

German Energy in the U.S. Post-War Economic Order, 1945-1951*

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Most diplomatic and economic historians of the period have characterized the post-World War II world economy as dominated by the vision of policy-makers in the United States of a liberal economic order.¹ The concept of the "liberal world economic order" remains a vague one, but in general has referred to a series of unilateral actions and multilateral agreements made or heavily backed by the US beginning about 1944. Together these agreements and actions were designed to promote world-wide economic reconstruction and recovery after the war. They were also meant to sustain that recovery by forging a system in which currency, capital, credit, and goods would flow from country to country with few if any hindrances. Thus, the monetary and financial agreements coming out of the conferences at Bretton Woods and Dumbarton Oaks in the summer and fall of 1944 were key elements of the policy. A further institutional expression is the on-going discussions on the liberalization of trade restrictions, collectively known as the General Agreement on Tariffs and Trade (GATT). Finally, US international economic policy after 1945 was characterized by unilateral action to promote US objectives through foreign aid. The Marshall Plan, or European Recovery Program, is a spectacular and much-discussed example of this. The questions of whether or not the "liberal world economic order" ever really functioned, and if so for how long and how effectively, are the subject of more recent controversy.² Nevertheless, the fact that US policy-makers attempted to implement such a

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¹ See, e.g., JOHN LEWIS GADDIS, *The United States and the Origins of the Cold War* (New York, 1972), pp. 10-31; ALFRED E. ECKES, JR., *A Search for Solvency: Bretton Woods and the International Monetary System, 1941-1971* (Austin and London, 1975). For a more recent review of the period by a participant in policy formation, see WILLIAM DIEBOLD, JR., "The United States in the World Economy: A Fifty Year Perspective," *Foreign Affairs*. Vol. 62 (1983): 81-104.

² See, e.g., ALAN MILWARD, *The Reconstruction of Western Europe 1945-1951* (London, 1984).

policy, and the centrality of that attempt to any understanding of post-war economic history remain undisputed.³

Yet one important facet of post-war US foreign economic policy remains largely unexplored, and that is the place and function of control and allocation of energy in the liberal world economic order. The purpose of this paper is to address this area by looking specifically at the role of German energy resources in American economic policy from 1945-1951. Economic policy towards Germany was a key element in US policy towards Europe, and European recovery and resurgence were fundamental to the realisation of American policy aims. Energy resources, on the other hand, played a central and growing role in the post-war economy. The paper is divided into three sections. The first deals with the bases of US economic policy in Germany. The second outlines the developments and impact of that policy with regard to the two main German energy resources, petroleum and coal. The concluding remarks deal with the implications of the case studies for our understanding of post-World War II American foreign economic policy.

The US Policy Basis 1945-1948

Unquestionably, given the substantial activity before the end of the war aimed at creating liberal economic institutions (e.g. Bretton Woods and Dumbarton Oaks), there was substantial support for the conception of a liberal world economy within the US government. Nonetheless, the perceived role of Germany in that economy changed substantially between 1945 and 1948. US planning for the occupation of Germany began, as did more general planning for the post-war period, long before Germany's official surrender in May 1945. Initial planning consisted for the most part of more or less informal jockeying for position among three major sets of actors in the US Departments of War, Treasury, and State. The Treasury Department with its Morgenthau Plan for the disarmament and de-industrialization of Germany was in the favoured position in early 1945.⁴

More concrete discussions on an occupation directive with regard to Germany took place in April and May 1945 in the Informal Policy Committee on Germany (IPCOG). IPCOG included representatives of the Departments of State, War, Treasury, and Navy, and of the Foreign Economic

³ MICHAEL J. HOGAN, "American Marshall Planners and the Search for a European Neocapitalism," *American Historical Review*, Vol. 90 (1985): 44-72; VOLKER BERGHANN, *Unternehmer und Politik in der Bundesrepublik* (Frankfurt a/M, 1985).

⁴ WALTER DORN, "The Debate over American Occupation Policy in Germany in 1944-1945," *Political Science Quarterly*, Vol. 72 (1957), pp. 487, 491-492; US Senate, Committee on the Judiciary, *Morgenthau Diary (Germany)*, 2 vols. (Washington, 1967), vol. I, pp. 548-555. (Hereafter cited as *Diary*.)

Administration.⁵ The final product of the discussions was the Joint Chiefs of Staff directive, JCS 1067, dispatched to General Dwight D. Eisenhower by 16 May 1945.⁶ The occupation directive bore a strong resemblance to the Morgenthau Plan by stressing disarmament, de-industrialization, and denazification in Germany. In its economic provisions, it instructed the US Military Governor to take no steps which would serve to rehabilitate the German economy. At the same time, as a concession to the War Department, the US Military Governor was to have autonomy in his own zone and was permitted in the short term to allow the operation of war-related industries such as synthetic oil and rubber. Furthermore, he was allowed to take any steps necessary to prevent "disease and unrest" amongst the German civilian population.⁷

Conditions in Germany as the occupation began were not at all what had been envisaged, however. The specifics of the situation have been well described elsewhere.⁸ Suffice it to say here that Military Government personnel in Germany had to deal with transportation shortages, damage to utilities, shortages of foreign exchange, a large number of refugees, food, fuel and housing shortages, and rampant, though not officially recognized, inflation. A lack of economic coordination among the four zones of occupation in Germany compounded the problem still further. The major difficulty for occupation personnel was thus not how to contain the German economy in order to prevent aggression, but rather how to prevent the economy from collapsing completely.

The situation faced by US occupation personnel, combined with the persistent desire on the part of officials to make the occupation as short and as inexpensive as possible, forced changes in occupation policy. They used the

⁵ See *Diary*, II, *passim*, for the minutes of various IPCOG meetings.

⁶ JCS 1067/6, 25 April 1945; JCS 1067/8, 10 May 1945; JCS 1067/9, 11 May 1945, in NA Washington, Record Group 218 (US Joint Chiefs of Staff), CCS 383.21 Germany (2-22-44), section 8. JCS 1067/8 and /9 were amendments to the basic occupation directive (i.e. 1067/6) allowing short-term use for the purposes of the occupation of prohibited industries in Germany, particularly synthetic oil and synthetic rubber.

⁷ JCS 1067/6, in *ibid*.

⁸ The classic study of the occupation of Germany by the US is JOHN GIMBEL, *The American Occupation of Germany: Politics and the Military, 1945-1949* (Stanford, 1968). For a particularly good description of the state of affairs in Germany at war's end, see NICHOLAS BALABKINS, *Germany under Direct Controls* (New Brunswick, 1964). More recently, some West German historians have challenged the notion that industrial output in Germany was held back for long owing to war-related damage to industry and/or to occupation policies. They agree, however, that damage to the infrastructure was an important constraint to reconstruction. See Werner Abelshauser, "Die Rekonstruktion der westdeutschen Wirtschaft und die Rolle der Besatzungspolitik," pp. 1-18 in: CLAUD SCHARF and HANS-JÜRGEN SCHRÖDER, eds., *Politische und ökonomische Stabilisierung Westdeutschlands 1945-1949* (Wiesbaden, 1977).

"disease and unrest" formula contained in JCS 1067 as an escape clause from the document's more onerous provisions. US Military Government thus often encouraged rather than discouraged production in restricted or prohibited industries.⁹ The policy change was gradually recognized at higher levels as well, as the Potsdam Protocols, the GARIOA programme, and, from March 1946, a series of new Level of Industry Plans, show.¹⁰

The fusion of the American and British zones of occupation into the Bizone by 1 January 1947 was a crucial step towards the rehabilitation of Germany. The creation of the Bizone signified an attempt to place part of the country on a more self-sustaining basis. The policy change was officially endorsed following the Byrnes-Bevin Agreement to create the Bizone on 6 September 1946 when Secretary of State James F. Byrnes announced that:

Germany must be given a chance to export goods in order to import enough to make her economy self-sustaining. Germany is a part of Europe and recovery in Europe, and particularly in the adjoining states, will be slow indeed if Germany, with her great resources of iron and coal, is turned into a poorhouse.¹¹

US policy towards Germany had, then, changed dramatically between May 1945 and Summer 1946. Additional incentive to do even more to rebuild western Germany appeared with the onset of the Cold War between East and West.¹² Western Germany gradually became not an enemy to be punished and restrained, but rather an ally to be rebuilt. Currency reform in western Germany in June 1948 quashed inflation and aided in economic rehabilitation, and at the same time entailed the economic separation of the two halves of Germany. Aid under the European Recovery Program (ERP) furthered both separation and rehabilitation.¹³

Despite the change in US policy from restraint of the German economy

⁹ JOHN BACKER, *Priming the German Economy* (Durham, 1971), p. 38.

¹⁰ GARIOA was the Government Aid and Relief in Occupied Areas programme. See Report of Hoover to Truman, 26 February 1947, p. 14, in Washington National Records Center (WNRC), Record Group 260 (Records of the Office of Military Government for Germany, US), Office of the Chief of Staff, Office File of General Clay, Box 7 (Shipping list 3/177-3). On the Potsdam Protocols, see LUCIUS D. CLAY, *Decision in Germany* (Garden City, NJ, 1950), p. 41. For Level of Industry Plans, see Backer (s. note 9), pp. 80-84.

¹¹ "The US Policy in Germany" (an address made by James F. Byrnes in Stuttgart, 6 September 1946), in B.U. RATCHFORD and WILLIAM ROSS, *Berlin Reparations Assignment* (Chapel Hill, 1947), p. 246.

¹² DANIEL YERGIN, *The Shattered Peace* (Boston, 1978), pp. 303-335; CHARLES S. MAIER, introduction to Maier, ed., *The Origins of the Cold War and Contemporary Europe* (New York, 1978), pp. xii-xiii.

¹³ The significance of the Marshall Plan is disputed. Abelshausen (s. note 8) and Milward (s. note 2) place less stress on the US aid to Europe. The position taken here is laid out well in Hogan (s. note 3), esp. pp. 71-72.

to its reconstruction, there was a thread of continuity in it: the objective of preventing future German aggression remained strong. Byrnes, in his 1946 Stuttgart speech, made frequent reference to the fact that the US still expected Germans to take their punishment for having waged aggressive war.¹⁴ In addition, dismantling of German capital equipment for reparations and to eliminate German war potential continued into the early 1950s, as did restrictions on German industry.¹⁵

Between 1945 and 1948, then, US objectives in western Germany shifted considerably. Gradually three major policy constraints emerged. First, policy-makers came to realize that the economic recovery of western Germany was a necessary pre-condition for European economic recovery, which in turn was necessary to the formation of a liberal economic order. Secondly, western Germany was to be reconstructed so as to serve as a political counter to the Soviet Union and its interests in Eastern Europe. That this constraint implied that the liberal world economic order could at best be semiglobal was something which soon became apparent. Finally, the objective of ensuring that Germany would never again threaten the peace remained central to US planning. An important area in which Americans implemented their policy and reconciled the constraints on it was the control of German energy. Two specific examples are the cases of petroleum and coal.

US Policy in Action: The Cases of Petroleum and Coal

Initial US policy with regard to German petroleum showed both the Morgenthau slant of JCS 1067 and the concessions made to the War Department therein.¹⁶ Germany, particularly poor in natural petroleum, had achieved a large measure of self-sufficiency under the Nazi regime's policy of autarky by developing synthetic oil processes. In certain crucial areas such as high-octane aviation fuel, Germany's synthetic plants supplied virtually all of the country's needs during the war.¹⁷ It is small wonder that a member of Morgenthau's staff, in a memorandum dated July 1943, suggested total elimi-

¹⁴ "The US Policy in Germany" (s. note 11).

¹⁵ HENRY WALLICH, *Mainsprings of the German Revival* (New Haven, 1955), pp. 369-370.

¹⁶ A more detailed description of the formation and implementation of US occupation policy with regard to petroleum is in RAYMOND G. STOKES, "German Oil and the American Occupation 1944-1947" (unpublished M.A. thesis, Ohio State University, 1981), chapters III and IV.

¹⁷ Hydrogenation, the most prolific of the German synthetic oil processes, provided about 92 percent of Germany's total airplane fuel in the first quarter of 1944. See WOLFGANG BIRKENFELD, *Der synthetische Treibstoff 1933-1945* (Göttingen, 1964, p. 223. For more on this subject, see ARNOLD KRAMMER, "Fueling the Third Reich," *Technology and Culture*, Vol. 19 (1978): 394-422.

nation of German synthetic fuel production since it was the "outstanding example" of "the *essential* raw materials for war."¹⁸

JCS 1067 thus included an admonition to destroy German synthetic oil capacity totally, although the War Department insisted on — and despite considerable opposition from Morgenthau obtained — permission for the Military Governor to operate and rehabilitate synthetic oil plants if needed for the purposes of the occupation.¹⁹ The provision was retained in subsequent revisions to the directive. The German crude industry, probably because of its small size, was not mentioned. Nonetheless, the report of the team responsible for the co-ordination of US policy on industrial disarmament gives further evidence of the initial Morgenthau thrust of the occupation. In its study of German oil, the Technical Industrial Disarmament Committee of the Foreign Economic Administration recommended that the German crude industry be monitored continuously lest new discoveries of crude oil in Germany lead to anything approaching self-sufficiency.²⁰

As the occupation began, US personnel encountered an alarming petroleum situation. Despite captured *Wehrmacht* stocks and the fact that many German vehicles had been converted to burn wood instead of petrol, oil was soon in short supply. A major factor in the supply problem was the shortage of coal which necessitated use of petrol and diesel-powered vehicles for transportation and the use of oil products to generate electricity.

Relief from the German oil crisis was not likely to come from within Germany. A British study in 1945 of the state of the German crude industry and its potential found that growth in production under the Nazi regime had been the result of the addition of Austria to the Reich in 1938. Even the Nazi policy of heavy and uneconomical exploitation of existing north German fields had not forestalled a decline in *Altreich* (i.e. Germany without Austria) oil production. Failure to continue such exploitation or to discover new fields (considered unlikely), the report continued, would result in a "steepening of the decline curve."²¹ If the German crude industry offered no hope for solving the crisis, imported oil promised little more. Germany's foreign exchan-

¹⁸ Memorandum of JOSEPH O'CONNELL to Henry Morgenthau, 17 July 1943, and attached memorandum by Robert McConnell dated 25 June 1943, in *Diary* (s. note 4), I, pp. 353-357.

¹⁹ See IPCOG Minutes in *Diary*, II (s. note 4); JCS 1067/8 and /9 (s. note 6).

²⁰ US Foreign Economic Administration, TIDC Project 6, *Study on the Treatment of the German Petroleum Industry from the Standpoint of National Security*. 15 October 1945, p. 6.

²¹ Great Britain, British Intelligence Objectives Sub-committee, BIOS Final Report 1917, *The War Structure of the German Crude Oil Industry 1934-1945* (London, n.d.), Appendix 2A, "Report on a visit to the North German oil fields," by R.K. DICKIE and A.E. GUNTHER (21 May 1945), pp. 69-74; *ibid.*, Appendix 2B, "Supplement to 'Report...'", by same authors, (9 June 1945), pp. 75-78.

ge position made it next to impossible to purchase oil products on the world market.

Faced with such problems, Military Government oil personnel found it necessary to change occupation petroleum policy. Army stocks were used under the "disease and unrest" formula to relieve the oil crisis of August 1945. Such measures continued until virtually all of the oil needs of the US zone, and a large part of the needs of the British zone, were met from Army stocks after March 1946. In addition, Americans provided petroleum to Germany under the Government Aid and Relief in Occupied Areas programme, petroleum allocations from which cost about one million dollars per month during 1947.²² Obviously, the case of petroleum was one in which the "disease and unrest" formula was interpreted rather loosely, since only a small amount of oil would have been absolutely necessary to enable the German people to survive. Oil, since it could easily be justified under GARIOA appropriations, was being used as an essential input into the western German economy. Other raw materials, also sorely needed, were impossible to obtain given the American domestic political climate of 1945-1947.²³

Such direct Army inputs could, though, at best remedy the western German petroleum shortage only in the short term. US and British occupation officials eventually adopted a two-pronged strategy for a more long-term solution to the problem. First, they encouraged with some success growth of indigenous production and refining. This was in fact quite striking in the area of crude oil production. By 1951, despite the earlier findings of British investigators, West Germany produced crude at almost the same annual rate as Greater Germany (i.e. including Austria) in 1940.²⁴ Continuation of the policy by the West German government, application of new technology, and intensification of exploration had results that were even more impressive. By 1968, the peak year of German domestic production, West Germany produced nearly six times as much crude as in 1951.²⁵

The initial increase in indigenous German oil refining capacity was also in large part the result of initiatives of British and American occupation officials. A refining plan was developed in 1947 and 1948, and provided for outlays of foreign exchange for crude oil imports from Venezuela and the Middle East. Part of the finished products could then be used in Germany and part exported, the result being that the initial foreign exchange outlay

²² Hoover to Truman, 26 February 1947, p. 14 (s. note 10).

²³ BALABKINS (s. note 8), pp. 22-23, 101; Stokes (s. note 16), pp. 105-106.

²⁴ BIRKENFELD (s. note 17), p. 217.

²⁵ In 1951, production was 1,366,600 m.t., in 1968, 7,982,100. See Fachverband Kohlechemie und verwandte Gebiete., e.v., *Wichtige Zahlen*, Teil 2: Inland, Vol. 23 (1971), p. 18. My thanks to Dr. Heinz Nedelmann for allowing me to see his copy of this publication.

would be offset by the proceeds from the exports.²⁶ The West German government continued and expanded this programme with very impressive results indeed. Crude oil inputs into the western German refining industry rose from 310,000 metric tons in 1945 to 782,700 tons in 1948, the first full year of the Allied plan. By 1951, the inputs amounted to 4.7 million tons, and by 1968 were over 90 million tons per year. What is more, refinery inputs continued to increase in West Germany into the 1970s.²⁷ Thus, growth in the area of refining was much greater than that of crude production, with an input increase of close to twenty-fold from 1951 to 1968.

The second part of the US-British strategy to deal with the western German petroleum problem in the long term involved the reconstruction, rehabilitation, and reconversion of synthetic oil facilities. As noted above, initial policy allowed for the limited use of synthetic oil production for the purposes of the occupation. In fact, however, such production could provide little aid at first since the plants were much more damaged than had been suspected. In addition, only a few of the plants were located in the western zones, in all just four of the twelve major hydrogenation plants and six of the nine much smaller Fischer-Tropsch facilities. But some of the plants later came into production, if on a smaller scale and for different purposes than had been the case in the Nazi period. Resumption of production occurred owing to the combination of German pressure, the obvious and dire need for such supplementary supplies, and the changed Allied policies with regard to Germany.²⁸

Two of the Fischer-Tropsch plants were the first to recommence production. Although Allied authorities allowed little petrol or diesel fuel production, the plants started in 1947 to produce fatty acids as raw materials for soap production, and later produced various other petrochemicals, mainly for the chemical industry. A temporary change in occupation policy halted production from late 1949 to April 1951, but otherwise the plants continued to operate until early 1962 when changed economic relationships forced a halt

²⁶ "Oil" (Draft Paragraph for Control Council Germany (BE), "German Oil Problems"), n.d. (ca. October 1947) in PRO London, FO 1039/505; Joint Chairmen, Bipartite Control Office, Approval of the Oil Refining Plan for Bizonia, 9 April 1948, NA Washington, Record Group 260 (OMGUS Headquarters), Box 1/176-3. A study for the European Recovery Program noted that "there are probably very few other industries which will yield as high a rate of return per unit of investment of dollars and of scarce resources — steel, machinery, and manpower — as the petroleum industry." See US ECA, *Petroleum and Petroleum Equipment Commodity Study: European Recovery Program* (Washington, 1949), p. 3.

²⁷ FACHVERBAND KOHLECHEMIE (s. note 25), p. 19.

²⁸ On destruction to the plants, see Ministerial Collecting Center, Bericht über den Bedarf an Mineralölen im künftigen Deutschland, 31 August 1945, p. 9, in BA Koblenz, R7Anh., MCC/352. The story of German pressure and Allied policy change in this context remains to be explored.

to production. The output was in any case minor, amounting to no more than about 62,000 tons per year, or less than 11 percent of the peak wartime rate of 1943.²⁹

More important was the output of the hydrogenation plants, some of which resumed production in 1949. Again only three of the four plants restarted in the post-war period, owing to extensive damage to the other plant. And once again, the plants were converted, although in this case inputs rather than outputs changed. In other words, hydrogenation plants still produced primarily motor fuels. But instead of using coal for their basic raw material, the plants employed heavy crude oil residues to produce a higher yield of valuable light petroleum products than traditional oil refineries were capable of producing. The plants were quite important to the Federal Republic in the 1950s, in fact supplying 40 percent of the petrol produced in West Germany in 1954. Total refining in such plants grew from 330,400 tons per year in 1949 to over 1.1 million in 1951, and reached a peak of well over 10 million in 1963. The plants were shut down in 1964, again for economic reasons.³⁰ They were, however, not affected by the Allied shutdown orders for Fischer-Tropsch plants from 1949-1951.

Both the refining programme and the hydrogenation programme shared a common policy element. They forced the Germans to depend upon overseas petroleum for the lion's share of their supply, petroleum which was provided largely by British and American oil companies. The precise role of the Anglo-American oil majors in this context is difficult to document. But the centrality of that role is indisputable. For one thing, the companies had extensive holdings in Germany. Fifty percent of the total trade in distribution of petroleum products, for instance, was in the hands of 100-percent subsidiaries of Standard Oil of New Jersey (Esso) and Royal Dutch Shell. Other US and British companies controlled a further 10 percent of the distribution trade. What is more, the first large refineries put into operation again as part of the refining plan belonged to Esso (restarted in late 1947) and Shell (restarted in late 1949).³¹ In addition, US and British oil firms signed supply contracts with the hydrogenation works, and later became involved in joint efforts in the area of petrochemicals with German chemical concerns.³²

²⁹ FACHVERBAND KOHLECHEMIE (s. note 25), p. 41; HEINZ NEDELMANN, "Technik und Wirtschaft der Kohlechemie," *ERDÖL UND KOHLE*, Vol. 8 (1955), p. 386.

³⁰ FACHVERBAND KOHLECHEMIE (s. note 25), p. 43; Nedelmann (s. note 29), p. 386.

³¹ Shell was a British and Dutch company, but much of the administrative apparatus was in British hands. British High Commission for Germany, Oil Branch, "The German Oil Industry," 20 September 1950, in PRO London, FO 1039/585.

³² Plan by Shell for Gelsenberg-Benzol 1947-1948, in *ibid.*, FO 1039/395; Interview by the author with Dr. Heinz Nedelmann, 9 July 1984, Essen; MANFRED HORN, *Die Energiepolitik der Bundesregierung von 1958 bis 1972* (Berlin, 1977), pp. 103-104.

The oil companies had an even greater role in the occupation than just ownership and/or supply. Representatives of several of the majors were active directly or indirectly in Military Government oil control. Philip Clover of the Socony-Vacuum Oil Co. was the chief of the Petroleum Section of the Production Control Agency of the Supreme Headquarters of the Allied Expeditionary Force (SHAEF) at the beginning of the occupation. His assistant was Wolfgang Greeven of Esso.³³ By late 1945, both were again private citizens, but remained in Germany as official representatives of their companies to the Allied Military Governments. Together with J. Ornstein of Anglo-Iranian Oil Co., Ltd., and A. Hofland of the Royal Dutch Shell Group, Clover and Greeven advised occupation officials in such areas as the proposed decartelization of the German oil industry in 1946-1947.³⁴

The development of domestic crude oil production and refining and the rehabilitation of the hydrogenation plants conformed to US occupation objectives in controlling German energy as developed by 1946. Both sets of programmes aided German economic reconstruction and encouraged a self-sustaining economy, growing in importance as the German economy slowly moved from a coal-based to an oil-based one. They were also designed to preclude future German aggression by forcing West Germany to be largely dependent upon overseas sources of petroleum. The solution to the problem of the control of German petroleum was thus accomplished relatively painlessly, and jointly, by the US and British occupation forces and the US and British oil companies. Since Germany was not self-sufficient in oil and since the problem had been largely solved by 1948, there was little opportunity for input from others, such as the French or the Germans themselves. The case of coal, while quite similar with regard to policy considerations, had quite a different history.

The question of how to control Germany's coal reserves proved to be a thorny and time-consuming one for US occupation officials. The American authorities were initially hamstrung by an important consideration in this regard: the US had at first no direct control over German coal. They gained significant control over Ruhr coal by early 1947 with the creation of the Bizone and the American financial commitments which that action entailed. Even given the large measure of US control over the major part of German coal following the zonal fusion, however, conditions in the post-war German coal industry were such that the coal problem took much longer than the petroleum problem to solve.

In terms of initial US occupation policy, coal posed precisely the opposite problem from petroleum. Germany was more than self-sufficient in coal, ranking first in the world in annual production of brown coal and third in the production of hard coal before the outbreak of World War II. The richness

³³ See reports written by these men in PRO London, FO 1039/503.

³⁴ There is extensive correspondence in this regard in *ibid.*, FO 1039/290.

of Germany's reserves and the dependence of other European nations, most notably France, on high-quality German coal meant that the German coal problem had to be a matter of widespread European interest and concern. Elimination of German war potential in the coal industry was to be accomplished not by dismantling production facilities and encouraging imports, but rather by encouraging maximum production and forcing export of that coal that the Allies determined Germany did not need for its limited level of industrial production.³⁵

But such a policy presumed a relatively healthy German coal industry. In fact, coal production in the Ruhr area was severely affected by wartime damage and occupation policy. Damage to the transportation system meant that coal often lay unused at the mine site, while the inadequate diet of miners discouraged productivity. Wartime losses meant that labour was in short supply and advanced in age, while housing for miners was inadequate. Occupation policies exacerbated these problems: restrictive regulations curbed productivity, and dismantling of coal-mining equipment to eliminate war potential had a pronounced ill effect on production.³⁶ The result was poor performance in the German coal industry and extremely slow recovery. Even in 1950, when West German industry in general was producing at 140 percent of its 1936 rate, the coal industry had just reached its 1936 rate.³⁷

The German coal situation helped bring about changes in occupation policy. In order to increase production, Allied officials used every incentive possible, promising extra rations of food and clothing to miners whose production increased. Then, too, recognizing the fact that industry in Germany could not recover without adequate coal supplies, officials agitated for decreased exports.³⁸ At the same time that German recovery was being pursued, there was continuity in the desire to curb the war potential of the coal industry. Throughout the period from mid-1945 to 1948, Ruhr coal exports as a percentage of total exports from the British, and later the combined British and US, zone constituted the bulk of western German exports. The French also drew heavily upon the coal from the Saar in their zone.³⁹ Initial

³⁵ "Production, Distribution and Export of Coal: Directive to Commander in Chief of United States Forces of Occupation in Germany," 25 July 1945, in US Department of State, *United States Economic Policy Toward Germany* (Washington, 1946), pp. 76-77.

³⁶ BALABKINS (s. note 8), pp. 112 ff; a more recent analysis and description of the postwar coal situation is in WERNER ABELSHAUSER, *Der Ruhrkohlenbergbau seit 1945* (Munich, 1984), pp. 15-49.

³⁷ WALLICH (s. note 15), p. 367.

³⁸ JOHN GIMBEL, *The Origins of the Marshall Plan* (Stanford, 1976), pp. 158, 160-161; Backer (s. note 9), p. 103, n. 39.

³⁹ US ECA, *Western Germany Country Study* (Washington, 1949), p. 15; F. ROY WILLIS, *France, Germany and the New Europe 1945-1967* (Stanford, 1968), pp. 3-40.

occupation coal policy thus had the effect of distorting the traditional economic relationship between Germany and the rest of Europe. Instead of importing raw materials and food and exporting manufactured goods, Germany was reduced to exporting its coal and timber resources while its industry languished. The policy was thus accomplished at considerable cost to the occupying powers.

Hence, although there were indications that the two major policy objectives of preventing German aggression while rebuilding the German economy were pursued with regard to the coal industry, the two facets of policy were often at odds with one another and a definite solution to the coal problem eluded planners as of 1948. Two fundamental reasons help explain the fact that a solution could not be devised for coal as it had been for oil. First, the coal problem was probably the most severe one in the occupation. Conditions within the industry resisted all attempts on the part of officials to bolster production. Since, moreover, the German economy and indeed the European economy in general was still predominantly coal-based well into the 1950s, the problems with the German coal industry were magnified considerably.⁴⁰ British and US occupation officials considered it necessary to retain firm control over coal production until the severe problems were solved.

Secondly, a solution to the coal control problem evaded Allied authorities because of the international breadth of the problem. In particular, the French were especially influential because they had an occupation zone of their own and a seat on the Allied Control Council, and were anxious to gain assurance both of maximum security against future German aggression and of protection of coal supplies to their industry. From 1944, the French demanded that the Saar region of Germany be politically separated and incorporated into the French economy. Until late 1946, moreover, the French also demanded political and economic separation of the Ruhr area from Germany, and (together with the Soviets) international ownership and control over the industry in the region.⁴¹

What options existed in 1947-1948, then, for the solution of the German coal control problem? German control was not desirable, of course, since such a solution failed to meet the criterion of eliminating German war potential. The French plan to separate the Ruhr area from Germany was unacceptable to the US as well since, as was frequently pointed out, the Germans

⁴⁰ In 1953, it was anticipated that coal would provide 78 percent of the total non-animal energy supply for Europe, while oil would supply just 12 percent. At the same time, the US used oil for one-third of its energy supply. See US ECA (s. note 39), p. 8.

⁴¹ WILLIS (s. note 39), p. 15; WALTER VOGEL, "Deutschland, Europa und die Umgestaltung der amerikanischen Sicherheitspolitik 1945-1949," *Vierteljahrshefte für Zeitgeschichte*, Vol. 19 (1971), p. 68.

could never develop a self-sustaining economy without the Ruhr. The French proposal violated the US policy precept that the country would have to be rebuilt economically to at least a minimum level of subsistence. International control along Franco-Russian lines was not a viable option either. US and British officials could not agree to the suggestion in 1946 since the Soviets did not offer a *quid pro quo* for the loss of zonal autonomy which would result from international control.⁴² By 1947, owing to other developments, the US had little desire to allow the Soviets to participate in an international control body.⁴³ To conform to both facets of US policy, a solution to the coal control problem would have to include two major elements. First, political and economic control of the Ruhr would have to remain in German hands. Secondly, some sort of international body — preferably involving only the western powers — would have to supervise coal allocations in the Ruhr to provide security against German aggression and to ensure equitable distribution of German coal among all European nations.⁴⁴

At just this point, in late 1947/early 1948, there was a change in the French stance. Between 1944 and 1947, the French had been adamant in their demands for security against Germany through territorial dismemberment and extra-German control of resources. The Moscow Conference of Foreign Ministers, which ended in March 1947 in a deadlock between the US and the USSR, forced the French government out of its position as mediator between east and west and into a position of accommodation with the west.⁴⁵ The elimination of Communists from the French regime in May 1947 reinforced the new orientation. Whilst the French continued to demand separation of the Saar from Germany and strict controls over the defeated nation, they became in early 1948 willing to negotiate on the basis of the American position on the Ruhr question.

The forum for discussions to work out the remaining differences on the Ruhr question, as well as to work out other occupation problems, was the London Talks which convened on 23 February 1948. The major participants were the French, British, and Americans, and the conference adjourned in

⁴² CLAY (s. note 10), pp. 127-130.

⁴³ VOGEL (s. note 41), p. 68.

⁴⁴ See the Statement by Marshall to the Moscow Session of the Council of Foreign Ministers, 10 April 1947, in US Department of State, Office of Public Affairs, *Germany 1947-1949: The Story in Documents*, (Washington, 1950), pp. 329-330.

⁴⁵ Report on the Franco-American Conversations held in Washington November 13-20, 1945, concerning the Future Status of the Rhineland and the Ruhr, 20 November 1945, in US Department of State, *Foreign Relations of the US* (hereafter *FRUS*), 1945, vol. 3 (Washington, 1986), pp. 896-906; Vogel (s. note 41), pp. 68-69; Willis (s. note 39), p. 19. Willis goes so far as to claim that "the creation of an independent West German State followed directly from the rejection of the French thesis at the Moscow Conference."

early June only to reconvene to discuss Ruhr-related questions in the autumn. The basis for discussion was a French document which called for the establishment of an International Authority for the Ruhr (IAR).⁴⁶ The document's basic provisions as it stood near the end of the conference on 26 May underscored the US position that the Ruhr was to remain part of western Germany. Furthermore, an international body composed of representatives of all participating nations would not only supervise German industry in the Ruhr according to the American conception, but would also be responsible for allocating the resources of the area, a concession to the French viewpoint. The IAR was to be set up just prior to the establishment of a provisional government in Germany and would begin to operate at the same time as that government.⁴⁷ Renewed French misgivings followed immediately after all parties initialled the pact setting up the IAR on 7 June, but were allayed in December when, through US initiative, a Military Security Board (MSB) was proposed to supervise German demilitarization in conjunction with the IAR. The IAR and MSB package was agreed to in late December.⁴⁸

In fact, though, even prior to the London agreement on the creation of the IAR, there was evidence that top US policy-makers were searching for a new and more fundamental solution to the problem of control of German coal. The major impetus to the search was the recognition of the implications of the Cold War. Western Europe would have to be rebuilt economically as quickly as possible to counter the Soviet threat, thus lending a new urgency to the creation of the liberal world economic order. Since western Germany was the keystone in western European recovery, it would have to be reconstructed as well *and* given a political reality. A new factor thus entered the US policy equation in 1948 and 1949: the objectives of preventing future German aggression and rebuilding the German economy would have to be accomplished while granting western Germany sovereignty and placing it on an equal basis with other western European nations. Although the process of giving West Germany full sovereignty was completed only in 1955, the first steps towards it were taken during 1947 and 1948 with the US call for western European economic "integration."

The term "integration" when applied to western Europe came to have a special significance during the 1950s. It came to imply some surrendering of national sovereignty to an international body by all participating nations on an equal basis. Whilst confined to the economic arena, it was hoped that eco-

⁴⁶ Douglas to Secretary of State, 27 February 1948, in *FRUS*, 1948, vol. 2 (Washington, 1973), pp. 97-98.

⁴⁷ "International Control of the Ruhr," 26 May 1948, in *ibid.*, pp. 285-287; Douglas to Secretary of State, 6 March 1948, in *ibid.*, pp. 140-141.

⁴⁸ Acting Secretary of State Lovett to the Embassy in the United Kingdom, 4 December 1948, *ibid.*, p. 546; Communiqué of the London Conference on the Ruhr, 20 December 1948, *ibid.*, p. 578.

conomic integration would eventually lead to political integration, that is to the establishment of the United States of Europe. Although initial US pleas at high government levels in mid-1947⁴⁹ for integration of the European economy may not have been intended to convey the meaning given to the word in the 1950s, it is clear that the US State Department had largely arrived at the later formulation by mid-February 1948, just prior to the start of the London Talks. Writing to the US Ambassador to France, Marshall wrote:

In our opinion French security for many years to come will depend on integration of Western Europe including western Germany economically. Unless western Germany during [the] coming year is effectively associated with western European nations, first through economic arrangements, and ultimately, perhaps in some political way, there is a real danger that the whole of Germany will be drawn into [the] eastern orbit, with obvious dire consequences for all of us.⁵⁰

Marshall continued along the same lines the following day in a telegram to the US Ambassador to the United Kingdom, Lewis Douglas, who was also the chief US negotiator in the London Talks:

The necessary restrictions on German control [of the] Ruhr which may result from an international agreement with respect to Ruhr resources would be much more acceptable to the Germans if it embodies a contribution on their part to a larger Western European Union.⁵¹

Douglas himself hinted at the new US approach at one of the early meetings of the Talks:

... very tentatively and very informally, he wanted to suggest that [the] international regime might look toward inclusion not only [of the] Ruhr but also similar industrial regions of Western Europe... [He] acknowledged [that] his suggestion might be too ambitious and might look too far into the future, but felt it worthy of examination.⁵²

Throughout 1948 and into the next years, US officials continued to speak in favour of some means of preserving German sovereignty and equality while providing for international control.⁵³

It was against the background of US policy towards Germany in the late 1940s and early 1950s that the Schuman Plan to establish the European Coal and Steel Community was developed, and the growing US feeling that the

⁴⁹ See, for instance JCS/1779 (economic provisions), 11 July 1947, in US Department of State (s. note 44), p. 37.

⁵⁰ MARSHALL to Embassy in France, 19 February 1948, *FRUS*, 1948, vol. 2, p. 71.

⁵¹ MARSHALL to Embassy in UK, 20 February 1948, *ibid.*, p. 72.

⁵² DOUGLAS to Secretary of State, 28 February 1948, *ibid.*, p. 99.

⁵³ See *ibid.*, pp. 448-597, *passim*; *FRUS*, 1949, vol. 2 (Washington, 1974), pp. 477-504; US High Commissioner to Secretary of State, 25 April 1950, *FRUS*, 1950, vol. 4 (Washington, 1980), p. 635.

IAR in tandem with the MSB had not truly solved the problem of controlling German coal was one important factor leading ultimately to the Schuman Plan of 9 May 1950. There were, of course, other factors, such as the fact that discussion of European unity was "in the air" in the late 1940s and prepared the way for acceptance of the Plan.⁵⁴ Signs of slackening world demand for coal and steel in the summer of 1949 provided an economic incentive to share the burdens of the downturn, to broaden markets, and to increase efficiency in European heavy industry.⁵⁵

More important factors in setting the stage for the Schuman Plan, however, were German unhappiness with the IAR and the growing tension between the Germans and the French. After its creation in May 1949, the government of the Federal Republic of Germany understandably showed signs of displeasure at any outside limitations of its competence. Federal Chancellor Konrad Adenauer chipped away constantly at the controls established by the victorious powers. It was for this reason that the West Germans did not at first participate in the activities of the IAR. Only in December 1949, after the Petersberg Agreement, did West Germany assume its position on the Authority. Under the terms of the Agreement, West Germany reluctantly accepted the IAR as a gesture of good will towards the French and in order to obtain concessions in the sphere of international recognition.⁵⁶ Even after accepting membership in the IAR, however, West Germans made no secret of the fact that they considered the Authority an unsatisfactory solution to the Ruhr problem.⁵⁷

Another, more serious, factor was the signs of increased tensions between West Germany and France. The French had only reluctantly agreed to the formation of the IAR as established in London, and then only with the added provisions establishing the MSB. The concessions made in the case of the IAR led to redoubled efforts to obtain separation of the Saar area from Germany and economic integration of the area with France. In March 1950, the French government and the government of the Saar signed agreements to facilitate this. The French were to have complete control of management and

⁵⁴ PIERRE GERBET, "La Genèse du Plan Schuman: Dès origines à la déclaration du 9 mai 1950," *Revue française de science politique*, vol. 6 (1956), pp. 526-528, 538; a more recent assessment of the origins of the Schuman Plan is Dietmar Petzina, "The Origins of the European Coal and Steel Community: Economic Forces and Political Interest," *Zeitschrift für die gesamte Staatswissenschaft*, Vol. 137 (1981): 450-468; see Berghahn (s. note 3) also.

⁵⁵ GERBET (s. note 54), p. 529; Willis (s. note 39), p. 83.

⁵⁶ JEAN MONNET, *Memoirs* (Garden City, N.J. 1978), p. 283.

⁵⁷ ANDRÉ PIETTRE claimed that the Germans saw the Ruhr Authority during this period as "un contrôle gênante", an inconvenient and annoying control agency. See PIETTRE, *L'économie allemande contemporaine (Allemagne occidentale) 1945-1952* (Paris, 1952), p. 173.

allocation of production from the Saar mines for a period of fifty years, although they bowed to US pressure in that the agreement would have to be reviewed and approved in negotiations on a peace treaty with Germany.⁵⁸ West German reaction to the agreement was hostile and French Foreign Minister Robert Schuman was given a cold welcome on a visit to West Germany soon thereafter.⁵⁹

In this atmosphere of increasing distrust and frustration and economic problems, Schuman surprised the world with the announcement of Jean Monnet's plan to create a European Coal and Steel Community on 9 May 1950. The Community was to break down tariff barriers between participating nations, leading to wider markets and increased efficiency for European heavy industry. Heavy industry of all participating nations was to be controlled on a basis of equality by a supra-national High Authority composed of representatives of all parties to the agreement.⁶⁰ The timing of the French proposal is telling. The announcement came in the midst of this crisis period, and just one day before the start of another Conference of Foreign Ministers in London. The French proposal offered at once a solution to the economic problems facing European heavy industry, and the possibility of rapprochement between France and Germany. Adenauer immediately welcomed the Schuman Plan, as did many other western European leaders.

Initial US reaction to the announcement differed somewhat from Adenauer's. The Plan fulfilled all US policy objectives by safeguarding against German aggression, enabling West German economic recovery, and protecting and enhancing West German political sovereignty. Thus, Dean Acheson, the US Secretary of State, suggested that the US applaud France "for making a concious and far-reaching effort to advance Franco-German *rapprochement* and European integration generally." Yet, continued Acheson, it was also necessary to be somewhat cautious in extending US approval, largely because of "previous French efforts to secure detailed control over investment policies and management of Ruhr coal and steel".⁶¹ Another reason existed for greeting the French proposal with caution. Because it fitted so closely with US aims in Germany, Acheson feared that it would be assumed that the French had been pressured into putting forth the proposal by American diplomats.⁶² Later discussions on the Plan in the French Assembly showed that Acheson's

⁵⁸ The agreements between the French and Saar governments are printed in full in Beate Ruhm von Oppen, ed., *Documents on Germany under Occupation 1945-1954* (London, 1955), pp. 473-482.

⁵⁹ WILLIS (s. note 39), pp. 77-78.

⁶⁰ US Department of State, "Draft Treaty Constituting the European Coal and Steel Community", European and British Commonwealth Series, no. 22 (1951).

⁶¹ Acheson to Acting Secretary of State, 10 May 1950, *FRUS*, 1950, vol. 3 (Washington, 1977), pp. 694-695.

⁶² *Ibid.*

fears were somewhat justified, since some members of the Assembly made precisely this accusation.⁶³

Once initial suspicion proved unjustified, and despite some undesired discussion of alleged US pressure on the French, the Americans wholeheartedly embraced the Plan. At the same time, US representatives in Europe deliberately remained aloof from the working committees devoted to working out the details of the Plan, determined to use their influence only to obtain broad policy objectives.⁶⁴ In addition, John McCloy, the US High Commissioner for Germany, convinced his British counterpart that the Allied High Commission should send no representative to meetings on the Plan since "it was unwise to create an impression of any pressure on the Federal Republic in the negotiations".⁶⁵ Negotiations on the Schuman Plan thus served the added US purpose of aiding in establishing the West German government on a basis of equality with other western European nations.

Concluding remarks

Both solutions to the problems of the control of the German coal and petroleum industries conformed with US policy as developed by 1946-1947. Both reconciled the aim of western German economic reconstruction on the one hand with that of curbing potential German aggression on the other. Both tied the western German economy more closely to other western economies led by that of the United States, and thus let it serve to some degree as a political and economic counter to the Soviet Union and its Allies. Both may be seen as conforming to the American vision of a liberal world economic order in which a recovering Germany and Europe were to play a large role.

But the two sets of solutions to similar policy problems differed considerably. The petroleum supply problem was solved relatively quickly. Whilst occupation authorities played a key role in planning for and implementing the solution — a role later taken over by the new government of the Federal Republic — a crucial part of the solution in the long term lay in private hands. The problem of the control of the western German petroleum industry was in fact solved by forcing the German to be dependent almost totally upon overseas sources of crude oil, supply, refining, and distribution of much of which were in the hands of American and British firms. One might say that the problem of the control of German access to petroleum came to be solved through the "privatization" and globalization of its control.

⁶³ GERBET (s. note 54), pp. 546-547.

⁶⁴ Harriman to Secretary of State, 20 May 1950, *FRUS*, 1950, vol. 3, pp. 702-704; Bruce to Secretary of State, 23 May 1950, *ibid.*, pp. 704-705.

⁶⁵ McCLOY to Secretary of State, 23 May 1950, *ibid.*, p. 708.

The problem of the control of the German coal industry, in contrast, took much longer to solve. The problem was also solved publicly and largely through traditional diplomatic channels. The solution involved the sharing of a measure of control over Germany's natural resources with West Germany's neighbours. The problem thus came to be solved through diplomatic or public channels, and through the Europeanization of its control.

The key factor in determining the way in which policy aims were reconciled in each case was a rather simple one: coal was relatively plentiful and petroleum was relatively scarce within West Germany itself. But in each case, US policy had the effect of forcing the Germans to be reliant upon their neighbours, and of reinforcing a vital German interest in political stability and free trade.

The irony of the history of this aspect of post-war economic development is that a central element in the realisation of the vision of a liberal economic order lay in the *control* of vital resources. And indeed it was only through the limitation of western Germany's freedom in the area of energy — and especially of petroleum and coal — that it became politically possible for US policy-makers to include at least part of the German area in their economic order. The control of German energy, then, was a central aspect of the development of post-war US foreign economic policy.

