Apr 46	Alexander Puschkin	1400	Deutsche Schiff- & Maschinenbau AG., Bremen-Weser
20 June 46	Verkknoyansk	1591	Deutsche Schiff- & Maschinenbau AG., Bremen-Weser
24 July 46	Otto Schmidt	2178	Deutsche Schiff- & Maschinenbau AG., Bremen-Weser
10 June 46	Kuznestrois	1299	Gendorf Power Plant, Gendorf, Kugel-Fischer Georg Schaefer & Co., Schweinfurt/Bav.
25 July 46	Velyranger	2624	Gendorf Power Plant, Gendorf, Daimler-Benz (Goldfisch) (Underground), Obrigheim/WB.

The destruction of war plants — those engaged exclusively in the production of materials primarily used for war — is part and parcel of the reparations program. After removing general-purpose equipment, power plants, etc. for reparations, such facilities are destroyed. As of 1 September, 80* war plants in the U. S. Zone had been dismantled and/or destroyed, or in process of such treatment. The general-purpose equipment in six of these (Reparations Nos. 20—25) had already been allocated for reparations and are therefore listed in the table on page 36. Status of the remaining plants follows:

Rep. No.	Name	Location	Description	Percent Completed 1 September 1946
20	Fabrik Kaufbeuren (IGF)	Kaufbeuren, Bav.	Explosives	100
21	Fabrik Aschau (IGF)	Muehldorf, Bav.	„	30

*Ten of this number were reported too late for inclusion in following list.

Iron foundry equipment dismantled and ready for shipment.

Signal Corps Corps

Rep. No.	Name	Location	Description	Percent Completed 1 September 1946
22	Fabrik Ebenhausen (IGF)	Ingolstadt, Bav.	"	100
23	Wehrmacht Ordnance Plant	Strass, Bav.	Shell loading	100
24	Wehrmacht Ordnance Plant	Geretsried-Wolfratshausen, Bav.	" "	2*
25	Wehrmacht Ordnance Plant	Deschnig, Bav.	Shells	100
32	Fabrik Allendorf	Allendorf, Gr .Hesse	Explosives	20
33	Fabrik Wolfratshausen	Wolfratshausen, Bav.	"	3*
34	Fabrik Muenchen-Aichach	Munich-Aichach, Bav.	Fuses	100
35	Fabrik Kaufering	Kaufering, Bav.	Explosives	100
36	Fabrik Eschenstruth	Eschenstruth, Gr. Hesse	Machine Tools	100
38	Werk Kraiburg	Kraiburg, Bav.	Explosives	62
40	Gustav Genschow & Co.	Durlach-Wolfratsweier, W/B	Ammunition	100
41	Gustav Genschow & Co.	Durlach, W/B	"	100
42	Dynamit AG.	Landsberg, Bav.	"	100
45	Fabrik Fritz Sauer	Gersthofen, Bav.	Pyrotechnics	100
46	Paraxol Werk	Welden, Bav.	Chemicals	60
47	Paraxol Wereke	Schrobenhausen, Bav.	"	2*

Workmen removing reparations equipment from the Daimler-Benz underground aircraft engine plant Obrigheim, Wuerttemberg-Baden.

Photo by Byers

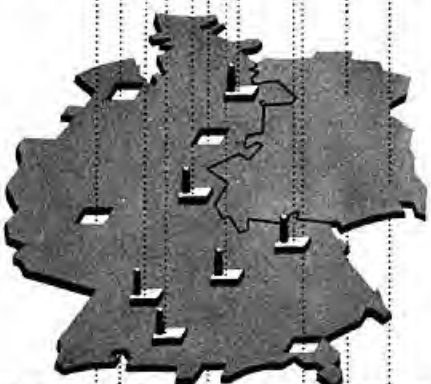
METHOD OF SELECTING INDUSTRIAL CAPITAL EQUIPMENT TO BE ALLOCATED FOR REPARATIONS

SCHEMATIC DIAGRAM

ZONAL NEEDS

ALL PLANTS IN OCCUPIED ZONES

DECLARED EXCESS OVER ZONAL NEEDS AS SPECIFIED FOR EACH ZONE BY OCCUPYING POWER



OVERALL NEEDS

PLANTS NOT REQUIRED FOR OWN ZONE BUT NECESSARY FOR OTHER ZONES

KNOWN EXCESS OVER NEEDS OF GERMANY AS AN ECONOMIC UNIT AS DETERMINED BY ALLIED CONTROL AUTHORITY

ALLOCATION OF NET EXCESS BETWEEN EASTERN AND WESTERN GROUPS

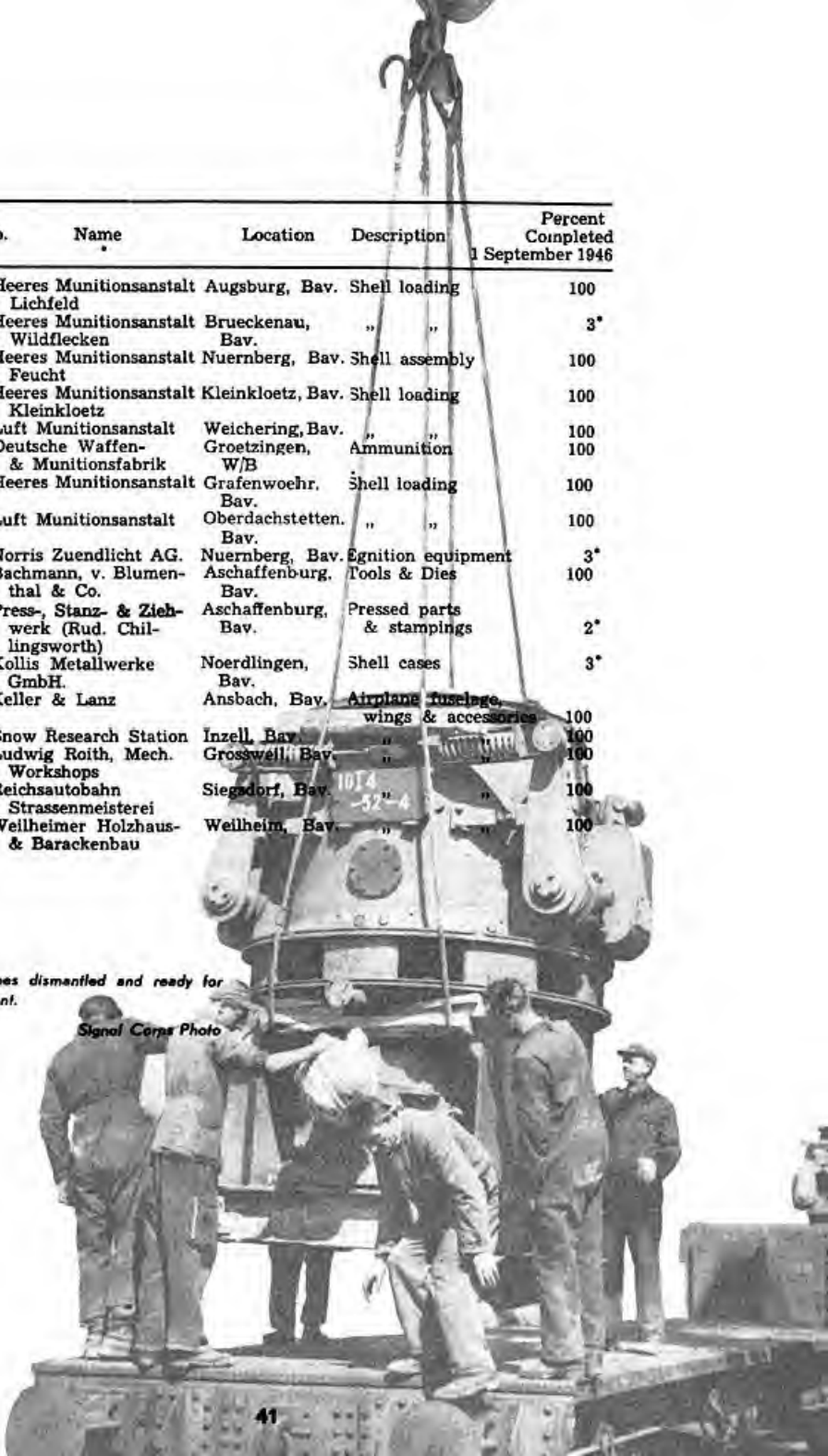
BY ALLIED CONTROL AUTHORITY

SOVIET CLAIMS TO BE MET BY REMOV
ALS FROM SOVIET ZONE . . . .

75% TO BE ALLOCATED TO INTER-ALLIED REPARATIONS AUTHORITHY FOR DISTRIBUTION AMONGST WESTERN CLAIMANT NATIONS

. . . . IN ADDITION 25% OF TOTAL ULTIMAT
VALUE TO BE ALLOCATED TO U.S.S.R. FO
DISTRIBUTION TO U.S.S.R. AND POLAND-15%
IN EXCHANGE FOR RAW MATERIALS. 10%
OUTRIGHT (POTSDAM FORMULA)

Rep. No.	Name	Location	Description	Percent Completed 1 September 1946
48	Heeres Munitionsanstalt Lichfeld	Augsburg, Bav.	Shell loading	100
49	Heeres Munitionsanstalt Wildflecken	Brueckenau, Bav.	„ „	3*
51	Heeres Munitionsanstalt Feucht	Nuernberg, Bav.	Shell assembly	100
52	Heeres Munitionsanstalt Kleinkloetz	Kleinkloetz, Bav.	Shell loading	100
53	Luft Munitionsanstalt	Weichering, Bav.	„ „	100
54	Deutsche Waffen- & Munitionsfabrik	Groetzingen, W/B	Ammunition	100
55	Heeres Munitionsanstalt	Grafenwoehr, Bav.	Shell loading	100
56	Luft Munitionsanstalt	Oberdachstetten. Bav.	„ „	100
57	Norris Zuendlicht AG.	Nuernberg, Bav.	Ignition equipment	3*
58	Bachmann, v. Blumenthal & Co.	Aschaffenburg, Bav.	Tools & Dies	100
59	Press-, Stanz- & Ziehwerk (Rud. Chillingsworth)	Aschaffenburg, Bav.	Pressed parts & stampings	2*
60	Kollis Metallwerke GmbH.	Noerdlingen, Bav.	Shell cases	3*
65	Keller & Lanz	Ansbach, Bav.	Airplane fuselage, wings & accessories	100
67	Snow Research Station	Inzell, Bav.	„ „	100
69	Ludwig Roith, Mech. Workshops	Grosswell, Bav.	„ „	100
72	Reichsautobahn Strassenmeisterei	Siegsdorf, Bav.	„	100
73	Weilheimer Holzhaus- & Barackenbau	Weilheim, Bav.	„ „	100



Machines dismantled and ready for shipment.

Signal Corps Photo

Rep. No.	Name	Location	Description	Percent Completed 1 July 1946
75	Wehrmachtgeraete-hallen	Freising, Bav.	„ „	100
77	Sperrholzfabrik August Monalt	Bad Toelz, Bav.	„ „	100
78	Hoerndl Trailer Factory	Etterschlag, Bav.	„ „	3*
79	RAD Lager, Fachschule	Unterthingau, Bav.	„ „	100
80	Messerschmitt	Augsburg, Bav.	„ „	100
81	Messerschmitt Plane Production Plant	Eschenlohe, Bav.	„ „	100
82	Messerschmitt Plants (5)	Regensburg, Bav.	„ „	2*
83	Messereschmitt Plant	Sinzing, Bav.	„ „	100
84	Messerschmitt Plant	Obertraubling, Bav.	„ „	100
85	Messerschmitt Plant	Hagelstadt, Bav.	„ „	100
86	Messerschmitt Plant	Stauffen, Bav.	„ „	100
87	Messerschmitt Plant	Badenweher, Bav.	„ „	100
88	Messerschmitt Plant	Cham, Bav.	„ „	100
89	Messerschmitt Plant	Pfreind, Bav.	„ „	100
90	Messerschmitt Plant	Frontenhausen Bav.	„ „	100
91	Messerschmitt Plant	Marienthal, Bav.	„ „	100
92	Messerschmitt Plant	Vilseck, Bav.	„ „	100
93	Messerschmitt Plant	Neuburg, Bav.	„ „	100
94	Messerschmitt Plant	Neustadt, Bav.	„ „	100
95	Messerschmitt Plant	Flossenburg, Bav.	„ „	100
96	Messerschmitt Plant	Oberzell, Bav.	„ „	100
97	Messerschmitt Plant	Franzensthal, Bav.	„ „	100
98	Messerschmitt Plant	Mauthausen, Bav.	„ „	100
99	Messerschmitt Plant	St. Georgen, Bav.	„ „	100
104	Werk Lippoldsberg	Lippoldsberg, Gr. Hesse	Explosives	30
105	Continental Metall AG.	Langenaubach, Gr. Hesse	Propellors & Hubs	100
108	Henschel Flugmotoren-werke	Holzhausen, Gr. Hesse	Engines	100
111	Henschel Flugmotoren-werke	Melsungen, Gr. Hesse	„	100
113	Henschel Flugmotoren-werke	Remsfeld, Gr. Hesse	„	100
116	Junkers Aircraft Factory	Immenhausen, Gr. Hesse	Engine parts	100
117	Junkers Aircraft Factory	Grifte, Gr. Hesse	„ „	100

116	Junkers Aircraft Factory	Bracht, Gr. Hesse	„ „	100
119	Heeresmunitionsanstalt	Ulm, W/B	Shell filling	100
120	Heeresmunitionsanstalt Siegelbach	Siegelsbach, W/B.	Ammunition	100

Three months after Potsdam, eighteen nations assembled in Paris to devise ways and means of distributing equitably among themselves, their portion of Germany's surplus assets, external as well as internal.

The 18 nations included Albania, Australia, Belgium, Canada, Czechoslovakia, Denmark, Egypt, France, Greece, India, Luxembourg, Norway, the Netherlands, New Zeeland, Union of South Africa, United Kingdom, United States of America and Yugoslavia.

One major accomplishment of the Paris conference which was held between November 9th and December 21st, 1945, was the creation of an Inter-Allied Reparation Agency (IARA) whose mission was to allocate reparations among the 18 participating governments and to assign of shares in German reparations within two categories.

One of these consisted of industrial equipment to be removed from Germany, together with merchant ships and inland water transport (category "B"). The second covered all other assets, gold, real estate, securities, including those in neutral and Allied as well as enemy territories (category "A").

Meanwhile the Economic Directorate and its many committees and Subcommittees have been laboring and arguing for months perfecting the Reparations Plan, which set the level of Germany's standard of living and economy, and indicated to what extent reparations were available to Allied nations.

On 26 March 1946, the U. K., U. S., and U. S. S. R. — together with France — approved the Plan for Reparations and the Level of Post-War German Economy. This plan supplied the framework to put the Potsdam Agreement into action.

The twin tasks of disarming Germany industrially and developing a reparations program were begun in the U. S. Zone even before Potsdam. Ten weeks after Yalta, on 26 April 1945, the U. S. Joint Chiefs of Staff issued Directive No. 1067 to the Commander-in-Chief of the U. S. Forces of Occupation in Germany, directing him to establish whatever controls might be necessary to bring about the disarmament of Germany and to enforce whatever program of reparations might be decided on by the Allied Powers.

The work that is now going on in the U. S. Zone was actually begun at Yalta early in February 1945. There, the Chiefs of State of the United States, United Kingdom, and the Union of Soviet Socialist Republics declared their inflexible purpose to destroy German militarism and to eliminate or control all German industry that could be used for military production. They also agreed on the principle that Germany should make compensation in kind, to the greatest extent possible, for the damage and destruction inflicted on the Allied countries during the war.

At Potsdam, between 17 July and 2 August 1945, the same Three Powers spelled out the Declaration of Yalta in terms of a definite program, which included: (1) Elimination of the facilities for, and prohibition of the production of, arms, ammunition and implements of war as well as all types of aircraft and seagoing ships. (2) Destruction of the German war potential by removal of industrial capital equipment from the heavy industries, principally metals, machinery and chemicals.

The Potsdam Declaration also provided that, during the period of occupation, Germany should be treated as a single economic unit, with common policies in regard to economic life and reparation removals. To implement this provision, central German administrative departments were to be established for finance, transport, communications, foreign trade and industry. Such departments were to be headed by State Secretaries and act under the direction of the Control Council.

Between JCS 1067 and the Reparations Agreement of March 1946, the U. S. military government launched one of the greatest industrial hide-and-seek operations on record. There was no complete, easy-to-be-had list of Nazi war facilities. They were scattered throughout the length and breadth of Hitler's Germany — inside mountains, in forests, below the ground, on isolated beaches and in hosts of small shops and plants that were never designed explicity for war production. An economic hunt was called for.

Since the summer of 1945, Military Government has been sifting, screening and reviewing a list of hundreds of reputed German war plants in the U. S. Zone. Work on this list, which represents a pool of Army-Navy-Air Force data, is now almost complete. In addition, the various sections of the Economics Division Industry Branch — metals, chemicals, machinery and optics — are constantly considering and investigating other plants for destruction or reparations, or for retention in the German economy in keeping with the Level-of-Industry Agreement. In all, the number of plants so considered — and which will either be available for reparations or retained for the German economy — runs into the thousands.

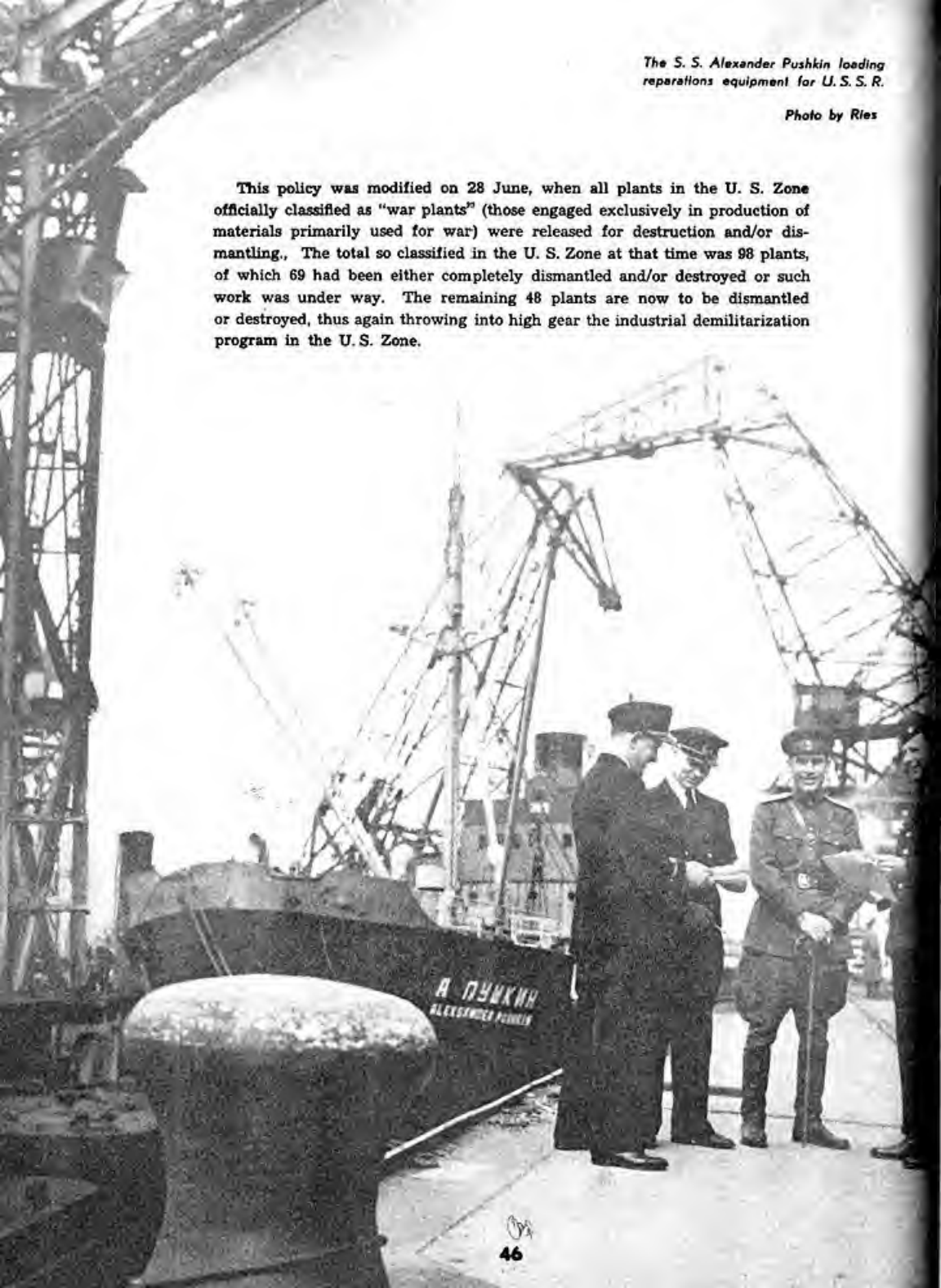
On 4 May the U. S. Deputy Military Governor gave instructions to stop further dismantling of reparations plants in the U. S. Zone except for those 24 plants allocated as "advance reparations" and war explosives plants on which work was already under way. This policy was adopted pending definite assurance that the provisions for treating Germany as an economic unit as specified in the Potsdam Declaration and the Reparations Plan will actually be put into effect.

The established level of industry for Germany is based on the existing plant capacity of all four zones. Plants considered for reparations and removal are war potential plants and plants not required to maintain the established level of industry. Until such time as Germany is treated as a single economic unit it is necessary that some plants now scheduled for reparations or removal be retained in each of the industrial fields to supplement the capacity originally anticipated from the other zones.

The Potsdam agreement provides that during the period of occupation Germany shall be treated as an economic unit; that allied controls shall be imposed on the German economy only to the extent necessary to ensure equitable distribution of German commodities as between the several zones in order to produce a balanced economy throughout Germany and reduce the need of imports, that certain specified German central departments be created to assure the administration of these controls. As none of these provisions have so far been executed within nearly a year of occupation it was found necessary to stop further dismantling at reparations plants except at those plants referred to above until a decision was reached as to whether the resources of all of Germany were to be available for the support of Germany as a whole.

Special train carrying parts of power plant at Gendorf to Bremen for shipment to Soviet Russia.

Signal Corps Photo



The S. S. Alexander Pushkin loading reparations equipment for U. S. S. R.

Photo by Ries

This policy was modified on 28 June, when all plants in the U. S. Zone officially classified as "war plants" (those engaged exclusively in production of materials primarily used for war) were released for destruction and/or dismantling., The total so classified in the U. S. Zone at that time was 98 plants, of which 69 had been either completely dismantled and/or destroyed or such work was under way. The remaining 48 plants are now to be dismantled or destroyed, thus again throwing into high gear the industrial demilitarization program in the U. S. Zone.

ECONOMIC CONDITIONS IN THE U. S. ZONE

PART ONE

FOOD AND AGRICULTURE


HOW 17,000,000 GERMANS
ARE FED

The Objective

The policy of the United States toward Germany recognises that a democratic and peace-loving nation can only be built up with the support and active cooperation of a populace that has enough to eat.

Having **enough to eat** does not mean a diet laden with luxuries. It does mean the irreducible minimum which men and women require in order to do the work that is expected of them.

The threat of famine stalks the world. Germany and Japan were largely responsible for this condition, which followed in the wake of war and which obtains throughout Europe and Asia. These two former belligerents are therefore at the bottom of the list of countries which are eligible for a share in the emergency food shipments now pouring out of the United States, Canada, Great Britain, Australia and other surplus nations.

Germany can either be allowed to starve, and in the course of starving become a dead economic weight which will drag Europe with her to disaster and chaos, or can be provided with sufficient basic nourishment to prevent epidemics and upheaval.

Never an agriculturally self-sufficient nation, Germany is at present more dependent upon food imports than ever. Important food producing areas have been lost, and refugee Germans returning to the already overtaxed country of their origin have increased by many thousands the number of mouths to be fed.

It is U.S. policy to help the Germans help themselves, by, (a) importing sufficient food to make up the difference between indigenous production and minimal subsistence; (b) raising German agricultural production to its maximum level; and (c) enabling the factory worker to maintain if not increase his output by having an adequate diet.

The only way defeated and occupied Germany can start paying a measure of her indebtedness to the United States and other nations now feeding her is by manufacturing for export. The factory hand cannot be expected to

German mother and six children taking their evening meal which consists of boiled potatoes and soft cheese. Their meat ration is usually saved for Saturday and Sunday dinner.

Signal Corps Photo

remain at his bench a full working day, and produce a full day's work, on a starvation diet.

This is the problem which challenges the occupation authority in the U.S. Zone. The success of the occupation depends upon its solution.

General Background

The task of feeding 17,000,000 people in U. S. occupied areas of Germany must be measured against the background of basic facts about the food position and agricultural economy of the country.

German agriculture did not recover until ten to fourteen years after World War I. Combined areas of wheat, rye and potatoes did not exceed their pre-war level until 1932. Numbers of cattle and hogs were not restored for 12 years and yields of principal food crops, despite increased utilization of commercial fertilizers, required ten years to regain prewar levels.

Under the Nazi regime farm production was increased to a very high level by the use of artificial fertilizers, mechanical equipment and a vigorous agricultural policy. Nevertheless Germany had to import about 20 percent of her total food and feed, or about 6,000,000 tons annually during 1935-38, and in 1943-44 more than 7,000,000 tons of food alone were imported. Through transfer of territory east of the Oder-Neisse line to Poland and to the U. S. S. R. in 1945, Germany lost about 25 percent of its pre-war agricultural land — an area capable of producing enough surplus food to feed some 4,000,000 people.

The density of its population does not permit Germany to be entirely an agricultural country. There is only enough farm land to provide three-quarters of an acre per person in comparison with seven acres in the United States. In recent years roughly 80 percent of the population, or more than 50,000,000 people, have been engaged in occupations other than agriculture. The size of the country will not allow absorption of this non-farm population into agricultural pursuits.

The U. S. Zone of Germany is only about as large as the State of Ohio, but contains more farms than Ohio, Indiana, Ilinois, Iowa and South Dakota combined. In 1939, 91 percent of the 900,000 farms in the area were less than 49 acres, and fewer than one percent exceeded 247 acres in size. The predominance of subsistence-type farms engaged in production of high value but low calorie crops, together with a heavy preponderance of non-self suppliers, makes the U.S. Zone a food deficit region. In pre-war years the Zone accounted for only 25 percent of German's total wheat crop, 15 percent of the rye crop, 6 percent of the sugar beet crop and 17 percent of the hog production. The average production of principal foods within the boundaries of the present U.S. Zone in 1935-38, as compared with production in other parts of Germany, is shown in the following table:

Average production of principal foods, 1935-38a)

Area	Production (Calories per capita per day)
Old Reich	2,643
U. S. Zone	2,086
British Zone	1,958
French Zone	1,983
Soviet Zone	3,253
Ceded Territories	4,310

a) Since it is impossible to estimate the amount of food sent to Berlin from the various Zones, it is excluded from the figures shown in the table. The average production of principal foods in the old Re ch including Berlin was 2,487 calories per capita per day.

An influx of refugees, together with other factors, has raised the total population in the U. S. Zone from 13,690,000 people in 1939 to about 17,000,000 at the present time. This means that there are more than 400 people per square mile in the Zone, making it one of the most densely populated areas in the world. On the other hand, the area under cultivation in the U. S. Zone declined by 9 percent and the area under direct food crops by 17 percent between 1935 and 1945. The number of hogs has decreased by 49 percent and the number of cattle by five percent, since 1939. Owing primarily to lack of fertilizers, yields of most crops declined after 1939, especially during the last two years of the war.

As a result U. S. occupation forces have been faced with the problem of feeding more than 3,000,000 additional people in an area that has never been self-sufficient in food, and which now suffers heavily from loss of interzonal trade and from a reduction in agricultural resources resulting from the war. Under these conditions there has been no alternative to providing imports of food.

Collapse of Economy in July, 1946

In July the four occupying powers were confronted with an almost complete collapse of normal agricultural and food distribution operations. Harvesting was disorganized; an acute labor shortage existed; essential farm supplies, such as fertilizer, seed, tools, binder twine and sacks were almost unobtainable. Damage to processing plants and disruption of transportation facilities, prevented processing and distribution of such foods and farm supplies as existed. German agencies which normally supplied producers with essential services and supplies and controlled the production and distribution of food were functioning only on a county basis when at all.

Reorganization of Institutions

The reestablishment of basic administrative machinery was the first step necessary to restore the German agricultural and food economy to a more normal operating basis. This task has been accomplished through restoration and partial reorganization of German agencies at Land, Kreis and Gemeinde levels to control the production and distribution of food.

A Food and Agriculture Administration or Ministry has been established in each of the three Laender of the U. S. Zone. These Administrations are organized along approximately the same lines in each Land. In each there are two major divisions — one for food and one for agriculture – which function through subordinate and local food and agriculture agencies. Overall administration of controls on production, delivery, marketing, processing, storage and distribution of food to the ultimate consumer, and allocation of agricultural and processing supplies to producers and processors, is assigned to the Food Division. This Division directs county (Kreis) and township or city district (Gemeinde and Bezirk) ration offices, using the authority of the County Administrator (Landrat) and the Mayor (Buergermeister). It also directs food collection, marketing and processing through marketing associations which assign county delivery quotas. Delivery quotas for individual farmers are assigned by the county agricultural offices through local mayors and farm leaders. Farm inspection committees in each Gemeinde check production and delivery quota compliance under the direction of the county agricultural office. The Agricultural Division supervises farm extension services, agricultural schools and farmers' organizations and exercises functions of real property administration, land development and resettlement.

Early in April provision was made for reestablishment of agricultural cooperatives on a democratic basis in all four Zones of Germany. Cooperative associations have played an important role in German agriculture. In 1939 there were 4,820 agricultural cooperatives in Germany, which furnished their members with credit, farm supplies, storage and processing facilities and other assistance. During the war, however, the activities of cooperatives were

restricted or, in certain instances, suspended. The Nazis used them entirely as an instrument of Nazi domination, robbing them of their democratic character. Standards to be applied in the future development of cooperatives will be based on the principle of voluntary membership without regard to race or creed, and officials will be elected in accordance with democratic principles. For the time being activities of cooperative associations are confined to the territorial jurisdiction of a single Land.

In November 1945 a Council of Minister Presidents (Laenderrat) was set up to coordinate the three Land Governments in the U.S. Zone. Decisions require unanimous vote and are put into effect by the Minister President in each Land. The Laenderrat has a permanent Secretariat and numerous committees, including a Food and Agricultural Committee. This committee consists of the Ministers of Food and Agriculture for Bavaria and Greater Hesse, and the Minister of Economics for Wuerttemberg-Baden. It has a working staff and some sixteen working parties covering important fields for which the main Committee is responsible.

On account of the serious food situation the office of a Commissioner for Food and Agriculture in the U. S. Zone was created in April. Broad powers have been delegated to the Commissioner by the Minister Presidents and the Laenderrat to strengthen the production, collection and distribution of food in the U. S. Zone. The Commissioner is directly responsible to the Laenderrat and acts as Chairman of the main Committee for Food and Agriculture.

In accordance with Military Government policy, operating responsibility for all phases of the established food and agricultural program has been turned over to German organizations as rapidly as possible. The Minister Presidents or the Laenderrat are now authorized to take all necessary action under established policies without obtaining prior approval of Military Government, except for matters requiring quadripartite action or coordination, and for establishment of the total caloric allowances of ration scales by consumer categories, determination of overall Land delivery quotas and annual production programs. Upon approval of the Laenderrat the Minister Presidents are authorized to carry out programs for allocation and distribution of agricultural producer supplies and for the processing, storage and distribution of food and beverages without waiting for approval by Military Government. They are specifically authorized to distribute imported food in the same manner as indigenous supplies, unless otherwise instructed, and to make changes or substitutions which do not alter total calories within approved rations scales for any category without prior approval of Military Government. However, all actions taken as result of decisions by the Laenderrat or by the Land Governments are subject to review and possible revocation by Military Government if such action is not in accordance with specified policies and standards.

Food rationing

At the beginning of the occupation period food rationing was handled on a Land, or in some cases a Regierungsbezirk, level. Consumer categories varied among different Laender. Not only were ration scales low, but also were different in different regions. Some areas granted no supplementary rations to workers or to pregnant and nursing women, and, in general, each Land and Regierungsbezirk supported its rations almost entirely from production within its own political boundaries. Food producing areas with relative surpluses were reluctant to transfer supplies to deficit regions.

A primary objective of the food rationing and distribution program for the U. S. Zone has been to establish uniform rations throughout the Zone. This objective has been attained.

Uniform classifications of consumers and uniform ration scales for each consumer category have been in effect since 12 November 1945. Imported food was made available to supplement indigenous resources, and movements of food between regions to meet established ration scales were made. Uniform ration stamps were issued for use throughout the Zone.

Before VE-Day the amount of rationed food actually distributed to the normal consumer had fallen to 1,050 calories per day, representing the lowest per capita consumption of food since World War I. Immediately after VE-Day this amount dropped precipitately to an average of about 860 calories per day. Under these conditions the first task for the occupying forces was obviously to raise the total caloric value of the ration to prevent starvation and unrest. Before the new crop became available the daily ration for normal consumers had been increased to 980 calories per day. In succeeding periods the caloric value of the ration was increased steadily until for three months beginning on 7 January 1946 the normal consumer received approximately 1,550 calories of rationed food per day.[1]

Early in March, as the result of critical developments in the world food situation, the United States suspended shipments of wheat under previous allocations for feeding the population of U. S. occupied areas of Germany. Indigenous resources plus imports on hand and en route were estimated to be only sufficient to support approximately a 915 calorie ration per day for the normal consumer through 30 September 1946. At the end of March a commitment was made to ship 50,000 tons of wheat per month from the United States during April, May and June. Since the promised imports were not enough to maintain a 1,550 calorie level for normal consumers from 1 April through 30 September, this action necessitated complete reorganization of plans for food distribution until the next harvest.

On 1 April food rations in the U. S. Zone were cut from 1,550 to 1,275 calories per day for the normal consumer, with corresponding reductions for other

consumer groups. This ration scale was the lowest for the U. S. Zone since October 1945, and compared with an authorized ration of 1,043 calories per day for normal consumers in the British Zone and 940 calories per day for the French Zone.[2] In May, pending definite import commitments for the last half of 1946, German authorities recommended and Military Government approved a further reduction in the ration for the normal consumer in the U. S. Zone to 1,180 calories per day. On September 23, announcement was made that the ration level would be raised to 1,550 calories for the normal consumer effective October 14, 1946.

Calorie Ration Level of Normal Consumer, U. S. Zone

Food	86th Period 4-31 Mar' 46 (Grams per person	89th Period 27 May—23 June' 46 per week)	94th Period 14 Oct.—10 Nov. 46
Bread	3,000	1,000	2,000
Cereal Products	150	150	150
Potatoes	3,000	3,000	3,000
Fat	100	125	75
Sugar	—	31.5	62.5
Meat	200	200	250
Pulses	—	350	—
Cheese, hard	31.5	78	31.5
Cheese, quark	31.5	31.5	—
Skim milk	875	1,250	1,000
Fish[1])	—	125	250
Coffee	50	25	50
Corn Products	—	—	100
Soup Products	—	—	100

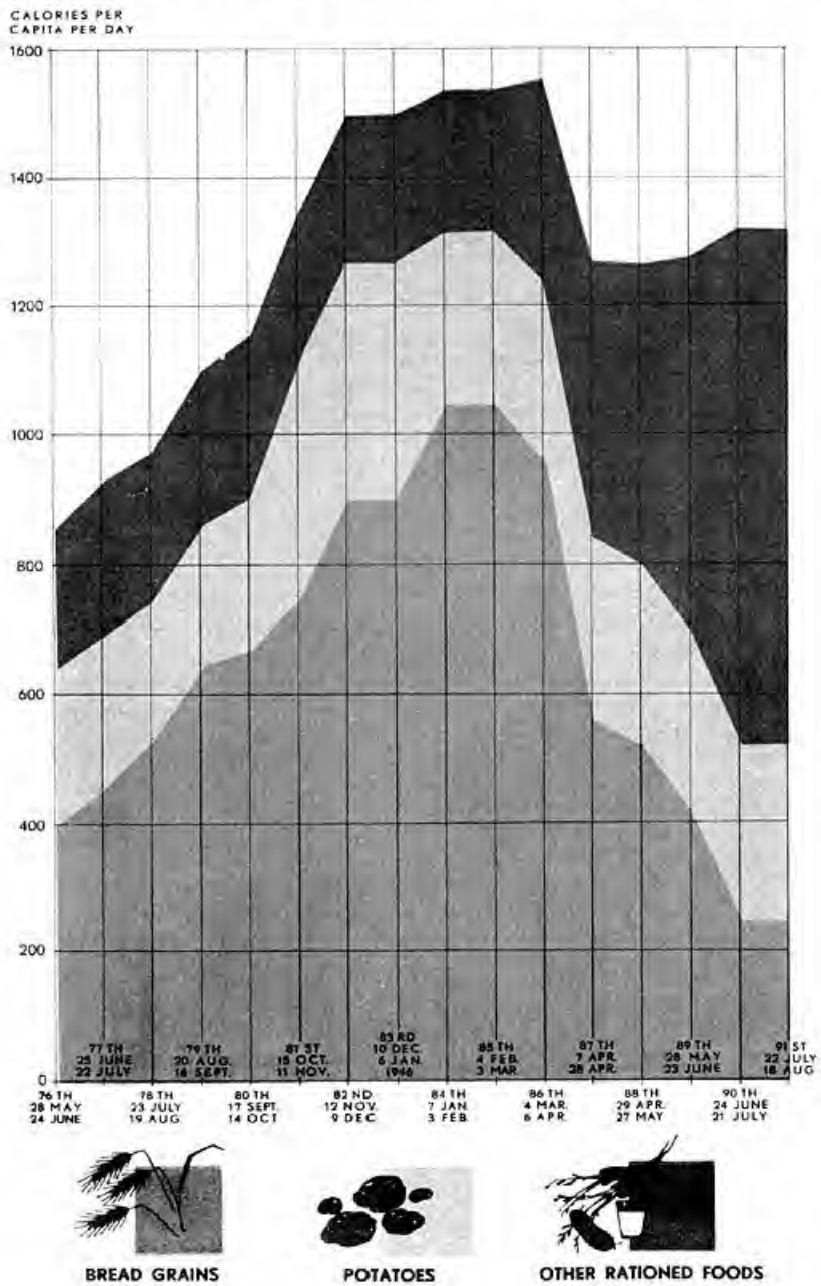
By January 1946, a program of rigid enforcement of regulations governing food distribution and rationing, price control and black market activities, was in operation. Regulations governing the use of food ration coupons had been strengthened. Acceptance of ration stamps by retailers in advance of the week in which they become valid, was prohibited and regional authorities were required to secure prior approval from Military Government for validation of coupons for periods subsequent to those for which they were originally issued. Farm sales to consumers had to be made in accordance with regulations governing sales of food by retailers. Inspection teams of German and Military Government officials were required to make continuous visits to regional and local food offices to check compliance with directives for the purpose of insuring maximum utilization of indigenous and imported food supplies.

Feeding of Berlin

At the time the joint occupation of Berlin was planned, it was not contemplated that the United States would be responsible for feeding its sector of the city. Soon after U. S. forces arrived, however, it became evident that the United States would have to assume this responsibility. The problem of getting food to the U. S. Sector of Berlin was difficult. Berlin was cut off from its usual sources of supply, which for the most part were under the control of the U. S. S. R. Food for the U. S. Sector therefore had to be brought

[1]) Subject to availability

Distribution of Rationed Food to Average Non-Farm Consumer – U. S. Zone



from the U. S. Zone and from the United States via Bremen, in spite of acute transportation difficulties.

On account of the emergency in transportation and lack of field organizations through which to obtain indigenous supplies, the Soviet authorities undertook to feed the U. S. as well as the British Sector of Berlin from 15 July to 15 August 1945 under arrangements providing for repayment as soon as British and U. S. officials could supply the food. In the early days of this program cattle from the U. S. Zone were transported to the border of the Soviet Zone and turned over to Soviet authorities in exchange for meat for the U. S. sector of Berlin. Other food commodities were shipped to Berlin and turned over to Soviet officials. The first American flour train reached Berlin the last week in July, and by the end of August enough food was coming in to meet current requirements and to repay supplies furnished by Soviet authorities. November 1945 witnessed the transition from a critical emergency basis to a smooth functioning operation, for by that time enough food had been moved into Berlin to provide the city with ample stocks.

The feeding of Berlin is a unique operation. The city is governed jointly by the four occupying powers, and hence a joint Food Agreement entered into by the Kommandatura (the military commanders of the four sectors of the city) forms the basis of feeding operations. Under this agreement each of the four powers is obligated to supply food for the inhabitants of the city in accordance with existing ration scales and the percentage of the total population in its sector.

Estimates of the amount of food needed are made in advance and approved by the Kommandatura. Deliveries are scheduled by the four powers accordingly. All supplies go into a joint pool administered by the Berlin Buergermeister, from which distribution is made to the population in accordance with the established ration scales. At the end of each month an accounting is made of the food distributed and balances are computed showing the position of individual powers with respect to their commitments.

From time to time arrangements have been made between the British and Americans to meet each other's Berlin commitments, with repayment to be made either in Berlin or in the appropriate zone. French commitments to Berlin have so far been met entirely by U. S. and British deliveries under an arrangement calling for reimbursement by the French in kind wherever possible or through transfer of another commodity on an equal caloric basis. During recent months wheat purchased in the United States by the French Government has been received at Bremen in repayment for food provided by the United States for the French Sector of Berlin.

From 16 July 1945 through 31 May 1946 the United States brought into

Berlin the following amounts of food to meet the requirements of its own sector and its temporary commitments to the French and British sectors.

U. S. Deliveries of Food to Berlin, July 1945—May 1946

Food	Quantities (Net long tons) Imports	Indigenous Production, US Zone
Wheat	13,143	—
Flour	170,985	—
Cereal products	22,390	—
Potatoes	19,433[a]	20,466[b]
Meat and Fish	—	14,835
Fats	—	1,765
Milk, dried and evaporated	4,821	—
Sugar	9,647	—
Eggs, powdered	22	—
Peas, dehydrated	16	—
Coffee	907	2,715[c]
Total	241,364	39,781

The pattern for ration scales had already been set by the U. S. S. R. when Military Government began to share in operations in July. Consumers are divided into five classes depending upon the kind of work in which they are engaged (figures in parentheses show present rations):

Group I — Heavy workers and professional workers of note (2,473 calories daily)

II — Manual workers and certain other classes of professional workers (1,975 calories daily)

III — Employees not contained in Groups I and II (1,591 calories daily)

IV — Children upto 14

0— 1 year (1,783 calories daily)
2— 6 years (1,648 calories daily)
7— 9 years (1,612 calories daily)
10—14 years (1,548 calories daily)

V — Remainder of the population, including the unemployed and housewives (1,507 calories daily).

The ration scale for children from 10 to 14 years was increased from the 1,358 calories in effect when the Western Allies entered the city, to 1,548 calories per day in February. Rations for children from 7 to 9 years were also increased in February to 1,612 calories per day, an increase of 99 calories over the prior ration of 1,513 calories that had been in effect since July 1945. In January 1946, rations for normal consumers (Group V) were raised from 1,240 calories to 1,507 calories per day.

a) Canned and dehydrated
b) Fresh
c) Ersatz

Food Imports

Indigenous supplies for feeding German civilians have been supplemented by release of food from U. S. Army and USFET stocks and by direct imports from the United States. Through the end of June approximately 126,000 tons of food imported for United States account had been distributed to support established ration scales in Berlin and in the U. S. Zone.

Food Processing

Since VE-Day the food processing industry has been restored to a point where no significant part of the food produced in 1945 has been lost through lack of processing facilities, through delays, in completion of factory repairs and there in delivery of coal retarded the re-opening of sugar factories and caused the diversion of a considerable quantity of sugar beets into uneconomic channels. Grain mills, dairies, and other food processing plants, however, are now able to handle all food produced as it becomes available. There are reasonable expectations of securing operating supplies, repair parts for machinery and a small amount of machinery replacements, the crops and animal products produced in 1946 can be handled without loss.

Rehabilitation of the food processing industry was given impetus, in its early stages, by priorities on coal and transportation to prevent waste and spoilage of current food supplies, and by Military Government assistance in securing necessary machinery, operating supplies, building materials, coal and electric power for individual plants. On account of the serious deficiency of fats and proteins, special attention has been given to edible oil extraction mills and to margarine factories, as well as to reconversion of German fishing boats used by the German Navy during the war. Special efforts have also been made to rebuild sugar factories, on account of the high calorie value of the resulting product.

Agricultural Production Policy

The basic policy for agricultural production in 1945-46 has been to obtain the maximum practicable output of food calories consistent with a reasonably well balanced ration and a corresponding minimum reduction in livestock numbers. The first step in effectuating this policy in the U. S. Zone was to establish a crop and livestock production program for 1946.

The crop production goal for 1946 refers as a basis to the 1937-38 crop year, which generally represents the highest yield and maximum use of arable land for Germany in recent years. Since 1938 there has been a gradual increase in the area of meadows and pastures with a corresponding decrease in land devoted to direct consumption crops. The 1946 program provided for con-

version to crop land of approximately 70,000 hectares of meadow and pasture, or about 63 percent of the total land that had reverted to grassland since 1938.

Under the provisions of this program, as many direct-consumption crops as possible have been planted. These include such crops as potatoes and sugar beets, which have a relatively high yield in terms of food calories. The 1946 goal for early and late potatoes, perhaps Germany's most important food crop, was 511,000 hectares in comparison with 419,000 hectares in 1945. The planned hectarage for 1946 crops in the U. S. Zone is shown in the following table in comparison with areas under cultivation in earlier years:

Area of cultivated Crops - U. S. Zone

Crop	1938	1943	1945	1946[a]
		(Thousand hectares)[b]		
Bread grains	1,194	1,062	982	1,125
Potatoes	513	445	419	511
Other direct food crops	239	257	217	278
Other crops	1,784	1,782	1,782	1,586
Total	3,730	3,546	3,400	3,500

Livestock Plan

The livestock program for 1946 for the U. S. Zone calls for selective culling to bring the livestock population into line with reduced areas of feed and fodder crops and to eliminate less profitable animals. Numbers of hogs and poultry have declined sharply in recent years, but it is not practicable to increase hog and poultry production under present conditions of total food shortage, since the Land required to produce the additional feed will yield more calories in direct human consumption crops.

Since total feed supplies will be less in 1946 than in previous years, the program of maintaining livestock numbers near their present level and at the same time maintaining the meat ration calls for careful culling and a high degree of efficiency in feeding.

Numbers of livestock on farms - U. S. Zone

Dec.	Cattle	Milk Cows	Hogs	Sheep & Goats	Poultry[a]
			(In Thousands)		
1939	5,421	2,609	4,294	1,543	21,547
1940	5,269	2,620	3,732	1,502	21,017
1941	5,177	2,608	3,291	1,464	18,235
1942	5,116	2,617	2,876	1,547	16,767
1943	5,317	2,663	3,078	1,709	17,704
1945	5,148	2,717	2,205	1,540	12,471

a) Planned
b) One hectare equals 2.41 acres
a) Chickens, ducks, geese, and turkeys

Market Deliveries

The program for food distribution in the U. S. Zone has been organized on the basis of market delivery quotas for principal foods which permit farm retentions smaller than or not in excess of those of previous years.

Analysis of data on farm deliveries of grains and potatoes in 1945-46 shows that established procedures have been reasonably effective, although increased quotas for breadgrains have not been entirely fulfilled. Market deliveries of animal products have been sufficient to meet established rations.

Lack of transportation and shortages of suitable containers have hampered farm deliveries. The principal reason for failure to meet delivery quotas however, is that the farmers are unable to buy urgently needed supplies and consumer goods with the money they receive for their products. Machinery for market regulation and enforcement of delivery quotas has been strengthened to meet the current emergency. However, additional incentives in the form of non-farm commodities are needed to maximize the delivery of food by producers.

Gardening Program

Home and subsistence gardens are estimated to have produced about 13 percent of the entire production of fruits and vegetables in Germany at the beginning of the war, and this percentage undoubtedly increased in subsequent years. In view of the food shortage, the urgent necessity of intensifying the home gardening program this year has been emphasized to German authori-

Germans maximize their agricultural efforts; every available foot of land is cultivated in anticipation of a lean harvest.

Signal Corps Photo

ties, and publicity through press, radio and public meetings has been encouraged. As a result of this program it is estimated that about 200,000 more gardens have been planted in the U. S. Zone this spring than in 1945.

Fisheries

An important step in increasing the German supply of protein food has been the establishment of a joint Anglo-American Fisheries Control Board. Under the supervision of this Board facilities and operating supplies of the separate fishing fleets are pooled and the total fish catch is distributed in a ratio of 45 to 55 for use in U. S.- and British-occupied territories respectively.

The combined catch of the fishing fleets has increased during recent months and further improvement is expected in the future. Reconversion and release of trawlers used by the German Navy during the war will augment the size of the fleets, and the development of operations in new fishing grounds in northern waters should greatly increase the catch over that which has been obtained in the North Sea. Shortage of hemp and other textiles for fishing gear, shortage of barrels for packing herring, and lack of coal, have been the most important operating problems.

Farm supplies and equipment

Fertilizers

One of the most serious problems affecting the outlook for restoration of German agriculture is lack of adequate supplies of fertilizers. Owing to soil conditions, mineral fertilizers are of major importance in Germany. By the end of the war a serious cumulative deficiency had been built up as the result of diversion of important fertilizer elements into munitions.

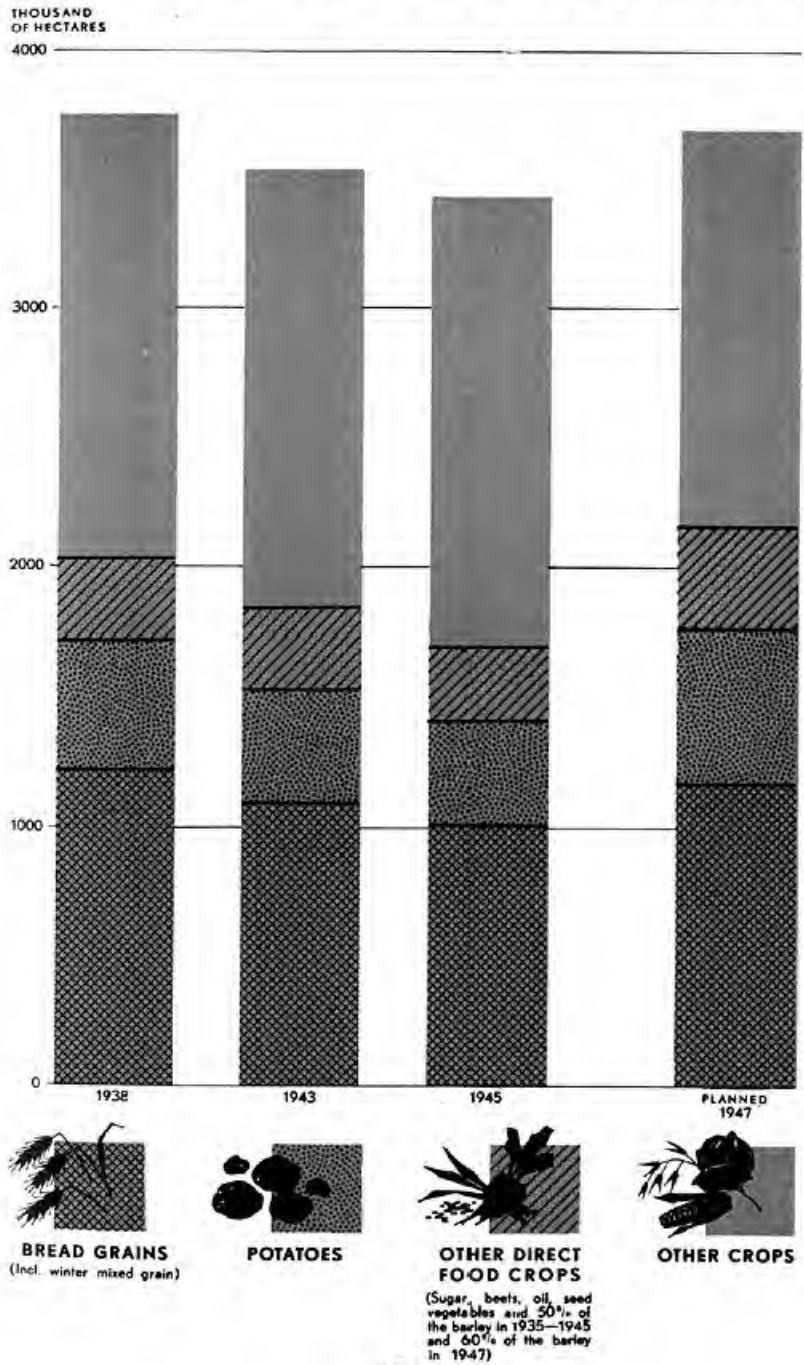
There are no primary sources of phosphorous or phosphate in Germany. Furthermore, existing productive capacity for manufacturing nitrogen and phosphate fertilizers in the U. S. Zone as well as in the other zones of Germany is well below estimated requirements. Therefore it is necessary to import considerable quantities of finished nitrogenous and phosphatic fertilizers if pre-war crop yields are to be attained.

The following measures have been taken to provide fertilizers for the U. S. Zone this year:

(1) Reactivation of calcium cyanamide (nitrogen) production at the plant at Trostberg.

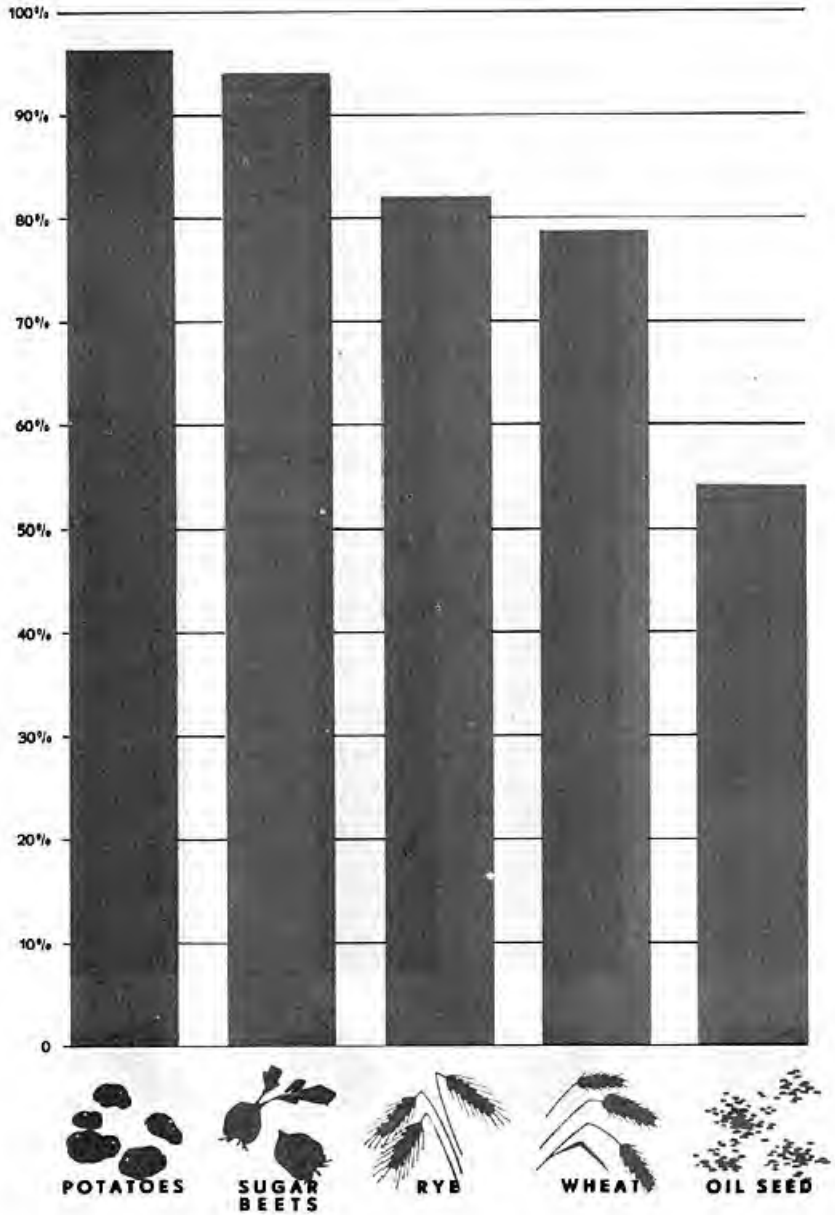
(2) Arrangements for the French Zone to ship ammonia water to the Hoechst plant to produce calcium ammonium nitrate.

Principal Uses of Crop Land in U.S. Zone



AVERAGE YIELDS PER HECTARE

1945 YIELD AS PERCENTAGE OF 1935–1938 AVERAGE



(3) Arrangements for the British Zone to ship phosphate in the form of basic slag into the U. S. Zone.
(4) Import of 40,000 metric tons of rock phosphate for production of soluble phosphatic fertilizers and arrangements to process 16,000 metric tons of this quantity in the British Zone for the account of the U. S. Zone.
(5) Import of 5,000 tons of ammonium nitrate from England.
(6) Import of 10,000 metric tons of superphosphate from Belgium.
(7) Reactivation of the potash mines in the U. S. Zone.
(8) Inauguration of enemy ammunition salvage program, which will yield ammonium nitrate containing about 8,000 metric tons of pure nitrogen in 1946-47.

Approximately 16,000 metric tons of pure nitrogen, 2,000 metric tons of P_2O_5, and 63,000 metric tons of K_2O have been available from these sources for spring use. In addition, quantities will be produced during the summer to provide fertilizers for use on fall crops. The amounts available for spring use meet only about 25 percent of the nitrogen, 2 percent of the phosphate, and 44 percent of the potash requirements for the U. S. Zone.

Due to these shortages first priority has been given to oil seed, sugar beet, and commercial vegetable crops. Sufficient nitrogen and potash were available to cover the planned hectarages for these crops and for a portion of the potato crop.. No nitrogenous or phosphatic fertilizers were available for spring use on grains and other crops and decreased yields must be anticipated as a result, particularly in grains which are already showing the effect of lack of adequate fertilization.

Furthermore, estimates of the amounts of fertilizers which will be available in 1946-47 based on forecasts of production and probable shipments from other Zones, show that the U. S. Zone cannot be self-sufficient in the supply of fertilizers on the basis of existing production capacity within the Zone.

Attainment of estimated production of all three types of fertilizers is dependent on adequate supplies of fuel, electric energy, material. labor and transportation. The decline in coal production in the Ruhr this spring has necessitated downward revision of earlier estimates.

Seed

Soil and climatic conditions in the U. S. Zone are not favorable for commercial production of most types of seed. Therefore it has been necessary to obtain vegetable and field seeds for the current crop year from the United States and other countries, as well as from the Soviet Zone. Procurement and distribution of seed for 1946 crops has been an important contribution of Military Government to the rehabilitation of agriculture in the U. S. Zone.

Vegetable and Field Seed Produced for U. S. Zone

1 Jan. – 31 May 1946

Area of Origin	Amounts Procured (Metric tons)
Soviet Zone	1,450
United States	12,350
United Kingdom	1,020
Denmark	825
Netherlands	1,345
France	300
Czchoslovakia	100
Italy	100
U. S. Origin released by Great Britain	300
Total	17,880

Emery Jacobs, U. S. Department of Agriculture, examines seed potatoes at Neumarkt, Germany.

Signal Corps Photo

Large quantities of vegetable seeds have been imported. However, late arrival of some shipments, together with limited operations of hothouses for starting early varieties, have delayed certain vegetable crops by from two to four weeks. Seed potatoes have been secured in limited quantities from the British and Soviet Zones, but most of the requirements have been met by planting eating potatoes from indigenous supplies. Procurement of other field seeds has also been difficult on account of the world shortage of alfalfa, red clover, fodder beets, field peas and other fodder seeds. However, large quantities of sugar beets, and maize have been obtained as substitutes. Only limited quantities of high-grade small grain seeds have been available, and farmers have planted seed from their own crops in most instances.

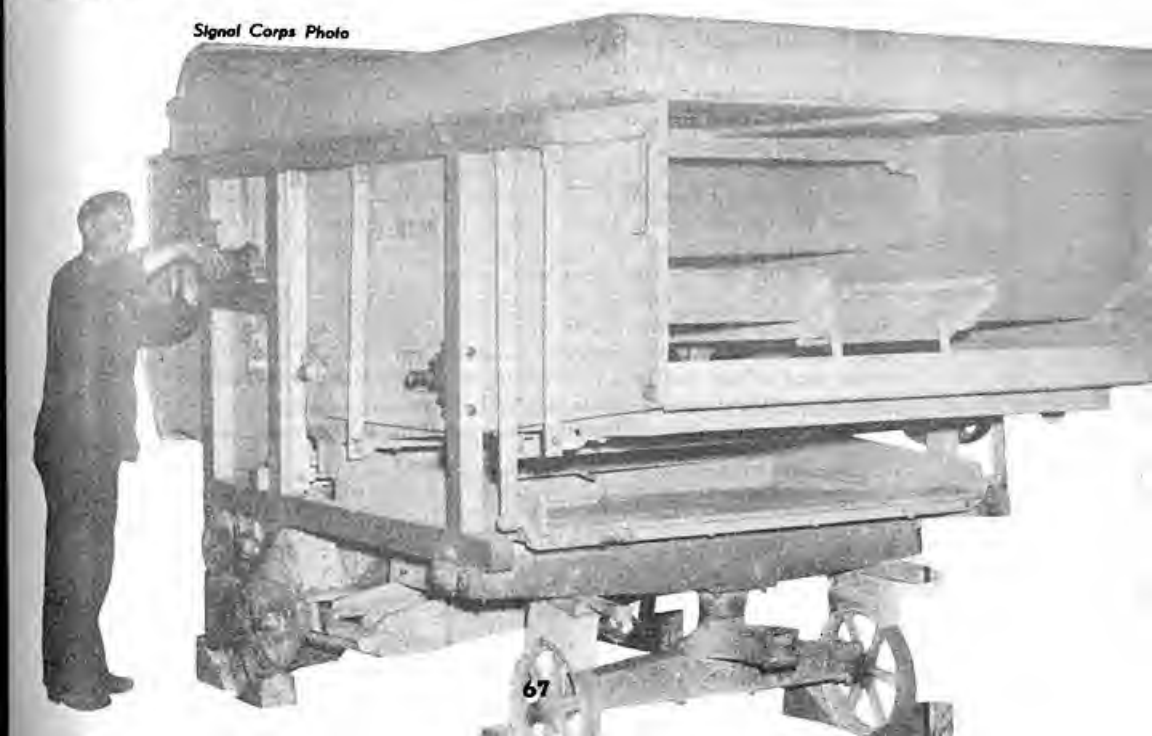
The origin and quantities of vegetable and field seeds procured for the U. S. Zone are shown on page on lefthand side

Farm Machinery and Equipment

As the result of a steady decline in the production of farm machinery and repair parts during the last three years of the war, German farmers are in need of equipment with which to carry on their work. The small amount of critical materials that can be made available for this purpose is being directed into the manufacture of repair parts to keep machinery now on farms

Because of critical shortages of metals, Germans produce farm machinery out of wood.

Signal Corps Photo



operating, in preference to using the limited supply of material to manufacture a few new machines. To insure deliveries of critical items of machinery on the basis of priority of needs, a program for control of distribution of farm machinery and equipment in the hands of manufacturers and retailers has been inaugurated.

On account of the high percentage of small farms in Germany, much planting and harvesting is done by hand. Therefore small hand tools such as scythes, rakes and hoes are very important. The production of this kind of farm equipment is also dependent on the availability of steel.

There are shortages of nails, binder twine, paper containers, glassware, textiles, shoes, harness and other miscellaneous items necessary for the production and delivery of farm products. In addition there is a shortage of tires for tractors, trucks and farm wagons. Manufacturing capacity to meet a substantial part of the Zone requirements for these items is available within the U. S. Zone, but raw materials, transportation and fuel are serious limiting factors. Significant progress in overcoming these shortages must await the breaking down of zonal trade barriers and adequate allocations of basic raw materials, such as coal, iron, steel, lumber and cotton.

Land use organization

During the first year of Military Government the program for land use and organization in Germany has dealt primarily with emergency phases, although a beginning has been made on permanent features. The first problem faced by the occupying forces was reestablishment of productive use of the soil. Food and Agriculture officials at all levels proceeded at once to direct the planting and use of all land that was not in production. As a result there was practically no unproductive land in the U. S. Zone in 1945, although active warfare had extended well into the spring planting season.

This first informal energetic effort was followed in August by a prescribed procedure for designating all controlled lands and a directive to the new Land Governments to put the ground into productive use. Soon afterwards, Military Government Law No. 54 was enacted, and in one sweeping measure deprived the German armed forces of their training grounds, airfields and other military installations and transferred the use and possession of these properties to the Land in which they were located.

Meanwhile a program directed at comprehensive and long range objectives was begun. The Land Governments were formally directed to consider Germany's age-old problem of concentrated ownership and control of land, whereby one third of the total area is withheld from private ownership and the people who till and operate the land are denied economic opportunity from one generation to another. Attention was called to the medieval system

still prevailing in most of the U. S. Zone, whereby a farmer's fields consist of scattered strips and small parcels of widely separated tracts which the farmer and his family must operate with long outdated methods and equipment.

A beginning has been made in each of the Laender in considering these problems and in programming measures for decision and action, while other long range measures have been developed to completion. A step in the limitation of excessively large estates* was taken on 28 February when the Allied Control Council passed Law No. 17, which greatly increased the German inheritance tax rates and eliminated the former discrimination in favor of immediate relatives and large families. A maximum levy of 60 percent replaced the former principal group rate of 14 percent and applied to bequests of property valued at 10 million reichsmark or more. This action will restrict the number and size of large holdings, which often continue their feudal characteristics. A revised and increased progressive tax on incomes is expected to encourage sales from large properties and the placing of such land in economic circulation for use by greater numbers of people.

To care for the great number of people who are scheduled to enter the U. S. Zone by the autumn of 1946, Military Government has directed the attention of the Land Governments to the need for suitable accommodation and employment for these people on the land, as well as for other millions who were bombed out of cities. A special garden program has been promoted. These temporary measures lead logically to provision for permanent land settlement when more stabilized conditions permit. German authorities have been asked to develop proposals for permanent settlement of families on new land.

Throughout the period, necessity has required that first emphasis be given to production of food. Wehrmacht lands have been steadily moved into production after many years of idleness and use for war preparations. Forest lands on good soil have been surveyed to determine areas suitable for use in crop production. Reclamation of moorland is being studied. The State domains have been denazified and turned over to the Land Governments for full production. Meanwhile, land formerly used for pasture is being plowed up for crops, and less intensive land use by such crops as rye and wheat is being displaced by more productive fields of sugar beets and potatoes.

In pursuit of other Allied objectives progress has been made toward repeal of undemocratic and backward laws restricting the use and transfer of lands, and the Land Governments have been requested to propose suitable uses for the income from Wehrmacht property.

Forestry program

Allied plans call for full exploitation of German forests during the first

*On September 19, 1946, Military Government announced approval of the Law for Acquisition of Land for Settlement Purposes and for Land Reform, which had been submitted by the Laenderrat. The purpose of the law is to make land available for small farms and garden plots for expellee Germans, evacuees from bombed-out cities and other uprooted and displaced Germans.

two years of the occupation. In accordance with this policy a forestry program has been initiated in the U. S. Zone to furnish timber to satisfy current military and essential civilian needs, to provide exports, and to build up a stockpile for future requirements. Approximately 23,500,000 fest meters[1] of timber (about 200 percent of annual growth, will be cut in the year ending 30 September 1946. In addition to meeting requirements in the U. S. Zone, this will permit shipments into the British Zone of pit props to be used for coal mining in the Ruhr.

As a basis for developing a future program looking toward control and ultimate destruction of the war potential of German forests, a complete

[1]) One fest meter equals 0.68 cubic meters or 250 board feet.

Bavarian woodsman.
Signal Corps Photo

inventory of forest resources in the U. S. Zone is being made. This survey will provide data on acreage, age classes, annual increments of growth, diameter classes and total volume of standing timber for each of the five forest sites in the U. S. Zone. A forest soil survey is also being completed to determine maximum areas of forest land suitable for conversion to arable use.

Quadripartite Machinery and Accomplishments

Quadripartite work in food and agriculture is done chiefly through the Food and Agriculture Committee of the Allied Control Authority, which in turn, works through a number of sub-committees and standing working parties.

The alternates of the Committee members plan and schedule all work of the Committee and the subordinate bodies for several months in advance. Sub-committees on Veterinary Matters, Forestry, and Plant Quarantine initiate proposals in their fields and consider matters referred to them by the Committee. The General Working Party is responsible for all general economic questions, for agricultural finance, for agricultural statistics, and for agricultural cooperatives. The Field Crops Working Party prepares production plans, estimates supply requirements of fertilizers, machinery, seeds, and other producer requisites and proposes interzonal allocations of supplies and of field crop products. The Livestock Working Party has corresponding duties for all German livestock. The Fisheries Working Party deals with marine and inland fish requirements and with supply requirements for the catch and its processing and distribution. Food rationing is handled by Food and Agriculture officers acting as alternates on the Trade and Commerce Committee Working Party on Rationing.

A general framework of food and agriculture policy applicable to the whole of Germany has been adopted by the Food and Agriculture Committee and approved by the Allied Control Authority. These policy decisions cover the relevant provisions of the Potsdam Agreement, except that for a central German Administration for Food and Agriculture.

Important decisions of the Committee approved by requisite higher Allied Control authorities include the following additional items:

a) For the years 1946-49 inclusive, production goals have been set for all primary crops and all types of livestock. These involve substantial increases of arable land to be obtained by conversion of military lands, clean cutting of forest lands, and drainage and reclamation of other lands.

b) For the same four years, full requirements for fertilizers, seeds, farm machinery and spare parts, insecticides and fungicides, veterinary supplies, and other requisites for production have been determined for each year and are being implemented by other Allied Control Authority bodies.

c) Working principles for interzonal allocation of all types of farm supplies have been agreed to and have begun to be implemented in interzonal trading.

d) The Allied Control Council, acting on the Committee's advice, has reported exportable balances of potash fertilizers and has requested import allocations for phosphate and nitrogen fertilizers for the year 1946-47 for Germany as a whole.

e) Under principles for re-establishing agricultural cooperatives and the standard provisions for their charters adopted by the Committee, the restoration of agricultural cooperatives is going forward throughout Germany.

f) A promising resumption of interzonal trading in livestock, seeds, sugar, molasses, and other foods has been begun under principles proposed by the Food and Agriculture Committee. In all of these, the sales are effected by German sellers to German buyers and are cash transactions.

g) Uniform standards for the milling of wheat, rye, barley, and oats have been set for all of Germany.

h) Many uniform census enumerations and current condition reports have been adopted. These cover livestock enumerations; livestock slaughter and slaughter weights; field and garden crop plantings, harvestings and yields; milk yields and utilization; crop forecasts; and incidence of communicable animal diseases.

i) A timber cutting program, together with an allocation of forest products for export and for the several Zones was adopted and is being carried out.

j) A survey of all forest lands with respect to cutting resources and the replanting or conversion of forest lands to agricultural use has been agreed to and is well on its way toward completion.

Interzonal trade

Before the occupation, the interdependence of various geographical regions in Germany's complex agricultural economy made intensified food production and a highly efficient distribution and food processing system possible. In general there was a movement of industrial products to the East and food products, especially grain, to the West. Division of the country into four zones separated by uneconomic trade barriers is therefore a serious hindrance to effective management of the food and agricultural economy under the occupation.

Pending elimination of these barriers and treatment of Germany as an economic unit, a number of makeshift arrangements for interzonal trade have been made. These have usually been two-party agreements, frequently on a barter basis, to permit partial restoration of the former natural division of labor and exchange of commodities between regions in which they can be

economically produced. Completed agreements of this sort have included the following:

(1) Processing vegetable oils from the U. S. Zone in hardening plants in the British Zone and their return to the U. S. Zone for manufacturing into margarine.

(2) A similar arrangement with British authorities for processing palm seeds stored in the U. S. Zone, and for their subsequent return to the U. S. Zone.

(3) Sale of 700 metric tons of hops for the manufacture of beer for British troops.

(4) Processing sugar beets from the U. S. Zone in the British Zone and processing beets from the French Zone in the U. S. Zone.

(5) Exchange of seed potatoes from the British Zone for eating potatoes from the U. S. Zone.

(6) Exchange of seed potatoes from the Russian Zone for cattle and salted herring from the U. S. Zone.

(7) Sales of cattle, oxen and yeast extract from the U. S. Zone and purchases from the Soviet Zone of sugar, molasses, seed, miscellaneous laboratory instruments for the dairy industry, and barrel staves for the fishing industry.

Outlook for Agricultural Recovery

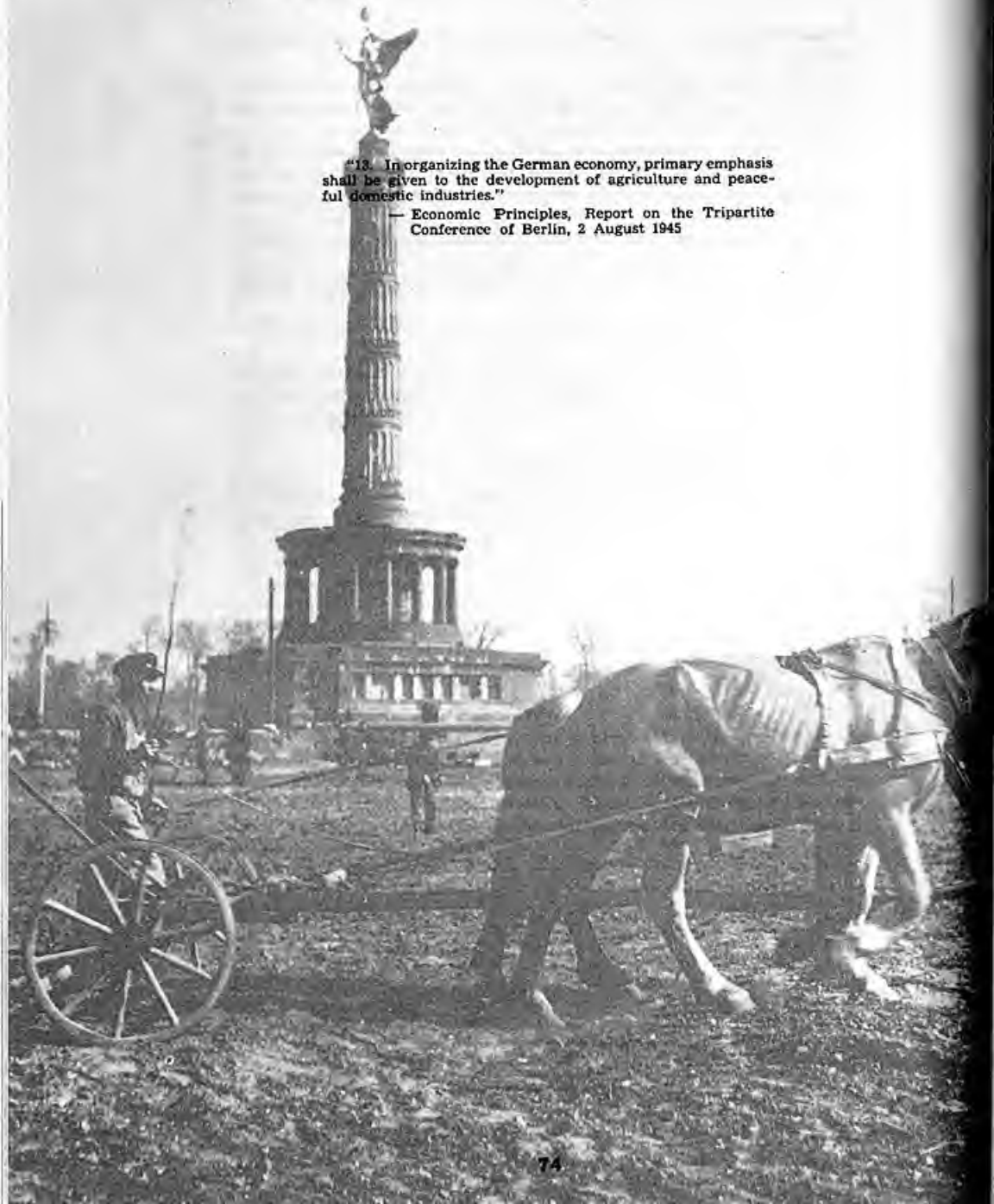
On account of critical shortages of essential agricultural supplies and equipment, prospects for 1946 food production are uncertain. Lack of nitrogen for breadgrains may well result in yields of from 15 to 25 percent below normal. This means that the battle for food for U. S. occupied areas of Germany may be even more difficult in 1946-47 than during the previous crop year. Permanent solution of the problem of providing an adequate diet for the German population depends on putting the agricultural economy in a position to produce and distribute maximum amounts of food from indigenous resources. This will necessitate meeting requirements for producer supplies and reestablishing a series of essential agricultural services.

Full utilization of the food and agricultural resources of Germany is impossible without a central administrative agency to translate plans for the country as a whole into operating realities. Other important obstacles to effective management of the food and agricultural economy are barriers to free interzonal trade, continued uncertainty concerning the inherent stability of the medium of exchange and shortages of non-farm commodities which producers need to buy..

*

Berlin's famous Tiergarten, once renowned for its forest, has been given over to home gardens.

Signal Corps Photo



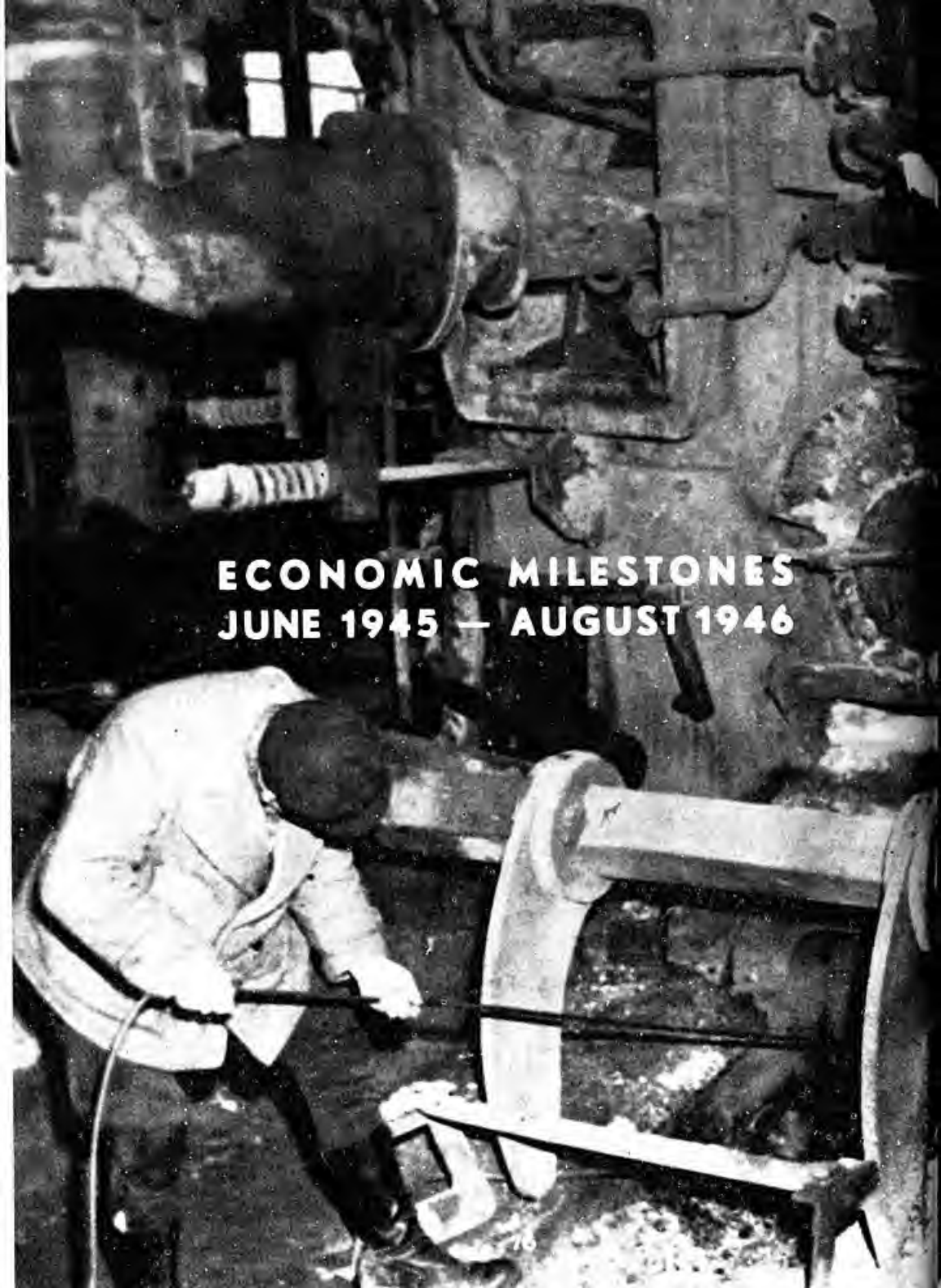
"13. In organizing the German economy, primary emphasis shall be given to the development of agriculture and peaceful domestic industries."

— Economic Principles, Report on the Tripartite Conference of Berlin, 2 August 1945

ECONOMIC CONDITIONS IN THE U. S. ZONE

PART TWO

INDUSTRIAL CONDITIONS



ECONOMIC MILESTONES
JUNE 1945 — AUGUST 1946

Iron Production Gets Under Way in the U. S. Zone; A fireman keeps furnace burning at the Buderus Iron Works, Wetzlar.

Signal Corps Photo

June

Paralysis of German Economic Following the Surrender.

July

First paper will in U. S. Zone (Bavaria) reactivated as coal is received, plant utilizes stockpiles of other raw materials on hand.

First trainload of **American flour** for U. S. Sector arrives in Berlin.

August

The **Rhine waterway** in the U. S. Zone is opened for traffic.

The crop is harvested under difficulties but successfully by women and children.

September

First **list of reparations plants** submitted to Allied Control Authority.

All **essential electric power requirements** met for first time in U. S. Zone.

First **sheet steel rolling mill** in U. S. Zone activated at Haidhof Plant, Maximilianhuette, Bavaria.

First **flat glass** produced in U. S. Zone at Deutsche Tafelglas, AG., Weiden, Bavaria.

Full intrazonal mail service resumed.

October

First **valuations of reparations plants** undertaken under "Operation RAP', representing quick, informal appraisal of plants allocated as advance reparations.

All **high tension transmission lines** within U. S. Zone repaired and returned to service.

First open hearth steel produced at Haidhof Plant, Maximilianhuette, Bavaria.

First **soda ash** produced in U. S. Zone, by Kali Chemie AG., Heilbronn, W/B.

Interzonal mail service resumed.

November

First **war plant destroyed.**

Uniform ration scales — 1,500 calories for normal consumers (as against 1,350 in October) — and uniform consumer categories introduced in U. S. Zone.

First **calcium cyanamid** (nitrogen fertilizer) produced in U. S. Zone at Trostberg plant in Bavaria.

December

Ration raised to 1550 calories per day for normal consumer.

Final **Agricultural Production Plan** for 1946 is approved.

January

First **reparations plant** dismantled.

First ship carrying **direct food imports from United States** for German civilians arrives in Bremen.

The American Plan, **"The Future Level of German Industry"**, submitted to the Allied Control Authority.

Interzonal telegraph and telephone service between the three Western Zones reopened.

February

Germany-wide telegraph and telephone service resumed.

First **commercial export sales** concluded.

Arrangements for **first purchase of field and vegetable seeds** from Soviet Zone for U. S. Zone completed.

March

The **Plan for Reparations and the Level of Post-War German Economy** adopted by the Four Occupying Powers.

First **pig iron** produced in U. S. Zone, at Buderus Iron Works, Wetzlar, Gr. Hesse.

First cotton from United States arrives in Germany.

First reparations shipment leaves U. S. Zone for USSR.

April

Ration for normal consumers in U. S. Zone reduced to 1,275 calories per day.

Inland waterway transport system functioning normally.

International mail service between Germany and foreign countries resumed for personal mail only.

First Soviet vessel calls at Bremen to transport reparations equipment to Soviet Union.

May

Ration for normal consumers in U. S. Zone reduced to 1,180 calories per day.

Agreement reached for sale of 30,000 head of cattle from U. S. Zone to the Soviet Zone and for purchase of 7,000 tons of sugar, 5,000 tons of molasses, 1,800 tons of seed and other agricultural supplies from the Soviet Zone for the U. S. Zone.

June

Ration for normal consumers in cities over 20,000 population increased to 1,330 calories per day, and to 1,185 in smaller communities.

Record monthly imports of 164,000 net long tons of food provided by United States to feed German civilians.

Program to salvage nitrogenous fertilizer, scrap metals and other raw materials from captured stocks of enemy ammunition inaugurated.

July

General McNarney informs Allied Control Council that the United States is willing to join with any or all other occupying powers in treating Zones involved as economic unit pending full quadipartite implementation of the Potsdam decision.

Meeting of German Economic Ministers from U. S. and Soviet Zones agrees on purchase and sale of needed commodities.

Interzonal trade meeting between German officials in U. S. and British Zones.

The U. S. offer of economic unity accepted in principle by British Government.

August

Secretary of State Byrnes states "there should be changes in the level of industry agreed by the Allied Control Commission if Germany is not to the administered as an economic unit as the Potsdam agreement contemplates and requires."

For first time since Occupation, German delegates representing the four zones meet to discuss price control.

September

German Bi-Zonal Agencies formed in fields of food and agriculture, finance, communications, transportation and trade and industry. Dr. Hermann Dietrich, Commissioner for Food and Agriculture in the U. S. Zone, named chairman of the Bi-Zonal Food and Agriculture Executive Committee. Dr. Rudolph Mueller, Minister of Economics of Greater Hesse, named Chairman of the Executive Committee for Economics.

October

Allied Control Authority agrees on procedure for liquidation of Germany's war potential.

A YEAR OF INDUSTRY IN THE U. S. ZONE

Review of Industry 1945–1946

During the year under review — July 1945 through June 1946 — industry in the U. S. Zone progressed despite numerous interruptions and setbacks from what amounted to a practical standstill to an operating level somewhat under one-third of estimated capacity. Measured in terms of activity in July 1945, when the great majority of industrial establishments were not in operation and industrial activity was confined largely to essential services — food processing, electric power, water, sewage — the improvement has been considerable. Compared, however, with minimum civilian requirements, actual existing capacity, or the general scale of industrial production provided for by the Reparations Plan for 1949, output in June 1946, the highest since occupation, remained at a low level.

Progress during the year in the U. S. Zone has been greatest in the basic industries — electric power, coal, iron and steel. Most of the gains in ferrous metals were made in the second quarter of 1946. As the stimulating effect of more steel permeates industry, output in plants heretofore restricted by steel shortages should expand.

This progress was achieved in the face of enormous difficulties. One of the most highly industrialized economies in the world had utterly collapsed. When the fighting ended on 8 May 1945, the closely integrated German economy was shattered. The great industrial machine which had enabled the Nazis to wage for six years was reduced to debis. With the cessation of rail and water traffic, each town, village and city was cut off from the outside world and thrown on its own resources. Neither postal, telegraph or telephone services were functioning. Slowly the occupying armies restored a minimum of road traffic to bring urgently needed foodstuffs from the country into the urban settlements to prevent starvation. Gradually, Military Government detachments, as they took over, reestablished

some semblance of order in the vital fields of food, electric power, water supply and sewage disposal. Where possible, individual industrial plants making such essential peacetime items as soap, leather, shoes, textile fibers, and similar commodities, were put into operation to supply urgent local needs.

By July 1945, more than three-fourths of the rail tracks in the U. S. Zone had been restored. But railroad facilities, severely limited by single track bridges, rolling stock and coal shortages, were being used almost wholly for military traffic and for the return to their homes of millions of displaced persons. Only a few urgent industrial civilian needs could be served by the railroads.

From July through December 1945, the main efforts of industry were devoted to housecleaning and repairs. The rubble resulting from bombing and the debris left as a result of invasion were removed from plants and equipment. Stock was taken of machinery and equipment which had survived and of the war damage to installations. As non-war plants were authorized to begin operations by Military Government, the first productive steps toward resumption of manufacturing activity were undertaken. Damaged machines were repaired, factory buildings were roofed over, at least temporarily, or useable equipment moved into undamaged shops. The extensive war profits of most German manufacturers made it possible to maintain, and often even to enlarge, working crews for these essential but non-revenue producing tasks. The fact that many manufacturers had accumulated large amounts in cash before the collapse facilitated the meeting of these non-productive payrolls, especially during the brief period of two or three months during which most banking facilities were not functioning.

For example, a paper mill in the U. S. Zone obtained an initial allocation of coal in July and, by utilizing stockpiles of raw materials on hand, turned out the first paper urgently needed for the allied program of reeducating the Germans through the publication of democratic newspapers. By September, the crying need for stoves for cooking and heating in the millions of partially repaired dwellings prompted the reopening of the first sheet steel rolling mill in the U. S. Zone. A few days later, the first window glass, critically needed by the Army for the displaced persons program and for high priority German civilian requirements, was produced in Bavaria. A month later, a chemical plant in Wuerttemberg-Baden turned out the first soda ash, without which neither glass nor soap can be made. Also in October, the first 50-ton a day open-hearth steel furnace began to make steel ingots in the U. S. Zone. By November, it had become possible to provide sufficient coal, coke and electric power to begin operation of the four-unit Trostberg plant which produces calcium cyanamid for nitrogen fertilizer; this was the first important industrial contribution to the food and agriculture program in the U. S. Zone.

During the fall and early winter, progress was made in other fields essential to a revival of industry. In August, the great Rhine waterway had been opened for traffic in the U. S. Zone, and several months later, direct water communication on the Rhine had been reestablished with the Ruhr. Month by month the railroads improved their service and a growing share of larger available loading and hauling facilities could be devoted to non-military needs. Top civilian priority went to coal. As additional railroad trunk lines between the Ruhr and U. S. Zone were reopened and more freight cars were put back into service, coal loadings from the Ruhr rose from 517,000 tons in August to 658,000 tons in December. By September, all essential electric power requirements of the U. S. Zone were met for the first time, and a month later, all the high tension lines within the U. S. Zone had been repaired and put back into service. This was an essential prelude to the opening of the Trostberg nitrogen fertilizer plants, whose operation requires very substantial amounts of electric power.

In the vital field of communications, full mail service was resumed in the U. S. Zone in September; a month later, Germany-wide letter mail service was reestablished.

During the summer and early fall of 1945, before railroads and waterways were able to cope with more than a fraction of high priority German civilian traffic, road transport played a major part in moving goods necessary to maintain a minimum of essential civilian production, notably food. Despite shortages of tires, tubes and batteries, the 37,000 trucks and 20,000 trailers then available in the U. S. Zone proved able to cope with the task. Improved coordination between Military Government and the German authorities and among the Germans themselves was an important factor contributing to the progress made in all economic fields.

Status at Year-end 1945

At the turn of the year, the visible results of the tasks accomplished during the last six months of 1945 seemed meager indeed. Over-all production in the U. S. Zone had risen from perhaps 1 to 2 percent of existing capacity in the summer to around 10 percent by the end of the year, with the average for the half year probably well under 5 percent. But as production went up, even to this low level, the shortcomings of the industrial economy stood out more glaringly. Nowhere was there adequate coal. Shortages of freight cars were reported from many quarters. Excessive use had resulted in the breakdown of many trucks. Stockpiles of raw materials, notably steel, and of semi-fabricates, which had been the mainstay of the normal manufacturing activity during the fall, were running low, with little new output to replace what was used up.

The Second Half-Year

Much of the rehabilitation work done in the closing months of 1945 bore no visible fruit until the first half-year of 1946. Several fortuitous circumstances helped greatly to tide over the dreaded winter months. On the whole, the winter was mild. There was an unexpected absence of epidemics or of widespread serious illness. Even the complete lack of coal and the shortage of wood for home heating and fuel proved less serious than could have been anticipated. Not only were food rations maintained but their prompt and equitable distribution throughout the first quarter of 1946 aided in keeping people's spirits up and in maintaining some measure of faith in the soundness of the Reichsmark, at least as far as legal transactions were concerned. The cut in rations, on 1 April, did not come until spring was well under way. By March, industrial output in the U. S. Zone, expressed in terms of estimated capacity, had reached 20 percent, or double that of the years end.

With the slow but steady improvement of coal output in the Ruhr, which continued throughout February, the U. S. Zone received solid fuels at the rate of about 1,000,000 tons a month in the first quarter. The sharp drop in coal output in the Ruhr in March, following the radical curtailment of food rations in the British Zone, was not wholly reflected in a decline in coal shipments. This was made possible by heavy withdrawals from the considerable stockpiles of coal built up in the Ruhr during the fall and winter of 1945-46 when transport facilities were unable to move coal from the mines as fast as it was being produced. As a result, the weekly average of solid fuel loadings to the U. S. Zone in May were 3 percent above those of February. However, maintenance of coal availability in the U. S. Zone at the January-February level, gratifying though it may have been under the prevailing conditions, is in reality a major unfavorable development. Coal is the key to further industrial progress in the U. S. Zone, and an increase in the supply of solid fuels is imperative to permit continuation of the present upward trend of industrial activity or even to support its maintenance at the current level.

The basic groundwork laid in 1945 in the industrial field, accompanied by improvement in the closely related fields of transportation, communications and manpower, has continued to contribute to industrial recovery throughout the first six months of 1946. June production is estimated to be about 29 percent of operable industrial capacity excluding war plants in the U. S. Zone.

Other significant developments in fields related to industry and contributing to the revival of manufacturing activity, were the establishment of interzonal telegraph and telephone service between the three western zones in January, and with the Soviet Zone in February, thus restoring telegraph and telephone service on a Germany-wide basis; and the reestablishment of international mail

service between Germany and foreign countries (excluding Spain and Japan) on 1 April 1946 though this is still limited to personal mail and thus has psychological rather than direct economic significance.

In February, the first commercial export sales from the U. S. Zone were concluded. In April, the inland waterway transport system had been restored sufficiently to perform its normal functions.

An event of prime importance to the industrial economy of the U. S. Zone was the blowing in of the first pig iron furnace, in Greater Hesse, in March, after several months had been devoted to building up stockpiles of coal, coke and ore to assure uninterrupted operation. With additional blast furnaces activated in April and May, June output of pig iron reached 20,700 tons, 45 percent of estimated capacity.

Labor in Industry

Since January, unemployment figures in the U. S. Zone have shown a continuous downward trend, with a simultaneous upward trend in labor registration. This reflects increased industrial activity and indicates generally improved economic conditions. However, it also presages increasing problems in the labor field as manufacturing activity expands. Job openings often call for skills the unemployed do not possess.

In all of present-day Germany, the total able-bodied men available for work (ages 14—65) are estimated to be about 6,000,000 fewer than in the same area in 1939. This shrinkage takes into account military casualties, prisoners-of-war not yet returned to the German economy and German men still outside of Germany. In the U. S. Zone, the total male labor force in May 1946, including the employed and employable unemployed, was about 3,500,000, as against about 4,500,000 seven years previously. Thus, the shrinkage in the male labor force has been about 22 percent. To this numerical loss must be added an important qualitative loss, for the most productive age groups suffered by far the heaviest war losses. In respect to industry, the labor pool on which U. S. Zone manufacturers may draw has been further reduced by the larger employment in agriculture which, in May 1946, was 65 percent above that of May 1939. Actually, employment in U. S. Zone industry and handicraft is now about one-third less than it was in 1939. Important also is the fact that, due to lack of training, many thousands of workers have neither the skills or the experience essential to the proper functioning of an industrial machine.

Fundamental Deficiencies

Since machinery cannot be built without steel, engines cannot run without fuel, and trucks cannot run without rubber, steel, oil and rubber are

indispensable to industry in the U. S. Zone, as indeed to any industrialized economy. The list of basic raw materials for which no satisfactory substitutes exist, must also be extended to include copper for communications and the electrical industry; lead and tin for bearings; cotton and other fibers for the production of textiles; potash, phosphates, and nitrogenous chemicals for fertilizer; lumber for construction; and many others. But while all these products are essential, it can be said safely of the U. S. Zone that one material is, above all, the fundamental key to industrial development — coal.

Without coal there can be neither steel nor coke for the metal producing and metalworking industries, nor coal tar for chemicals and road repair, nor carbon black for the production of tires, nor fuel to keep the wheels turning in factories. The nature of industrial organization in the U. S. Zone, with its emphasis upon extensive fabricating and processing facilities and its shortage of indigenous raw materials sources, makes this situation especially critical. Before VE-Day the manufacturing plants in Greater Hesse, Wuerttemberg-Baden and Bavaria were always closely integrated with the coal mines and heavy industries of the Ruhr and Rhineland and Central Germany. The zonal boundaries now existing have not lessened the dependence of the U. S. Zone upon these basic materials, but they have seriously discrupted their flow.

Although the Potsdam Declaration is intended to reduce the industrial capacity of Germany and destroy its ability to wage war, it recognizes the need for retaining those resources which are essential to the ultimate reestablishment of a self-sustaining German economy. The free flow of basic materials across zonal boundaries is essential if this objective is to be achieved.

> "It is not the intention of the Allies to destroy or enslave the German people. It is the intention of the Allies that the German people be given the opportunity to prepare for the eventual reconstruction of their life on a democratic and peaceful basis. If their own efforts are steadily directed to this end, it will be possible for them in due course to take their place among the free and peaceful peoples of the world."
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> — Report on the Tripatrtite Conference of Berlin, 2 August 1945

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One of the basic tenets of U. S. policy in Germany has been to eliminate Nazi institutions and practices and to insure the establishment in Germany of a form of economic administration that is compatible with the functioning of a democratic government. Studies were made by American Staffs in London and in Washington on what should be done in order to carry out this over-all policy. Specific planning, however, was first undertaken by the Economics Branch of SHAEF (Supreme Headquarters, Allied Expeditionary Forces) in December, 1944. The plans were both in terms of the immediate occupation phase and of long term plans made with respect to local economic administration.

The initial directive was issued in January, 1945, as the SHAEF Technical Manual for Industry and Trade, Rationing (Other Than Food), and Price Control in Germany, re-issued in revised form in May, 1945. A manual for food and agriculture was published in May of the same year. These manuals and directives pointed towards the elimination of Nazi institutions and were for guidance of Military Government officers. They laid the groundwork for a reorganization of economic administration which would be compatible with German traditions.

The first detailed proposed directive, which provided for economic administration up to Land level only, was issued in preliminary form in June, 1945, to ascertain whether the concepts that had been developed on the basis of the planning period were sound, and was finally issued on 14 August 1945. A continuous effort was made to explain to the German authorities the basis and the objectives of U.S. policies.

On 9 October 1945 the first over-all conference of the German economic and food and agriculture officials from each of the Laender of the U.S. Zone was held to lay the basis for committees which were to operate under the Laenderrat. Along with the development of German economic administration and the over-all development of government in the Laender, there has since been an increasing delegation of authority to the German officials.

The Minister Presidents

The Minister President of each Land in the U.S. Zone is charged with the responsibility for implementation of the policies and instructions of Military Government. The pattern of the organization through which the Minister Presidents carry out this responsibility in the field of economics is set forth in Military Government Regulations. The details of organization within the pattern are left to their discretion and amendments to the basic directive are worked out in conjunction with them before being issued.

The Minister Presidents are authorized, with a few exceptions involving major decisions, to take all necessary action without obtaining the prior approval of Military Government, except where required under decisions of the Allied Control Council or for matters requiring quadripartite action or coordination.

In certain matters, however, the Minister Presidents are required to coordinate with each other through the Laenderrat before action is taken. Proposals for changes in the policies and instructions in the implementation of Military Government Regulations must be submitted to Military Government for approval. In turn, proposals initiated by U.S. Military Government for changes in policies and instructions set forth in the Military Government Regulations are coordinated with the German authorities before they are adopted.

With few exceptions, Military Government does not operate; control is exercised through the reports the German authorities are required to submit and by spot checks to insure that policies and instructions are being complied with by the German authorities.

Military Government must continue to operate in the field of foreign trade, inasmuch at German officials and individuals are forbidden to trade directly with areas outside of Germany. Strict supervision is also carried out by Military

Government to insure compliance with instructions of Military Government with respect to the evaluation, dismantling, and packing for shipment of plants allocated for reparations.

Land Economic Administration

In Bavaria and in Greater Hesse there are separate Ministers for Economics and for Food and Agriculture. In Wuerttemberg-Baden the Minister of Economics is also responsible for food and agriculture. The Minister of Economics in each Land, under the Minister President, is responsible for industry, trade and commerce, price control, and control of scientific research, and is responsible for insuring that Trade Associations, Chambers of Industry and Commerce, and Handicraft Chambers are organized and operate in accordance with established policies and do not exceed their authorized powers. He is also responsible for the encouragement and general supervision, in conjunction with the Minister of Food and Agriculture, of cooperatives. He is charged with implementation of the instructions issued to the Minister President with respect to the evaluation, dismantling, and packing of plants allocated for reparations. Each Minister has a staff which functions on a policy and planning level. The organizations of the staff in each of the three Laender differ considerably, but roughly are divided into sections corresponding to the functions for which the Ministers of Economics are charged.

Administrative Agencies

The administrative organization under the Minister of Economics is much the same in each Land. The Land Economic Office is charged with the control and supervision of rationing (other than food), internal trade, export and import trade, industry, handicrafts, and public utilities. The Land Economic Offices function through local Economic Offices. Bavaria and Greater Hesse also have Regierungsbezirk Economic Offices, and Wuerttemberg-Baden has a Sub-Economic Office for Baden. Bavaria, in addition, has certain Land offices which function under the Land Economic Office and which are in charge of major industries such as mining, textiles and chemicals. These offices operate on a functional basis throughout the Land. Control and supervision over prices are carried out in each Land by the Minister of Economics through a Price Formation Office, Price Supervision Offices and local Price Offices. Each Minister also has agencies for reparations and for the control of scientific research.

Prohibited Organizations

Private or semi-private organizations are not permitted to exercise govern-

mental or control functions, and the following were specifically abolished upon occupation:

a. Regional Economic Chambers (Gauwirtschaftskammern).
b. Economic Groups (Reichsgruppen, Wirtschaftsgruppen, Fachgruppen and Fachuntergruppen).
c. Armament Inspectors (Ruestungsinspektoren).
d. Armament Chiefs (Ruestungsobmaenner and Bezirksobmaenner).
e. Other regional agencies and representatives of the Ministry of Armaments and War Production.
f. Industrial Rings (Industrieringe).
g. Main Committees (Hauptausschuesse) or Special Committees.
h. Reichsvereinigungen, cartels and syndicates.

Chambre of commerce and Trade Association

Each Minister President is authorized to permit the establishment of Trade Associations, organized on a horizontal basis, of independent firms in the same fields of industry or trade, with voluntary membership and with jurisdiction confined to a single Land. The Associations can exercise advisory functions only and have no authority over distribution, sales, marketing, prices, allocation of orders, materials or fuels, licensing of business or production quotas. The Minister Presidents, in addition, are authorized to permit the Trade Associations to negotiate with the corresponding labor unions. The Minister President of each Land, through the Minister of Economics, has to date authorized a considerable number of such Trade Associations.

The Minister President of each Land is also authorized to permit organizations of local Chambers of Industry and Commerce and associations of the Chambers at Land level. The functions of the Chambers are limited in the same manner as the Trade Associations. The Chambers of Commerce and Trade Associations operate in large part in the same manner as they did prior to the Nazi Regime except that compulsory dues cannot be levied from non-members.

Associations of Chambers on a Land level have not yet been organized and the total number of Chambers in each Land varies from six to ten. Handicraft Chambers have been organized on a basis similar to the Chambers of Commerce and Trade Associations.

"The Minister Presidents, in conjunction with Military Government, however, are now studying the possible re-organization of the Handicraft Chambers, both because of their importance to the large handicraft trade in the U. S. Zone and to see that there is no conflict between them and the labor unions. The German authorities are proposing that the Handicraft Chambers should be given responsibility for allocating materials to individual handicraft enterprises.

Food and Agriculture

The Food and Agriculture Administrations, under the Minister of Economics in Wuerttemberg-Baden and under the Ministers of Food and Agriculture in Bavaria and Greater Hesse, are organized along approximately the same lines in each Land. Because of the possibility that immediate complete reorganization might have interfered with the maintenance of essential controls, reorganization in food and agriculture has proceeded somewhat more slowly than in the economics.

The Minister Presidents were, therefore, authorized in August, 1945, temporarily to continue the Land Marketing Associations and the Peasant Associations with compulsory membership as instruments for carrying out certain controls. The Minister Presidents, however, in conjunction with Military Government, beginning early in 1946, undertook to study reorganization of the Food and Agriculture Administrations. As a basic principle, Military Government instructed the German authorities that in this reorganization, associations of private individuals could not be given the authority to execute government regulatory powers, and that such functions would have to be accomplished along the lines laid down in the field of economics. As a result of the study, an amendment to Military Government Regulations has been issued, and the German authorities are effecting reorganization in accordance with this new amendment. Under a recent amendment in Regulations, Marketing Associations and Peasant Associations will be dissolved and the regulatory functions and powers previously exercised by these associations will be transferred to the Food and Agriculture Administrations.

The Minister Presidents are authorized to permit the formation of Farmers Associations with jurisdiction confined to a single Land and with voluntary membership. The associations will exercise advisory functions only and are specifically forbidden not to carry out government regulatory functions. Each Ministry will contain a Food Division which will be charged for the food administration program including controls imposed upon the production, delivery, marketing, processing, storage, and distribution of food to the ultimate consumer and the allocation of agricultural and processing supplies to producers and processers.

Cooperatives

The Minister Presidents are required to permit the formation of cooperatives provided they are organized and function in accordance with democratic principles. The voluntary federation of cooperatives up to Land levels is permitted, and in addition, cooperatives from more than one Land are authorized to group together in joint enterprises such as wholesale purchasing cooperatives and auditing associations and for the purposes of acquiring pro-

duction facilities and other capital assets.

Statistical Services

A Land Statistic Office with branches has been established by the Minister President in each Land as a separate agency, although functioning under the general over-all supervision of the Minister of Economics. The Statistical Offices operate as service agencies for economics and food and agriculture and maintain all other Land statistics.

The Laenderrat

The Minister Presidents were authorized in November 1945 to organize the Laenderrat as the means for obtaining necessary coordination within the U. S. Zone. They were, however, specifically not authorized to form a zonal government because of the U. S. policy that nothing should be done that might interfere with the establishment of central agencies for Germany as a whole.

The Laenderrat consists of the Council of the Minister Presidents which meets once a month, a Directorate composed of two delegates from each Land and the Secretary General, a permanent Secretariat, and numerous committees. The Directorate has been authorized by the Minister Presidents to take action on all but over-all basic policy matters which are reserved for decision by the Council of Minister Presidents. Decision by the Directorate must be unanimous except in routine matters with respect to which a Land may waive its veto right.

The Directorate was established by the Minister Presidents in June, 1946, so as to provide a means for rapid decisions and to relieve the Minister Presidents of all routine matters.

The Main Economics Committee consists of the three Ministers of Economics. The committee usually meets every two weeks and is attended by the Ministers and the top members of their staffs. The committee covers approximately the same fields as the Ministers do within their own Laender, except that a separate Main Committee has been formed for public utilities. The Main Economics Committee has a permanent staff, an over-all committee for planning and allocations, and 18 (eighteen) other sub-committees covering the various fields for which the Main Committee is responsible. The Main Economics Committee, the working staff and sub-committees prepare over-all economic proposals on all other matters which require coordination and uniform action in the three Laender for submission to the Laenderrat. In June the Minister Presidents authorized the designation of a commissioner for prices within the framework of the Main Economics Committee.

The Main Food and Agriculture Committee has a working staff and sub-committees and functions in approximately the same manner as the Main Economics Committee. Because of the serious food situation, however, the

Minister Presidents in April were authorized to appoint a Commissioner for Food and Agriculture in the U. S. Zone, and the Minister Presidents have transferred certain of their powers in the field of food and agriculture to the Commissioner subject to their supervision. The Commissioner is responsible to the Secretary General of the Laenderrat and acts as Chairman of the Main Committee for Food and Agriculture. As for as the Commissioner agrees with the Main Commitee, he is authorized to issue instructions directly to the Minister for Food and Agriculture for the Land. If no agreement is reached by the Commissioner and the Main Committee, proposals must be submitted to the Directorate for decision.

Interzonal Coordination

The Laenderrat has been authorized by Military Government to effect direct contact with the German officials in the other zones. There are regular meetings between the German officials in the British and U. S. Zones, and permanent liaison has been established between the Laenderrat and the central offices in the British Zone for economics and for food and agriculture.

An initial meeting was also held with the German officials for economics in the Soviet Zone on 13 and 14 June and a program for the exchange of goods was developed. Meetings have not yet been held with the German officials in the French Zone because German officials in that Zone are not yet authorized to meet with officials from other zones. The meetings are held for the purpose of coordinating common economic problems and for developing common economic plans, especially for inter-zonal trade.

Germans Officials

German officials in the field of economics have made every effort to carry out the policies and standards established by Military Government. However, they have encountered considerable difficulty in establishing effective administration because of the lack of suitable personnel, particularly for lower positions. The top officials in the field of economics are:

MINISTERS OF ECONOMICS:

Bavaria: Dr. Ludwig Erhard
Greater Hesse: Dr. Rudolf Mueller
Wuerttemberg-Baden: Dr. Heinrich Koehler

MINISTERS OF FOOD AND AGRICULTUR:

Bavaria: Dr. Josef Baumgartner
Greater Hesse: Mr. Hermann Hoering
Wuerttemberg-Baden: Mr. Heinrich Stooss
Dr. Hermann Dietrich, Commissioner for Food and Agriculture for the U. S. Zone

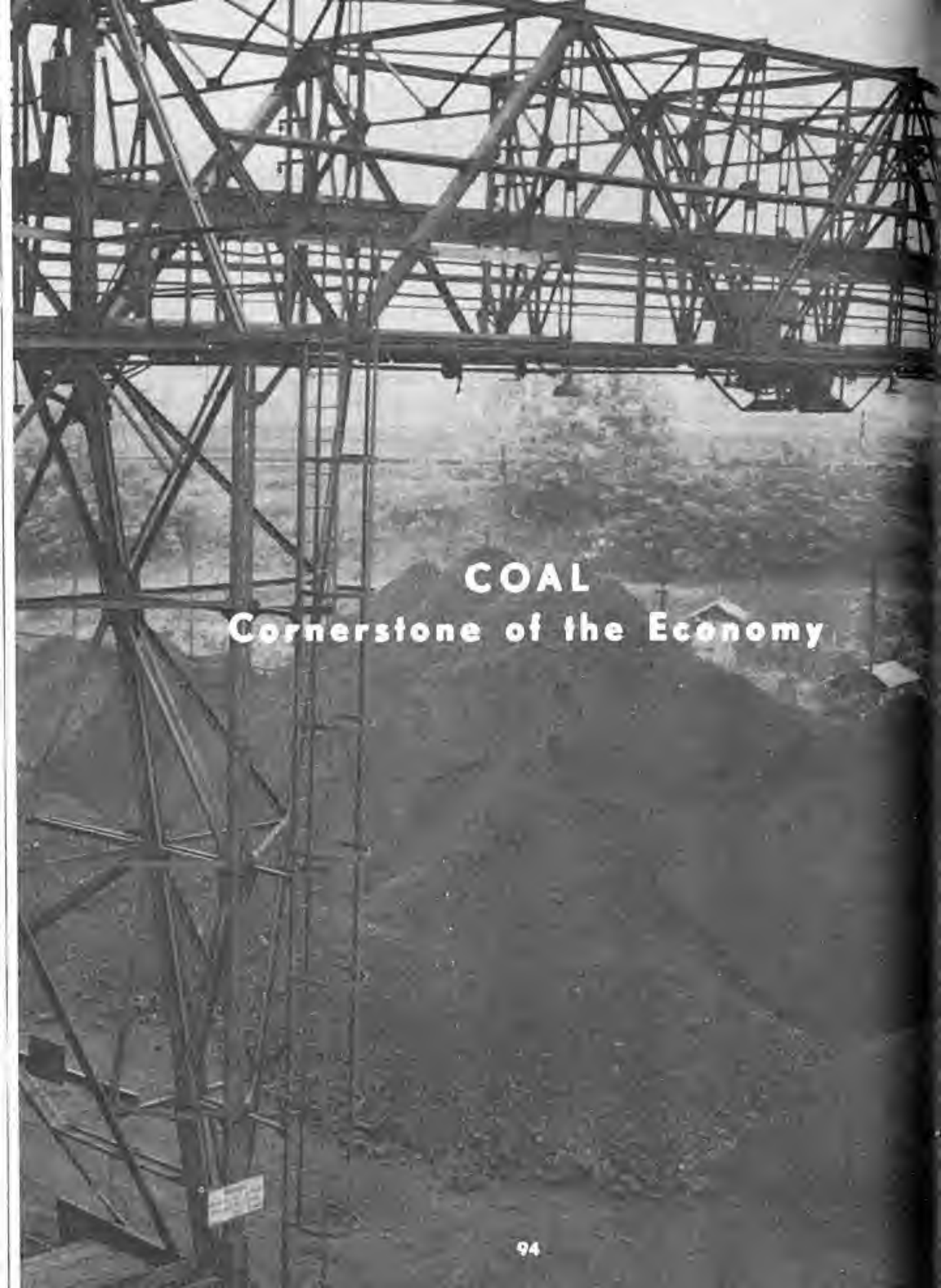
CENTRAL AGENCIES: a Statement of U.S. Policy

The Economics Division, OMGUS, has made every effort to secure agreement for the establishment of Central German Administrative Departments for Industry, Agriculture, and Foreign Trade, as instruments of the Allied Control Authority for the treatment of Germany as a single economic unit and for the formulation and implementation of common policies with regard to mining and industrial production and allocations; agriculture, forestry, and fishing; and import and export programs for Germany as a whole, as provided under the Berin Protocol. In addition, it has been considered that central administrative machinery is urgently required for the formulation and implementation of common policies with respect to prices and rationing.

The Central German Administrative Departments as proposed by OMGUS would function as direct agents of the Allied Control Authority and would report directly to the corresponding committees of the Allied Control Authority. The Departments would be neither political bodies nor agents of the Laender or Provincial governments, and would not be responsible to individual zone commanders.

The decisions of the Departments would not be subject to interference or interpretation by the zonal authorities, because if zonal authorities could interfere with or interpret such decisions, the principles of Control Council direction, of economic unity and of common policies for all Zones would be negated. The Departments would function directly through the corresponding agencies of the Laender and Provinces, and all German zonal administrations which have been established by the occupying powers would be eliminated. The Departments would be required to coordinate all proposed programs with the corresponding agencies in the Laender or Provinces before they are put into effect or submitted to the Allied Control Authority for approval.

The program for the establishment of Central German Administrative Departments was developed on the basis that such central departments would be organized shortly after the signing of the Berlin Protocol. With the passage of time, however, it is increasingly apparent that this program is now inadequate, although it would represent a significant stride forward from the present situation. It is considered that the time has now come when some type of provisional central government should be established which would function under the supervision of the Allied Control Authority. The Central Departments would then function under and as part of the Central Government.


COAL
Cornerstone of the Economy

Coal, the cornerstone of German economy, provides heat, power, and raw material for innumerable commercial and industrial purposes and, in addition, is a sizeable export commodity enabling Germany to alleviate her deficiencies in iron ore, oil, food, and other commodities through purchases from foreign countries.

Within the territorial boundaries of post-war Germany the production of hard coal which exceeded 13,000,000 tons per month during the war, fell to a low of approximately 700,000 tons by April, 1945. Similarly brown coal output, 21,000,000 tons monthly during the war, fall to a few thousand tons at the close of hostilities.

Faced with reduced capacity as a result of mine destruction and loss of manpower, the four occupation Powers have supported the maximum possible output in order to maintain occupation troops, prevent a complete standstill in civil economy, and at the same time provide exports to surrounding countries which are dependent upon German coal. Accordingly, production increased steadily, reaching an output of approximately 5,165,000 tons of hard coal in May, 1946, or somewhat less than half the wartime figure, whereas the 13,353,000 tons production of brown coal represents two-thirds the peak wartime achievement. During the four weeks allocation period of May 5,068,216 tons of merchantable solid fuels were loaded for Germany and Austria (military loadings included) and 969,384 tons for export making a total of 6,037,600 tons.

These achievements are best understood in terms of the abnormal conditions and obstacles which the Allied authorities encountered. In the first place the number of workers declined due to the release of prisoners of war an the exodus of foreign workers returning to their respective countries following the cessation of hostilities. A lack of incentive for the remaining German mine workers to exert their maximum effort toward production has been a definite retarding factor. In addition thereto, a ceiling on coal distribution and, therefore, output requirements (coal cannot be stockpiled in unlimited quantities) was imposed by the disruption in transportation facilities resulting from wartime destruction of bridges and tracks, lack of rolling stock, and the difficulties of interzonal coordination.

These transport problems were of primary significance between June, 1945, and March, 1946. Coal and Coke stockpiled by the Germans prior to the conclusion of the war (exclusive of Silesia) totaled approximately six million tons. However, with the easing of the transport situation, withdrawals during 1946 have reduced these reserves by about 3,500,000 tons. Increasingly important, also, is the lack of mining supplies and the deterioration of capital equipment, which has resulted in a decrease of both efficiency and safety. Efforts have been concentrated on overcoming this handicap during the third quarter of 1946.

rown coal mine, Schwandorf, Bavaria.

Signal Corps Photo

Decentralization

The measures necessary to achieve Allied aims have also imposed certain difficulties in organizing the producing and distributing functions of the German coal industry. For many years the distribution of coal was completely dominated by the highly-cartelized coal syndicates in which membership was made compulsory by the Reich. Decentralization of both operations and ownership has required German distributing agencies to adopt business practices and methods with which they are to a large extent unfamiliar. For example, the powerful and exceedingly complex Rheinisch-Westfaelisches Kohlen-Syndikat, which dictated price and production quotas, and regulated the distribution activities of all hard coal mining companies in the Ruhr/Aachen/Saar districts, was abolished at the beginning of occupation.

The Reich's dominance of the coal industry was founded partly on the fact that state-dominated companies accounted for approximately one quarter of the coal production in Western Germany. Companies not dominated by the Reich, were, of course, subject to strict compliance with the political and economic principles of the Nazi regime. The Allied denazification program has therefore had its effect upon every phase of coal activities, particularly in the field of management. The best instance of this is the fact that practically all the directors and managers of the Rheinisch-Westfaelisches Kohlen-Syndikat have been interned as well as separated from their positions in the industry.

U. S Zone, a Deficit Area

The U. S. Zone of occupation may be briefly described as a coal deficiency area from the standpoint of production, whereas the French, British, and Soviet Zones are surplus producers. Therefore, despite the fact that U. S. Zone production has almost attained a level of output comparable with pre-war years (from a percentage standpoint it outstrips production in the other Zones), it is largely dependent upon incoming coal from Western Germany. Tonnage allocations to the U. S. Zone in 1946 show that its consumption position compared to the other Zones is relatively the same as in 1938 during both periods, the U. S. Zone has claimed approximately 18 percent of the total domestic consumption in Germany.

The best summation of coal achievements in Germany since June, 1945, may be made by comparison with the pre-war year 1938. Average quarterly domestic consumption of solid fuels (excluding raw-brown coal) was then approximately 38 million tons compared with the second quarter 1946 of around 19 million tons.

The 1946 allocation for transportation represents about one-fourth the total allocation and exceeds the actual 1938 tonnage by 15 percent. This seemingly

large portion is due to fundamental position of transport in any exchange economy and to the fact that the poor condition of post-war transportation equipment necessitates the use of unusually large quantities of fuel.

Coal allocated for the public utilities in 1946 compared favorably with consumption in 1938.

Substantially reduced in 1946 is the industrial consumption category which includes all types of industrial and commercial consumers with the exception of transportation and public utilities. Allocations within this category, less than half the 1938 level, are channeled to those industries which must function in order to aintain minimum sustenance and prevent unrest in the areas of occupation. Priorities are given to the production of steel for the reactivation of all essential industry, particularly transportation and mining, where maintenance of equipment was neglected during most of the war years. Because of the world food shortage, fertilizer plants, which are a part of the chemical industry, are given top priority in final allocations, are food processing industries and agricultural machinery.

No coal has been allocated for space heating or general household use of the German civilian population, even during the winter months, although hospitals, schools and community kitchens were furnished the necessary supply.

Consumption of Coal, 1936 and 1949 a/

(U. S. Zone)

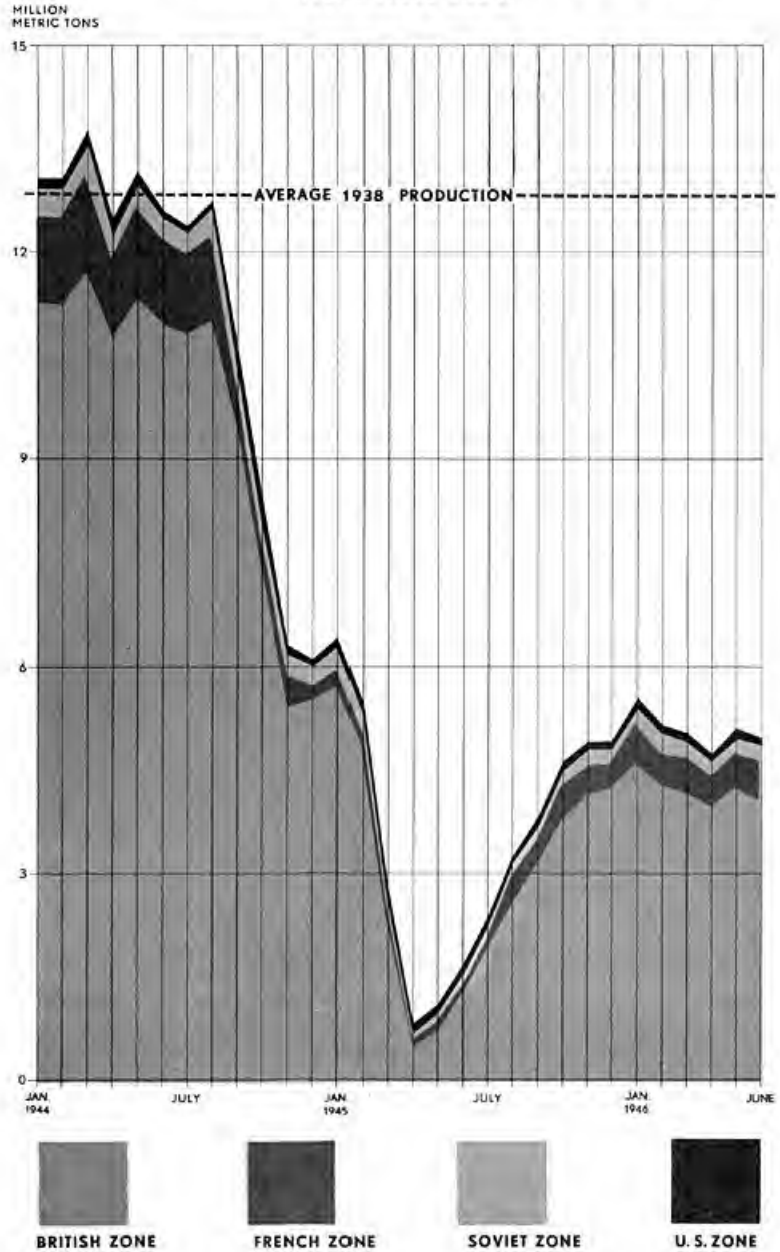
(Figures for 1949 are estimated projections based on the Reparations Plan)

Consumer Group	1936 Thousand Tons	% of Total	1949 Thousand Tons	% of Total	% Change 1936 to 1949
TOTAL	**20,669**	**100%**	**17,584**	**100%**	**—15%**
Small Industry Agricultural & Domestic	6,733	33	5,811	33	—14
Transport	1,979	9	1,979	11	0
Iron, Steel & Metals	1,821	9	339	2	—81
Chemicals	1,685	8	1,281	7	—24
Building Materials	1,631	8	1,455	8	—11
Gas & Water	1,579	8	1,840	11	+17
Electric Power	1,009	5	858	5	—15
Paper & Pulp	863	4	814	5	— 6
Unspecified Industries	819	4	525	3	—36
Textiles	739	4	757	4	+ 2
Brewing and Distilling	434	2	391	2	—10
Other Food Industries	321	1	321	2	0
Leather, Shoes & Rubber	313	1	219	1	—30
Ceramics	265	1	452	3	+71
Sugar	173	1	198	1	—15
Potash & Salt	178	1	204	1	+15
Glass & Optics	127	1	140	1	+10

a/ Data are in terms of hard coal equivalent and include all types of solid fuels with the exception of raw brown coal.

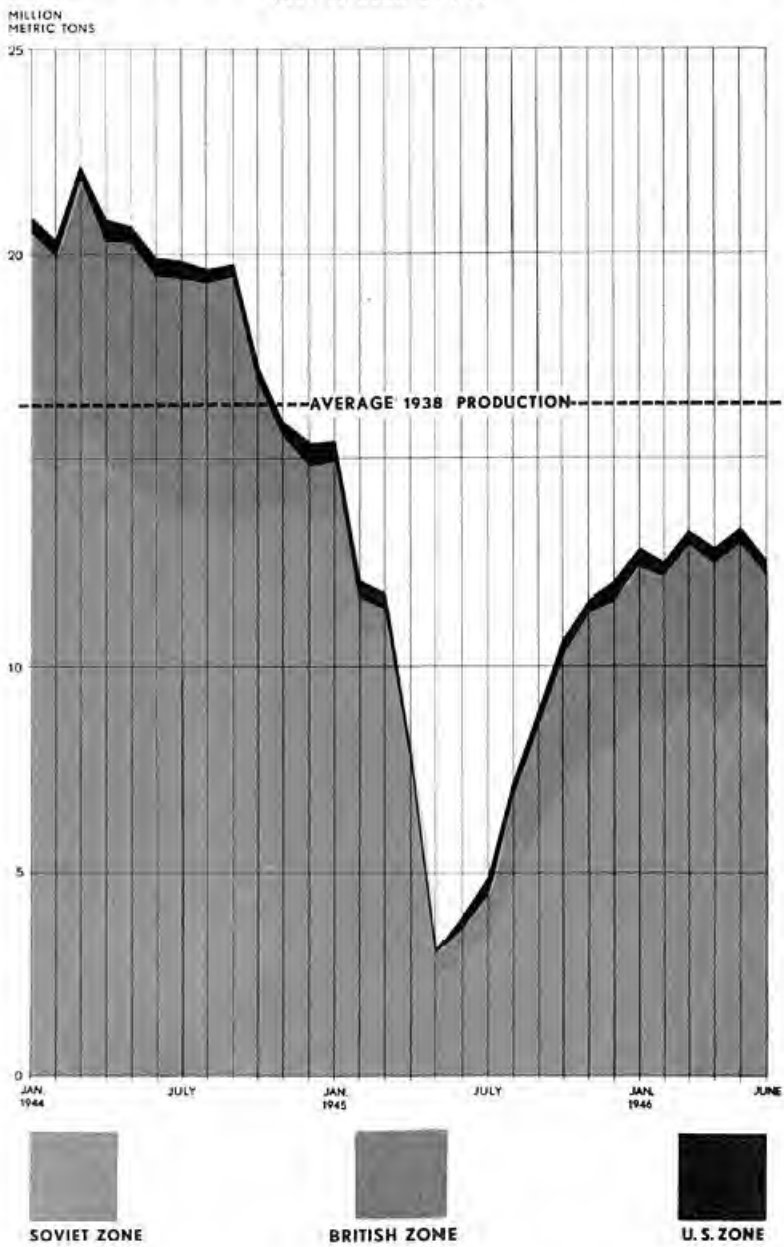
GERMAN HARD COAL PRODUCTION

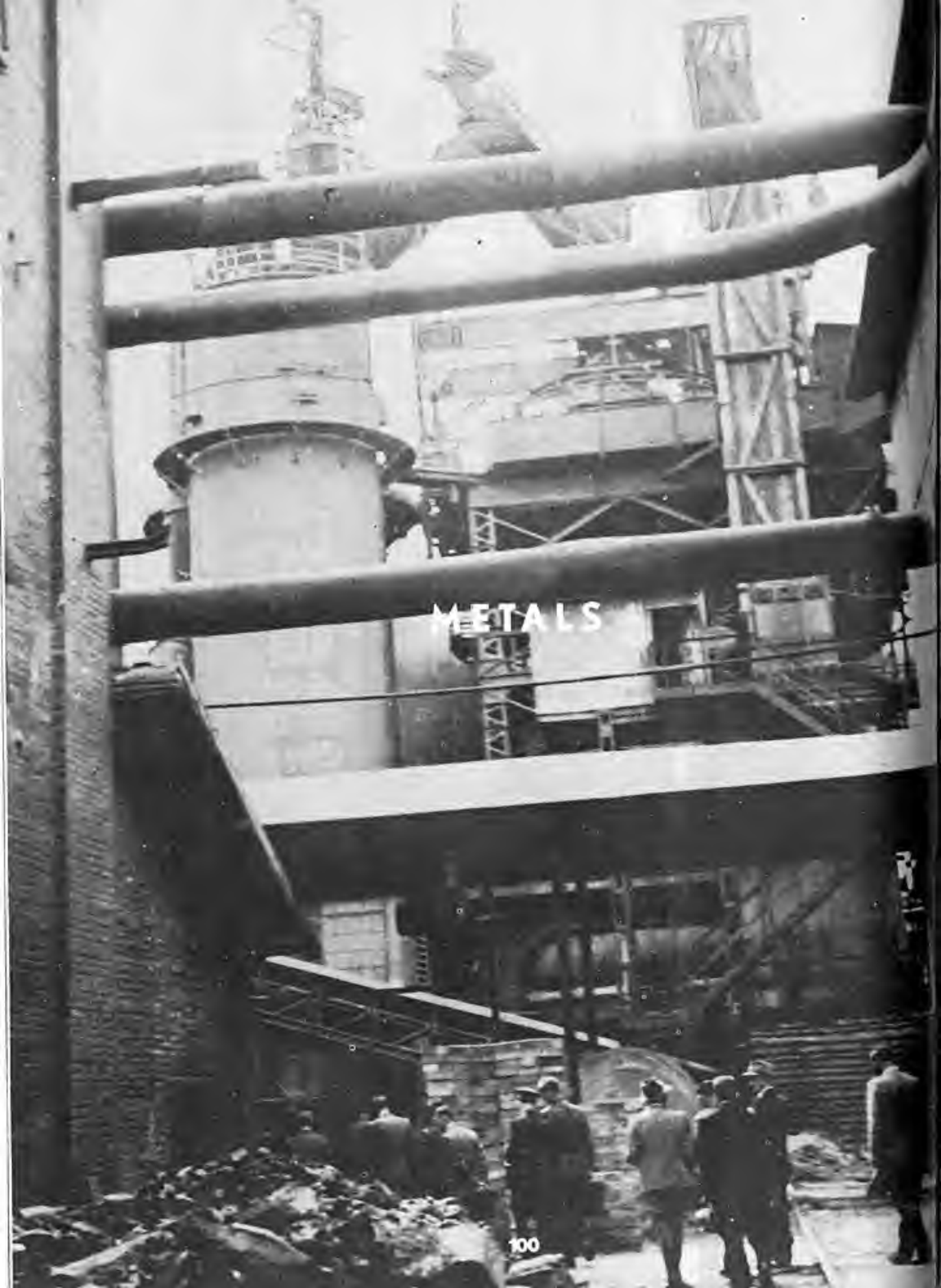
(NET PITHEAD BASIS)



GERMAN BROWN COAL PRODUCTION

(NET PITHEAD BASIS)




METALS

"11. In order to eliminate Germany's war potential, the production of arms, ammunition and implements of war as well as all types of aircraft and sea-going ships shall be prohibited and prevented. Production of metals, chemicals, machinery and other items that are directly necessary to a war economy shall be rigidly controlled and restricted to Germany's approved post-war peacetime needs to meet the objectives stated in Paragraph 15. Productive capacity not needed for permitted production shall be removed in accordance with the reparations plan recommended by the Allied Commission on Reparations and approved by the Governments concerned or if not removed shall be destroyed."

— Economic Principles, Report on the Tripartite Conference of Berlin, 2 August 1945

Metals are of prime importance to modern industrial society. The metals available determine to a large extent the standard of living of any area and they are basic to modern war. Consequently it is not surprising that Germany's industrial and military pre-eminence in Europe was primarily founded on metals. Before World War I Germany led the world in metallurgy, and even at the start of World War II Germany was the leading producer of certain important metals such as magnesium and aluminum. Germany was second only to the United States in steel production. Her exports of finished machinery and consumer products made from metal were widely distributed and responsible to a large extent for the advanced stage of pre-war industrial civilization in Europe. Any decisions regarding the German metals industry must therefore not only have a profound effect on the German economy, but also upon the general level of European industrial civilization.

Much of the German capacity to produce metal products was created for the purpose of waging war. This condition is recognized in the Potsdam Agreement, which provides that "Production of metals... shall be rigidly controlled and restricted to Germany's approved post-war peacetime needs... Productive capacity not needed for permitted production shall be removed..."

Up to 14 June, 1946, there had been 47 quadripartite Metals Sub-Committee meetings whose primary purpose was to set levels of production and select capacity to be removed and retained in accordance with the Potsdam Agreement. There have been numerous field surveys, in both the U. S. and other zones of Germany. As a result, a plan for the future German metal economy has now been established. Levels of annual consumption have been agreed upon as follow: Steel, 5,800,000 tons; copper, 140,000 tons; lead, 135,000 tons; zinc, 120,000 tons; nickel, 1,750 tons; tin, 8,000 tons; aluminum, 3,000 tons; and magnesium, 1,000 tons A reparations plan has been also agreed upon as follows:

	Annual Total Capacity	Annual Capacity to be Removed	Annual Capacity to be Retained
		(in million tons)	
Steel	25	17.5	7.5
		(in thousand tons)	
Refined copper	413	311	102
Refined zinc	274	152	122
Refined lead	212	99	113
Nickel	15.1	14.4	.7
Tin	10.5	8.5	2
Aluminum	291.5	291.5	—
Magnesium	35	35	—
Alum., copper, zinc fabrication	558	283	275

This table demonstrates the scope of the action that has been taken in accordance with the Potsdam Agreement. Steel capacity is to be cut to one-fourth of existing capacity. Primary production of aluminum and magnesium is to be completely prohibited. Consumption of aluminum, previously one of the key metals in the German peace and war economy, is to be at about one-eighth of the level immediately prior to the war. Copper refining capacity is to be cut to about one-fourth of wartime levels. Zinc and lead, are to be treated less drastically, in view of their less dangerous nature. These reductions will constitute one of the world's major industrial readjustments, and will make Germany unable to fight a major war.

Steel Ignot Capacity 7.6%

When this plan is carried out, Germany, whose population is about 40% of that of the United States, will have a steel ingot capacity only 7.6% of that of the United States. For the basic major non-ferrous metals, most of the refining capacity that previously treated foreign ores, concentrates, and semi-refined metals is to be removed. When available supplies of scrap are exhausted, Germany will have to supplement its production of these critical metals either by imports of refined metal products. German mines have never been economical as compared with foreign properties and had to be heavily subsidized by the German Government. Therefore, imports which depend on recovering the necessary foreign exchange by exports, will become absolutely essential when present supplies of scrap metal are exhausted.

Very little of Germany's present capacity is in the U. S. zone. There is a limited amount of steel and non-ferrous fabricating and finishing capacity, an important amount of iron ore production and an insignificant amount of non-

ferrous mineral production. Generally speaking, therefore, the U. S. zone is dependent on outside sources for metal, and stocks been the principal source of metals since the occupation. Almost all metal plants have been given permission to resume operations, but production today is only at about 15% total capacity. Monthly production has been as follows:

Product	November 1945	December 1945	January 1946	February 1946	March 1946	April 1946	May 1946
				(in metric tons)			
Ingot steel	5,813	5,100	3,742	3,943	5,500	3,320	12,336
Copper products	N. A.	N. A.	N. A.	970	1,358	1,173	817
Aluminum products	"	"	"	560	573	713	423
Lead products	"	"	"	35	294	270	112
Zinc products	"	"	"	148	137	142	28

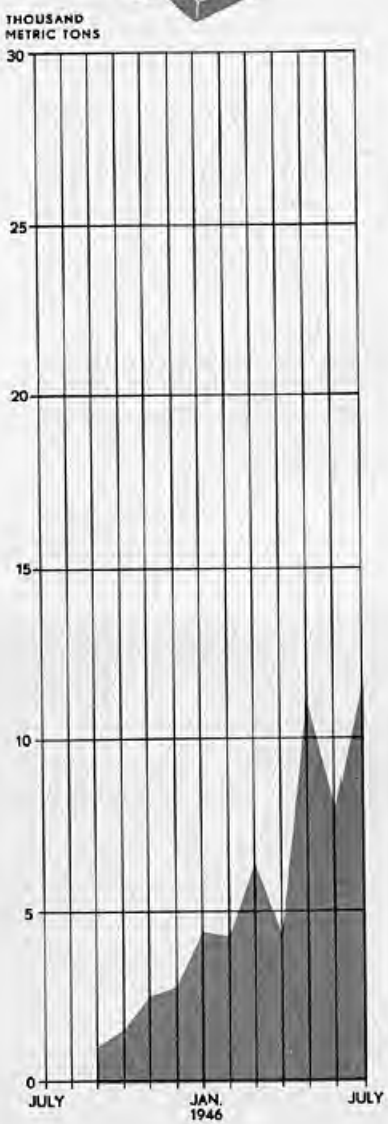
(N. A. = Not Available)

The major sources of supply of metals for the U. S. zone were formerly the British and Russian zones. Delivery of metal products during the first year of occupation from these zones has been almost negligible. Despite allocations of 95,000 tons of steel to 1 April, only 9,785 tons had been delivered. There has been almost no interzonal trade in other metal products.

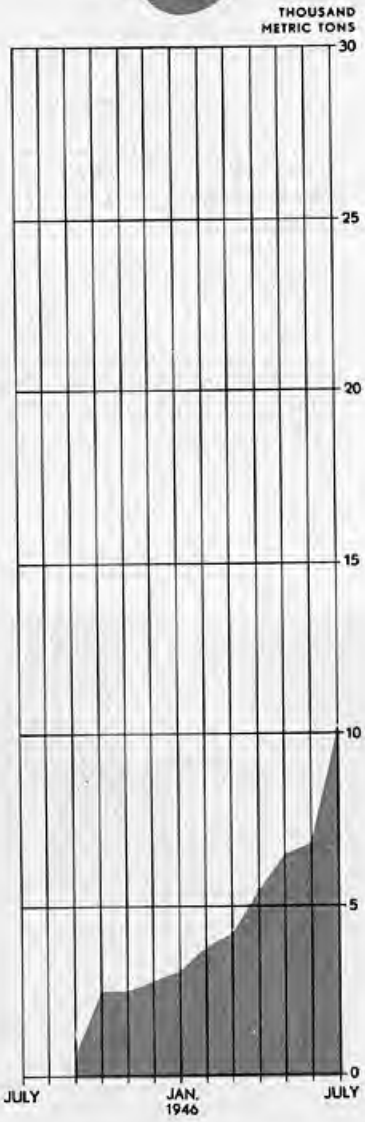
Ball-bearings manufactured for use of Germany's limited industry at the Kugellischer Plant, Schweinfurt.

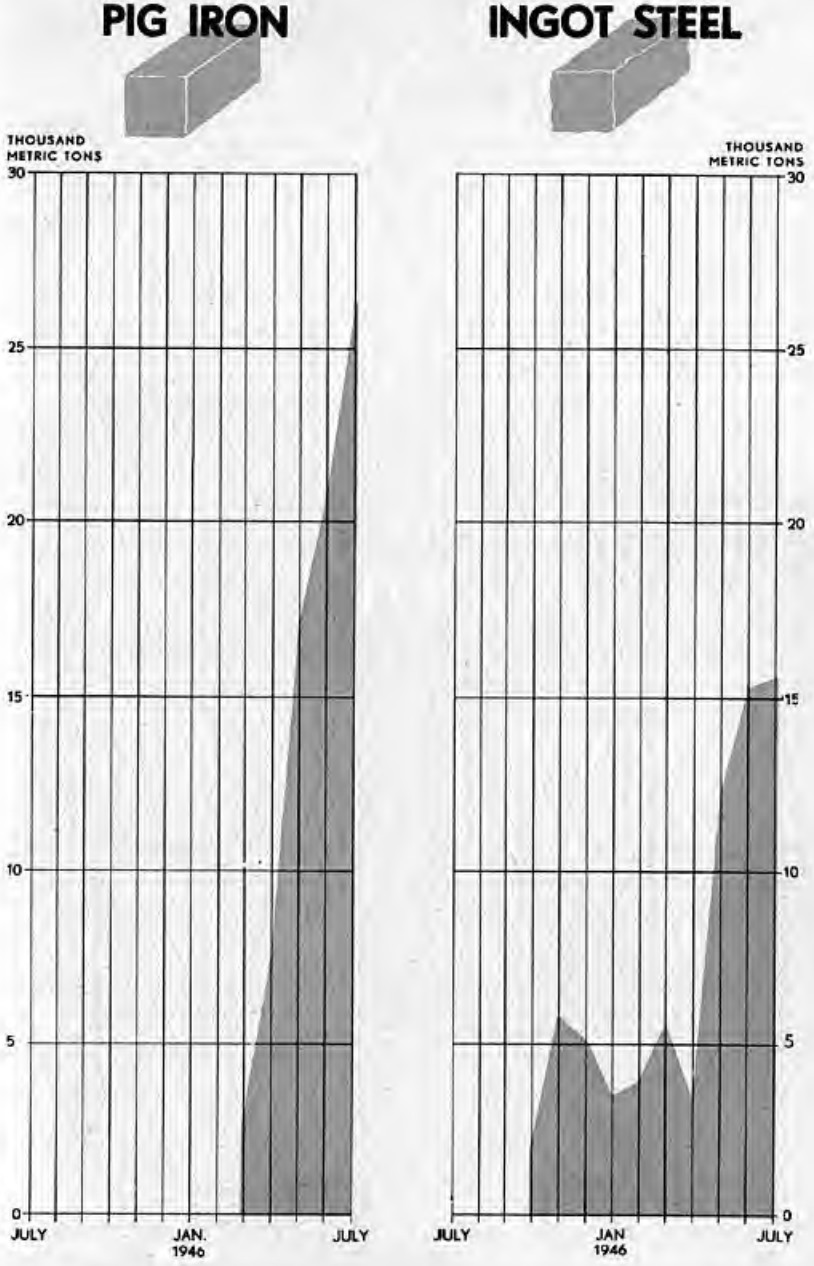
Photo by Byers

ROLLED STEEL



STEEL CASTINGS

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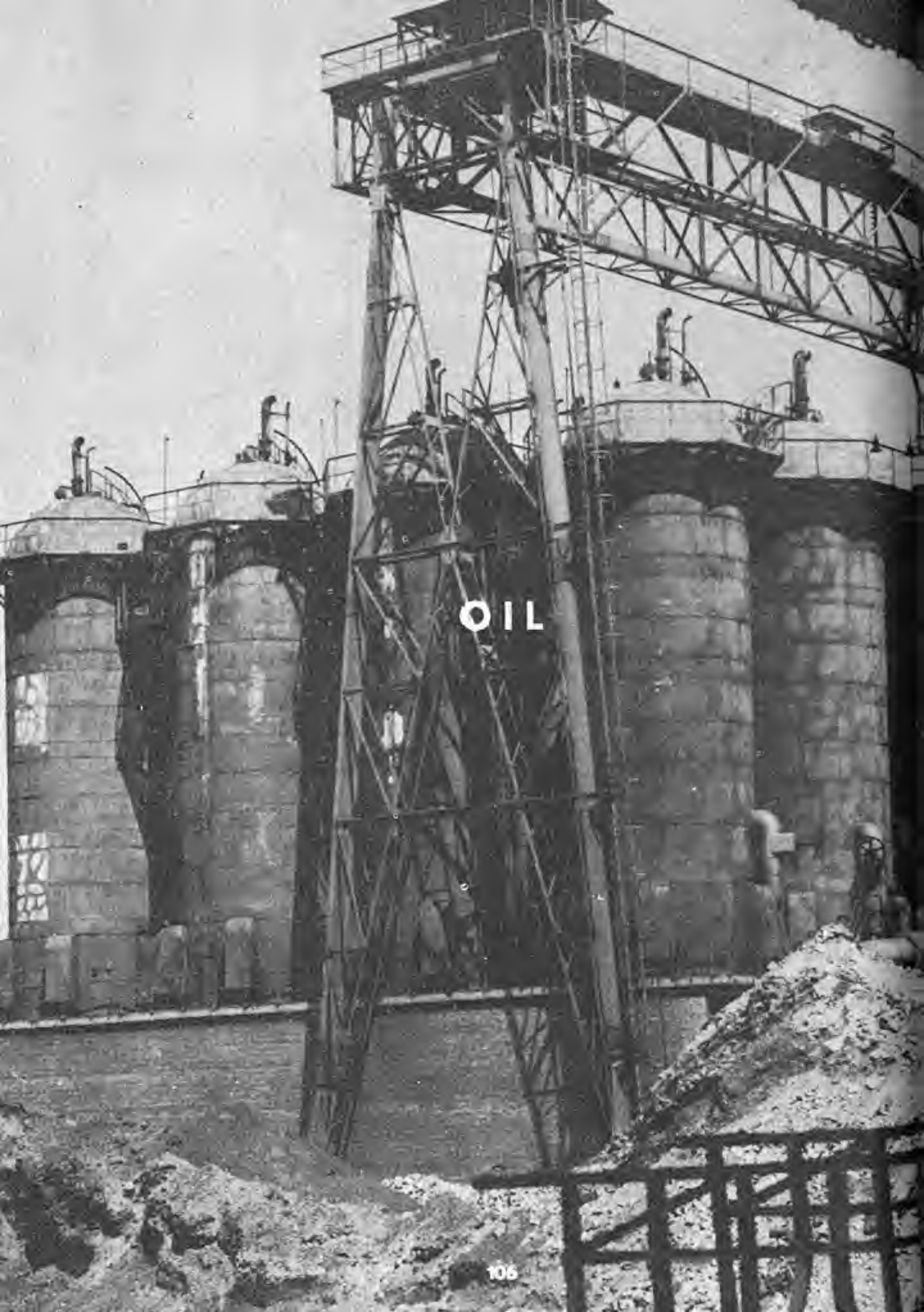
JAN 1946
JULY


OIL

Oil Tanks in Berlin.

Photo by Byers

Germany's Black Gold

Prior to and especially during World War II, Germany's oil was supplied from three sources: indigenous crude production, synthetic manufacture, and importation. At the peak of the Nazi territorial expansion, its total oil income amounted to about 100 million barrels annually, about 8 per cent of which came from crude production, 42 per cent from synthetic manufacture and 50 per cent from imports, chiefly from Roumania.

Intensive exploration for new sources within Germany was carried on throughout the war, and some new fields were discovered in the Hannover area, the Dutch Border Area, and the Heide area northeast of Cuxhaven. None of these were sufficient to prevent a steady decline in indigenous production after 1940. In addition to this shortage of new sources, the older producing fields were over-exploited, and thus depletion was accelerated during the war years. Hence, when occupied by the Allies, Germany's oilfields, though producing more than ever came from the pre-war areas, still showed a considerable decline from the peak war output. There was little physical damage to the fields themselves, and capacity production of 50,000 to 55,000 tons a month was restored fairly quickly.

The division of Germany for occupation purposes gave the British zone all important oil fields and the Russian zone the synthetic plants, leaving the French and U. S. zones with no important production of any kind. Immediately following the end of hostilities, oil from the refineries in the British Zone provided the sole civilian petroleum supply for the British, French and U. S. Zones. This was adequate for the immediate needs of the population, but it soon became evident that very considerable motor transport traffic was necessary, to satisfy the barest subsistence requirements and to prevent disease and unrest. Rail and water transport were at a standstill because of war damage, and automotive equipment had to bridge the gap. By the end of July 1945 approximately 50,000 tons of crude oil were being refined each month, but this was increasingly insufficient, and by the end of August it was estimated that the deficit in 1946 would approach 800,000 tons as a minimum.

Quadripartite Meetings

On 21 August 1945, the first meeting of the Oil Sub-Committee of the Allied Control Council was held in Berlin. Studies were instituted to determine civilian POL (Petroleum, Oil, Lubricants) requirements, and at the meeting held on 30 October 1945 this was accepted as something over 2,000,000 metric tons for the year 1946, divided as follows:

Estimated Requirements all Germany for Year 1946

(All figures are metric tons)

Product	USSR	British	French	United States	Total
Gasoline	180,000	240,000	30,000	165,000	615,000
Diesel	420,000	360,000	33,600	240,000	1,053,600
Kerosene	8,000	36,000	12,000	35,000	91,000
Lubricants	60,000	45,000	21,600	36,000	162,000
S. B. P.	—	26,000	12,000	12,000	50,000
Wax	—	—	2,400	3,000	5,400
Asphalt	60,000	60,000	18,000	30,000	168,000
Fuel Oil	—	—	3,600	—	3,600
Vaseline	—	—	240	—	240
TOTAL	728,000	767,000	133,440	521,000	2,148,840

In accordance with the Potsdam Agreement, the manufacture of synthetic petroleum in Germany will be prohibited. At the same time, it was recognized that until Germany's foreign exchange resources permit the importation of foreign petroleum products, the use of existing synthetic plants will relieve the occupying forces of part of the burden of supply. So the plants in the Soviet Zone were gradually rehabilitated, and are expected to provide for the entire petroleum needs of that zone in 1946.

POL Distribution in Western Zones:

In the western Zone it was also decided to exploit the existing petroleum resources of Germany to the greatest extent possible, and to minimize to the utmost the consumption of POL products. This was accomplished by utilizing the former Reich distributing organizations, and the association which planned the disposition and refining of indigenous crude. These bodies were suitably denazified and permitted to function to a limited extent under strict supervision of Military Government. In this way expert Germany talent was put at a familiar task without any loss of time, and the results were immediate, in that the entire oil industry was producing at capacity, and distributing the products throughout the Western Zones, within four monhs after VE Day. The

familiar Reich rationing system was also utilized, and this gave close control over consumption.

It was contemplated that all of the German distributing organizations would be dissolved, and the business handed back to industry, as soon as the economic stabilization of the country would make it feasible. The time is now approaching, and the first dissolution, that of the lubrication marketing association, will occur on 31 December 1946. On that date, too, the first steps will be taken to modify the motor fuel distributing association in the direction of final dissolution.

German Responsibility in the U.S. Zone:

It has been the policy to delegate increasing authority and responsibility to German officials in the U. S. Zone. To this end, the formation of POL committees in the Laender has been encouraged, and they have taken over the functions of rationing, and determining approved requirements; review by Military Government POL officers is now necessary only at Land level.

Since petroleum is primarily a service industry, the volume required at any time is determined by the general activity of industry as a whole. Therefore the future of the German petroleum business will be governed by the ultimate level of industry, and is not subject to control by the oil industry itself.

Examination of the Quadripartite "Level of Industry" decision makes it obvious that a definite minimum of petroleum products will be required to operate at the indicated level. These quantities are estimated to be as follows for the U. S. Zone for the year 1949:

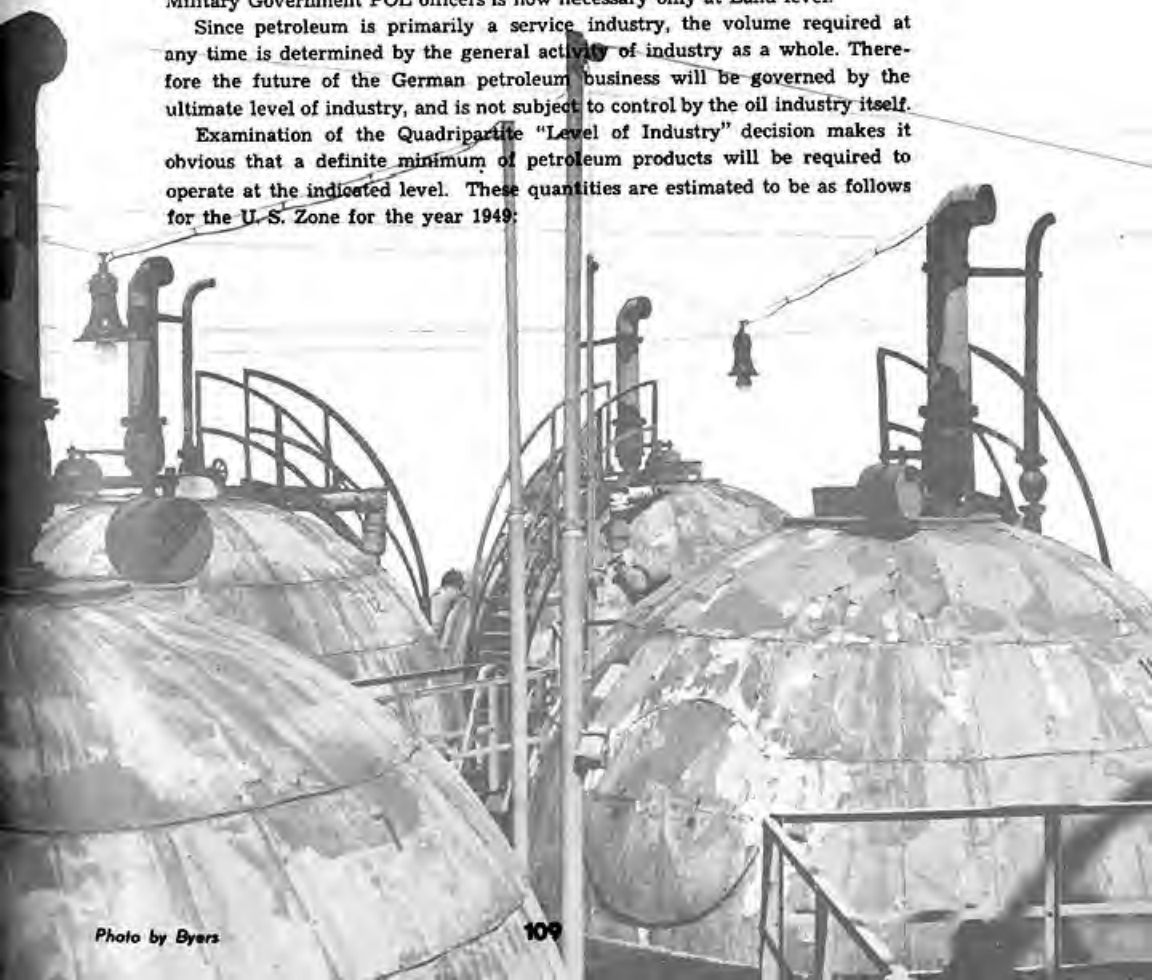


Photo by Byers

Requirements (metric tons)	
Gasoline	385,000
Diesel	330,000
Kerosene	48,000
Lubricants	84,000
SBPa)	20,250
Wax	11,250
Asphalt	92,000

a) Special Boil Point Lubricants.

The production and distribution of these quantities will require all of the available undamaged and salvageable equipment and facilities in the Western Zones, and therefore nothing has been declared available for reparations. To reduce the expenditure of foreign exchange to a minimum, the refining of imported crude oil may be under strains, and this will require all of the refining capacity now in existence in Germany, either directly or as a source of replacements parts. This activity depends on the price of crude oil, the price of imported finished products, and the price to be received for certain exported by-products. The whole question is being studied, but already it is clear that there is no surplus petroleum industry equipment available for reparations.

U. S. Dollar Requirements for the Supply of Civilian POL

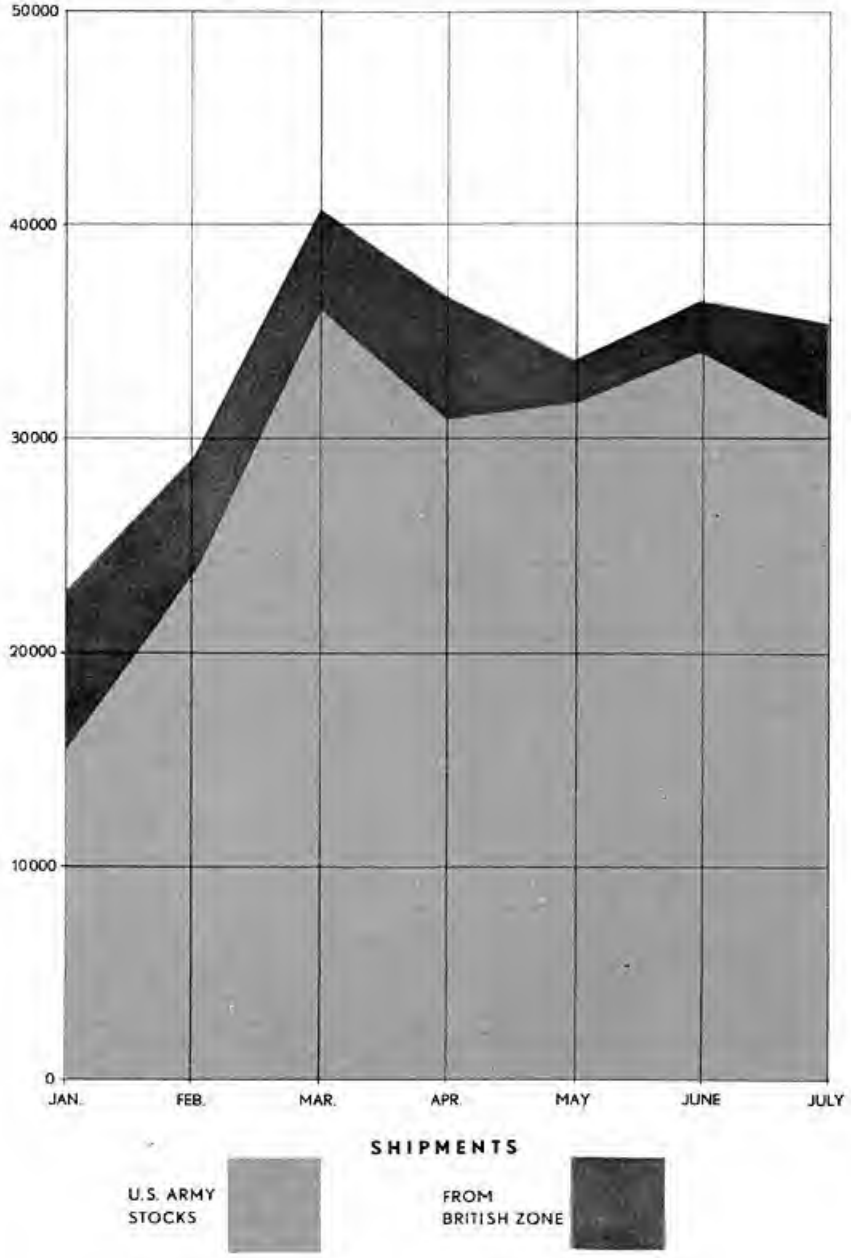
For the first half of the fiscal year 1946—47, allocations from U. S. Army stocks for essential civilian requirements have been made as follows:

	Gasoline	Diesel Oil	Kerosene
		(metric tons)	
Greater Hesse	3,549	4,700	700
Wuerttemberg-Baden	3,139.5	4,125	700
Bavaria	6,961.5	10,000	1,400
Bremen Enclave	25	725	50
Fishing Fleet	75	450	50
TOTAL	13,750	20,000	2,900

It is estimated that the dollar cost per month of the above allocation will be:

Gasoline	$385,000
Diesel Oil	460,000
Kerosene	66,700
	$911,700

MOTOR FUEL AVAILABILITY

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PUBLIC U

The public utility services during the last phase of hostilities and early occupation in 1945 were largely a concern of the Engineer Corps working in coordination with Military Government (G-5) Public Utility Officers. Each Military Government detachment included personnel charged with restoration of these services. By June 1945 Public Utilities Sections were in operation in each of the Zones of Germany, and were responsible for electricity, gas, water and sewage. Since certain services, particularly electric power and gas, overlapped the Zonal boundaries, interzonal coordination was required, and was provided by the activation of a Utility Panel in the Allied Control Authority to deal with problems of operation and policy.

Quadripartite Level Activities

Among the many projects that have been handled at Quadripartite Level by the Electricity and Gas Committee, the following are the more tangible accomplishments:

1. It became evident in late summer of 1945 that coal, electric power, and gas would be insufficient during the winter of 1945-1946. A system of rationing electricity and gas was therefor published which provided uniform rationing for all four zones, and a Law was enacted to implement the rationing regulations and provide penalties for abuse;
2. Provision was made for the interchange of electric power and gas between Zones in order to most effectually use the available power and gas

Photo by Byers

in an equitable manner, and to maximize the use of hydro power and brown coal power sources, thereby minimizing the transportation of hard coal;

3. Provision was made for the equitable export of electric power to Liberated Countries in so far as it was available;
4. A survey was made of the sources of materials for rehabilitation and maintenance scattered throughout the four Zones, and plans were developed to make these resources available to all of Germany.
5. A Central Records Office was established, under the supervision of a U.S. Public Utility Officer, where the various records of German utilities and German Engineering Societies could be assembled, preserved, maintained, and examined in order to be available for immediate use, and at the appropriate time incorporated as part of the records of a future German Government. The Central Records Office is reestablishing the communication system to all control points in Germany by the use of carrier current and teletype. This office has provided record services and special engineering serevices of great value to all Quadripartite members, through the engineering groups under its supervision;
6. Discussed and agreed upon basic factors to be used in the determination of capacity to be left in Germany.
7. Decided on the amount of capacity to remain in each Zone after the total capacity for Germany, based on the level of industry had been determined by the Control Council;
8. Selected and agreed upon the specific power plants, both public utility and industrial, that would be declared for reparations;
9. Discussed the formation of central control of Utilities on a Zonal basis which could eventually be combined into a central control for Germany.

Program and Progress

German economy depends on its industry, and industry in Germany is dependent on electric power.

The level of power production has been limited only by the availability of coal. Electric power and gas have been available substantially as fast as industry was provided with resources and materials to start production.

In 1932 Germany produced approximately 24 Billion Kilowatt hours.
In 1936 Germany produced approximately 40 Billion Kilowatt hours.
In 1943 Germany produced approximately 68 Billion Kilowatt hours.
(1943 was the War time peak production)

For the year 1946, Germany (exclusive of conquered countries formerly incorporated in German production) produced by June at the annual rate of 29 billion KW hours.

The U. S. Zone has a capacity of 5,9 billion kilowatt hours annually. Gas production has reached a level of 53% of the 1938 production. Of 138 gas producing plants in the U. S. Zone, 130 are in operation. Ruhr gas imports, which were very small in 1938, but amounted to 12,000,000 cubic meters per month in 1944, are currently at 5,400,000 cubic meters per month.

Water service has been restored to 919 communities serving a population of 9,859,000.

There are only 24 sewerage plants that are not in full operation, out of a total of 445 in the U. S. Zone.

Despite the damage to water systems and sewerage plants and the attendant danger of contamination there has been surprisingly little disease reported from this source.

The U. S. Zone depends largely on hydro power for its electric power supply: practically all of Germany's hydro power is located in the U. S. Zone and adjacent territories. There is little brown or stein coal in the U. S. Zone, so it depends on coal allocated and transported from the Ruhr (British Zone) to operate its thermal generating stations and gas plants.

During the latter part of 1945, German hydro generation experienced one of its lowest production levels. Water storage was exhausted two months earlier than during a normal year. Due to transportation difficulties, caused largely by

a lack of usable railway cars and locomotives, coal was not available for the operation of thermal electric power generation stations, which resulted in a critical shortage of electric power and gas.

Zonal Information and Control Office

The Public Utilities Section has organized a Load Dispatching and Information Center at Kelsterbach, near Frankfurt, where the main 220 KV transmission lines from the Ruhr are controlled, and communication with the Ruhr and all control points in the U. S. Zone, as well as the central control point in the French Zone, have been reestablished or provided.

This Load Dispatching point is manned by German Load Dispatchers, representing Bavaria, Wuerttemberg-Baden and Greater-Hesse, under the direct supervision of a U. S. Public Utility Officer and an assistant.

Here a daily and continuing record is kept on all power available in the U. S. and adjacent Zones; daily movement of coal to each thermal station is supervised; and pertinent data is transmitted daily to the Berlin Office, where overall supervision is exercised in order to maintain the maximum distribution of available power not only to the U. S. Zone but to other Zones and liberated countries, utilizing transmission facilities of the U. S. Zone.

The Kelsterbach Load Dispatching and Information Office also secures and transmits daily to the Berlin Office data on the gas plants and coal requirements, uses, and movements.

Maximum Use of Resources

In order to utilize Germany's indigenous economic resources it is necessary to use hydro power to the greatest extent possible, supplemented by power generated by brown coal stations located adjacent to brown coal mines, thus saving transportation. The balance of electric power is produced from power generating plants using stein or hard coal, located at most advantageous points on the system with due regard to the technical problems involved.

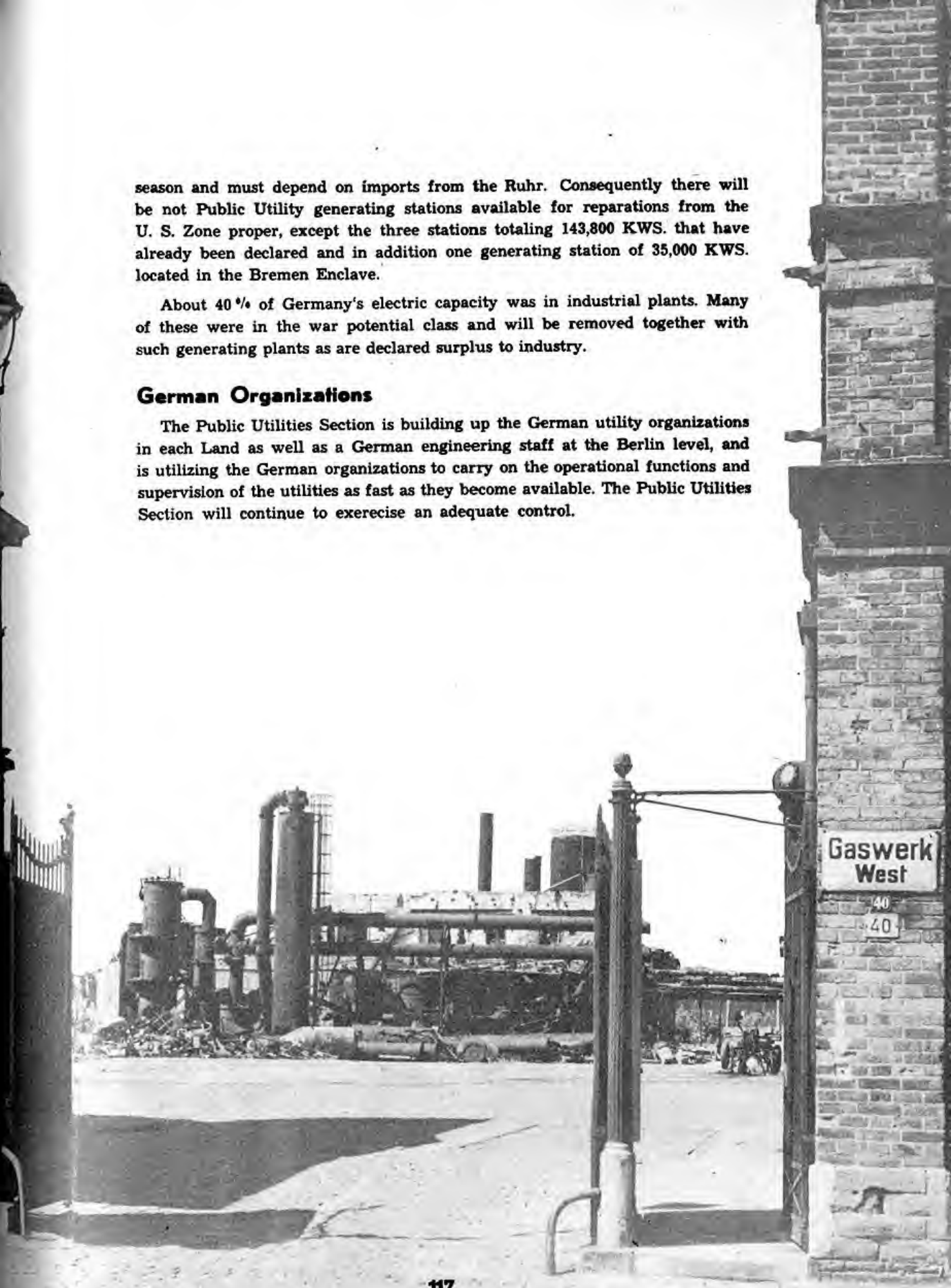
The amount of electrical generating capacity to be left in Germany as agreed upon by the Level of Industry Committee and the Control Council was 9,000,000 Kilowatts. Of this total the Electric and Gas Committee at the Quadripartite Level decided the quota for the U S Zone would be 1,500,000 Kws of firm capacity. No hydro power plants were to be considered for reparations. In computing the firm hydro power relationship to the 1,500,000 Kws total to be left in the U. S. Zone, the average of six low months during 1943, (an average hydro year) was used. The U. S. Zone does not have sufficient firm electric generation to supply its requirements during the low hydro winter

season and must depend on imports from the Ruhr. Consequently there will be not Public Utility generating stations available for reparations from the U. S. Zone proper, except the three stations totaling 143,800 KWS. that have already been declared and in addition one generating station of 35,000 KWS. located in the Bremen Enclave.

About 40 % of Germany's electric capacity was in industrial plants. Many of these were in the war potential class and will be removed together with such generating plants as are declared surplus to industry.

German Organizations

The Public Utilities Section is building up the German utility organizations in each Land as well as a German engineering staff at the Berlin level, and is utilizing the German organizations to carry on the operational functions and supervision of the utilities as fast as they become available. The Public Utilities Section will continue to exerecise an adequate control.



Control f War Potential

The close control of the German electrical power system can be a valuable instrument to control German war potential. At the same time, if Germany is to have a self-supporting economy she must export manufactured goods. To compete with other countries, Germany must have a sufficient supply of electric power and be permitted to utilize modern methods.

The utilization of electricity is increasing in all fields and in every country. Consequently it will increase in Germany, subject to Allied control.

It is quite possible that the present capacity left in Germany will prove to be inadequate by 1949 and that if Germany is to become economically self-supporting, she way require new capacity if only to replace present power plants, many of which are twenty to twenty-five years old and will rapidly deteriorate.

The attached charts show the production and consumption of electric power and gas.

Signal Corps Photo

PRODUCTION OF GAS

THOUSANDS OF CUBICMETERS

50000
40000
30000
20000
10000
0

JAN. 1946 — APR. — JULY

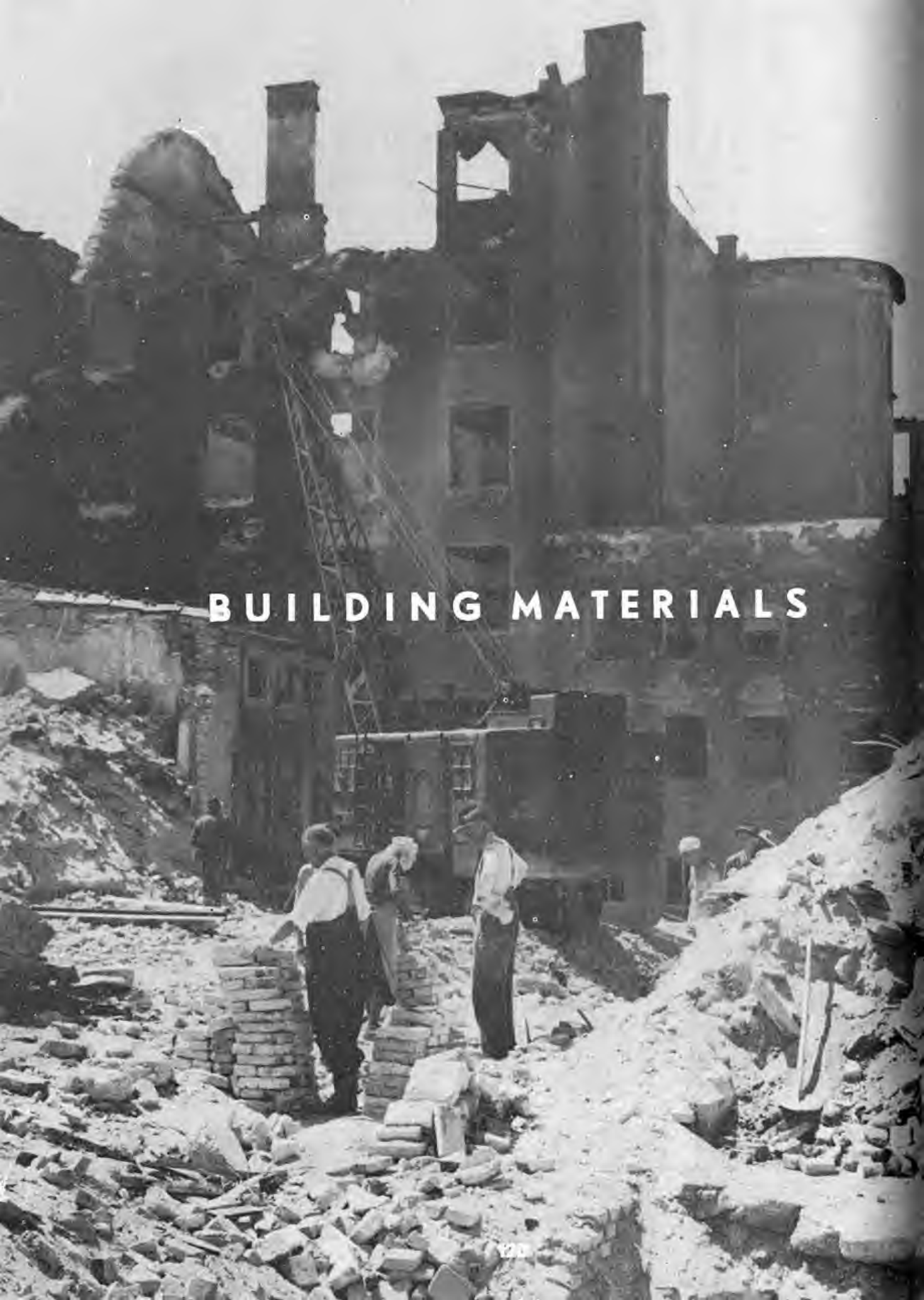
GENERATION OF POWER

MEGAWATT HOURS

500000
400000
300000
200000
100000
0

HYDRA

JAN. 1946 — APR. — JULY



BUILDING MATERIALS

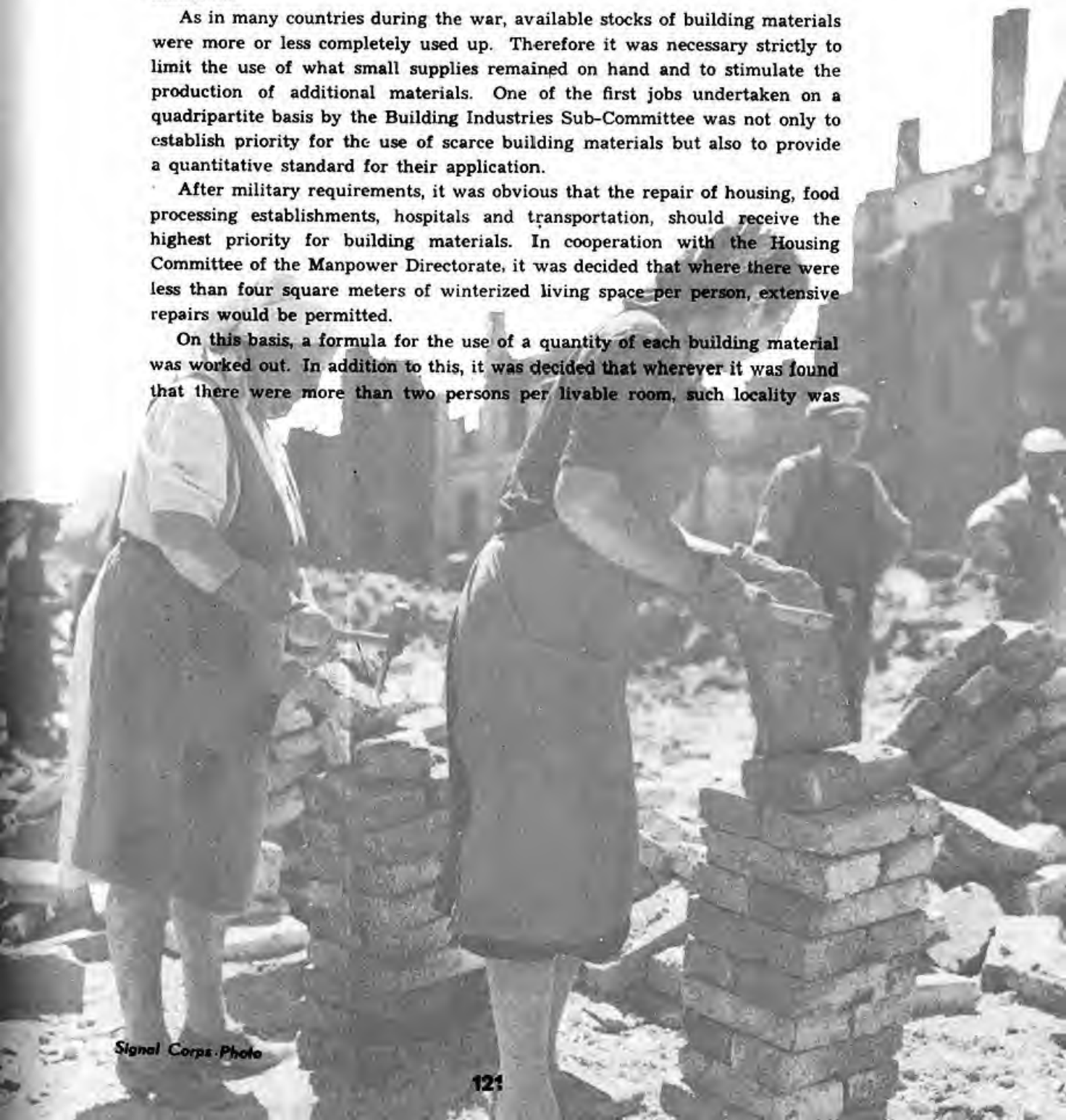
Signal Corps Photo

Even to a casual observer and particularly to a newcomer, the widespread destruction of German cities brings home graphically the need for building materials and construction. One of the first responsibilities assumed by Military Government was to assist the Germans in providing a limited amount of winter shelter for themselves so that disease and unrest might be kept to a minimum.

As in many countries during the war, available stocks of building materials were more or less completely used up. Therefore it was necessary strictly to limit the use of what small supplies remained on hand and to stimulate the production of additional materials. One of the first jobs undertaken on a quadripartite basis by the Building Industries Sub-Committee was not only to establish priority for the use of scarce building materials but also to provide a quantitative standard for their application.

After military requirements, it was obvious that the repair of housing, food processing establishments, hospitals and transportation, should receive the highest priority for building materials. In cooperation with the Housing Committee of the Manpower Directorate, it was decided that where there were less than four square meters of winterized living space per person, extensive repairs would be permitted.

On this basis, a formula for the use of a quantity of each building material was worked out. In addition to this, it was decided that wherever it was found that there were more than two persons per livable room, such locality was



Signal Corps Photo

to be considered acute from the point of view of housing, and additional construction and building materials were to be brought in to that locality. A six-month survey of housing showed, however, that there were very few places in the U. S. Zone of Germany or the U. S. Sector of Berlin in which density of occupancy was as high as two persons per livable room, a circumstance resulting from careful allocation and distribution of building materials under the established priority system and efforts on the part of the Germans themselves.

Building Control and Licensing

In order to carry out the Potsdam provision that the future standard of living in Germany would not exceed the average of her neighbors, excluding the USSR and the United Kingdom, and to prevent the creation of building which might become a war potential, the Building Industries Sub-Committee established a control and licensing system for the whole of Germany. Objects and purposes of this system were:

a. to insure that there would be no labor or material used for non-essential or unauthorized construction, reconstruction or repairs of any kind, and that the proper use would be made of material and labor for essential and authorized construction, reconstruction or repairs,
   (1) by imposing maximum standards of design and workmanship, and
   (2) by permitting only such construction, reconstruction or repairs as conformed to an authorized building program predicated upon the needs of a German peace-time economy;

Signal Corps Photo

b. to prevent the re-establishment of a German war potential,

(1) by issuing instructions for the demolition of certain categories of buildings and civil engineering works following upon decisions by higher authority, and

(2) by preventing the construction of such categories of buildings and civil engineering works as would be capable of subsequent conversion to the development of a war potential.

This system was designed not only as an immediate but also as a long-range program, for it soon became obvious that the extremely curtailed production of building materials, due mainly to the lack of coal, would limit the immediate reconstruction of German cities. In addition, the control and licensing system provides for the equitable distribution of building materials among the four zones so that Germany can be reconstructed as a whole economic unit.

Prefabricated Housing

Investigations are also being conducted into the possibility of exporting prefabricated houses. The market for such a product will be unlimited in Europe and in Germany itself for many years to come. It is impossible to estimate at present the proportions which the export of prefabricated houses might reach, because the productive capacity for such houses and the materials involved are limited. In addition, it is still uncertain as to how many fabricating facilities will be left in Germany or how many can be converted to the production of prefabricated houses. It is hoped, however, that under terms of the Potsdam Agreement, which encourages the development of peaceful industries, the U. S. Zone, in cooperation with the rest of Germany, may be able to build what will be a new industry for Germany and may be able

to develop new and substitute materials for such prefabricated houses. A committee of experts has been set up in the Laenderrat for this purpose.

The future of the building materials industry is unlimited within the bounds of the natural resources for such material to be found in Germany. It is not anticipated that the production of building materials using such items as asbestos, which was always imported, will proceed at the same rate as that of other materials using items indigenous to the country. In view of the fact that demands for building materials of all kinds will for many years far exceed the supply of such standard material, it is anticipated that the Germans will turn to new and substitute materials for many purposes; but the use of new building materials such as plastics may be considerably handicapped by the levels of production established for the chemical industry. The development and use of such new materials and methods of construction as well as the maximum production of standard material, will be encouraged as part of the overall plan to make Germany self-supporting within the limitations imposed by the Allies.

Current Production

During the first part of the past year, everything possible was done to expedite the production of building materials in the U. S. Zone. Such efforts were necessary if even the military requirements for building materials and for emergency repairs of civilian homes were to be met. The production of building materials on the whole was increased steadily within the limits of coal allocation, but anything approaching full capacity production is not yet in sight. For instance, the present production of cement could be increased over 200 percent and still stay within the level established for this material.

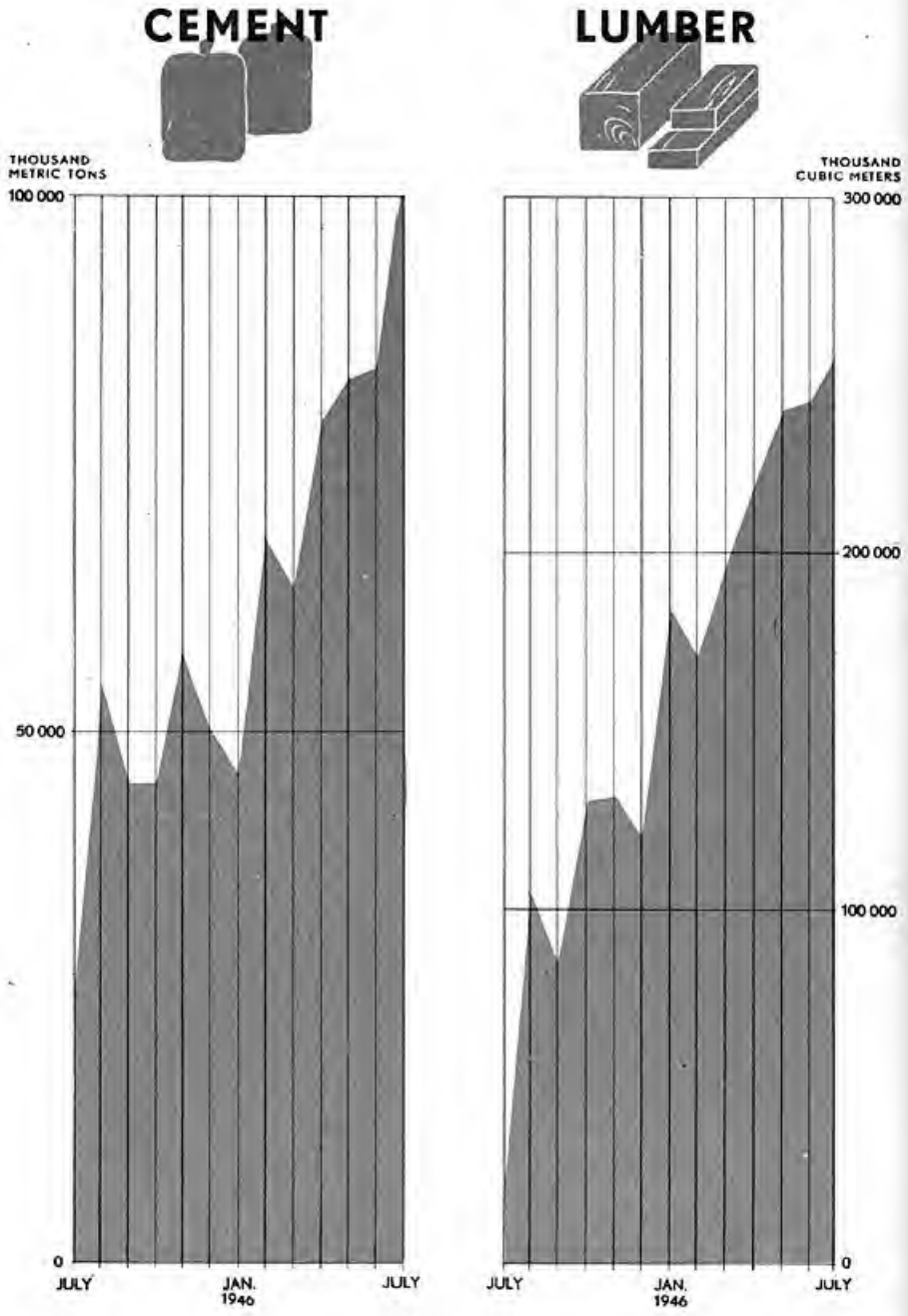
Future Production

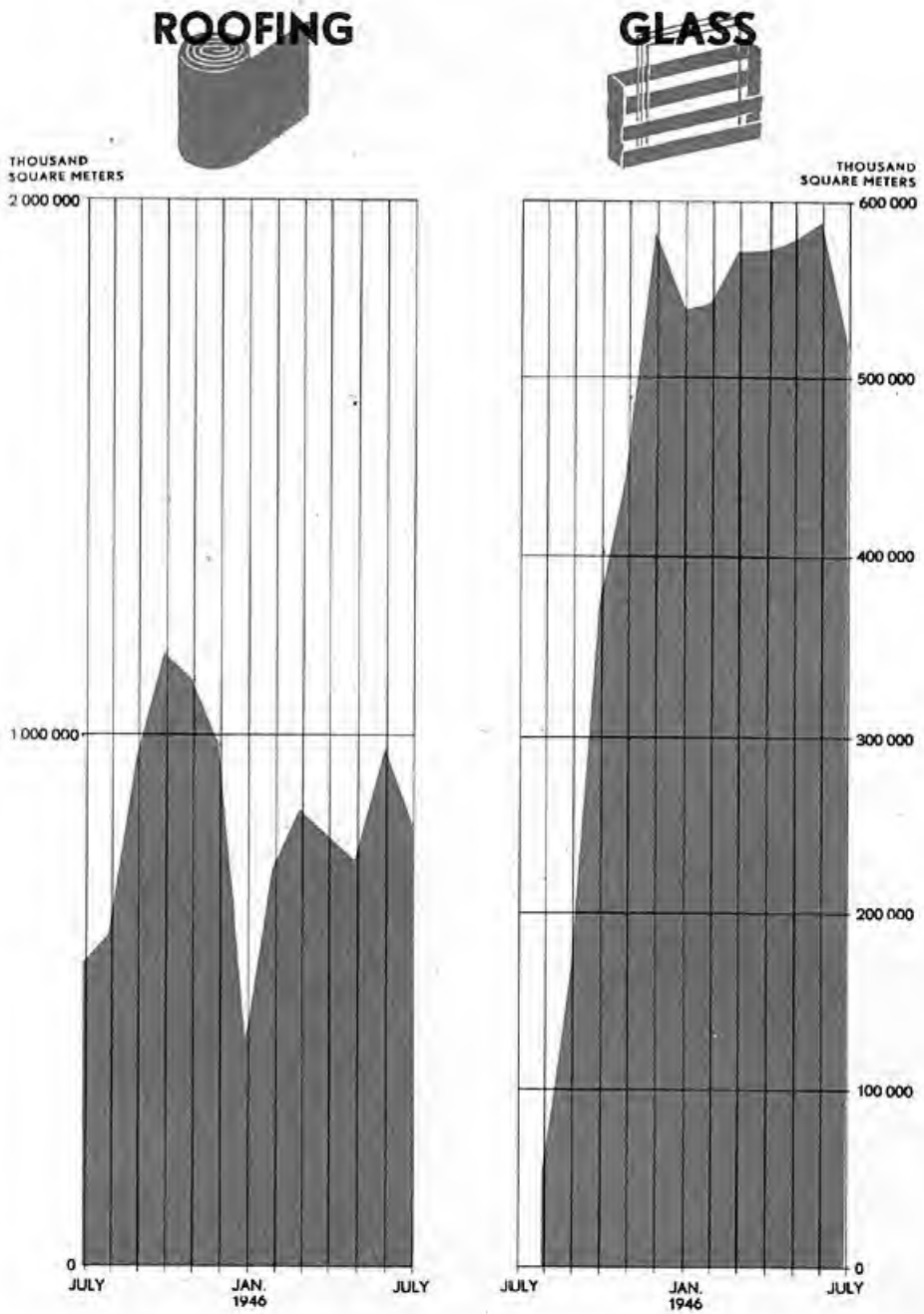
The level of industry plan, agreed to in March, 1946, set no limits on the production of building materials, with the exception of cement, and none on construction within the limits of the materials available. Although the production of cement was never declared a direct war potential, it was determined that an estimated production level be determined for this industry and that excess capacity be declared for reparations. A level of eight million tons annually was finally established for the cement industry, of which 2.2 million tons were to remain in the U. S. Zone. Since Germany produced between 11 and 16 million tons of cement yearly during the last ten years, during which time there was no problem of reconstruction, and that Germany will now need more cement than ever because of reduced production of reinforcing steel, the level of eight million tons for which capacity is retained represents a severe restriction upon this phase of German economy.

Lumber

In the U. S. Zone of Germany, Military Government has succeeded in re-establishing and reorganizing the German forestry and lumber organizations. Although denazification, as in many other sections of industry, stripped the new organizations of many of their technicians, it was still possible to bring them back to some semblance of their former condition. These organizations have now been turned over to Germans and are operating under the Laenderrat. The production of lumber and timber products in the U. S. Zone is now approximately 76 percent of its prewar capacity.

The largest single export transaction that has been concluded by Military Government to date is a $ 14,300,000 contract for the export of lumber produced in the U. S. Zone to the United Kingdom. Negotiations with the Controller of Timber Supplies of the United Kingdom were successfully concluded early in April, 1946, and an order was received for 650,000 cubic meters of sawn lumber to be delivered before April 1, 1947. This lumber will be shipped mainly by Rhine river transportation from Mannheim and Karlsruhe. The British will provide barges for transportation to Rotterdam and thence to the United Kingdom.


CEMENT
LUMBER
THOUSAND METRIC TONS
100 000
50 000
0
JULY
JAN. 1946
JULY
THOUSAND CUBIC METERS
300 000
200 000
100 000
0
JULY
JAN. 1946
JULY


ROOFING
GLASS
THOUSAND SQUARE METERS
2 000 000
1 000 000
0
JULY
JAN. 1946
JULY
THOUSAND SQUARE METERS
600 000
500 000
400 000
300 000
200 000
100 000
0
JULY
JAN. 1946
JULY

Signal Corps Photo

The Machinery and Optics Section of the Industry Branch is responsible for railroad and automotive production, machine tools, mining and metallurgical electrical equipment, agricultural machinery and optical, photographic and precision instruments. In 1938, more than 1,630,000 people were employed in these fields.

In the field of quadripartite activity, the work of the American representatives revolved about the level of industry to be permitted post-war Germany. When four power agreement was reached at the end of March, quadripartite working committees were established to allocate the proportion of the machinery and optics industries to remain in each zone. With representatives of all four powers working in close cooperation, this was accomplished and the plants selected as representing excess capacity were listed as available for reparations.

Prior to the selection of plants for reparations, studies were made to determine the plants which should be retained in order to meet the prescribed levels of production in the assigned industry categories. Industry Survey forms were supplied to about 2500 industries. Completed returns have been received to date from about 2300 of the firms to which the forms were sent. The Industry Survey equipment inventory is intended to provide information relative

Camera manufacture at the Zeiss Ikon Plant. *Signal Corps Photo*

to the current holdings of machine tools in all of Germany and the number that will be available after removal of plants declared available for reparations. The Machine Tool Survey has been agreed on a quadripartite basis as necessary to the control and administration of the German industrial activities.

In the U. S. Zone shortages of raw materials and all types of fuel have kept production at a low percentage of capacity. Many of the larger plant buildings were heavily damaged by allied bombings but the equipment was in surprisingly good condition. In many cases it has been necessary to reassemble in the main plant the manufacturing equipment which was distributed among a large number of relatively small dispersal plants to avoid the effects of bombing during the war. This is an added handicap to a rapid rise in production in many industries.

Transportation is a critical industry today. Because of the heavy depreciation in equipment and rolling stock, nearly all of the existing transportation and automotive industry have been concentrated on the production of spare parts and repair work. With the limited amount of steel and coal available, more locomotives, railroad cars and trucks can be put back into operation using considerably less material than would be required to manufacture new railroad rolling stock and vehicles.

Photo by Byers

Under the severe limitations of the level of industry plan, which restricts the number of trucks and passenger cars to be manufactured throughout all of Germany to 40,000 per year in each category, five of the seven automotive plants in the U. S. Zone will be offered for reparations. At present, efforts are being made to solve the problem of spare parts for the vehicles formerly made at these plants. The maximum authorized production of vehicles allows one per 2,000 inhabitants. In the United States, production in 1938 was one vehicle per thirty inhabitants.

One of the handicaps in reviving production of cameras and other optical instruments has been the decentralization of the optical industry with the result that manufactures in the U. S. Zone are dependent upon suppliers in other zones for their parts. Some progress has been made through arrangements whereby optical glass, lenses and shutters are being supplied from the French and Soviet zones in return for a share in the production of finished cameras. The high degree of skill and experience of the German optical industry assures a ready international market for export items. At the present time the Army Exchange Service takes almost all of the camera production in the U. S. Zone. However it was recently announced that a percentage of cameras would be set aside for exports to pay for Germany's large import bill. The percentage will increase as the number of cameras manufactured rises to its pre-war level.

Farm machinery production has been given priority because of its great importance to the increased agricultural program of the U. S. Zone. There too, the emphasis has been on repair of existing equipment and the manufacture of spare parts rather than new machines.

Electrical industries have had more than their share of handicaps to full production. Before the war, nearly half of the electrical industries were located in Berlin. Bombings and combat in the city destroyed the largest part of these factories. Some equipment had been evacuated from Berlin and was scattered over all four zones. This industry is only beginning to recover and find new sources for supplies of raw materials and finished parts.

Work in the heavy engineering fields, which will be drastically reduced by the level of industry decision, has been largely one of determining what plants will be allowed to remain and assuring that each industry will be able to supply its own needs, as most of the large plants were dependent on each other for equipment and parts.

After a year of accomplishment, work continues at an accelerated rate to determine which plants are to remain and which to go for reparations, and within the U. S. Zone to step up production to the maximum possible in view of the shortages of coal and material.


CHEMICALS

Germany possesses large natural reserves of most of the basic raw materials needed to produce the multitude of chemical products essential to any modern industrial economy. Coal, limestone, salt, potash and wood are in abundant supply within the country. However, some important chemicals, among them phosphate rock and certain vegetable tanning materials, must be imported.

In the chemical field, coal is the most important raw material, not only as a source of heat and power, but as a base for coke, coal tar, calcium carbide and the countless derivatives made therefrom. The small coal allocation allotted to the chemical industry in Germany as a whole is the main reason for the current low production rate. There are others, however. The scarcity of chemicals in all four zones has resulted in many restrictions in interzonal trade in chemicals. The U. S. Zone particularly finds itself in the difficult position of depending on the other three zones largely for coal, coke and coal tar products, and wholly for rubber and synthetic ammonia, both of which require coal to be produced.

The dye and pharmaceutical plants in the Zone are large consumers of intermediate products obtained from coal tar products. Coal tar is a by-product of coke and gas plants, largely concentrated in the British Zone. The rubber fabricating industry in the U. S. Zone produces a variety of items from gaskets to automotive tires. However, neither synthetic rubber nor carbon black, necessary in the production of tires and tubes, is produced in the U. S. Zone. Sulphur, used in the vulcanization of rubber and in other chemical industries, is not found in Germany and must be imported. The most common of basic chemicals — sulphuric acid — is made out of pyrites, and the U. S. Zone is largely dependent on the British Zone for this important raw material. The British Zone is the largest producer of coke, a raw material for the manufacture of cacium carbide. This product is used in the manufacture of cyanamid (a nitrogen fertilizer), acetylene gas for cutting and welding, and synthetic organic products for the plastics, lacquer and food industries.

Due to the "have not" position of the U. S. Zone in respect to many essential raw materials for the chemical industry, the lack of coal and the barriers to interzonal trade have prevented full utilization of the extensive chemical and intermediate fabricating and processing capacity which exists in the Zone. The problems involved are such that it may take 18 months to two years before increased production really gets under way.

One of the few items to show smaller output in June than in the preceding months was soap. This results from a shortage of fatty acids, stocks of which are nearing exhaustion, and can be replenished only by the manufacture of synthetic fatty acids in the British Zone.

To provide synthetic resin and plastics for plywood, adhesives, paints varnishes and molded parts for electrical supplies, the formaldehyde plant at

anufacturing Plant for Chemical Fertilizer in Trostberg.

Signal Corps Photo

Schrobenhausen was authorized to start production in June 1946.

In the dye field, continuation of the present production program is inadequate to supply current needs. Until adequate supplies of coal tar products are actually received from the British Zone, the U. S. Zone production of important dyes, pharmaceuticals and synthetic tanning agents will be severely handicapped.

The ammunition salvage program started in July. It is estimated that this program will recover about 55,000 tons of ammonium nitrate, equivalent to about 17,500 tons of nitrogen, for use as fertilizers. In addition, large amounts of scrap metals, chemicals and packing material will become available to the German economy.

Fertilizers

Production of nitrogen in the form of calcium cyanamid was started in December 1945 at the Trostberg plant of the Sueddeutsche Kalkstickstoffwerke AG. The production started out at the rate of 223 tons of nitrogen in December and rose steadily until June when a total of 3,568 tons of nitrogen was produced. The calcium cynamid industry is currently operating at about 94 percent of capacity.

The balance of the nitrogen fertilizers produced in the U. S. Zone comes from two cources, namely, by-product ammonia in the form of ammonium sulphate, and calcium-ammonium nitrate fertilizer. The production of the latter is dependent on the shipment of anhydrous ammonia from the Oppau plant in the French Zone. After months of negotiations, anhydrous ammonia shipments to Hoechst were started in April 1946. The conversion of anhydrous ammonia to fertilizers at Hoechst did not start until May 1946. The current rate of production, dependent entirely upon French substantial or permanent improvement in this field can be expected until Germany is treated as an economic unit in accordance with the Potsdam Agreement and the Reparations Plan.

The First Year

In July 1945, chemical production throughout the U. S. Zone was virtually at a standstill. Neither coal, coke, raw materials nor transport was available for any substantial production. Lack of transport prevented the movement of potash from the stockpiles at the two mines in the Zone to satisfy the urgent needs of agriculture. With no coke, the Trostberg cyanamid (nitrogen fertilizer) plant was idle. Soap, essential for health, was being produced at the rate of one and one-half ounces per person per month. The only chemical field showing a reasonable rate of activity was biologicals, which were being produced at a rate of about 60 percent of that for 1938.

Gradually, as transport and communications were resumed, some small improvement took place. Raw materials from scattered inventories were reassembled. The electric power supply increased and some coal could be made available for essential industries. In October, the first soda ash, needed for the production of glass and soap, was turned out. During the winter, rubber plants, producing automotive and bicycle tires, rubber soles, belting, some surgical goods and rubber hose, were operating at about 15 percent of capacity on synthetic rubber received from the British Zone. However, production in the chemical field generally did not really begin to get under way until the first quarter of 1946, as more coal, coke, electric power, transportation and communications became available. With very few exceptions, the second quarter of 1946 showed further substantial improvement over the first quarter.

The month of June registered further progress. In the pharmaceutical field, output of anti-Scabetics showed improvement and biologicals continued to make a satisfactory showing. The principle raw material, corn steep liquor, is not Zone anhydrous ammonia, is averaging about 1,200 tons of nitrogen per month. The production of ammonium sulphate from by-product ammonia is negligible.

The production of superphosphates was not started until February 1946. The superphosphate plant capacity in the U. S. Zone originally totalled 24,000 tons of P_2O_5 per year. One plant was completely bombed out and the remaining plants with an annual capacity of 7,000 tons of P_2O_5 are currently operating at about 20 percent of capacity.

The production of P_2O_5 in the form of Thomas slag did not start until the month of May. Current production is running about 400 tons per month.

The potash mines in the U. S. Zone were not put into operation until March 1946. The delay in starting these mines was due entirely to inability to obtain coal for this operation. Production during the first six months totalled 28,000 tons of K_2O; the current monthly rate is 11,000 tons K_2O.

Basic inorganic Chemicals

Production of soda ash did not start until October 1945. Production up to 1 July totalled 24,000 tons; the current monthly production is about 11,000 tons, and this can be increased to 14,000 tons per month, provided coal is available.

The production of caustic soda, chlorine, hydrochloric acid and calcium carbide did not start until January 1946.

The production of sulphuric acid in January was 700 tons. Additional units have since been placed in production, and in June the monthly rate reached 2,600 tons. Before more units can be placed in operation it will be necessary to increase the supply of iron pyrites. Steps are being taken to increase U. S. Zone production of this material from 1,500 tons to 5,000 tons per month. The balance of the iron pyrites must come from the Maggen mine in the British Zone, where production is being slowed by the shortage of labor.

Assuming a sufficiency of coal, tar, buna, carbon black, and skilled labor, third quarter chemicals output in the U. S. Zone should continue at least at the June rate.


CONSUMER GOODS

Mastercraftsmen produce world-famous porcelain in Selb. Bavaria.

Photo by Byers

Unlimited expansion was the verdict of the Allied Control Council in its determination of the permitted production of the ceramics, handicraft, leather and glass industries of Germany. These light industries had no war potential. They were essential to the economy of Germany and they would have to furnish a large portion of the exports needed to pay for Germany's imports of food and raw materials.

These industries are still operating at only a fraction of their capacity in the U. S. Zone, where production is limited by an economy of scarcity. It takes five to seven tons of coal to make a ton of finished chinaware, and coal is the most critical item in Germany today. In securing supplies of coal, therefore, export items must compete with the railroads, public utilities, steel mills and other essential industries.

Nor is lack of adequate coal the only drawback to full production in the ceramics industry. Bavaria has long been famous for its fine porcelain, and the Rosenthal plants are known all over the world. Bavaria, however, depended upon Czechoslovakia for the bulk of the raw materials needed to make fine porcelain. Eighty percent of its kaolin, the pure white clay used to form the paste of porcelain, came from the Czech province of Bohemia. Some kaolin was also obtained from Saxony, which is in the Soviet Zone. Considerable quantities of flint and feldspar were imported from Norway, Sweden and Denmark. Most of the postwar production has therefore been utility ware and some hotel china, the latter being used to meet US Army requirements. There have been practically no imports to replenish the rapidly dwindling stocks of raw materials because of the difficulties of interzonal and international trade. The current production of Bavarian china is only six percent of estimated capacity.

Pottery and Earthenware

The earthenware industry is one of the oldest in Germany, dating back to the 15th century. Stoneware and fine earthenware has been produced in Hesse, Wuerttemberg and Bavaria for several hundred years, and the manufacture of earthenware food containers has been continuous from earliest times.

Both "hard" and "soft" earthenware are manufactured in Germany today. Feldspar is used in making the hard type and chalk is the flux used for soft earthenware. The nineteen plants in the U. S. Zone are operating at approximately 36 % of capacity. Since most of the potteries and earthenware

manufacturers use local clays, the chief concern of the industry is to obtain sufficient coal, the requirements for which go as high as four tons of coal per ton of finished ware.

Technical Porcelain

The technical porcelain industry of the US Zone is concentrated in Bavaria. The main products manufactured are electro-technical items such as porcelain insulators. As in the case of the household and luxury china industry, the basic raw materials must be imported.

Although this industry requires from three to five tons of coal per finished ton, the extreme shortage of electrical insulators in Germany has caused the allocation of a small amount of coal. Most of the present output of the technical porcelain industry, which is operating at ten percent of capacity, is electrical insulators for the repair of power lines.

Other Types of Ceramics

The production of tiles for stoves is an important German industry which originated in the 16th Century when the highly ornamental tile covered

Bavarian handicraft worker painting porcelain figures.

Photo by Byers

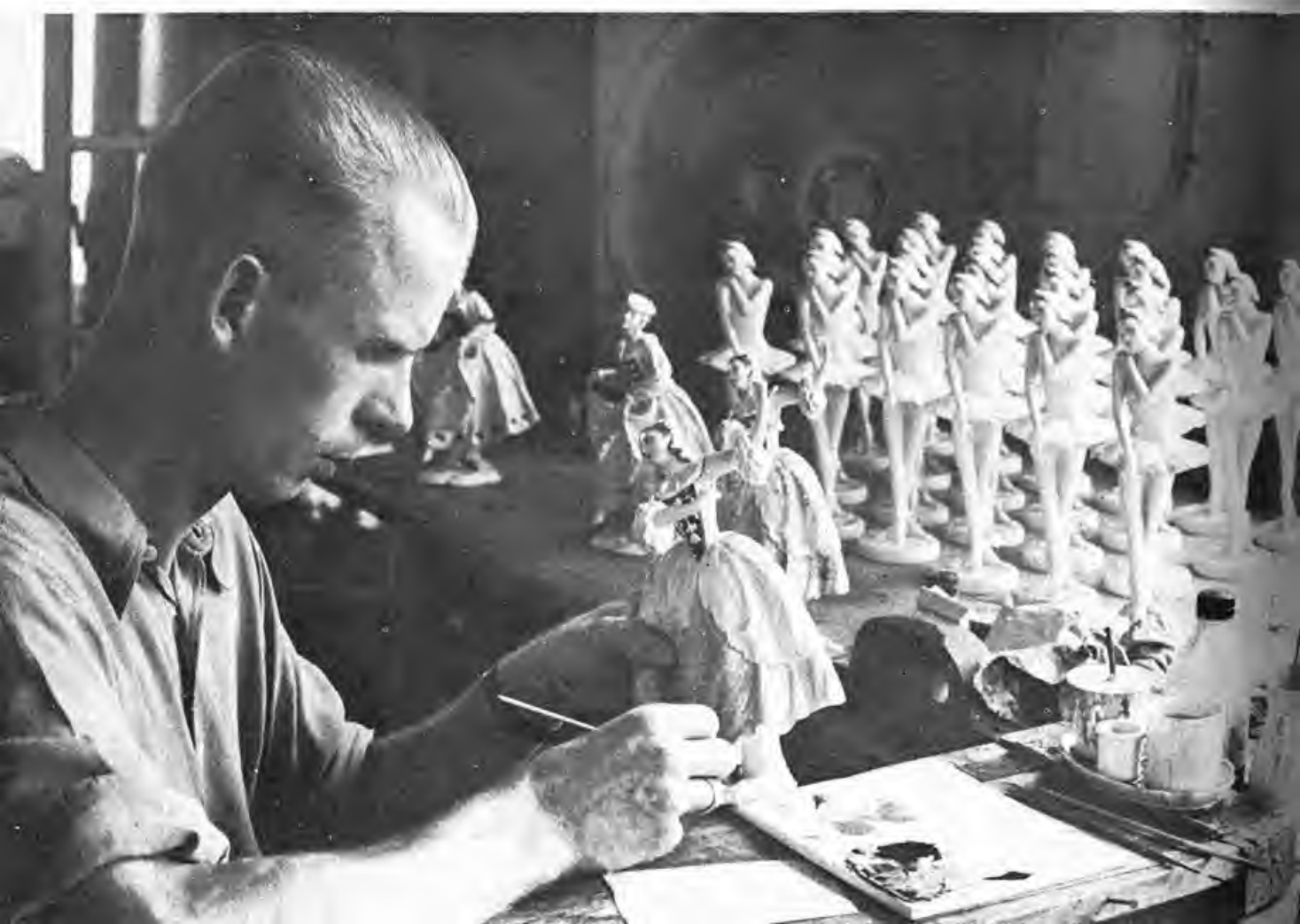


Photo by Byers

By producing toys for export, Germany will be able to pay in part the cost of food imports. Toy manufacturers at work in Nuremberg plant.

"Nurnberg Stove" was first developed . This type of stove is still a favorite for domestic heating throughout Germany. However, coal shortages are keeping production to a fraction of capacity.

The abrasives industry in the U. S. Zone is centered in Greater Hesse, with the important grinding wheel producing district of Frankfurt accounting for the largest output. Agricultural whetstones and sized abrasives are next in importance. The production rate for the industry is between thirty-five and forty percent of capacity. As the principal source of supply for artificial corundum, an important abrasive, is in the Rhineland, interzonal trade barriers are a restricting factor in the production program of this industry.

Although the overall level of production in the field of ceramics is only twelve percent, even this small amount represents a steady increase since the occupation started. As the general industrial rate increases and as shortages and bottlenecks are overcome, the trend will be reflected in the light industries which are destined to play such a large part in the future economy of Germany.

Glass Production

Glass, especially flat glass for building purposes, is necessary to any modern economy. Military government took prompt steps to ease the serious shortage of this type of glass by reactivating, early last fall, the two largest glass producing plants in the American Zone. Both of those plants are now exceeding their average 1938 monthly production. However the emphasis on building glass has almost eliminated the production of other types of glass and glassware at the present time. Soda ash and coal are among the critical items.

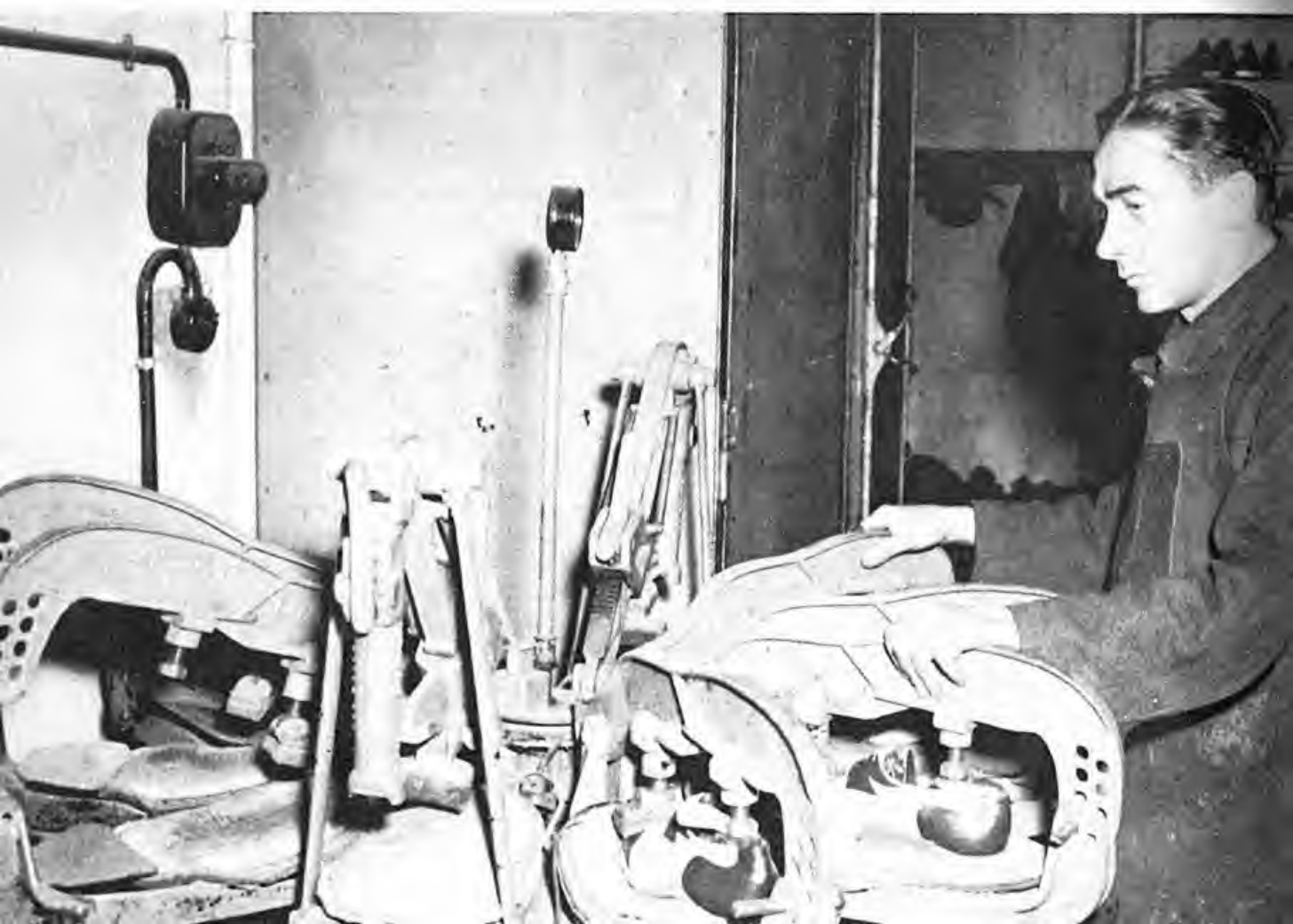
Leather

Most of Germany's leather goes into the manufacture of shoes. Although Germany was a large manufacturer of leather goods, a large part of the hides and skins prepared in its tanneries were imported. The U. S. Zone contains twenty-nine percent of the leather industry of Germany. Leather and shoe industries in the Zone are fairly well dispersed, with Wuerttemberg-Baden having the largest number of manufacturers.

Leather output is over thirty percent of pre-war production, which is a high

Only a small fraction of her needs are met by home manufacture of shoes.

Signal Corps Photo



Signal Corps Photo *Interior of a textile factory in Wurtemberg-Baden.*

level in view of the reduced cattle slaughter and the fact that the U. S. Zone must now depend solely on local sources for supplies of hides. A large number of cattle will be slaughtered this fall and this will greatly increase the amount of hides available for tonning.

There are 225 factories devoted to the manufacture of leather goods in the American Zone and the total annual capacity of the industry is estimated at thirty million marks. The most important leather goods center is at Offenbach, near Frankfurt. Offenbach is known for the manufacture of bags, purses, and pocketbooks for export. However, the lack of leather, metal finishings and lining materials has curtailed production.

Textiles

The textile industry, which was working at the beginning of the year at approximately 10% of capacity, increased its production to about 33% in June. The increase was mainly due to the following factors:

Ten thousand tons of cotton have been imported under the disease and unrest program and are being converted into agricultural sacks, binder twine

and medical items. An additional 3,000 tons of hemp were imported from Italy for the manufacture of binder twine and ropes. An increase in the production of artificial fibre due to better supplies of coal and carbon bisulphide also provided the textile industry with additional raw material. From a production of about 300 tons of artificial fibre in January the monthly output rose in May to 900 tons which is about 20% of production capacity of the artificial fibre plants.

A contract has been signed to import 50,000 tons of cotton into the U. S. Zone, part of which will be exported, after being made up into fabrics, to pay for the cost of the raw cotton. The first shipments will arrive in August and will employ the textile mills to approximately 75 % of production capacity. A committee has been organized in the U. S. Zone to handle all phases of his transaction. A total of 375 tons of cotton from Army stocks have been set aside as a reserve against disease and unrest.

The new clip of domestic wool, about 1,500 tons, is now being collected and processed.

The woodworking handicraft, a traditional home industry in southern Germany.

Photo by Byers

Photo by Byers *Violins being made by hand in a tiny plant in Bavaria.*

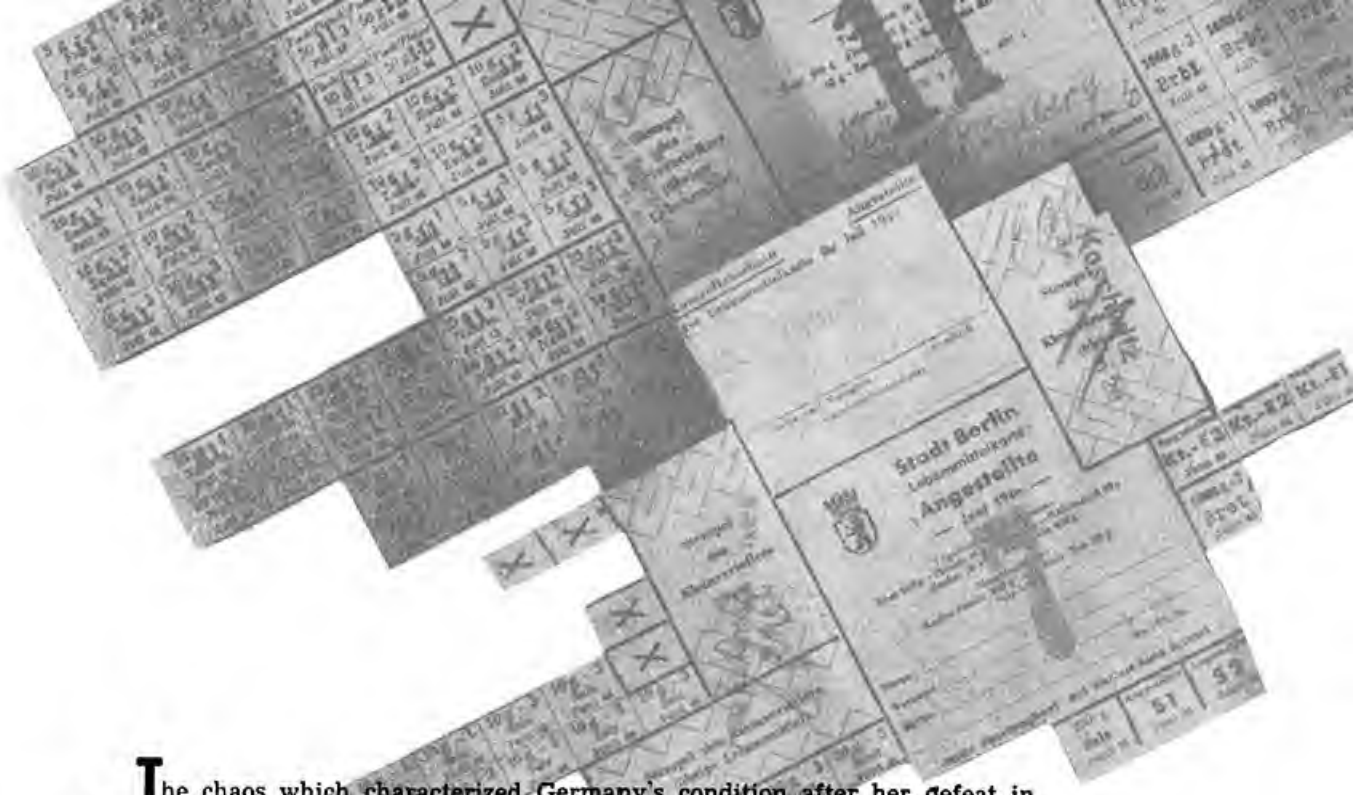
Woodworking industries

It would be hard to find an industry in Germany today which is not handicapped by shortages of material. Woodworking is no exception. The right type of lumber, glue, metal findings and finishing materials are scarce. When the general level of production in the U. S. Zone increases and other industries can supply the nails, paints and other materials which are necessary, and again becomes as, when interzonal trade again becomes as-simple as it was before the war, this important industry will be able to reach and even exceed pre-war production .

The furniture industry in the U. S. Zone is made up of a large number of small plants spread over a wide area. At the present time, Army requirements have absorbed a large portion of the post-war output. Furniture supplied for German civilian use is generally unfinished because of the shortage of shellac.

Woodcarving is a traditional home industry which has been highly developed in southern Bavaria. Oberammergau and Mittenwald are famous for their handicraft work, and Visitors to the Munich Fair marvelled at the skill and beauty of the samples on display. Always an important export item, these wood carvings will play an even greater part in the economy of post-war Germany.


PRICE CONTROL AND RATIONING



The chaos which characterized Germany's condition after her defeat in World War I found its most graphic expression in an uncontrollable inflation which was more than a symptom economic distress. The mark skyrocketed and the resultant social, economic and political disintegration seriously weakened the Weimar Republic and provided a basic underlying cause for the emergence of the new Nazi doctrines.

The nations that defeated Germany in World War II desire if possible to avoid another such inflation that would interfere with the prescribed occupational aim, "to prepare for the eventual reconstruction of German political life on a democratic basis and for eventual peaceful cooperation in international life by Germany".

The framers of the Potsdam Agreement specified that Allied controls were to be imposed upon Germany to the extent necessary "to assure the production and maintenance of goods and services . . . essential to maintain in Germany average living standards not exceeding the average of standards of living of European countries (excluding U. K. and U. S. S. R.)" and that the four occupying powers shall establish common policies for "wages, prices and rationing".

These decisions furnished U. S. Military Government price officials with three interrelated objectives:

(1) to set into operation responsible, efficient and de-Nazified German price machinery;

(2) to achieve, in the U. S. Zone, a stabilized price level as a cornerstone for a stable German economy in which democratic social and political institutions could grow; and

(3) to work at the quadripartite level toward the goal of treating Germany as a single economic unit and achieving stabilization of prices throughout Germany.

Purchaser presents ration coupons in a Berlin butcher shop.

Signal Corps Photo

Price Machinery Reconstituted

Early in the occupation, United States Army economic administrators took their first major step — the reconstitution of the German price control machinery. The Price Formation Offices in each of the three Laender in the U. S. Zone with their subordinate Price Supervision Offices and the local Price and Rent Offices were reactivated. During the summer if 1945 these offices-recruited and trained new personnel to replace the 500 price control officers removed under the de-Nazification program. Today, twelve months after defeat, German price control machinery is operating effectively in the U. S. Zone.

This machinery has proved itself capable of carrying out the policy directives of Military Government and represents an area in which the newly formed German political organization has been able to stand on its own feet. It stands as a successful demonstration of the Military Government policy of reestabilshing German administrative organizations to operate subject only to Military Government review. As the months passed, increasing responsibilities have been placed on the German price offices. Of well over 150 price increase adjustments granted by these offices, only 5 have been formally revoked by Military Government officials. Thus the price control system for the U. S. Zone, containing a population of some 17,000,000 people, is administered entirely by German officials under the policy directives of an exceedingly small staff of Military Government officials.

In each of the zones of occupation this basic pattern of utilizing the existing German price system of regulations and organizations has been preserved in one manner or another, subject to varying degrees of Military Government direction. In each Zone measures have been taken to assure the general maintenance of prices and rents at pre-Occupation levels, and to assure that price increases would be made only as exceptions and when specifically authorized.

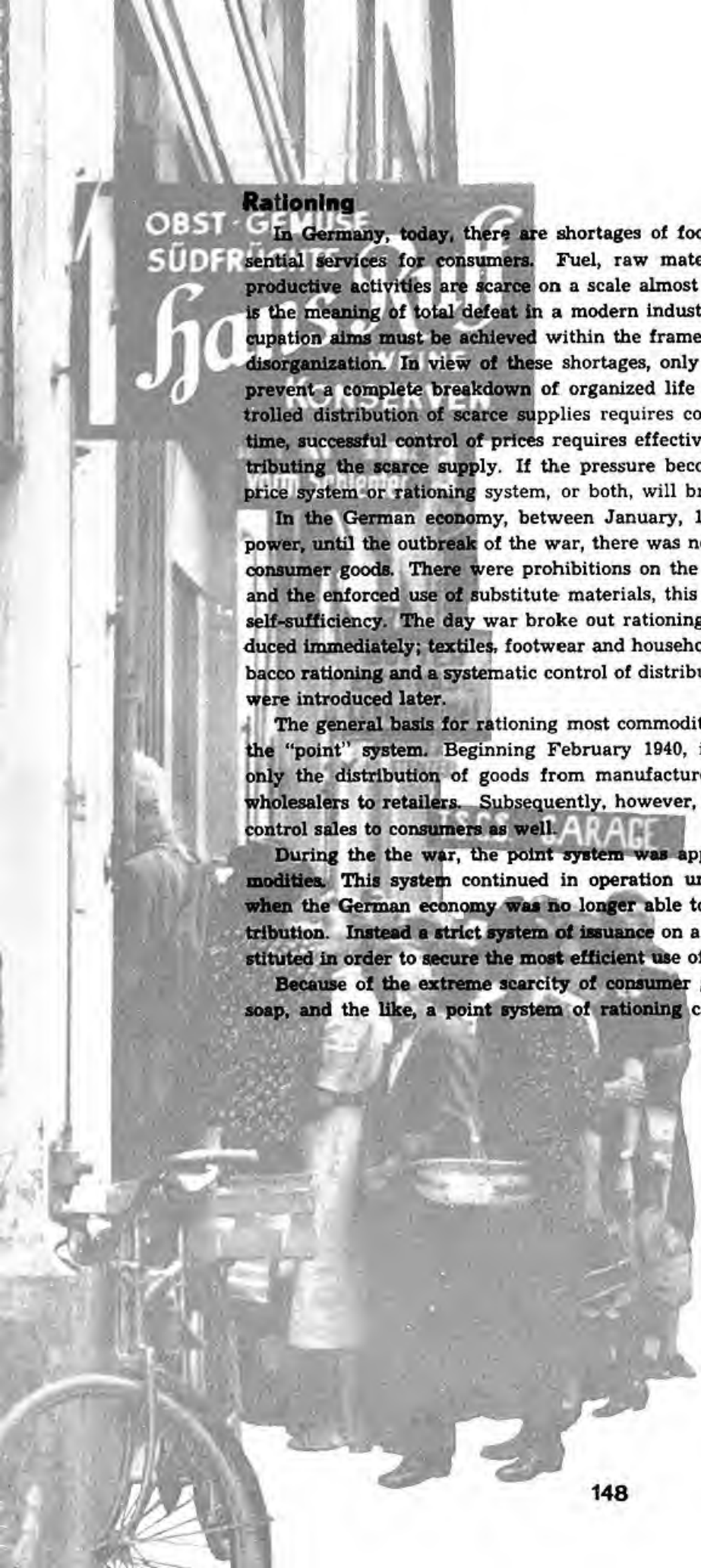
Since each of the occupying Powers had adopted the same general pattern in its zone and since the same problems were developing in each of the Zones, it was logical to move on to the consideration of overall measures for uniform treatment throughout Germany of the various problems which price administration imposes. Because of this basic similarity of aims,, interests and problems, it has been possible for the four occupying Powers to agree on an important Statement of Price Principles for Germany-wide application.

Thus, in the development of German price control machinery, substantial progress has been made towards the attainment of two of the three price control objectives: **institution of a responsible, efficient and de-Nazified German price machinery, and quadripartite cooperation to secure uniformity of treatment of price problems throughout Germany.** The only requirement to complete the machinery is a central price agency for Germany..

The result of this progress is apparent in an examination of the third objective — stabilization of the price level. The German price control machinery had been an efficient administrative organization. During the war and the earlier years after the "Price Stop" of 1936. the German price structure had been held remarkably stable. Since defeat, the German price agencies in the U. S. Zone, operating under policies determined by Military Government, have continued to hold legal prices under control. The vast bulk of transactions takes place at these legal prices. The existence of a black market cannot be denied. Illegal transactions, whether at exorbitant prices or by unauthorized barter, continue and will never be completely suppressed as long the shortage of goods exists. German authorities have been strenuous and vigilant in their efforts to break up flagrant black markets, but these irrepressible markets reappear in new sites. The important fact is that the volume of black market transactions has not significantly increased, and, more important, black market prices have not risen in the progressive pattern which characterizes inflation. The salient feature is that prices are in general holding in the face of the almost unbearable pressure of too much money and too few goods. Ne ertheless, the price situation today is on the surface more satisfactory than underlying economic and political facts would seem to warrant.

Signal Corps Photo

Police crack down on black market activities in Berlin.



Rationing

In Germany, today, there are shortages of food, clothing, housing, and essential services for consumers. Fuel, raw materials and equipment for all productive activities are scarce on a scale almost beyond comprehension. This is the meaning of total defeat in a modern industrial economy. The Allied occupation aims must be achieved within the framework of defeat and economic disorganization. In view of these shortages, only a controlled distribution can prevent a complete breakdown of organized life and economic activity. Controlled distribution of scarce supplies requires control of prices. At the same time, successful control of prices requires effective rationing measures for distributing the scarce supply. If the pressure becomes too great on either, the price system or rationing system, or both, will break down.

In the German economy, between January, 1935, when the Nazis rose to power, until the outbreak of the war, there was no formal rationing system for consumer goods. There were prohibitions on the use of certain raw materials and the enforced use of substitute materials, this being prompted by a plan of self-sufficiency. The day war broke out rationing of food and soap was introduced immediately; textiles, footwear and household articles soon followed. Tobacco rationing and a systematic control of distribution of other consumer goods were introduced later.

The general basis for rationing most commodities other than foodstuffs was the "point" system. Beginning February 1940, it was introduced to control only the distribution of goods from manufacturers to wholesalers and from wholesalers to retailers. Subsequently, however, the system was expanded to control sales to consumers as well.

During the the war, the point system was applied to most consumer commodities. This system continued in operation until the last year of the war when the German economy was no longer able to support this method of distribution. Instead a strict system of issuance on a priority needs basis was substituted in order to secure the most efficient use of dwindling supplies.

Because of the extreme scarcity of consumer goods, such as shoes, textiles, soap, and the like, a point system of rationing cannot be used at the present

time. Current practice, therefore, imposes the responsibility upon the German authorities to continue the enforcement of a consumer rationing program on a needs basis. In applying this criterion, the German Economic Offices are required to adhere to certain priorities in the issuance of purchase permits. In addition, the German Economic Offices are required to eliminate all features of the rationing system which discriminate against groups or individuals on the grounds of nationality, race, creed, color or political opinion, or which discriminate in favor of groups or individuals on the ground of service in the German war effort or of pro-Nazi activities or opinions.

Zonal control of rationing has been influenced not only by the extreme scarcity of consumer commodities but also, indirectly by a quadripartite policy which anticipated the problem of the "flight of goods" from one zone into another. Although Zonal Military Government Offices impose but very few restrictons or operational controls upon rationing, a list of critical items, which may not be removed from a zone unless approval is received from the respective Military Governments, has been agreed upon on a quadripartite level. Most of the items on this list are also subject to allocation and rationing by the German authorities.

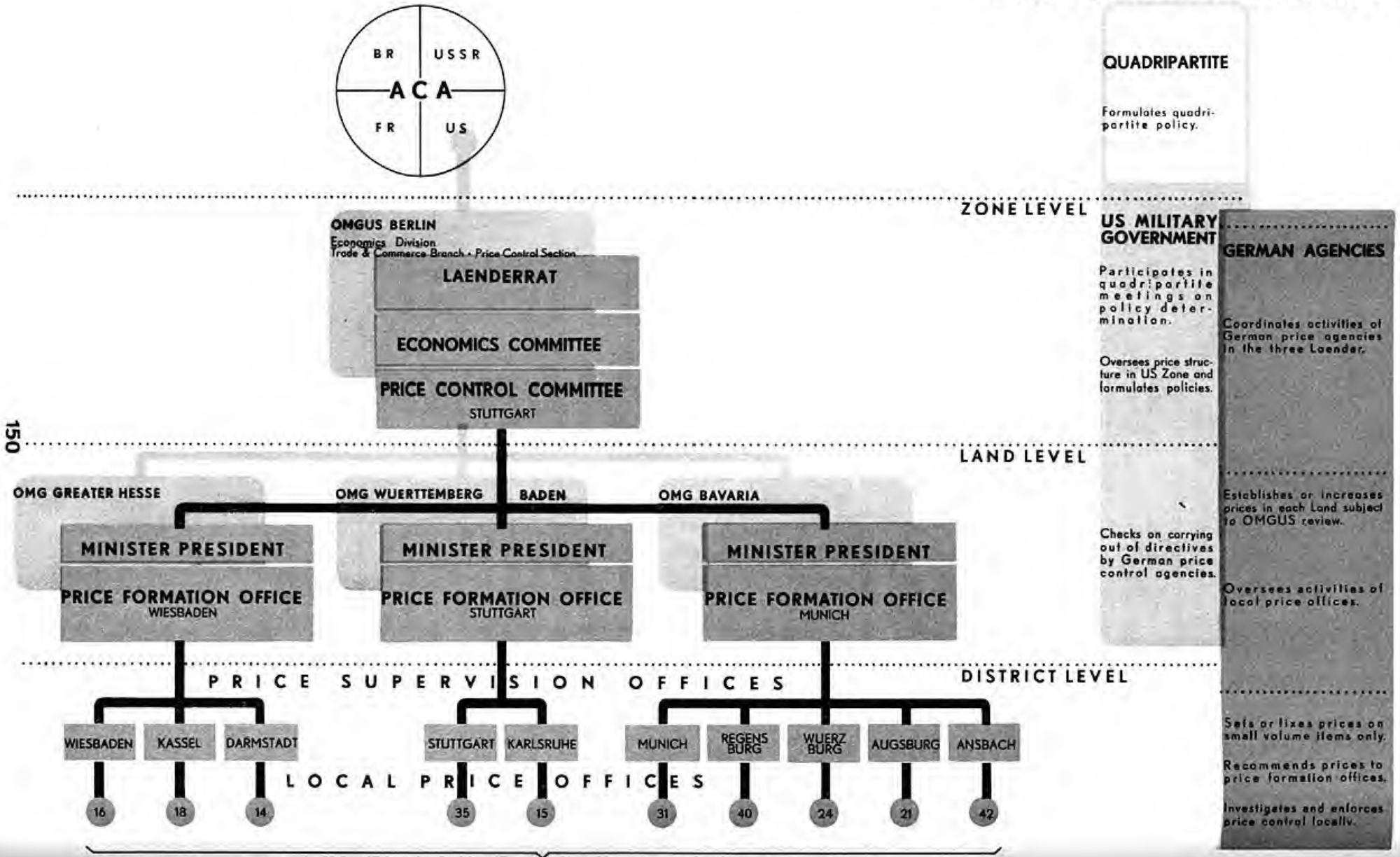
Insofar as the future outlook is concerned, the system of rationing of consumer goods is not very likely to undergo major changes for some time to come, that is, not until production of consumer goods will reach a level where a "point" system can be effectively re-introduced. In these circumstances, uniform rationing throughout Germany can be achieved only for a very limited number of items, the supply of which is sufficient to provide each person with at least a minimum requirement according to the disease and unrest formula.

Price Control and Rationing Inflation

After twelve months the German systems of rationing and price control are operating effectively; but both system are confronted with problems which are becoming increasingly more difficult to face. It is impossible to forecast whether controls, enforcement, directives and quadripartite agreements on policy can withstand the effects of the numerous adverse circumstances.

Though other measures are involved in inflation control, price control and rationing are recognized as two of the most effective instruments to combat inflation. The fight against it will be continued with a full realization by the German authorities as well as by Military Government authorities that uncontrolled inflation would jeopardize the plan to leave Germany with a minimum balanced economy after carrying out disarmament and reparations; such an inflation would increase Germany's dependence upon imported supplies of food and other essentials; and such an inflation would strike at the heart of Allied hopes for a democratic and peaceful Germany.

PRICE CONTROL IN GERMANY



GERMANY IN THE WORLD ECONOMIC PICTURE


EXPORT - IMPORT PROGRAM

The Liberty ship "James Turner", in the Port of Bremerhaven with a full cargo of food for the German population. Included in the cargo were 5,600 tons of flour, 66 tons of vegetable seed and 135 tons of dried milk.

Photo by Ries

Workshop of the World

Because her pre-war population was about three times as dense as that of the rest of Europe and because her natural resources consist largely of coal and forests, Germany has always been dependent upon imports for food, as well as iron ore, cotton, wool, hides, petroleum, rubber, and raw chemicals, such as phosphate rock.

In Germany, coal and manpower were added to imported raw materials to produce exports of finished goods, especially machinery, other metal products, and finished chemicals. Nazi policies attempted to make Germany self-sufficient. Her natural resources, coal and wood, were utilized to produce synthetic oil and fibre. Although the country's dependence on imports was greatly reduced by these policies, it was not by any means eliminated. Under the "Plan for Reparations and the Level of the Post-War German Economy" agreed by the Four Powers in Berlin, most of the synthetic industries will eventually be eliminated. The loss to the German economy of the surplus food area east of the Oder-Neisse Rivers, together with the shift in population, make it more difficult to reduce food import requirements.

The defeat of Germany brought about the difficult problem of reviving foreign trade for a bankrupt nation. Food imports were required to prevent starvation and disease, and raw material imports were required if industry

was to be revived sufficiently to produce exports. Germany's gold and other foreign assets were taken as reparations.

The removal of industrial capital equipment as reparations, which was called for in the Potsdam Protocol and subsequently negotiated by the Four Occupying Powers in the Economic Directorate, was directed at Germany's most important export industries, namely, metals, machinery and chemicals. The Reparations Plan prohibited production of some important exports such as ball bearings, radio transmitting equipment and synthetic ammonia. It prohibited exports in other profitable fields such as locomotives and automobiles, and limited exports in areas were Germany has enjoyed preeminence. such as, pharmaceuticals and dyestuffs.

Exports From Light Industries

Exports of the future German economy will be from the light industries: textiles and leather goods, wood products, certain kinds of optical instruments, and, of course, toys. To these will be added potash, coal, and, for a time, lumber. The heavy industry products for which Germany was noted will vitually disappear from her exports.

The problem, therefore, of reviving a bankrupt nation's export industries with no means of paying for the initial raw material imports would have been a difficult one under any circumstances. The difficulties were magnified many fold by two special considerations. The first is our foreign policy which is deliberately to revive industry in the liberated nations before permitting the revival of German industry. The level of industry in the Western Zones, which were operated largely on coal from the Ruhr and Saar, has been limited at all times by coal supplies. Our policy of exporting coal during the first year of occupation was, in effect, a decision virtually preventing the production of substantial exports. Secondly, the failure to obtain economic unity has further hampered the revival of export industries in Germany.

There are, in addition, a battery of administrative barriers to the development of foreign trade. The Trading with the Enemy Act and restrictions on international communications prevented German businessmen from discussing exports with customers outside of Germany. Initially, it has been necessary to do business with Governments. The absence of an exchange rate as well as the necessity for controlling all German assets abroad required that Military Government assume the enormous administrative responsibility of conducting the export business.

In addition to a Central German Agency in foreign trade, Potsdam also recognized the need for an export-import program for German as a whole. From the beginning, it was a basic tenet of U. S. policy that Germany be treated as an economic entity. "During the period of occupation," reads the

Hops, used in the manufacture of beer, is an important export item in the U.S. Occupation Zone. Proceeds are used to pay in part the cost of importing foodstuffs.

Potsdam Agreement, "Germany should be treated as a single economic unit. for necessary imports out of the proceeds of exports. The repeated efforts of the U. S. Element during the first year to obtain quadripartite agreement to an export-import plan and to a Central German Agency to handle foreign trade have failed.

A real export-import program, such as the U. S. has sponsored, requires the equitable distribution throughout Germany as a whole of all indigenous production and the pooling of proceeds from exports. This runs head-on into the question of reparations out of current production and stock. If current To this end common policies shall be established in regard to an export-import program for Germany as a whole." Initial efforts toward this end resulted in a compromise interim agreement permitting the Zone Commanders to pay production is charged as reparations, then it cannot be used to pay for imports and the proceeds from exports cannot be equitably distributed throughout Germany as a whole.

U. S. Position

Ever mindful of the lessons of the last war, the U. S. has resolved that this time we shall not pay for reparations. If the U. S. Government were to finance food imports into the U. S. Zone, which are necessary to prevent disease and physical deterioration, at the same time that current production is shipped

U. S. Army Officers inspect cotton imported from U. S. surplus stocks, under the "Disease and Unrest" Formula.

out of Germany as reparations it would mean that we were, in effect, financing reparations. It was precisely to avoid this development that it was agreed at Potsdam that "The proceeds from exports from current production and stock shall be available in the first place for payment for such imports." This has come to be known as the First Charge Principle. It goes hand in hand with the treatment of Germany as an economic unit and completely free interzonal trade, for as long as zones are maintained, it is possible for one nation to take current output as reparations at the same time that another occupying power is financing a deficit on imports.

In the meantime, Military Government procedures have been established for carrying on foreign trade. In addition to coal from the Ruhr, in which we are sharing in the proceeds, several million dollars worth of hops were sold from the U. S. Zone and the German Laender Governments were told that it was imperative to export goods even though their own domestic needs for the product were critical. Consequently, despite the unparralleled destruction in German cities and the fact that wood products ranked among the leading German pre-war imports, a large lumber export program was initiated. This not only offered an export which did not require raw material imports but an

Examples of the well known Rosenthal porcelain which is manufactured in the American Occupation Zone.

Photo by Byers

export desperately needed by other countries for their reconstruction.

A second type of export program has been undertaken in cotton textiles. A contract has been made with the U. S. Commodity Credit Corporation to use cotton furnished by the Commodity Credit Corporation and to share the finished textile products. This program makes possible the partial rehabilitation of the textile industry without requiring investment in raw material imports for which Germany has no funds. The Commodity Credit Corporation will sell its share of the finished textile goods in order to recover its investment in raw cotton. It is hoped that this type of program can be extended to wool.

In addition to these special programs the German Laender, under pressure from Military Government, have turned up a host of lesser products which are being sold through the halting machinery for conducting international trade which must be used provisionally until there is agreement on a Central German Agency.

By the end of the first year of Military Government, the Laender Governments were putting on export exhibitions of excellent variety and quality considering the fact that coal still limited total production to about one-third of pre-war levels.

Export Expositions

These exhibits favorably impressed visitors including the representatives of the Four Powers on the Economic Directorate. The exhibitions showed porcelain

Photo by Byers

Export articles on display at Munich exposition *Photo by Byers*

wares, toys, cameras, jewelry, silverware, wood carvings, mechanical drawing sets and a wide range of handicraft products. As this list is expanded and resources are obtained from the sale of exports to finance raw material imports, German exports must be still further expanded. In this way the U. S. can be repaid for the nearly two hundred million dollars worth of imports, mostly foodstuffs, which it was necessary to import into the U. S. Zone during the first year of the occupation.

Interim Procedures

The interim machinery for conducting foreign trade has been developed with two aims: to leave as much of the job in German hands as possible, and to permit unification of all German foreign trade as soon as this goal can be realized. In December 1945 three German Export-Import Bureaus (Aussenhandelskontore) were organized, one in each of the three Laender of the U. S. Zone. These Bureaus are agencies of their respective Land Economic Ministries and act as bridge builders between the individual German firms and the Export-Import Section of OMGUS. The Bureaus, in particular, collect in-

formation on goods available for export, transmit that information through channels to the Export-Import Section, and assist in the actual movement of commodities once the contract has been signed and finalized by OMGUS. Special representatives of the Laender attached to the Export-Import Section take care of day-to-day transactions. In order to maximize benefits for the Zone as a whole, there was established a Foreign Trade Sub-Committee of the Main Economics Committee of the Laenderrat at Stuttgart. In this Committee problems of policy and procedure affecting the three Laender alike are studied and adjusted. The working staff of the Committee and its agents also assist in the handling of large export and import transactions that affect more than one Land.

At the Land level as well as at the Zone level, Export-Import Sections of the respective Military Government Offices exercise supervision and control and lend assistance in the endeavor to make the U. S. Zone pay its way.

The export of goods from the U. S. Zone of Germany may originate either at the request of a foreign country for certain items, or upon the recommendation from German suppliers that goods are available for export. In the event of a request by a foreign country, an investigation is made through German contacts as to the availability of the goods in the U. S. Zone, the specifications, Reichsmark price and delivery date. In the case of goods offered by German suppliers, foreign markets are investigated and a buyer located. In either case the proposed export must be approved by the proper technical Branches and the Requirements and Allocations Branch of OMGUS.

Upon the determination of goods for exports, price and terms are agreed upon with the purchasing country, and a contract to this effect drafted, to be signed both by representatives of the country and of OMGUS. Transportation arrangements are made, and the goods shipped.

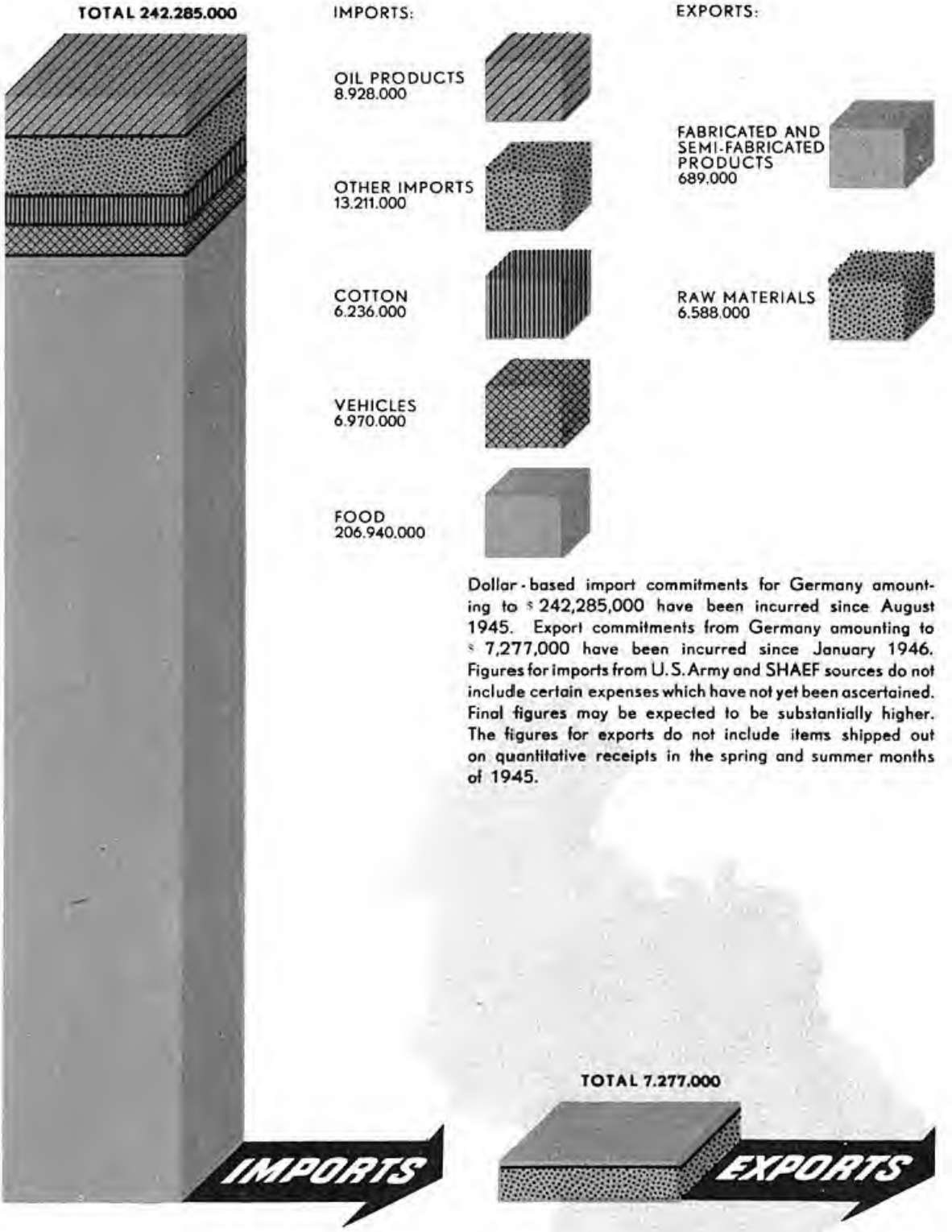
The initial request for an import may come to the Export-Import Section either from one of the technical branches in OMGUS or from German firms or individuals through the German government agencies. In either case this request must have the endorsement of the Requirements and Allocations Branch of OMGUS.

When material has been located and a price agreed upon, a contract is drafted, which is subsequently signed by OMGUS and the supplying country and arrangements for shipment are made. Upon its arrival in the U. S. Zone of Germany the import is signed for by a Military Government representative, who turns it over to the German authorities for distribution according to arrangements approved by Military Government.

The whole administrative machinery is set up in such a fashion that it can be converted with a minimum of loss and delay into an integral part of the prospective foreign trade administration for Germany as a whole.

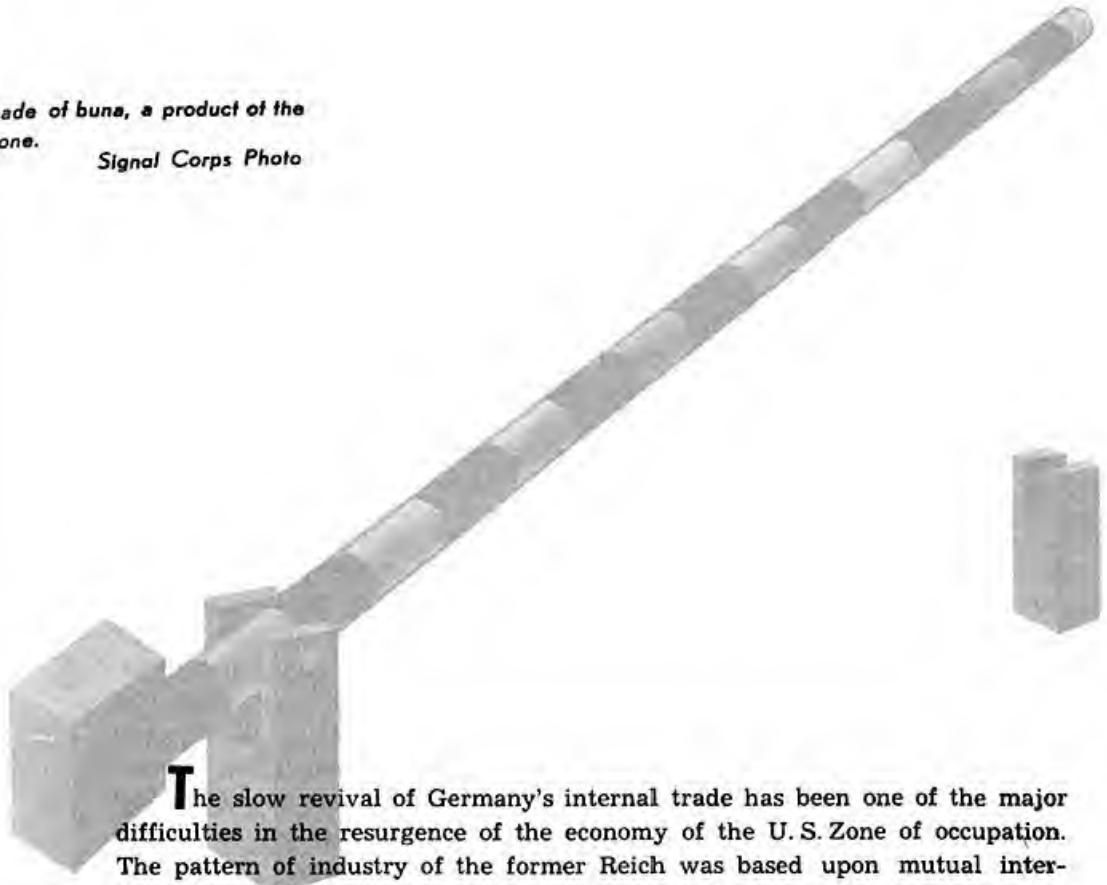
IMPORT AND EXPORT COMMITMENTS

1 AUGUST TO 30 JUNE 46



Dollar-based import commitments for Germany amounting to $ 242,285,000 have been incurred since August 1945. Export commitments from Germany amounting to $ 7,277,000 have been incurred since January 1946. Figures for imports from U.S. Army and SHAEF sources do not include certain expenses which have not yet been ascertained. Final figures may be expected to be substantially higher. The figures for exports do not include items shipped out on quantitative receipts in the spring and summer months of 1945.


INTER-ZONAL TRADE



Tires made of buna, a product of the U. S. Zone. *Signal Corps Photo*

The slow revival of Germany's internal trade has been one of the major difficulties in the resurgence of the economy of the U. S. Zone of occupation. The pattern of industry of the former Reich was based upon mutual interdependence of industries located throughout Germany for raw materials, machine parts and semi-fabricated items. Hence, industry during the first months was only able to survive if stocks were available. There was a similar situation in agriculture with regard to seeds, machinery and fertilizers. Thus the newly erected zonal boundaries of segmented Germany have been one of the major factors in the almost complete stagnation of internal trade. Other handicaps are the disrupted banking, postal service and transportation systems and the acute shortages of essential goods.

It is one of the tenets of the Potsdam Protocol that indigenous supplies should be equitably distributed among the zones and that quadripartite controls should be imposed only to the extent necessary to achieve this objective. In general, the Allied Control Council has maintained a "hands off" policy and has taken only one important action which is negative in character. In

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* 1. All foodstuffs, including foodstuffs for animals, and all agricultural products used in producing or processing food; 2. Vegetable seeds, field seeds, and seed potatoes; 3. All livestock; 4. Alcohol and alcoholic beverages; 5. Tobacco and tobacco products; 6. Soap and soap ingredients; 7. Textiles, raw materials and texile products; 8. Raw skins leather, footwear, and leather products for industrial purpose; 9. Fertilizers; 10. Fuels combustibles of all types, lubricants and lubricating products; 11. Lumber and sawn wood with the exception of wood for fuel; 12. Wood pulp, cellulose and paper, excepting articles made out of paper; 13. Window glass and optical glass; 14. Natural and synthetic rubber and rubber products; 15. Electrical machinery and industrial electrical equipment; 16. Equipment and machinery used exclusively in mines, and explosive materials; 17. Highway vehicles and parts, vehicle accessories, tractors, and parts, locomotives and rolling stock, highway construction and maintenance machinery.

December a "restricted" list of seventeen categories of commodities which cannot be released for interzonal trade without approval of the zonal commander, was adopted in order to safeguard the distribution of critically scarce items. When it became apparent this spring that the flow of interzonal trade was still only a trickle, the Allied Control Council directed that a report be prepared on the elimination of restrictions on interzonal trade. This report is presently in preparation and should do much to focus attention of the occupying powers on this problem.

The control of commodities entering interzonal trade has thus been left to the separate zones with the result that there are in operation widely different procedures and controls, ranging from restrictions on various individual items to formal bilateral trade agreements, and from almost complete control by Military Government to almost complete control by the German authorities.

From the beginning OMGUS policy has had two facets — promotion of greater freedom in the interzonal flow of goods between the U. S. Zone and other zones and the progressive delegation of authority to administer internal trade to the German agencies. Formal trade agreements are prohibited and barter arrangements are forbidden. The German authorities are directed to retain only such controls as are necessary to maintain the zonal ration or allocation programs for the zone. Within the framework of these directives administrative control has been turned over to the German authorities with Military Government in the role of supervisor and advisor.

Barter and Other Problems

The problems which confront interzonal trade are complex and difficult to control. Goods tend to be sold or bartered for raw materials or semi-finished products which are necessary to keep the enterprise operating, a procedure which is stimulated by the lack of confidence in the Reichsmark. Frequently, trade within and between the Laender and the zones may be outwardly on a reciprocal monetary basis but are in effect barter because goods are insisted upon in exchange. The land or the zone fears that it will be drained of goods unless it barters. Under such circumstances trade is cumbersome and time-consuming.

For the individual German who engages in interzonal trade and must of necessity travel from one zone to another, the travel restrictions are disheartening. Restrictions on travel between the U. S. and British Zones have been virtually removed under the bi-Zonal Unity Plan, and in the other zones a semi-permanent interzonal pass has been adopted, but of limited scope. In addition, insecurity of transportation has made him hesitate to ship his goods.

The most heartening progress is in the field of bi-zonal programming. Plans are presently under consideration to program and schedule releases to other

zones over a certain period of time based upon available production. Releases of this type, being general in character, will avoid many of the restrictive controls and tend to liberalize trade. Such planning will avoid any compensatory agreements or understandings which would require another zone to furnish commodities on a specific barter exchange basis.

Recently the German representatives in the U. S. zone have entered into discussions with their equivalent members in the other zones. In May conferences were held with the German authorities in the British Zone and in June similar conferences took place with those from the Soviet Zone. A quarterly program for the exchange of goods was drafted and a permanent German Committee from the U. S. and Soviet Zones was established to work out detailed procedures. Statistics will be interchanged. These meetings, at which Military Government appeared only as an observer, proved very satisfactory and constitute the first steps toward subsequent meetings to be attended by economic representatives of all four zones.

Rationing

The critical shortage of raw materials for the manufacture of consumer goods requires the rationing of practically all consumer items on a needs basis. The German Economic Office has established standards of evaluation for determining the issuance of purchase permits. The following priorities as created by Military Government are used to guide the German Economic Office:

(a) persons who are in need as a result of racial, religious, national or political discrimination; confiscation of property; imprisonment in Nazi concentration camps for political, racial, or religious reasons; or of other Nazi terroristic practices;

(b) bombed out individuals, German refugees from areas outside of Germany, and ex-prisoners of war;

(c) essential workers, including farmers (essential workers employed by the Military Government, U. S. Army, UNRRA, and authorized German governmental agencies will be treated nc differently from other essential workers) and

(d) all other individuals.

It is contemplated that these priorities will be changed in order to include essential workers, miners and farmers in the first group, German refugees from the East and former War prisoners arriving since some recent date in the second, and all others in the third. This would have the effect of stimulating people to do essential work in order to be placed in the No. 1 priority, and eliminate the tendency for people to ride along upon their past records.

After the purchase permits have been issued, there is a definite coupon flow-back system in effect which provides for maintenance of control over the

retailer, wholesaler and manufacturer. This system is similar to the point system which was used in the United States during the war.

The progress that has been made in the mobility of individuals engaged in trade is in sharp contrast with the restrictions which were operative last summer.

The United States prepared to eliminate barriers to internal trade by treating Germany as an economic unit, but such action is dependent upon reciprocal agreement. Until this can be attained, there will only be one other alternative — namely, to press for the piecemeal removal of restrictions and the step by step adoption of uniform procedures by quadripartite action, and to promote the programming of interzonal trade.

No zone is in itself self-sufficient. U. S. Military Government and German officials realize that the solution of common problems can be reached only on the basis that Germany must be treated as an economic unit. The recent conferences of Germans from the different zones have emphasized the necessity of an integrated program for Germany as a whole. Policy in the U. S. Zone therefore remains committed to the objective of economic unity in the field of trade between the zones.

"14. During the period of occupation Germany shall be treated as a single economic unit. To this end common policies shall be established in regard to:

(a) mining and industrial production and allocation;
(b) agriculture, forestry and fishing;
(c) wages, prices and rationing;
(d) import and export programs for Germany as a whole;
(e) currency and banking, central taxation and customs;
(f) reparation and removal of industrial war potential;
(g) transportation and communications.

In applying these policies account shall be taken, where appropriate, of varying local conditions."

— Economic Principles, Report on the Tripartite Conference of Berlin, 2 August 1945

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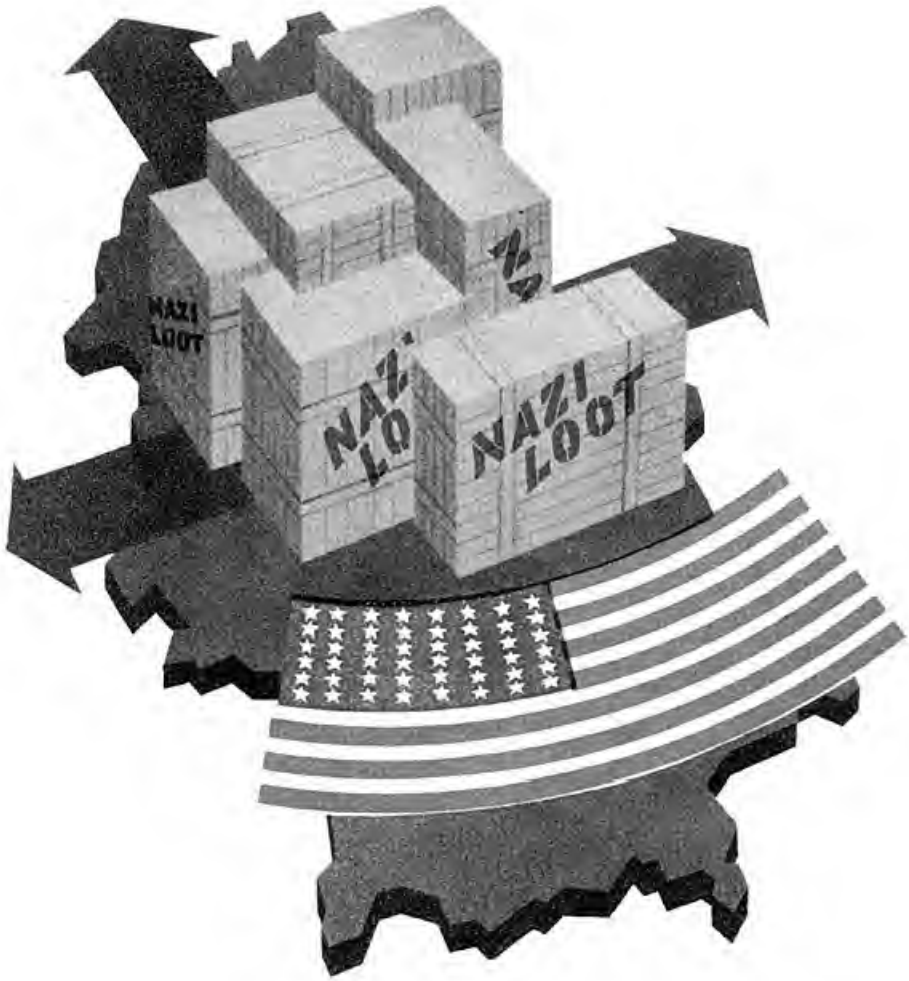
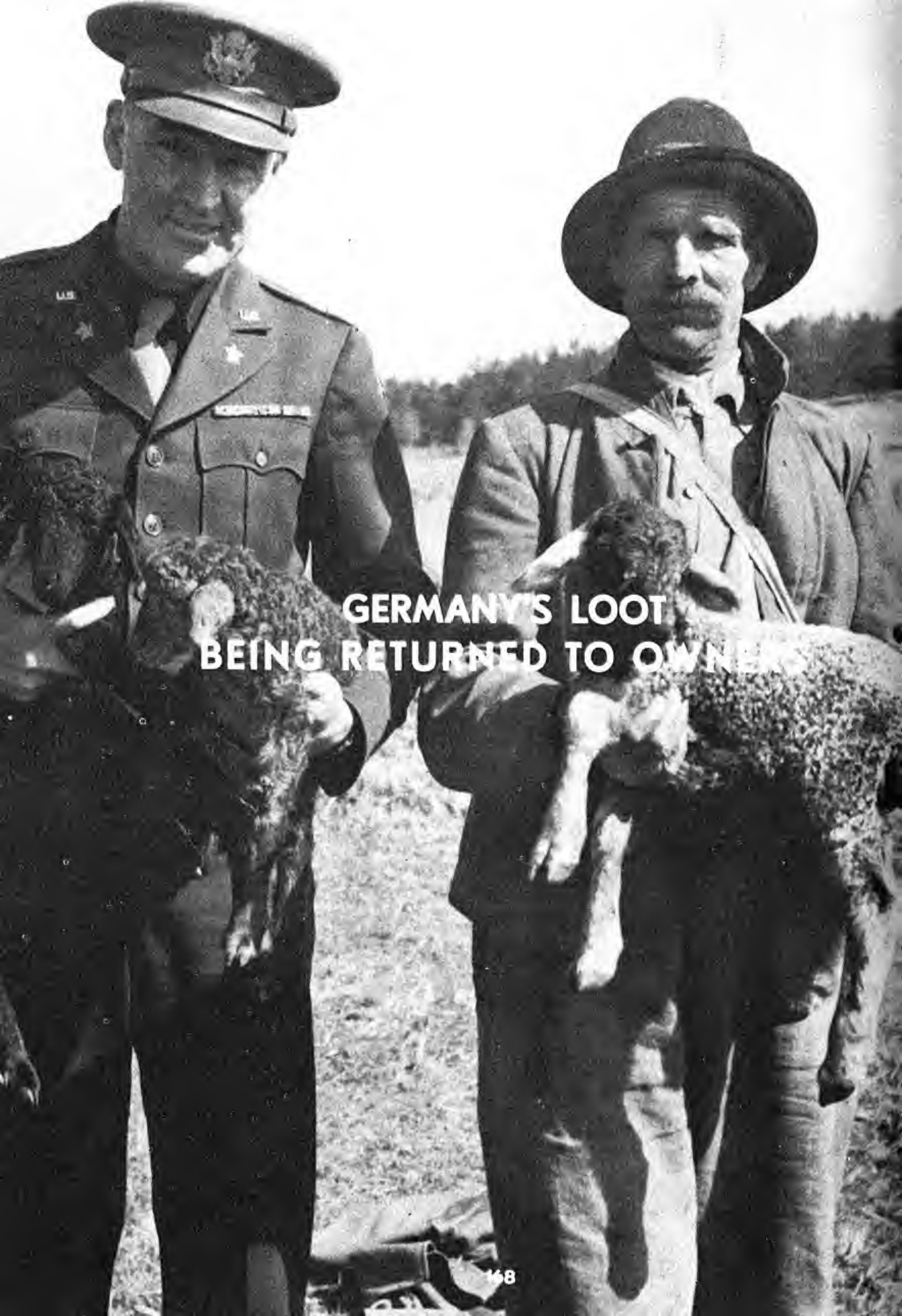


RESTITUTION


GERMANY'S LOOT
BEING RETURNED TO

Lieut. Col. Stanley Andrews, former Deputy Chief of the Food and Agriculture Branch of the Economics Division, and shepherd, hold Karakoul sheep which were returned to the U. S. S. R. whence they were looted by Nazi armies.

Between September, 1939, and May, 1945, when the Wehrmacht roamed from Dunkirk to Stalingrad and from Spitzbergen to Athens, the wealth of a continent lay within the grasp of conquerors who coveted much and scrupled little. They plundered raw materials and industrial machinery for German factories, locomotives and streetcars for German transport, furniture and paintings for German museums and German households. They did not consider sea-going barges too large, nor vials of radium too small, to deserve their attention. Their methods varied from crude pillaging by invading troops to obscure and tangled manipulations of bank deposits and national currencies. They took hundreds of items of incalculable artistic and sentimental value as well as thousands of other items the value of which has been estimated in the hundreds of millions of dollars.

Long before the end of hostilities it was acknowledged throughout the Allied world that the return of this property was dictated by considerations of justice, morale, and economics. Representatives of nations then occupied held the recovery of this property indispensable to the revival of their industry, transportation, and national spirit and urged that property removed from their territory and found in Germany should be returned to them, even though the last German possessor might have acquired it by full and fair payment. The occupying powers agreed, on the basis of the historic principle that stolen property is recoverable by the original owner regardless of the circumstances in which the current possessor has obtained it.

DEFINITION OF THE TERM "RESTITUTION"

1. **The question of restitution of property removed by the Germans from Allied countries must be examined, in all cases, in light of the Declaration of January 5th, 1943.**
2. **Restitution will be limited, in the first instance, to identifiable goods which existed at the time of occupation of the country concerned and which have been taken by the enemy by force from the territory of the country.**

   Also falling under measures of restitution are identifiable goods produced during the period of occupation and which have been obtained by force.

   All other property removed by the enemy is eligible for restitution to the extent consistent with reparations. However, the United Nations retain the right to receive from Germany compensation for this other property removed as reparations.
3. **As to goods of a unique character, restitution of which is impossible, a special instruction will fix the categories of goods which will be subject to replacement, the nature of these replacement, and the conditions under which such goods could be replaced by equivalent objects.**
4. **Relevant transportation expenses within the present German frontier and any repairs necessary for proper transportation including the necessary manpower, material and organization, are to be borne by Germany and are included in restitutions. Expenses outside Germany are borne by the recipient country.**
5. **The Control of the Country from which such objects were looted.**

Article 2 of this definition was later clarified by an official interpretation adopted early in March 1946:

INTERPRETATION OF ARTICLE 2, OF THE DEFINITION OF THE TERM RESTITUTION

1. In consideration of paragraph 2 of CONL/P(46)3(Revise), it appears that where an article has been removed by force at any time during the occupation of a country, and is identifiable, the right to its recovery is an absolute one. The word "force" covers duress which may occur with or without violence. In this concept are also included looting, theft, larceny and other forms of dispossession whether they were carried out by an order of the German authorities, or by officials of the German civil or military administration, even when there was no order of the German authorities, or by individuals.

   Also included are acquisitions carried out as a result of duress, such

as requisitions or other orders or regulations of the military or occupation authorities.

2. In the third sub-paragraph of paragraph 2, it appears that by "all other property removed by the enemy" it was desired to include all property which was removed in any other way. This implies that restitution of property may be claimed whatever may have been the means or the reasons of dispossession.

   But the property removed in such manner does not entail an "absolute right" to restitution, which may be granted only within the limits consistent with reparations.

3. These "limits consistent with Reparations" must be understood in the following manner. If property claimed on account of restitution is indispensable for the operation of a whole factory allocated on account of reparations, this property may be retained and not restituted.

   Restitution will be made only if the removal of the equipment does not seriously diminish the production capacity of the plant and does not destroy the completeness of the equipment to such an extent that when this plant is delivered on account of reparations it loses all value owing to the fact that restitution has been made.

   If restitution of the object itself is not granted, the right of the claimant nation is satisfied by means of compensation to be taken from German property in objects of equivalent value, as far as possible by equipment, manufactured goods and raw materials.

   NOTE: The U.S. and U.K. delegates agree with the above interpretation provided that:—

   "Compensation in lieu of restitution must not create additional expenditures by the U.S. and U.K. in support of their respective zones."

The list of nations elegible for restitution has been limited, to date, by all four occupying powers, as follows: "no nation shall be eligible . . . unless its territory was occupied in whole or in part by the German armed forces or the forces of her allies, and unless it is a United Nation, or shall have been specified by the Allied Control Council." Only eleven nations meet these qualifications: Belgium, Czechoslovakia, Denmark, France, Greece, Luxembourg, the Netherlands, Norway, Poland, the USSR, and Yugoslavia. (The problem of restoring property to victims of Nazism now or formerly resident in Germany, sometimes loosely called "internal restitution", lies outside the jurisdiction of the Restitution Branch.)

Finally, it should be observed that the occupying powers will not use restitution from Germany to a claimant nation for purposes of bargaining for "reverse restitution" of German property.

Law 52 Promulgated

In September, 1944, soon after United States troops had crossed the German border, the Supreme Headquarters Allied Expeditionary Forces (SHAEF) promulgated "Law 52", enabling the Allies to take the action envisaged in the London Declaration. Law 52 made all property in Germany subject to seizure and management by military government. The law covered not only property owned or controlled by the German Government but also the property of organizations and clubs dissolved by military government, property of the governments and citizens of any nation at war with the Allies, and property of absentee owners, including the governments and citizens of the United Nations. The law prohibited transactions in cultural materials of value or importance, regardless of ownership, and in property owned or controlled by religious, eleemosynary, educational, cultural, and scientific institutions. Custodians of property covered by the law were ordered to hold it, subject to the direction of military government, and to accept certain responsibilities for custody, preservation, and keeping of records.

Law 52 is thus the foundation of "Property Control", which has provided a most important index of property subject to return to its owners in formerly occupied nations.

The mechanism of such return or restoration, which came to be known as "restitution", was set in motion for the United States forces of occupation by a paragraph in Directive No. 1067 dated 10 May 1945 from the Joint Chiefs of Staff:

> "You will carry out in your Zone such programs of reparations and restitution as are embodied in Allied agreements and you will seek agreement in the Control Council on any policies and measures which it may be necessary to apply throughout Germany to ensure the execution of such programs."

It was soon after this that the first restitution was made out of the U.S. Zone. On 22 August 1945 the famous altarpiece of the Adoration of the Lamb, by the brothers Van Eyck, was flown by special plane from Munich to Brussels and delivered to representatives of the Belgian Government. This was followed by restitution of small quantities of other artistic and later industrial property on the basis of interim instructions from the War Department under which the Reparations, Deliveries, and Restitution Division (subsequently the Restitution Branch of the Economics Division) operated, pending the adoption of a quadripartite definition of restitution.

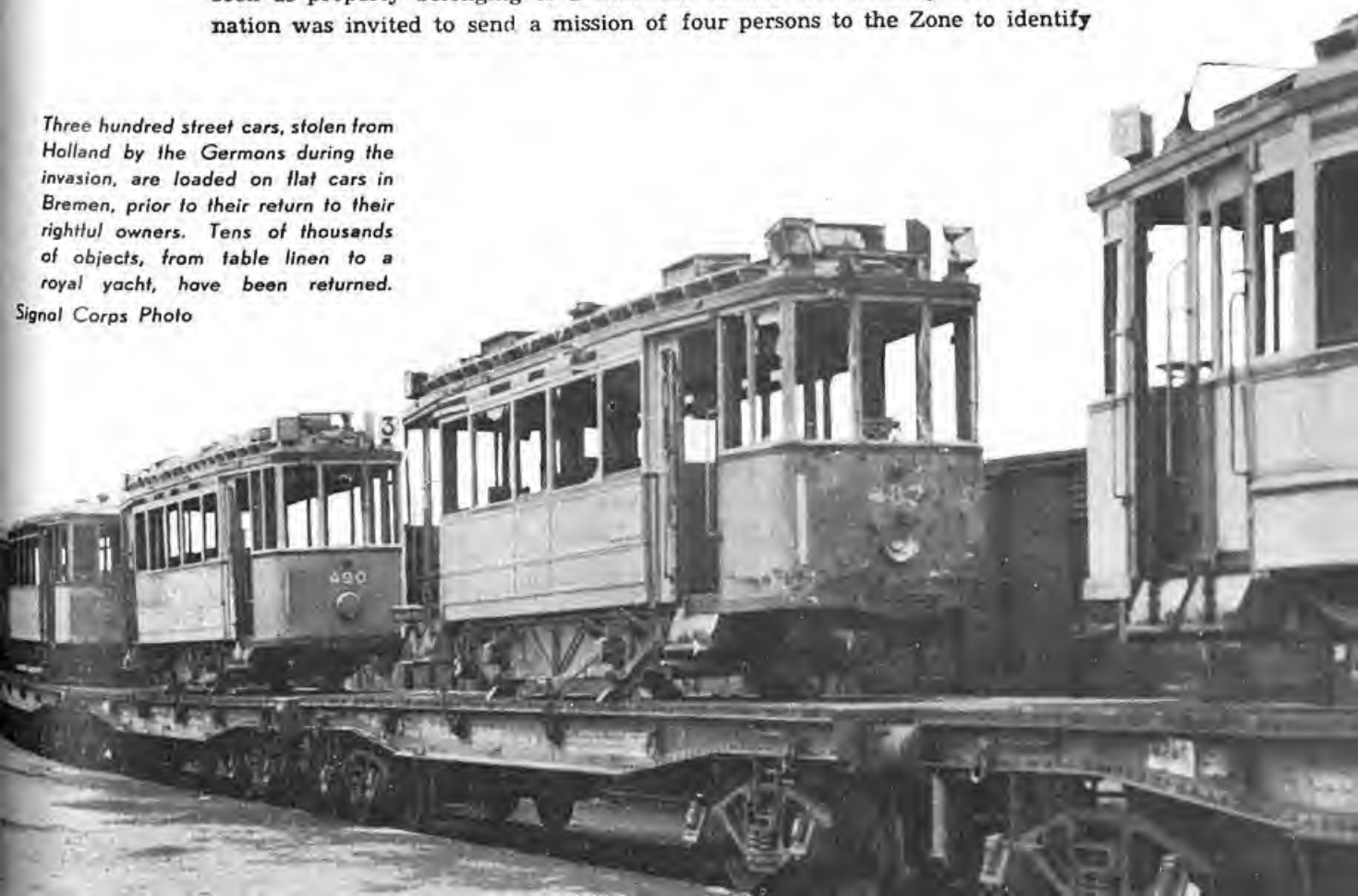
The conditions of restitution had been first outlined at the quadripartite level in Annex XXI to the Basic Preliminary Plan of Allied Control and Occupation of Germany, completed on 29 May 1945. On 6 July 1945, Ambass-

ador Pauley circulated a definition of restitution to the Allied Commission on Reparations in Moscow, and representatives of the Soviet Union, the United States, and the United Kingdom presented their views on restitution at Potsdam. In the Berlin Protocol, however, no mention is made of restitution.

Late in 1945 the Directorate of Reparations, Deliveries, and Restitution, which had been set up under the Control Council and the Coordinating Committee, discussed and elaborated a quadripartite definition of restitution which was adopted by the Control Council on 21 January 1946 in the following form:

Upon the quadripartite adoption of a definition of restitution, United States officials worked out a formal procedure for restitution, based on the unilateral system already in practise in the U.S. Zone under the operating direction of the Restitution Control Branch at Frankfurt-Höchst. While preparing Title 19, "Restitution", of Military Government Regulations, the U.S. Delegate submitted a paper on restitution procedure to the RD&R Directorate, which, after making some changes, approved it on a quadripartite basis in mid-April.

The adoption of the definition also accelerated the filing and processing of actual claims. In the first months of the occupation many specific requests were received from claimant nations and individuals: machine tools from the Fabrique Nationale d'Armes, Belgium; streetcars and sporting rifles from the Netherlands; laboratory equipment from the Carolinen University in Czechoslovakia; gunpowder presses from the National Powder Works, France. In October, 1945, the eleven United Nations concerned had been invited to send consolidated lists of property believed to be in the U.S. Zone of Germany; as soon as property belonging to a claimant nation was actually located, that nation was invited to send a mission of four persons to the Zone to identify



Three hundred street cars, stolen from Holland by the Germans during the invasion, are loaded on flat cars in Bremen, prior to their return to their rightful owners. Tens of thousands of objects, from table linen to a royal yacht, have been returned.
Signal Corps Photo

the property, accept releases, sign receipts, and supervise the delivery. The first mission to arrive was that of the Netherlands. They were soon joined by representatives of France and Belgium, and before mid-April 1946 regular missions had arrived from all the eligible nations except Greece and the USSR.

Between July 1945 and mid-April 1946 the eligible nations filed 1029 claims. 483 claims were partially or entirely located. The dispersal of German central records and the disorganization of German communications at the end of the war made the task of location difficult. In some cases location was established by U. S. officials acting on information received from the claimant nations; sometimes property was found incidentally by occupying troops; sometimes German civilians voluntarily reported possession of foreign property.

Releases were issued on 403 claims, and 202 were entirely or partially delivered. The Netherlands filed the most claims with 319, or 31 per cent. of the total; France led in the number of deliveries with 80, or 39 per cent. of the total. 137 claims were dropped for reasons of duplication, location of the property outside the U.S. Zone, etc.

The range in the types of property discovered and restored has been wide and interesting. The largest single category (next to works of art, treated in Chapter 7) has been industrial equipment. Rubber-manufacturing machines have been returned to Belgium, 10,000 hand tools to the Netherlands, drills, lathes, and planers to other claimants. On 8 March 1946, 40 carloads of heavy machinery were moved from Bavaria to the Peugeot Automobile Works in Sochaux, France; on 10 April a Norwegian freighter at Bremen picked up 1,000 tons of transformers, construction parts, motors, and copper and aluminum rails which the Germans had removed from the Nordisk-Lettmetall aluminum and magnesium factory.

Another important class of restitutable property is scientific equipment, represented by laboratory apparatus from Carolinen University and instruments belonging to the Chemical Institute of Prague, Czechoslovakia; the laboratories of the bacteriological, veterinary, chemical, and biological departments of the University of Cracow, restored to Poland from Roth in Bavaria; and the large Leyden Magnet, returned to the Netherlands.

In the category of water transport, claims have been received for ships' gear from the Polish port of Gdynia, ships' gear from Norway, inland and sea-going barges and tugs from several nations. Almost all claimant nations have requested the return of their railroad rolling stock, especially freight cars.

Rolling stock is, however, to be distinguished from other restitutable property in two important respects. First, the operating efficiency of rail transportation requires constant movement of cars around Europe without regard for national boundaries or the ownership of the cars. Second, rolling stock is so badly needed in the U.S. Zone of Germany that the removal of foreign

rolling stock without an equivalent return of German rolling stock from abroad would either drain the German economy or require greater use of American cars. "Straight" restitution of rolling stock has, therefore, been limited to the return of certain special types of cars not needed in the U.S. Zone and of unserviceable cars which could not be repaired in the Zone within a reasonable period of time. All other movement of rolling stock has conformed to the arrangements of the European Central Inland Transport Organization (ECITO) and to the policy of the Transportation Corps, which first instituted "car-for-car" exchange and then sought to re-establish a system of rental, which might be called "in-place" restitution.

The U.S. Zone also contained considerable numbers of valuable blooded horses and sheep that belonged to herds and flocks originally moved from the territory of nations eligible for restitution: thoroughbreds from France owned by the Aga Khan, Lord Derby, Baron Edouard Rothschild; Lorraine stallions; Polish racing horses; Ukrainian caracul sheep. Restitution has entailed identification problems and legal problems springing from the fact that many of the animals now alive were born in Germany, often of one German and one foreign parent.

The history of the removal of the French thoroughbreds illustrates one method whereby the Germans sought to cloak their looting operations. They paid for the horses at the rate of 3,000 francs for a mare and 30,000 francs for a stallion; the money was, however, paid not to the owners but to the Vichy Government, which then repaid it to Germany as occupation cost.

Restitution has been made of two carloads of geographical maps issued by the Red Army General Staff; of plans of the disposition of the lands of the collective farmers of the Ukrainian Soviet Socialist Republic; of ten tons of archives representing the entire French documentation of the Maginot Line; of 801 sacks containing Russian roubles; of Polish industrial gold and platinum.

Restitution activity is expected to increase in the coming months. On 20 April 1946 the Ministerpräsidenten of the Länder published a German Law requiring all Germans to declare all property in their possession that might be subject to restitution, and the analysis of these declarations is divulging significant quantities of restitutable items, especially in the form of consumer's goods. Although restitution alone cannot play the major role in the enormous task of European reconstruction, it is furnishing the United Nations with important and well-appreciated assistance toward economic and cultural recovery.

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STOLEN ART TREASURES ON THEIR WAY BACK

Some of the priceless paintings looted from various countries which were invaded by the Germans, which have been returned to their original owners by Restitutions Branch.

The greatest problem at present in connection with European cultural objects is the sorting out and returning to their proper homes, of the works of art, archives and libraries which were displaced as a direct result of the war. In the U. S. Zone scarcely a single important movable art object remained fixed.

Military Government is concerned with this problem not only because the displaced objects include loot, taken from the territories of our Allies, from other areas formerly occupied by Germany, from non-Nazi Germans and from our own nationals, but also because the civil organization under the Ministers of Education concerned with the various cultural agencies in Germany must be reconstituted so that the German people may take over this responsibility for themselves.

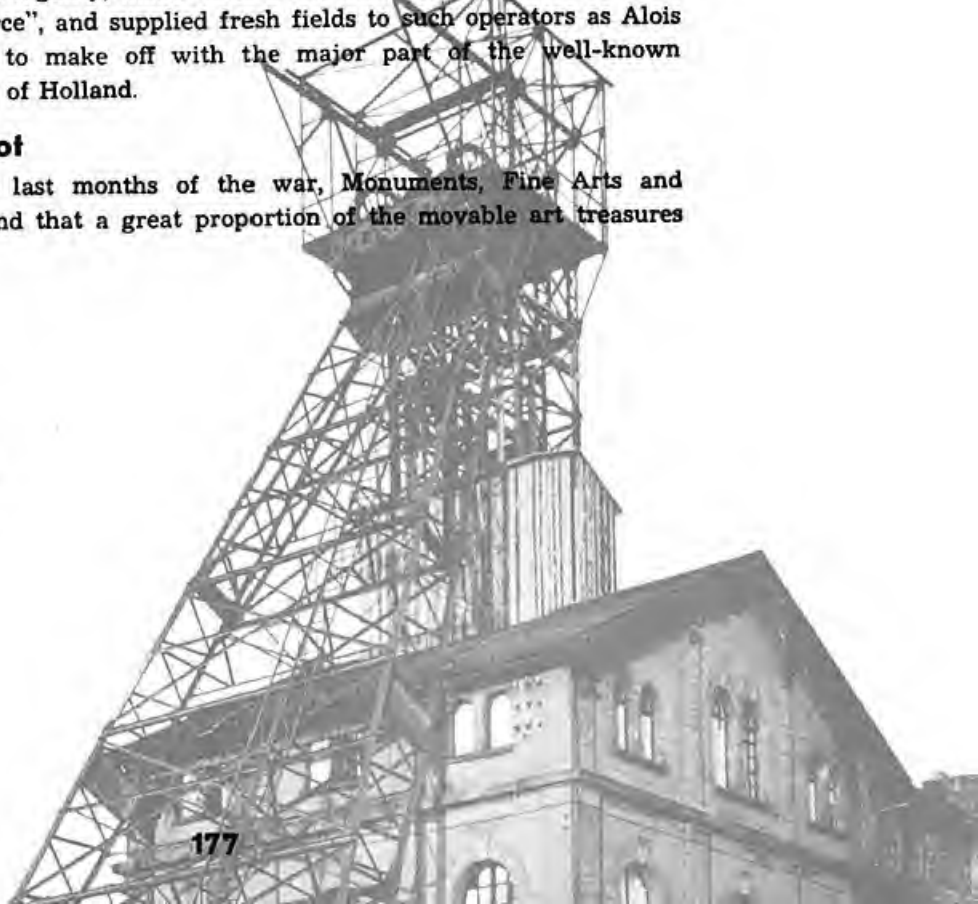
Germany systematically looted works of art not only to enrich the cultural holdings of the country itself, but to satisfy the aesthetic sensibilities of individual collectors.

Nazi looting techniques in the Eastern part of Europe differed widely from their methods in the West. In Poland and Russia, Germany attempted to wipe out their cultural heritage. German policy prescribed the looting of public collections only in the U.S.S.R. and Poland. Cracow was almost completely plundered, and its works of art either transported to Germany, as in the case of the famed Veit Stoss Altar, or destroyed and scattered, as were so many of the town's museums, libraries and private collections.

In the West, where Germany hoped one day to obtain full collaboration, the marks of destruction were considerably less apparent. But seizure of private collections of Jewish or absentee owners, carefully supported by the conquerors' pretexts to legality, made famous the name of Reichsleiter Rosenberg and his "task force", and supplied fresh fields to such operators as Alois Miedl, who managed to make off with the major part of the well-known Goudstikker collection of Holland.

Locating the Loot

When, during the last months of the war, Monuments, Fine Arts and Archives Officers found that a great proportion of the movable art treasures



Superstructure of the salt mine at Kochendorf where the Germans hid their loot.

Paintings by Chardin and Gauguin illegally acquired in France, being prepared for shipmend back to where they came from.

in Germany had been distributed among hundreds of repositories throughout the country, the long job of locating both loot and legitimately-owned German art treasures began.

These repositories, hastily selected by the Germans for protection against bombing and battle dangers, were scattered in every conceivable remote spot: castles, parish houses, church steeples, air-raid bunkers and in salt mines in Southern Germany and Austria, where the Aachen and Metz Treasures and the Altarpiece "Adoration of the Mystic Lamb" from the Church of St. Bavon in Ghent, Belgium, were discovered.

Moving art works from repositories to collecting points was a delicate and tedious task. Many of the great paintings and pieces of sculpture had not been crated, as a result of the haste with which they had been rushed to safe shelter in the closing weeks of the war; these had to be loaded into vehicles, properly braced and carefully padded for the trip.

The major collecting points in the U.S. Zone at Marburg and Wiesbaden still continue to function although Munich is the main center for the transfer of looted works of art to their rightful owners. Through the doors of the Fuehrerbau at the Koenigsplatz, where the Central Art Collecting Point is

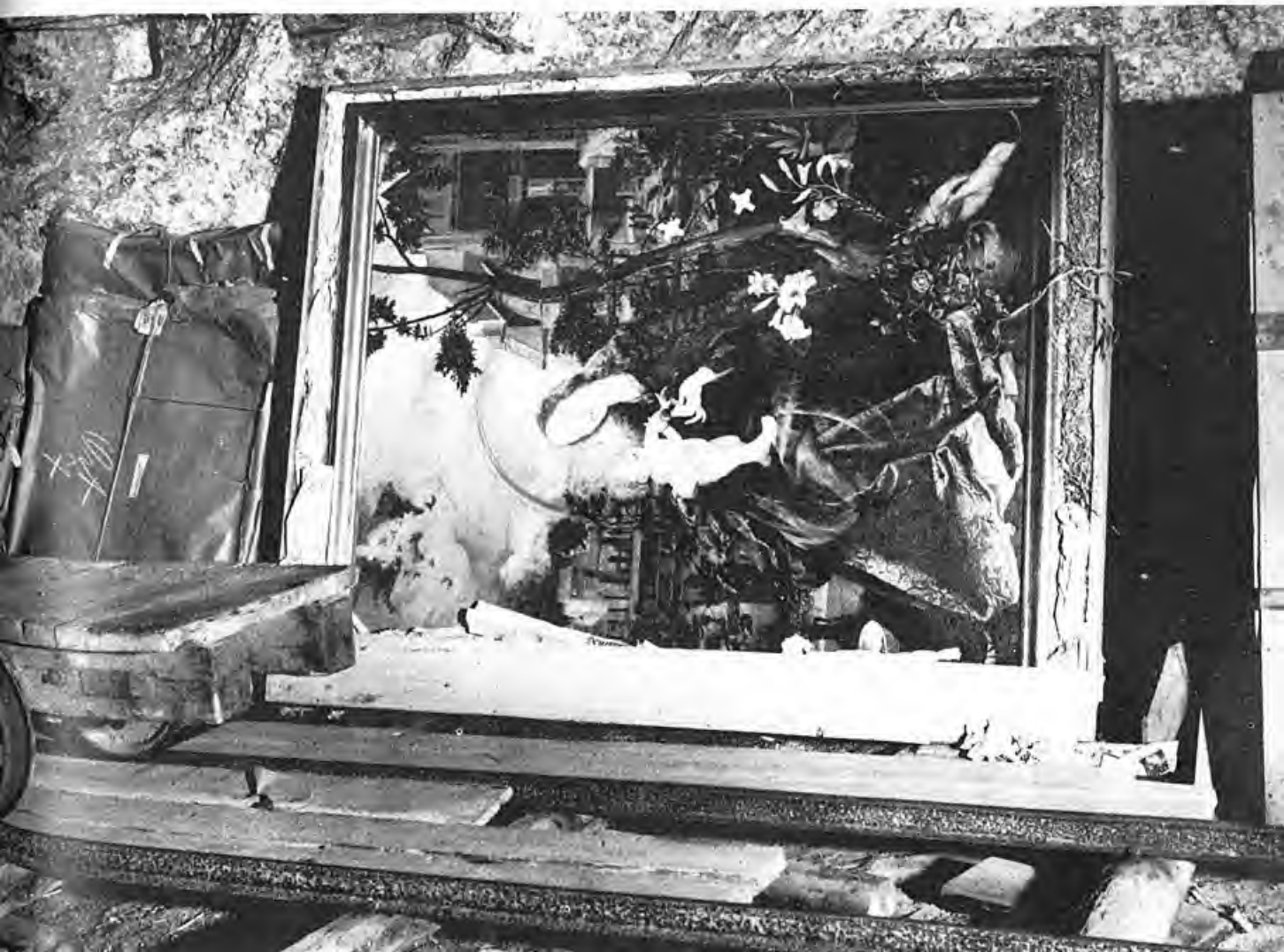
located, have passed the famed brothers' Van Eyck Altarpiece of Ghent, Vermeer's priceless "The Artist in His Studio", and the Bruges "Madonna" by Michelangelo.

In addition to the MFA&A and Specialist Officers at this collecting point, art representatives from foreign countries, some of the best curators of Bavaria, and a staff of about 170 German civilians are engaged in recording and taking inventory of cultural materials, preserving these works of art, and locating the rightful owners. The actual value of the art objects at the Munich Central Art Collecting Point is undetermined, but estimates have been placed as high as over one half billion dollars.

The great depot, at Offenbach-am-Main, for archival matter and books, and for precious scrolls and religious objects looted from Jewish collections throughout Europe by the Germans, at the time of activation in March, 1946, had a grand total 1,841,310 items stored there. Restitutions to the Netherlands and to France and shipments to the Library of Congress Mission totaled 242,840 items during the month of March alone.

In September, 1945, the return from the Heilbronn salt mine of the Strasbourg Cathedral stained glass to the city of Strasbourg was effected. The

KOCHENDORF: The Stuppach Madonna of Grunewald was located by Monuments and Fine Arts Officers in salt mine.



Wood sculpture from Kirchengemeinde Winnenden

Metz Cathedral Treasures, consisting of 27 items, were delivered to France from the Marburg Collecting Point. Eighteen notable works of art, including four paintings by Dirk Bouts and the "Madonna and Child" by Michelangelo, removed by the Germans from Bruges, were delivered to the Belgian Government during this month, and twenty-six selected paintings were sent to Holland.

Routine restitution of cultural objects from the U.S. Zone began in October when large shipments were returned to France, Belgium and the Netherlands. Included in shipments to the Netherlands have been the Rennaissance and Baroque jewels from the Mannheimer Collection, with Catherine the Great's jewelled mirror outstanding among them; paintings by such Dutch 17th century artists as Jan Steen, Van de Velde and Paul Potter; and much excellent Meissen porcelain.

Shipments to France included two of Goering's most carefully negotiated acquisitions. They were the wooden statue of St. Mary Magdalen, known as "La Belle Allemande," by Gregor Erhart, and the painting of the "Presentation of Christ in the Temple", by the Master of the Holy Family. Goering, after long manoeuvering, obtained these two works of art from the Louvre in Paris, giving in exchange two sculptures and three paintings from his own collection, some of them of doubtful origin. Other works of art returned to Paris were

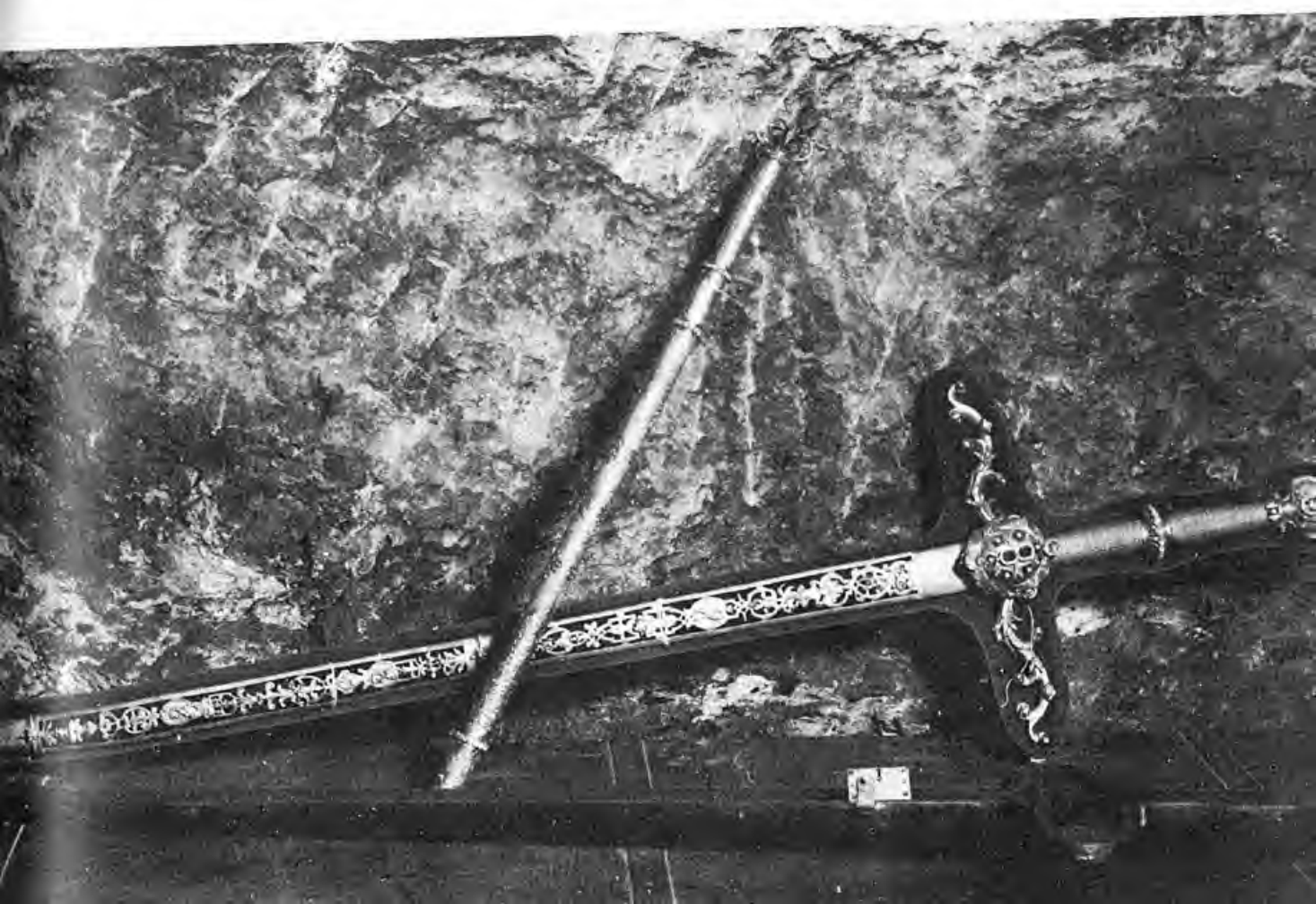
Vermeer's Painting, "The Astronomer", and paintings by Renoir, Chardin, Fragonard and other French artists. In a shipment of 21 carloads of objects, 664 cases of objects such as paintings, sculptures, furniture, rugs, porcelains, draperies and jewelry, taken primarily by the official German looting organization, Einsatzstab Reichsleiter Rosenberg, from private collections in occupied territories, were returned to the French Government for processing through the Museum of the Jeu de Paume in Paris, in late October.

In June of 1946, an exhibition was held in Paris, France, at the Orangerie Museum, showing approximately 300 items, including paintings, drawings, china, silver, tapestries, furniture and sculpture. Paintings included such masters as Rembrandt, Goya, Memling, Velasquez, Rubens, Breugel and Vermeer. This exhibition of works of art "back home" was enthusiastically received by the French people.

Return of Crown Jewels

The most outstanding objects to cross an international frontier were the Crown Jewels and Coronation Regalia of the Holy Roman Empire, which were returned from their hiding place in Nuremberg to the custody of United States Forces in Austria. Here they were formally handed over to the Austrian Government.

HEILBRONN: Sword and scepter from the Crown Jewels of Baden.



Main figure-head piece of the famous Veit Stoss altar, depicting the death of the Virgin Mary in the arms of St. Peter, been removed from Poland by the Nazi Governor, Hans Frank, has since been shipped back to the country of origin.

Signal Corps Photo

A different method of restitution was inaugurated in November, 1945, when the looted material stored in the great depot of the Einsatzstab Reichsleiter Rosenberg, Schloss Neuschwanstein at Fuessen in Bavaria without being unpacked and checked was shipped directly to Paris, in the same cases in which the Germans had brought it from France. In all, 36 train carloads (99 truck loads), containing 1,221 crates (approximately 6,000 items), consisting mostly of fine furniture, porcelain, crystal and other objects of art, were returned. Some drawings and paintings were also shipped, including works of Fragonard and Boucher and "The Three Graces" by Rubens. These objects did not pass through a collecting point, but were inventoried, recorded and photographed under the supervision of an MFA&A representative at the Museum of the Jeu de Paume, Paris. The objects were thus spared additional handling, and restitution was effected with a minimum of labor.

A shipment of 24 train carloads was dispatched to Paris in February, 1946, from the Monastery at Buxheim, Bavaria, consisting of 970 crates and 7,229 separate items such as sculptures, paintings and fine household goods.

To the United States Forces in Austria have gone numerous works of art belonging to both private owners, such as the Rothschild and Czernin families, and to public collections. Included in such shipments have been the Vermeer "De Schildorkonst", six paintings by Altdorfer, and paintings by Van Dyck and Hals. These paintings had been confiscated by Hitler for use in the gigantic Linz Museum to have been built in Austria.

Restitution to Poland included books and scientific materials belonging to the city of Cracow. Probably the most important work of art restituted in 1946 was the Veit Stoss Altarpiece, a lovely 15th century masterpiece. The Germans moved this work of art from the Church of Our Lady, Cracow, in April, 1940 to Nuremberg where it was found by the American occupying armies.

PRICELESS CARGO: Stolen art work loaded onto freight cars under armed guard.

Signal Corps Photo

Germany's Art Restored

Although restitution of looted cultural property has asserted itself as the most urgent problem confronting the Monuments, Fine Arts and Archives Section, it has by no means been the sole problem. It is the responsibility of Military Government agencies in Germany to insure the preservation of Germany's cultural heritage to the fullest extent compatible with military requirements, and the performance of this mission has made additional demands upon MFA&A.

This German phase of the problem is in some ways more difficult than the mere restitution of looted property. Properly qualified German personnel are scattered and not always easily found, and German cultural institutions cannot assert a strong claim to high priorities in the allocation of the funds and building materials necessary for prompt reconstruction. The necessity of effecting "first aid" repairs to damaged structures throughout Germany, of supervising the reconstitution of civil administration for cultural agencies, and of assistance in the reconstitution of numerous museums and other cutlural institutions, held a high place in the mission of MFA&A. More important is the absolute necessity of preventing damage to cultural material for which no secure accommodations existed at the end of hostilities. Local provision for such needs has been made where possible; but during the latter part of 1945 it was thought necessary to ship 202 paintings, almost all from the collection of the Kaiser Friedrich Museum in Berlin, to the United States, where they are held in the National Gallery of Art in Washington, D. C. in trust for their rightful owners, until conditions permit their return to Germany. The more significant long-range program of German reconstruction has been retarded by the vast and time-consuming task of restitution, but will, in the coming months, play the leading role in the MFA&A responsibilities for the occupation and reconstruction of Germany.

The mission of the Monuments, Fine Arts and Archives Section has thus far been completed; the location, inspection and assumption of control of nearly one thousand separate repositories of cultural objects and the evacuation of these to central collecting points; the insured preservation in these central collecting points of the cultural objects, valued well in excess of two billion dollars; the effected restitution of many of Europe's most treasured cultural possessions (more than 20,000 items, estimated value of $103,750,000); the inspection and when necessary the "first aid" repairs to more than five hundred historic and artistic monuments; and the supervision of the reconstitution of civil administration for cultural agencies, art museums and other similar institutions.

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Reparations, Deliveries and Restitution Directorate

In addition to providing the personnel for the US element of the Economic Directorate, the Economic Division of OMGUS also furnishes the U. S. delegation to the Reparations, Deliveries and Restitution Directorate of the Allied Control Authority. Thus, although the two Directorates themselves are on an equal footing under the Control Council, the personnel for this delegation is drawn from the Restitution Branch of the Economics Division. Also, the two Directorates have their own Secretariats.

As in the case of all the Directorates, this one was formed under the provisions of the Potsdam Protocol to handle one of the major functions set up under that document, namely, reparations. Restitution, as a function, is not specifically referred to in the Protocol. However, it had been the subject of formal discussion and formal agreement as far back as the London Declaration of 5 June 1943, and was also discussed at the July, 1945, Allied Commission on Reparations which was held in Moscow. As a result, the function of restitution was added to that of reparations at the time the Directorate was formed.

One of the first problems taken up by the Directorate after it had submitted recommendations on its terms of reference was the question of a definition of restitution. Having agreed on a definition which was subsequently approved by the Coordinating Committee and the Allied Control Council, the Directorate then, through its Restitution Procedures Committee, developed quadripartite procedures for the handling of restitution matters in all four of the occupied Zones of Germany. At the same time, the Reparations Procedures Committee of the Directorate formulated similar procedures for the handling of reparations problems. Questions of art objects, archives and similar cultural objects were discussed by a Working Party on Cultural Affairs, after which the development of procedures for the preservation and restitution of such items was handled by the Restitution Procedures Committee.

With the establishment of the Inter-Allied Reparations Agency, which is composed of representatives of 18 Western Nations entitled to reparations (a), the Coordinating Committee designated the Secretariat of the Reparations, Deliveries and Restitution Directorate as the official channel of communication between the Allied Control Authority and the liaison personnel of the Inter-Allied Reparations Agency. In the Reparations Field the Directorate, through its Reparations Valuation Committee, checks and passes upon the plant evaluation received from the three Western Zones. These valuations of reparations plants are then reviewed by the Directorate, after which they are sent to the Economic Directorate. At the same time, valuations and plant descriptions are forwarded by the Directorate to the USSR and to the Inter-Allied Reparations Agency.

The Directorate is also responsible for the preparation of quadripartite procedures having to do with the preservation and restoration of historic monuments.

As part of its activity the Directorate maintains close liaison with the Economic Directorate, with the Transport Directorate in matters of shipping and of rolling stock, and with the Finance Directorate in matters of property control and "internal" restitution. The Directorate does not, however, handle matters of "internal" restitution, which may be defined, roughly, as restitution of property akent by Germans.

*

(a): NOTE The preamble to the Final Act of the Paris Conference on Reparation which met from 9 November 1945 to 21 December 1945 reads as follows:

"The Governments of Albania, The United States of America, Australia, Belgium, Canada, Denmark, Egypt, France, the United Kingdom of Great Britain and Northern Ireland, Greece, India, Luxembourg, Norway, New Zealand, the Netherlands, Czechoslovakia, the Union of South Africa and Yugoslavia, in order to obtain an equitable distribution among themselves of the total assets which, in accordance with the Provisions of this Agreement and the Provisions agreed upon at Potsdam on 1 August 1945 between the Governments of the United States of America, the United Kingdom of Great Britain and Northern Ireland and the Union of Soviet Socialist Republics, are or may be declared to be available as reparations from Germany (hereinafter referred to as German reparation), in order to establish an Inter-Allied Reparation Agency, and to settle an equitable procedure for the restitution of monetary gold,

Have agreed as follows . . ."

DECARTELIZATION AND CONTROL

Eliminating Cartels and Monopolies

On July 5th, 1945, I. G. Farben, the largest chemical firm in the world, Germany's major producer of war materials, builder and manager of most of the explosives and poison gas plants which fed the Hitler war machine, known the world over as "a state within a state", ceased to exist in the U. S. Zone of Occupation.

On that date United States Army officers seized and took over the management of 42 major manufacturing plants, 56 sales offices and 26 miscellaneous installations, all of them in the U. S. Zone and representing approximately ten percent of the vast I. G. Farben empire in Germany. Parallel action was taken in the other three Zones on different dates, and was confirmed by the passage of Allied Control Council Law No. 9.

Because overall war damage to these plants in the U. S. Zone was only 14 percent, the plants together with their installations constituted a powerful industrial and anti-democratic force with a high war potential. It became the

immediate concern of the Occupation forces to convert the former Farben properties from war to peaceful industry, to eliminate its monopolistic practises, its interlocking directorates and international ties, to prevent its control of markets and prices for its own good, and to purge both its management and working staffs of former Nazis who had used the Farben empire to promote their political aims and carry on espionage activities abroad.

How is this mission being accomplished, and of what signifiance are Farben and all similar monopolistic aggregations to the American people?

Recent history has amply shown the need for eliminating German cartels and monopolies. Following World War I, the German economy became more and more concentrated in the hands of a few individuals and financial institutions. This concentration had gone far beyond mere ownership or possession of the means of production. It had become tantamount to economic empire and private business government. I. G. Farben was the largest of these concentrations. While non-existent today, the potential extent of this power and control remains enormous and in the future might well constitute a menace both to the peace of the world and to the reconstruction of Germany on a democratic basis. In fact, the practises of limiting production and controlling markets by German industrialists and business men, became so restrictive that at the height of the war, February 4, 1943, the German Government found it necessary to pass a special law prohibiting such practises. It is extremely interesting to note that a special exception was written into this law to allow these same restrictive practises where foreign markets were concerned.

Decartelization Branch

The Decartelization Branch is charged with three primary duties:

(1) the deconcentration of German industry,

(2) the decartelization of German industry, and, as a first specific step,

(3) the elimination of I. G. Farben as a corporate entity.

This program is based upon paragraph 12 of the Economic Principles and paragraph 3, section (iv), of the Political Principles of the Potsdam Declaration, which have since been reaffirmed in unilateral statements by leaders of the four occupying powers.

Paragraph 12 of the Economic Principles reads as follows: "At the earliest practicable date, the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic power as exemplified in particular by cartels, syndicates, trusts and other monopolistic arrangements." Paragraph 3, section (iv) of the Political Principles states: "The purposes of the occupation of Germany by which the Control Council shall be guided are: To prepare for the eventual reconstruction of German political life

on a democratic basis and for eventual peaceful cooperation in international life by Germany."

Education for Economic Democracy

The Decartelization Branch, acting with and through other Military Government agencies, is therefore making every effort to decentralize and decartelize all excessive concentrations of economic power in Germany. In carrying out this program it will strive to convince the German people that economic democracy is a necessary basis for political democracy.

In some respects the reorganization of the German economy along democratic lines is more important than mere mechanical decentralization. The German people must be taught that a democratic economy is the most favorable medium for the full development of an individual, and that in such a medium the material success of an individual will depend primarily on his own ability to satisfy the economic requirements of others. It is in such a system that an individual will exercise an alert and effective control over his government and will compel its officials to act for the general welfare rather than in the interest of some special class. Just as we must convince the Germans on the political side of the unsoundness of making an irrevocable grant of power to a dictator or an official authoritarian group, we must also convince them on the economic side of the unsoundness of allowing a private enterprise to acquire dictatorial power over any part of the economy.

The Branch will draw heavily on the experience acquired in the development of economic democracy in the United States and will endeavor to Convince the German people that the development of free markets, the prevention of discrimination among businessmen and industrialists, the elimination of economic toll bridges, and the protection of the consumer, are the cornerstones to the reconstitution of a new and democratic German economy.

Present Activities

To counteract the menace of excessive concentration and to implement the Potsdam Declaration, a quadripartite working party has been formed to draft a law prohibiting excessive concentration of German economic power and eliminating German participation in domestic and international cartels. An I. G. Farben Control Committee has also been established and is operating on a quadripartite level.

When the proposed law is enacted, the Branch will be charged with the responsibility for its application and enforcement. It is planned that Branch offices will be established — one in each of the Laender capitals. These offices will collect information, confer with local industrialists, receive break-

up plans formulated by the Germans, and aid in the enforcement program.

In the interim before the enactment of the law, investigations of major industries and predominant firms are under way so that the application of the law in the U. S. Zone will be prompt and effective. Specific investigations are undertaken from time to time at the request of the Department of State and Justice, the German External Property Commission, and other agencies.

The efforts of the U. S. Control Office have had a high degree of success, although circumscribed by the fact that only 10 percent of I. G. Farben's assets are located in the American Zone. The four I. G. Farben Control Officers, however, meet regularly to report on progress in their respective Zones and to coordinate future planning. Much progress has been made on the quadripartite level. French, British and Soviet representatives work regularly in Griesheim, where high-level quadripartite cooperation has been and is maintained.

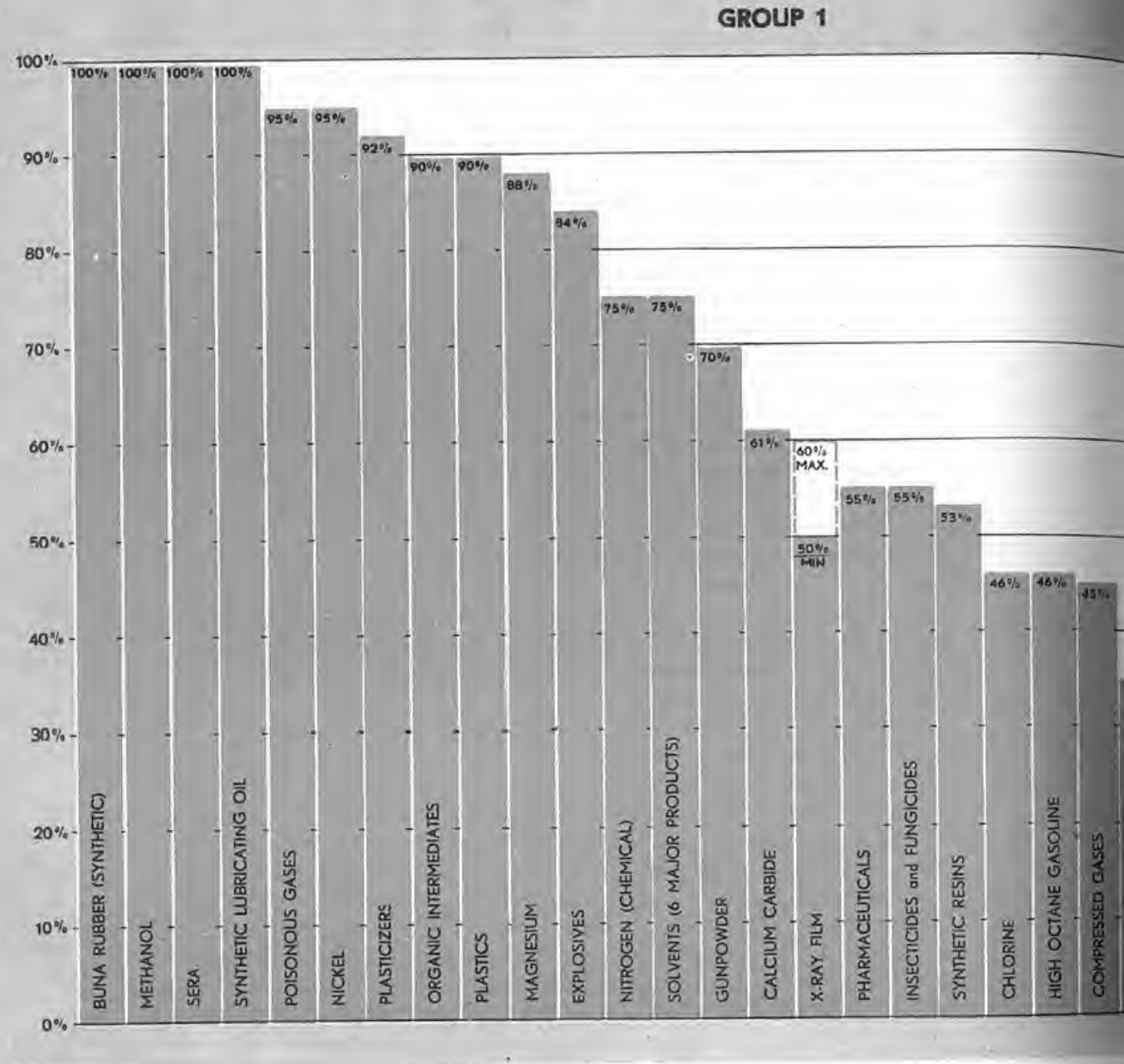
The first major objectives have been achieved. The Control Office has seized and exercised control over 42 major manufacturing plants, 56 sales offices, and 26 miscellaneous installations, all of which had been owned, controlled or operated by I. G. Farben in the U. S. Zone. These represented potentially a powerful industrial force at the close of hostilities. In these plants a complete program of denazification has been carried out, during which approximately 1100 officers and employees, including key personnel in management and research, have been dismissed.

Of the 42 major plants owned by I. G. Farben and its susidiaries in the U. S. Zone, seven plants, employing at normal capacity approximately 6550 persons, have been offered as available for reparations, subject to quadripartite action. All special purpose equipment specifically designed for producing munitions and other war-making products will be destroyed prior to delivery. This represents a 25 percent reduction in the number of plants in the U. S. Zone in this category. Fourteen of the remaining plants were "Montan plants" — Reich owned but I. G. Farben operated. Of these, two have been destroyed, and the general purpose equipment in the remaining twelve has been offered for reparations, again subject to quadripartite action. After removal of general purpose equipment for reparations, all war-producing installations, including powder magazines and other munition producing and storage facilities, will be destroyed, (using I. G. Farben explosives). All of the Montan properties will thus be disposed of. These plants employed over 27,000 persons, and the cost of their buildings and equipment was approximately RM 900,000,000.

Of the 42 major manufacturing plants in the U. S. Zone, 21 plants, thus have either been destroyed or offered for reparations. This represents approximately 52 percent of the former manufacturing capacity of I. G. Farben in the U. S. Zone. These 21 plants were a part of the German war production machine or were in excess of the German peace time requirements. The re-

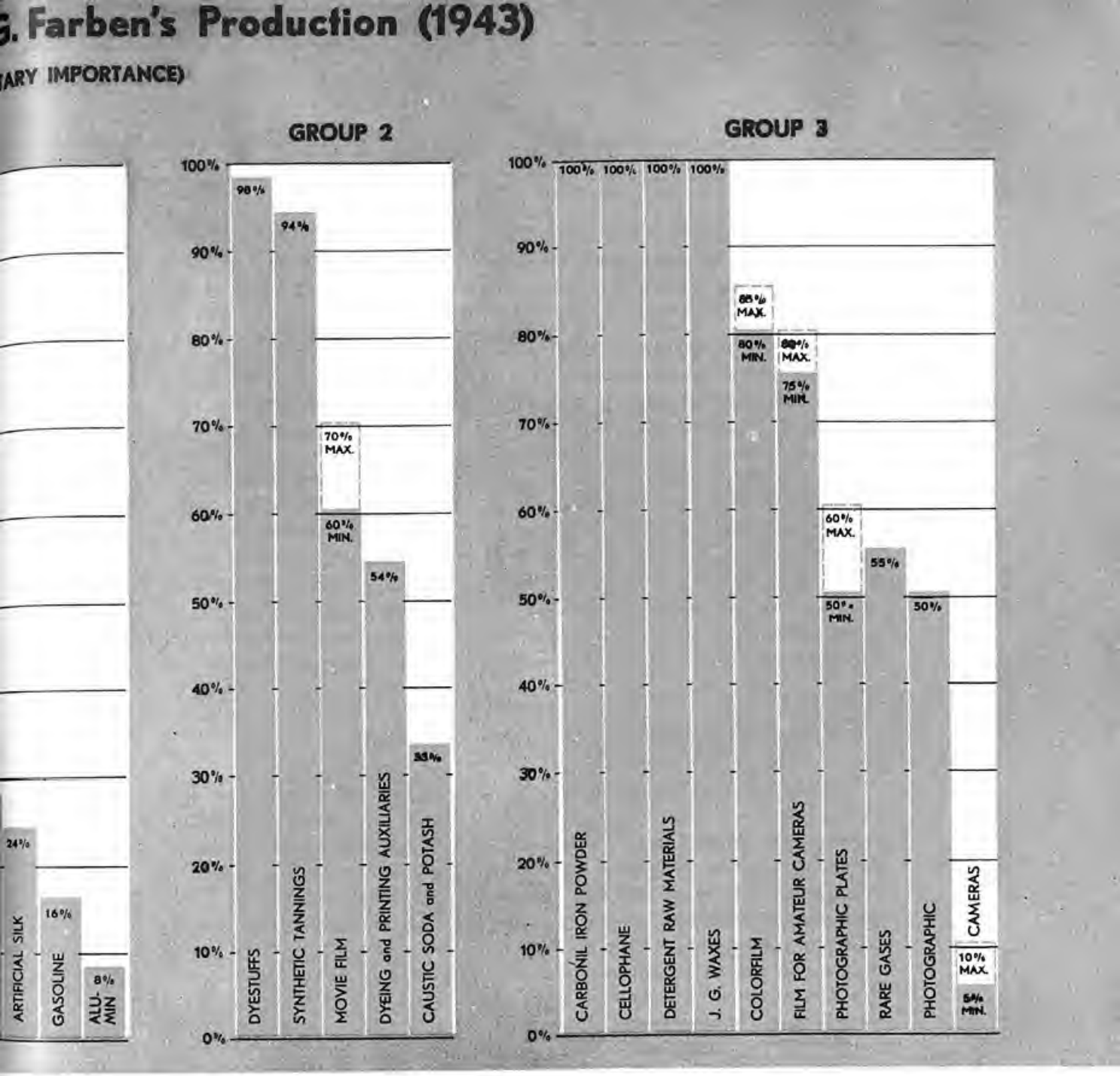
The Wehrmacht's Dependenc

(GROUPED ACCORD



maining 21 plants will be disposed of in accordance with quadripartite action following the recommendations on the permitted level of the chemical industry in Germany.

A primary objective in seizing I. G. Farben property was to terminate all cartel relationships. This was accomplished in the first instance through the



complete control of all management activities by U. S. officers. In addition, exhaustive studies are being prepared of the basic cartels in which I. G. Farben did the bulk of its business. Special attention has been paid to oils, fertilizers, technical nitrogen, dyestuffs and heavy chemicals, in which I. G. Farben did over 75 percent of its business; for example, the Stickstoff-Syndikat GmbH,

which was the exclusive sales agency for all German nitrogen producers. Because of the war, no international dyestuffs cartel is presently in operation. To aid in preventing its reactivation, a complete study is being made of the

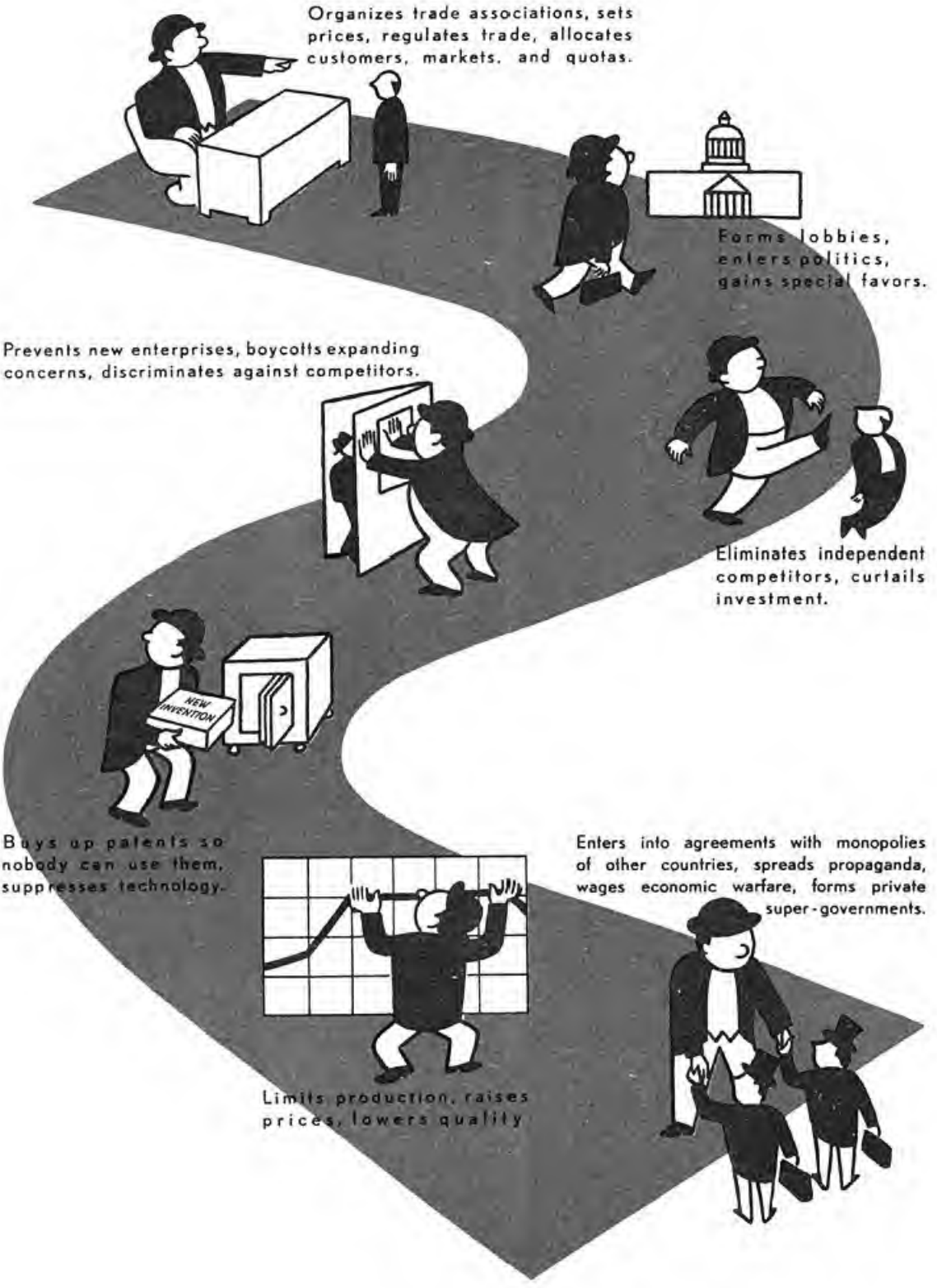
The great I. G. Farben corporation is already subject under Law No. 9 to direct control by Military Government. Many reports on I. G. Farben have been prepared and are being prepared currently. Among others, reports have been completed recently on Vereinigte Stahlwerke and Siemens and Halske, next to I. G. Farben the largest corporations in Germany, dominating their respective fields of steel production and electrical engineering. The annual production of Vereinigte Stahlwerke alone was nearly twice the 5,800,000 tons which it is now proposed under the level of Industry Plan will be the total annual production for all German steel firms. In its peak year Siemens and Halske employed a quarter of a million people and had sales of a billion Reichsmarks. It accounted for one-fourth of all German electrical exports. To maintain its powerful position ,it participated in over two thousand cartel and patent agreements, covering every phase of the electrical industry.

Coal Monopoly Being Curbed in U. S. Zone

Investigations are continuing on the Hugo Stinnes enterprises, AEG (the second largest electrical firm in Germany), the Schering pharmaceutical corporation, the Alkali Export Association, the Kohlenkontor at Mannheim, the Fendel Corporation in Rhine River shipping, and Kontinental Oel, A. G., the organization used by the Nazi Government to exploit oil resources in conquered and occupied countries. Several reports have been prepared on the coal industry of Germany, as well as on the oil industry. As a result of the studies on the coal and oil industries, many of the restrictive conditions inherent in the Kohlenkontor of Mannheim have been eliminated and plans are being considered for its dissolution. Plans for the modification and possible elimination of the most important of the oil distributing agencies are also under way.

Personnel from this Branch work with joint British-American detachments at Dusseldorf and Frankfurt on the solution of current problems in the operation of plants in the American Zone which are part of organizations with headquarters in the British Zone, such as Krupp and Vereinigte Stahlwerke. Among others, studies are being prepared by these detachments on the Hermann Goering Works, Gutehoffnungshuette, the Flick interests, and the Degussa combine. General and spot investigations are also carried on at these offices.

EVOLUTION OF A CARTEL



I. G. Farben

The chart on page 192 shows the tremendous role I. G. Farben played in German war production and indicates its productive capacity at the end of the war. Although best known as a chemical firm, I. G. Farben was a major producer of textiles, pharmaceuticals, photographic equipment, light metal products and many others. Since the seizure the I. G. Farben Control Office at Griesheim has embarked on program to destroy the monopolistic position of I. G. Farben and to eliminate the tremendous war potential which it represents.

> "12. At the earliest practicable date, the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic powers as exemplified in particular by cartels, syndicates, trusts and other monopolistic arrangements."
>
> — Economic Principles, Report on the Tripartite Conference of Berlin, 2 August 1945

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RESEARCH AS A WAR POTENTIAL

Scientific research and its application devoted to peaceful pursuits is a vital factor in world economy and progress. History is replete with evidence that discoveries of the laboratory when turned to man's use have not only revolutionized industry but have also altered the habit and thinking of civilized people.

But as valuable and beneficial as scientific research is when applied to the welfare of mankind, its fruits, when directed toward destructive forces will, as formerly, continue to be powerful and dire weapons in the hands of an aggressor.

The skill of German scientists, the elaborate nature of German scientific organizations, the completeness of their laboratory equipment and facilities and the results heretofore achieved by scientific research in Germany, are historical and powerful reminders that research of all types constitutes one of the most positive and dangerous German war potentials. It is understand able therefore that the problem of the control of research and its application was one of the first to be considered upon a quadripartite basis.

Sensing the vital necessity of permitting and encouraging public and private research devoted to peaceful pursuits in Germany, quadripartite representatives faced the problem of accomplishing this end and, at the same time, of preventing application of research aimed at the generation of a war potential.

The solution of this problem is Control Council Law No. 25, Control of Scientific Research, enacted 29 April 1946, and Military Regulations to implement it.

The difficulty of effectively controlling fundamental research is recognized as is the fact that fundamental research as such, limited to the laboratory stage, cannot in itself be considered menacing. Efforts, therefore, are largely confined to the drafting of policies and regulations directed toward the rigid control of the application of fundamental research in order to assure that potential war secrets of the laboratory may never reach the testing or proving stage preparatory to factory production of the war items involved.

Accordingly, research of an exploratory character in any field, directed toward the discovery of new theories, principles or laws of nature, or new compounds, or materials is permitted if it is not of a direct military nature, or of it does not require for its execution important installations which among other applications could be utilized for applied research work in the military field. This leaves open a wide field for laboratory work in connection with German peacetime economy both in public and private institutions of an educational and industrial nature.

However, as pertains to applied research, quadripartite regulations assume a significantly rigid character, for they not only prevent applied research and development and all studies of material of a wholly or primarily military nature, but, in addition, restrict numerous peacetime endeavors which might be converted to wartime channels. Applied research is defined by the law as research directed to the conversion of the results of fundamental research to pilot plant or engineering development and to new engineering undertakings in general, including field trials of new devices and the testing of preproduction models.

In order, however, to permit the testing of laboratory results beneficial to industry and a peaceful economy to be carried on, licenses may be obtained after proof has been given that the applied research to be conducted is, in fact, of a peacetime character. To assure further that units carrying out permitted research in academic, technological or industrial organizations do not convert previously licensed research to wartime channels, periodic, detailed reports and a series of checks and investigations will be required.

Stringent penalties are to be imposed for detected breaches of research control regulations.

In summary, the problem of controlling scientific research and development in Germany has been approached in a logical and practical manner, and control limitations have been sensibly imposed. Successful results in the administration of control laws, however, depend to a marked degree upon the character, experience and aggressiveness of the personnel who are chosen for the operation, for only through constant diligence and extreme care in the granting of licenses plus intelligent investigations, can scientific research be guided into and maintained in proper channels.

CONTROL OF GERMAN INDUSTRY

The establishment of the Control of German Industry Section in November 1945, formalized the functions contemplated within the scope of the conclusion stated by the four Power Industry Committee which reads: "The Committee agreed that each member would submit papers to the Industry Committee on the **long-range program of industrial control.**" A study of the fundamentals of such controls had originally been undertaken by the personnel now constituting the Control of German Industry Section, in August 1945, at the request of the Chief of the Industry Branch.

Briefly stated, the functions imposed by the referenced Industry Committee "conclusion" contemplated the preparation of a "paper" or a series of papers recommending long-range controls for German industry, designed to prevent Germany from again developing the type of industrial structure which could be employed to wage a war of aggression and yet which would permit Germany to develop a peace-time economy free from restrictions except those which might be necessary to assure the primary objective stated above.

Given such an objective, it has been necessary in approaching the study to attempt to envisage a point of time and the conditions, internally in Germany and also of an international nature, which may possibly prevail when an acceptable autonomous government is established by the German people to effect adherence to recognized international agreements. It has also been

necessary to attempt to foresee and to predict the types of internal and external controls necessary to be imposed upon German industry for the maintenance of peace without the necessity for the continued presence of occupation forces.

Sensing the fact that a wide variety of opinions on all phases of the subject exists and that only meager amount of material is presently available for reference, the method adopted in coordinating the study consisted of cataloguing the numerous opinions expressed by qualified economists and technical bodies, of analyzing the various types of controls employed previously in major German industries, and of studying the current controls instituted by Military Government with particular regard to their effect and long-range implications.

As a result of the initial studies of the various types of controls previously employed in major German industries and their relation to those material controls employed in the United States during the past war, recommendations were made to the Industry Branch, in October 1945, through the issuance of a paper entitled "The Comparison of German Industrial Controls with United States Controlled Material Plan; Recommendations".

As the objectives of Military Government in Germany crystalized into formal policies and as the effect of controls established by Military Government upon German industry was capable of being more clearly observed, a second paper was prepared and issued by this Section in March 1946. It was entitled "A Long-Range Plan for the Control of German Industry". This paper recommended the establishment of a Quadripartite Economic Analysis Directorate containing a Reports and Statistics Committee and an Analysis Committee. It was suggested that through the functioning of such a Directorate and its departments, now and in the future, a complete economic pattern of the developing German economy could be maintained for study and analysis. It was furthermore suggested that a series of such economic patterns, properly analyzed and co-ordinated by experts, would disclose any attempt which might be made by Germany to develop a war potential. The conclusion was drawn that if and when such an attempt was noted and after proper investigation had been conducted by a proposed Quadripartite Compliance Directorate, appropriate controls could then be devised and imposed upon German industry.

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THE ECONOMIC ASPECTS OF DENAZIFICATION

One of the most controversial and complex problems to come before Military Government was the unprecedented task of removing Nazis and all vestiges of Nazism from public life. The threefold purpose of this process, to strengthen and assist democratic elements in Germany, to provide security, and to punish active Nazis and militarists, is one of the prime motives of the occupation.

The groundwork for denazification policy was laid by the Joint Chiefs of Staff in JCS 1067. The Potsdam Declaration gave authority for this policy in the following directive:

". . . Nazi leaders, influential Nazi supporters and high officials of Nazi organizations and institutions and any other persons dangerous to the occupation or its objectives shall be arrested and interned.

"All members of the Nazi Party who have been more than nominal participants in its activities and all other persons hostile to Allied purposes shall be removed fro mpublic and semi-public office, and from positions of responsibility in important private undertakings. Such persons shall be replaced by persons who, by their political and moral qualities, are deemed capable of assisting in developing genuine democratic institutions in Germany."

The promulgation of Law No. 8, which came soon afterwards, proved to be

an effective instrument for carrying out the denazification of German business. And in order to meet arguments of fair hearing of individual cases where justice might have miscarried, provision was made for the establishment in every community of local German review boards, which gave all so-called nominal Party members who were affected by Law No. 8 a chance to clear themselves. The Law also provided an opportunity for non-Nazis to sit in judgment upon their own fellow Germans.

LAW NUMBER 8

Law Number 8 was designed to extend denazification over the entire German economy and thus to remove Nazis from positions of responsibility in every type of industry, large or small; to make Germans themselves criminally liable for failure to remove Nazis, as defined in the law and its implementing instructions, from all positions in business and industry above ordinary labor; and to give the German people a measure of responsibility in the denazification process.

The denazification of German business reached down into the economic life of the U. S. Zone of Occupation and was succesful in removing from managerial and supervisory positions those Nazis who had heretofore been unaffected by the denazification program.

An indication of the extent to which Law No. 8 would affect supervisory positions in business was seen in the initial findings of the Bremen Enclave. These findings revealed that out of the reported 15,000 Germans investigated in connection with the Law, 31 percent were ordered discharged because of their Nazi records.

In spite of the often-voiced fear that the U. S. denazification program might cause a breakdown of the civil administration and the economic structure in the U. S. Zone, this situation has not materialized. Industrial production was at such a low level last autumn that the effects of denazification of management, could not be evaluated apart from all other factors limiting production although individual situations were admittedly adversely affected. In the last six or seven months a sufficient number of replacements were found or trained to take part in the building up of industry. It is unlikely that denazification will prevent further progress.

The sanctions against militarists and Nazis were gradually broadened through successive regulations to remove political undesirables from every economic stratum above ordinary labor. Simultaneously, they increased the Germans' share in the responsibility for carrying out the program.

GERMANS HELD RESPONSIBLE

The "Law for Liberation from National Socialism and Militarism", promul-

gated by the Germans with Military Government approval and published on March 5, 1946, was even more stringent than its predecessor. On the one hand it added the category of private ownership to the economic groups already encompassed in Military Government sanctions. On the other, it charged the German people with responsibility for carrying out the regulations.

By May 31, 1946, U. S. Military Government had removed or excluded from public employment and from important positions in private industry and other fields approximately 314,000 active Nazis and militarists, exclusive of removals and exclusions under Law No. 8.

Of these removals, some 201,000 or 56 percent were from public employment, approximately 102,000 or 21 percent, were from important positions in private industry, and 64,000 or 17 percent, from other fields.

By the end of July, 1946, 18 German trial tribunals were operating in Bavaria and 10,798 cases had been tried. The 104 tribunals in Greater Hesse had tried 3,38 cases, and the 103 tribunals in Wuerttemberg-Baden had tried 1,106 cases.

As of the first of June, investigations had been made of all but 91,000 or 6 percent of the 1,163,000 Fragebogen received since the beginning of the programm, and action had been taken on all but 65,000 or 4 percent of the 1,522,000 Fragebogen, which had been processed.

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APPENDIX

Excerpts from the Potsdam Agreement

On July 17, 1945, the President of the United States of America, Harry S. Truman, the Chairman of the Council of People's Commissars of the Union of Soviet Socialist Republics, Generalissimo J. V. Stalin, and the Prime Minister of Great Britain, Winston S. Churchill, together with Mr. Clement R. Attlee, met in the Tripartite Conference of Berlin. They were accompanied by the foreign secretaries of the three Governments, Mr. James F. Byrnes, Mr. V. M. Molotow, and Mr. Anthony Eden, the Chiefs of Staff, and other advisers.

There were nine meetings between July 17 and July 25. The Conference was then interrupted for two day while the results of the British general election were being declared.

On July 28 Mr. Attlee returned to the Conference as Prime Minister, accompanied by the new Secretary of State for Foreign Affairs, Mr. Ernst Bevin. Four days of further discussion then took place. During the course of the Conference there were regular meetings of the Heads of the Three Governments accompanied by the foreign secretaries, and also of the Foreign Secretaries alone. Committees appointed by the Foreign Secretaries for preliminary consideration of questions before the Conference also met daily.

The meetings of the Conference were held at the Cecilienhof near Potsdam. The Conference ended on August 2, 1945.

Important decisions and agreements were reached. Views were exchanged on a number of other questions and consideration of these matters will be continued by the Council of Foreign Ministers established by the Conference.

President Truman, Generalissimo Stalin and Prime Minister Attlee leave this Conference, which has strengthened the ties between the three governments and extended the scope of their collaboration and understanding, with renewed confidence that their governments and peoples, together with the other United Nations, will ensure the creation of a just and enduring peace.

Economic Principles.

11. In order to eliminate Germany's war potential, the production of arms, ammunition and implements of war as well as all types of aircraft and sea-going ships shall be prohibited and prevented. Production of metals, chemicals, machinery and other items that are directly necessary to a war economy shall be rigidly controlled and restricted to Germany's approved post-war peacetime needs to meet the objectives stated in Paragraph 15. Productive capacity not needed for

permitted production shall be removed in accordance with the reparations plan recommended by the Allied Commission on Reparations and approved by the Governments concerned or if not removed shall be destroyed.

12. At the earliest practicable date, the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic power as exemplified in particular by cartels, syndicates, trusts and other monopolistic arrangements.

13. In organizing the German economy, primary emphasis shall be given to the development of agriculture and peaceful domestic industries.

14. During the period of occupation Germany shall be treated as a single economic unit. To this end common policies shall be established in regard to:

(a) mining and industrial production and allocation;

(b) agriculture, forestry and fishing;

(c) wages, prices and rationing;

(d) import and export programs for Germany as a whole;

(e) currency and banking, central taxation and customs;

(f) reparation and removal of industrial war potential;

(g) transportation and communications.

In applying these policies account shall be taken, where appropriate, of varying local conditions.

15. Allied controls shall be imposed upon the German economy but only to the extent necessary:

(a) to carry out programs of industrial disarmament and demilitarization, of reparations, and of approved exports and imports.

(b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of standards of living of European countries.

(European countries means all European countries excluding the United Kingdom and the Union of Soviet Socialist Republics.)

(c) to ensure in the manner determined by the Control Council the equitable distribution of essential commodities between the several zones so as to produce a balanced economy throughout Germany and reduce the need for imports.

(d) to control German industry and all economic and financial international transactions, including exports and imports, with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein.

(e) to control all German public or private scientific bodies, research and experimental institutions, laboratories, et cetera, connected with economic activities.

16. In the imposition and maintenance of economic controls established by the Control Council, German administrative machinery shall be created and the German authorities shall be required to the fullest extent practicable to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and any break-

down in these controls will rest with themselves. Any German controls which may run counter to the objectives of occupation will be prohibited.

17. Measures shall be promptly taken:

(a) to effect essential repair of transport;
(b) to enlarge coal production;
(c) to maximize agricultural output; and
(d) to effect emergency repair of housing and essential utilities.

18. Appropriate steps shall be taken by the Control Council to exercise control and the power of disposition over German-owned external assets not already under the control of United Nations which have taken part in the war against Germany.

19. Payment of Reparations should leave enough resources to enable the German people to subsist without external assistance. In working out the economic balance of Germany the necessary means must be provided to pay for imports approved by the Control Council in Germany. The proceeds of exports from current production and stock shall be available in the first place for payment for such imports.

The above clause will not apply to the equipment and products referred to in paragraphs 4(a) and 4(b) of the Reparation Agreement.

Reparations from Germany

In accordance with the Crimea decision that Germany be compelled to compensate to the greatest possible extent for the loss and suffering that she has caused to the United Nations and for which the German people cannot escape responsibility, the following agreement on reparations was reached:

1. Reparation claims of the U.S.S.R. shall be met by removals from the zone of Germany occupied by the U.S.S.R. and from appropriate German external assets.

2. The U.S.S.R. undertakes to settle the reparation claims of Poland from its own share of reparations.

3. The reparation claims of the United States, the United Kingdom and other countries entitled to reparations shall be met from the Western Zones and from appropriate German external assets.

4. In addition to the reparations to be taken by the U.S.S.R. from its own zone of occupation, the U.S.S.R. shall receive additionally from the Western Zones:

(a) 15 per cent of such usable and complete industrial capital equipment, in the first place from the metallurgical, chemical and machine manufacturing industries, as is unnecessary for the German peace economy and should be removed from the Western Zones of Germany, in exchange for an equivalent value of food, coal, potash, zinc, timber, clay products, petroleum products, and such other commodities as may be agreed upon.

(b) 10 per cent of such industrial capital equipment as is unnecessary for the German peace economy and should be removed from the Western Zones, to be transferred to the Soviet Government on reparations account without payment or exchange of any kind in return.

Removals of equipment as provided in (a) and (b) above shall be made simultaneously.

5. The amount of equipment to be removed from the Western Zones on account of reparations must be determined within six months from now at the latest.

6. Removals of industrial capital equipment shall begin as soon as possible and shall be completed within two years from the determination specified in paragraph 5. The

delivery of products covered by 4(a) above shall begin as soon as possible and shall be made by the U.S.S.R. in agreed installments within five years of the date hereof. The determination of the amount and character of the industrial capital equipment unnecessary for the German peace economy and therefore available for reparations shall be made by the Control Council under policies fixed by the Allied Commission on Reparations, with the participation of France, subject to the final approval of the Zone Commander in the Zone from which the equipment is to be removed.

7. Prior to the fixing of the total amount of equipment subject to removal, advance deliveries shall be made in respect of such equipment as will be determined to be eligible for delivery in accordance with the procedure set forth in the last sentence of paragraph 6.

8. The Soviet Government renounces all claims in respect of reparations to shares of German enterprises which are located in the Western Zones of ocupation in Germany as well as to German foreign assets in all countries except those specified in paragraph 9 below.

9. The Governments of the U.K. and U.S.A. renounce their claims in respect of reparations to shares of German enterprises which are located in the Eastern Zone of occupation in Germany, as well as to German foreign assets in Bulgaria, Finland, Hungary, Rumania and Eastern Austria.

10. The Soviet Government makes no claims to gold captured by the Allied troops in Germany.

The Plan for Reparations and the Level of Post-War German Economy in Accordance with the Berlin Protocol

1. In accordance with the Berlin Protocol the Allied Control Council is to determine the amount and character of the industrial capital equipment unnecessary for the German peace economy and therefore available for reparations. The guiding principles regarding the Plan for Reparations and the Level of the Post-war German Economy, in accordance with the Berlin Protocol are:

a. Elimination of the German war potential and the industrial disarmament of Germany.

b. Payment of reparations to the countries which had suffered from German aggression.

c. Development of agriculture and peaceful industries.

d. Maintenance in Germany of average living standards not exceeding the average standard of living of European countries (excluding the United Kingdom and the Union of Soviet Socialist Republics).

e. Retention in Germany, after payment of reparations, of sufficient resources to enable her to maintain herself without external assistance.

2. In accordance with these principles, the basic elements of the Plan have been agreed. The assumptions of the Plan are:

a. That the population of post-war Germany will be 66.5 millions.

b. That Germany will be treated as a single economic unit.

c. That exports from Germany will be acceptable in the international markets.

3. In order to eliminate Germany's war potential, the production of arms, ammunition and implements of war, as well as all types

of aircraft and sea-going ships, is prohibited and will be prevented.

4. All industrial capital equipment for the production of the following items are to be eliminated:

a. Synthetic gasoline and oil.
b. Synthetic rubber.
c. Synthetic ammonia.
d. Ball and taper roller bearings.
e. Heavy machine tools of certain types.
f. Heavy tractors.
g. Primary aluminium.
h. Magnesium.
i. Beryllium.
j. Vanadium produced from Thomas Slags
k. Radio-active materials.
l. Hydrogen peroxide above 50% strength.
m. Specific war chemicals and gases.
n. Radio transmitting equipment.

Facilities for the production of synthetic gasoline and oil, synthetic ammonia and synthetic rubber, and of ball and taper roller bearings, will be temporarily retained to meet domestic requirements until the necessary imports are available and can be paid for.

Restricted Industries

Metallurgical Industries

5. **Steel**

a. The production capacity of the steel industry to be left in Germany should be 7.5 million ingot tons. This figure to be subject to review for further reduction should this appear necessary.

b. The allowable production of steel in Germany should not exceed 5.8 million ingot tons in any future year without the specific approval of the Allied Control Council, but this figure will be subject to annual review by the Control Council.

c. The steel plants to be left in Germany under the above program should, so far as practicable, be the older ones.

6. **Non-Ferrous Metals.** The annual consumption of non-ferrous metals (including exports of products containing these metals) is fixed at the following quantities:

Copper . . .	140,000 tons
Zinc	135,000 tons
Lead	120,000 tons
Tin	8,000 tons
Nickel . . .	1,750 tons

Chemical Industries

7. a. **Basic Chemicals.** In the basic chemical industries there will be retained 40% of the 1936 production capacity (measured by sales in 1936 values). This group includes the following basic chemicals: nitrogen, phosphate, calcium carbide, sulphuric acid, alkalis, and chlorine. In addition, to obtain the required quantities of fertilizer for agriculture, existing capacity for the production of nitrogen through the synthetic ammonia process will be retained until the necessary imports of nitrogen are available and can be paid for.

b. **Other Chemicals.** Capacity will be retained for the group of other chemical production in the amount of 70% of the 1936 production capacity (measured by sales in 1936 values). This group includes chemicals for building supplies, consumer goods items, plastics, industrial supplies, and other miscellaneous chemical products.

c. **Dyestuffs, Pharmaceuticals and Synthetic Fibers.** In the pharmaceutical industry there will be retained capacity for the annual production of 80% of the 1936 production, measured by sales (in 1936 value). Capacity will be retained to produce annually 36,000 tons of dyestuffs and 185,000 tons of synthetic fibers.

Machine Manfacturing and Engineering

8. a. **Machine Tools.** For the machine tool industry there will be retained 11.4% of 1938 capacity, with additional restrictions on the type and size of machine tools which may be produced.

b. **Heavy Engineering.** In the heavy engineering industries there will be retained 31% of 1938 capacity. These industries produce metallurgical equipment, heavy mining machinery, material handling plants, heavy power equipment (boilers and turbines, prime movers, heavy compressors, and turbo-blowers and pumps).

c. **Other Mechanical Engineering.** In other mechanical engineering industries there will be retained 50% of 1938 capacity. This group produces constructional equipment, textile machinery, consumer goods equipment, engineering small tools, food processing equipment, woodworking machines, and other machines and apparatus.

d. **Electro-engineering.** In the electro-engineering industries there will be retained 50% of 1938 production capacity (based on sales in 1938 values). Capacity to produce heavy electrical equipment is to be reduced to 30% of 1938 production or RM 40,000,000 (1936 value). Heavy electrical equipment is defined as generators and converters, 6000 KW and over; high tension switch gear; and large transformers, 1500 KVA and over. Electro-engineering, other than heavy electrical equipment, includes electric lamps and light fittings, installation materials, electric heating and domestic appliances, cables and wires, telephone and telegraph apparatus, domestic radios, and other electrical equipment. Export of specified types of radio receiving sets is forbidden.

e. **Transport Engineering**

(1) In the automotive industry capacity will be retained to produce annually 80,000 automobiles, including 40,000 passenger cars and 40,000 trucks, and for 4,000 light road tractors.

(2) Capacity will be retained to produce annually 10,000 motorcycles with cylinder sizes between 60 and 250 cubic centimeters. Production of motorcycles with cylinder sizes of more than 250 cubic centimeters is prohibited.

(3) In the locomotive industry available capacity will be used exclusively for the repair of the existing stock of locomotives in order to build up a pool of 15,000 locomotives in 1949. A decision will be made later as to the production of new locomotives after 1949.

(4) Sufficient capacity will be retained to produce annually 30,000 freight cars, 1,350 passenger coaches and 400 luggage vans.

f. **Agricultural Machinery.** To permit maximization of agriculture, capacity will be retained for an annual production of 10,000 light agricultural tractors. Existing capacity for the production of other agricultural equipment, estimated at 80% of 1938 levels, is to be retained, subject to restrictions on the type and power of the equipment which may be produced.

g. **Spare Parts.** In estimating capacities there will be taken into account the production of normal quantities of spare parts for transport and agricultural machinery.

h. **Optics and Precision Instruments.** Capacity will be retained to produce precision instruments in the value of 340,000,000 RM (1936 value), of which 220,000,000 RM is estimated as required for domestic use and

120,000,000 RM for exports. A further limitation for this industry is possible, subject to the recommendation of the Committee for the Liquidation of German War Potential.

Mining Industries

9. a. **Coal.** Until the Control Council otherwise decides, coal production will be maximized as far as mining supplies and transport will allow. The minimum production is estimated at 155 million tons (hard coal equivalent), including at least 45 million tons for export. The necessary supplies and services to this end will be arranged to give the maximum production of coal.

b. **Potash.** The production of potash is estimated at over 100% of the 1938 level.

Electric Power

10. There will be retained an installed capacity of 9 million KW.

Cement

11. Capacity will be retained to produce 8 million tons of cement annually.

Other Industries

12. The estimated levels of the following industries have been calculated as shown below as necessary for the German economy in 1949:

a. **Rubber.** 50,000 tons, including 20,000 tons from reclaimed rubber and 30,000 tons from imports.

b. **Pulp, Paper and Printing.** 2,129,000 tons, based on 26 kg per head per annum in 1949 plus 400,000 tons for export.

c. **Textiles and Clothing Industries.** 665,000 tons of fiber, based on 10 kg per head for 1949, including 2 kg for export.

d. **Boots and Shoes.** 113,000,000 pairs, based on 1.7 pairs per head in 1949 (figure excludes needs of occupying forces).

Production may exceed the above estimates in this paragraph (Other Industries) unless otherwise determined by the Control Council.

13. **Building.** No level will be determined for 1949. The industry will be free to develop within the limits of available resources and the licensing system.

14. **Building Materials Industries (Excluding Cement).** Existing capacity will be retained. Production will be in accordance with building licensing and export requirements.

15. **Other Unrestricted Industries.** For the following industries no levels have been determined for 1949. These industries are free to develop within the limitations of available resources. These industries are as follows:

a. Furniture and woodwork.
b. Flat glass, bottle and domestic glass.
c. Ceramics.
d. Bicycles.
e. Motorbicycles under 60 cc.
f. Potash.

General Level of Industry

16. It is estimated that the general effect of the plan is a reduction in the level of industry as a whole to a figure about 50 or 55 per cent of the prewar level in 1938 (excluding building and building materials industries).

Exports and Imports

17. The following agreement has been reached with respect to exports and imports:

a. That the value of exports from Germany shall be planned as 3 billion RM

(1936 value) for 1949, and that sufficient industrial capacity shall be retained to produce goods to this value and cover the internal requirements in Germany in accordance with the Potsdam Declaration.

b. That approved imports will not exceed 3 billion RM (1936 value), as compared with 4.2 billion RM in 1936.

c. That of the total proceeds from exports, it is estimated that not more than 1½ billion RM can be utilized to pay for imports of food and fodder, if this will be required, with the understanding that, after all imports approved by the Control Council are paid for, any portion of the sum not needed for food and fodder will be used to pay for costs of occupation, and services such as transport, insurance, etc.

Determination of Capacities Available for Reparations

18. After the approval of this Plan, the existing capacities of the separate branches of production shall be determined, and a list of enterprises available for reparations shall be compiled.

19. After decisions have been given on the matters now referred to the Coordinating Committee, the Economic Directorate would propose to prepare the final plan embodying those devisions and including a description of the various features of the Plan, such as: disarmament, reparations, post-war German economy, and the German balance of trade.

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TABLE I

LEVEL OF INDUSTRY

1. PROHIBITED INDUSTRIES

A. Production of the following will be entirely prohibited: —

(1) War Materials as specifically defined by the Allied Control Authority including but not limited to arms, ammunition and implements of war, as well as all types of aircraft and specific war chemicals and gases.
(2) Sea-going ships (not interpreted to include small fishing vessels).
(3) Magnesium.
(4) Primary aluminium and alumina for the purpose of producing aluminium.
(5) Beryllium.
(6) Vanadium produced from Thomas slags.
(7) Radio-active materials.
(8) Hydrogen perexide above 50% strength.
(9) Radio transmitting equipment.
(10) Heavy tractors above the limits of capacity determined by the Allied Control Authority.
(11) Heavy machine tools of the sizes and types prohibited by the Allied Control Authority.

B. Production of the following items will be permitted until exports can be found to pay for **sible and can be paid for:—**

(1) Synthetic gasoline and Oil.
(2) Synthetic rubber.
(3) Ball and taper roller bearings

C. Production of Synthetic Ammonia will be permitted until exports can be found to pay for required imports of nitrogen as well as for all other necessary imports. To the extent to which synthetic ammonia production is not eliminated, it will be limited to not more than that amount necessary to meet Germany's peacetime requirements.

TABLE 2

LEVEL OF INDUSTRY

2. Industries for which no level will be determined for 1949 and which are free to develop within the limits of available material and financial resources.

Serial	Industry
1	Building and Building Materials (excluding cement)
2	Furniture and wood-working
3	Flat glass, bottle and domestic glass
4	Ceramics
5	Bicyles
6	Motor-bicycles under 60 c. c.
7	Potash

LEVEL OF INDUSTRY

3. **Industries the levels of which are determined or estimated for 1949**

PART A **TABLE 3.**

Industries from which production capacity will be taken for Reparations

Serial	Item	Production or Supply in Pre-war Year	Estimated Level in 1949	Percentage of Pre-war Considered in Column 3	Remarks
1.	**Steel**	19.2 m. tons (1936)	7.5 m. tons capacity	39	Permitted level of industry subject to annual review. (For allowable production see paragraph 5b of the Plan.)
2.	**Copper**	292,000 tons (1936)	140,000 tons	48	(a) Figures for non-ferrous metals are for **consumption** incl. consumption for exports containing these metals.
3.	**Zinc**	225,000 tons (1936)	135,000 tons	60	
4.	**Lead**	223,000 tons (1936)	120,000 tons	54	(b) It is estimated that in 1949, 40,000 tons of copper, 20,000 tons of lead and 45,000 tons of zinc will be used in the manufacture of exports containing these metals.
5.	**Tin**	16,000 tons (1936)	8,000 tons	50	
6.	**Nickel**	9,500 tons (1936)	1,750 tons	18	(c) Figures for non-ferrous metals includes secondary metal and scrap.
7.	**Aluminum** (consumption)	—	30,000 tons	—	(d) Estimated that to meet the requirement of 8,000 tons of tin it will be necessary to import 6,000 tons of tin.
8.	**Magnesium** (consumption)	—	1,000 tons	—	
9.	**Mechanical Engineering** (excl. Agricultural Engineering and Ball and taper Roller Bearings)				
	(a) **Heavy Engineering** comprising Metallurgical Equipment Heavy Mining Machinery Material Handling Plant Heavy Power Equipment, Boilers, and Turbines, Prime Movers, heavy compressors, turboblowers and pumps.	RM 1,394 mill. (1938)	RM 432 mill.	31	
	(b) **Light Engineering and Constructional Equipment comprising:** Constructional Equipment Textile Machinery Other Consumers Goods Equipment Food Processing Equipment Chemical and Refining Equipment General Engineering Materials Processing Equipment Small Tools Wood-working machinery Gas Welding and Cutting machinery Miscellaneous Machines	RM 2,291 mill. (1938)	RM 1,145 mill.	50	
	(c) **Machine Tools**	RM 645 mill. (1938)	RM 74 mill.	11.4	Machine Tools to be limited as regards type and size by the Allied Control Authority.
	Total	RM 4,330 mill. (1938)	RM 1,651 mill.	38.1	

Serial	Item	Production or Supply in Pre-war Year	Estimated Level in 1949	Percentage of Pre-war Considered in Column 3	Remarks
10.	**Precision Instruments and Optics**	RM 491 m. (1936)	RM 340 m.	70	Including an estimated RM 120 m. for export. A further limitation is possible for this industry depending upon the recommendation of the Committee for Liquidation of War Potential Limited as regards capacity and type.
11.	**Agricultural Tractors**	13,900 (1936)	10,000	72	
12.	**Private Cars**	245,000 (1936)	40,000	16	
13.	**Commercial Vehicles**	59,000 (1936)	40,000	67	
14.	**Light Road Tractors**		4,000		
15.	**Motor-bicycles**	—	10,000	—	Cylinder capacity 60 c.c. to 250 c.c. Motorbicycles with cylinder capacity over 250 c.c. to be prohibited.
16.	**Electrical Engineering**	RM 3,000 m. (1938)	RM 1,500 m.	50	Heavy electrical Engineering comprises: (I) Generators and converters 6,000 kw. and over; (II) High tension switchgear;
	of which Heavy Electrical Engineering	RM 130 m. (1938)	RM 40 m.	30	(III) Large transformers 1,500 KVA and over.
17.	**Basic Chemicals**	RM 920 m. (1936)	RM 368 m.	40	Nitrogen, phosphates, calcium carbide, sulphuric acid, chlorine, alkali Production of synthetic ammonia to continue for the time being (see Table I (C))
18.	**Miscellaneous Chemical Products**	RM 2,112 m. (1936)	RM 1,478 m.	70	Building supplies, consumer goods, plastics, industrial supplies, other chemicals.
19.	**Pharmaceuticals**				
	(a) Domestic	RM 288 m. (1936)	RM 212 m.		
	(b) Export	RM 125 m. (1936)	RM 120 m		
	Total	RM 413 m. (1936)	RM 332 m.	80	
20.	**Dyestuffs**				
	(a) Domestic RM mills 000 tons		 73 20		
21.	(b) Export RM mills 000 tons		 58 16		
	Total RM mills 000 tons		 131 36		
22.	**Cement**	11.7 m. tons (1936)	8.0 m. tons	68	
	Electric Power Installed capacity in million KW	15.2 MKW (1936)	9.0 MKW	60	

TABLE 3.

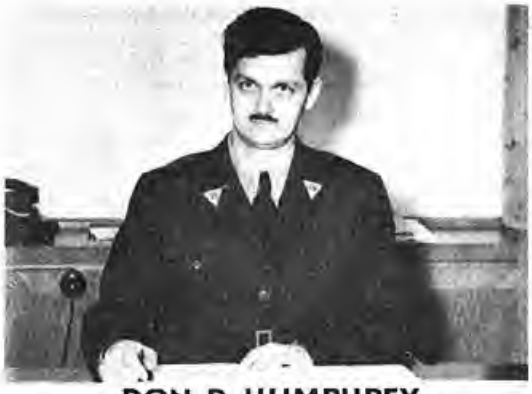
3. **Industries Levels for which have been fixed or estimated for 1949**

PART B Industries from which Reparations are not anticipated, but this possibility is not excluded if the Control Council decides that surpluses of Industrial Capital Equipment are not required in Germany or for export and are suitable for Reparations.

Serial	Item	Production or Supply in Pre-war Year	Estimated Level in 1949	Percentage of Pre-war Considered in Column 3	Remarks
1.	Coal	208 m. tons (1936)	155 m. tons	75	Figures in hard coal equivalent. Until the Control Council otherwise decides, coal production will be maximized as far as mining supplies and transport will allow. The minimum production is estimated at 155 million tons (hard coal equivalent), including at least 45 million tons for export. The necessary supplies and services to this end will be arranged to give the maximum production of coal .
2.	Main Line Locomotives	285 (1936)			Post war level not fixed, all capacity to be engaged exclusively on repairs until 1949.
3.	Railway wagons		30,000		
4.	Passenger Coaches		1,350		
5.	Luggage Vans		400		
6.	Agricultural Machinery other than tractors	RM 323 mill. (1938)	RM 258 mill.	80	
7.	Textile	856,000 tons (1936) (weight of fibre)	665,000 tons (a) Synthetic 185,000 (b) Natural 480,000	77	Based on 10 Kg. per head in 1949 incl. 2 Kg. for export.
8.	Rubber	80,000 tons (1936)	50,000 tons	62.5	Minor adjustments are possible
9.	Paper	3,149,000 tons (1936)	2,129,000 tons	65	Based on 26 Kg. per head in 1949 plus 400,000 tons for export.
10.	Boots and Shoes	160 m. pairs (1936)	113 m. pairs	70	Based on 1.7 pairs per head in 1949 (Figure excludes needs of occupying forces).
					Production can exceed the estimates in Table 3, Part B (with the exception of locomotives and wagons, Serials 2, 3, 4, and 5) unless otherwise determined by the Control Council.

DEPUTY DIRECTORS and BRANCH CHIEFS

P. V. MARTIN
Deputy Director for Operations



DON D. HUMPHREY
Deputy Director for Negotiations

COL. STEPHEN A. PARK
Deputy Director for Administration

FREDERICK L. DEVEREUX
Deputy Director Operations (on leave)

COL. HUGH B. HESTER
Chief, Food and Agriculture Branch

M. S. SZYMCZAK
Chief, Trade and Commerce Branch

COL. LAWRENCE WILKINSON
Chief, Industry Branch

COL. JOHN H. ALLEN
Chief, Restitution Branch

JAMES S. MARTIN
Chief, Decartelization Branch

GEORGE SCATCHARD
Chief, Scientific Research Branch

MALCOLM S. McCOMB
Chief, Policy and Coordination Branch

G. C. McCLUSKY
Chief, Requirements and Allocations Branch

SAUL NELSON
Chief, Reports and Statistics Branch

M. C. McINTOSH
Chief, Supply Accounting Branch

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the
Adjutant General
OMGUS


OCCUPATION ZONES OF GERMANY
BRITISH ZONE, US ZONE, FRENCH ZONE, SOVIET ZONE
FLENSBURG
SCHLESWIG-HOLSTEIN
LUEBECK
HAMBURG
STRALSUND
ROSTOCK
DEMMIN
SCHWERIN
MECKLENBURG
WESERMUNDE
OLDENBURG
BREMEN
OLDENBURG
HANOVER
NEURUPPIN
POLAND
BERLIN
STENDAL
BRANDENBURG
POTSDAM
HANOVER
BRUNSWICK
MAGDEBURG
BRANDENBURG
HILDESHEIM
SOVIET ZONE
BRITISH ZONE
DESSAU
COTTBUS
PROVINCE SAXONY
PADERBORN
HAMM
DORTMUND
ESSEN
BOCHUM
HALLE
LEIPZIG
MEISSEN
BAUTZEN
DRESDEN
KREFELD
DUESSELDORF
WESTPHALIA
KASSEL
ERFURT
SAXONY
GREATER HESSE
THURINGIA
COLOGNE
WEIMAR
ZWICKAU
AACHEN
BONN
RHINELAND
MEININGEN
PLAUEN
GIESSEN
COBLENZ
CZECHOSLOVAKIA
FRANKFURT
WIESBADEN
PFALZ
BAMBERG
MAINZ
TRIER
WORMS
NUREMBERG
FRENCH
MANNHEIM
KAISERSLAUTERN
US ZONE
WUERTTEMBERG
BADEN
REGENSBURG
KARLSRUHE
RASTATT
BADEN
STUTTGART
BAVARIA
FRANCE
REUTLINGEN
ULM
AUGSBURG
ZONE
MUNICH
BADEN
FREIBURG
ROSENHEIM
KEMPTEN
AUSTRIA
SWITZERLAND

GERMAN ECONOMY SINCE THE SURRENDER