DIRECTIVES FOR THE OCCUPATION OF GERMANY: THE WASHINGTON CONTROVERSY

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FOREWORD

Developing a policy for the post-war treatment of Germany was inevitably a difficult problem for the United States, as for its Allies. All aspects of the problem presented difficulties, and all led to disagreements between us, Britain, and Russia, and eventually France as well. This was natural enough: no easy answers were available; crucial, and significantly divergent national interests were at stake. What was not inevitable was the process by which policy for Germany was established within our government: considering the difficulties, this is a tale of clever administrative improvisation, shrewd advocacy of policy, and skillful mediation; but it is also a tale of confusion, reversals, bumbling—possibly conspiracy—and administrative incompetence, not to speak of what seem in retrospect at the very least gross errors of judgment on policy questions. This is the tale set forth in the following pages.

The primary subject of this study is the formulation of a policy directive to guide and control the occupying forces in Germany. Originally it was hoped to secure agreement on a directive that would be equally binding on all the occupying powers. In the upshot, and only after a dismally painful birth, a directive was produced and agreed on—JCS 1067—to govern the actions of the U. S. zonal commander. But though the production of such a directive was the primary object of concern for the opposing factions in our government, its drafting was entangled in a variety of ancillary disputes: over the demarcation and assignment of occupation zones; over the instrument of surrender; over the inter-governmental control machinery for Germany; over plans to partition Germany; over reparations; and over the organization and procedures for dealing with civil affairs and military government in the various occupied and liberated countries. On most of these matters, the disputes within the American administration were even more acrimonious than the disputes with our Allies, and they aggravated the troubles of those who were trying to formulate a policy for Germany.

I. INITIAL PLANNING, 1942-1943

A. ALLIED POLICY—ITS AMBIGUITY

1. Raising the Question of Dismemberment

Long before entering the war, the United States had made clear its own unalterable opposition to Hitler and his regime. In August 1941, in the Atlantic Charter, Roosevelt and Churchill proclaimed their aspirations for the post-war world: an abjuration of any ambition for aggrandizement, support for national self-determination, economic collaboration, and a secure peace. On Christmas Day after Pearl Harbor, in the Declaration of the United Nations, they reaffirmed these aims and pledged themselves to the destruction of Hitler and his allies. Aside from this clear but negative and limited goal, no policy for Germany was set or even adumbrated: what would happen to the Germans after defeat, what Germany's place would be in the post-war world, were unanswered questions.

At the beginning of the New Year, a more direct and concrete reference to the treatment of Germany was made in the "Allied Declaration of German War Crimes" of January 13, 1942, which announced the intention of exacting retribution for war crimes. A year later, in January 1943, the doctrine of unconditional surrender was announced at Casablanca, and subscribed to by representatives of the Soviet Union and China at Moscow in October of the same year. In March 1943, during conversations between Britain's Foreign Secretary, Anthony Eden, and President Roosevelt, it was agreed that Germany should be dismembered,[1] although it is clear that the matter was discussed only in general terms,[2] and that Roosevelt was uncertain about the concrete application of his proposal.[3] According to Harry Hopkins' notes, Eden had been relating to the President his impression of Stalin's attitude towards Germany. The Russian Premier, in Eden's opinion,

> has a deep-seated distrust of the Germans and . . . will insist that Germany be broken up into a number of states. The President said he hoped we would not use the methods discussed at Versailles and also promoted by Clemenceau to arbitrarily divide Germany, but thought that we should encourage the differences and ambitions that will spring up within Germany for a Separatists Movement and, in effect, approve of a division which represents German public opinion.
>
> [Hopkins] asked what they would do if that spontaneous desire did not spring up and both the President and Eden agreed that, under any circumstances, Germany must be divided into several states, one of which must, over all circumstances, be Prussia. The Prussians cannot be permitted to dominate all Germany.[4]

A few days later, again in conversation with Eden in the presence of Hopkins and Hull, President Roosevelt reiterated his unconditional surrender views and indicated that he doubted if a peace treaty should be signed for some time after the collapse of Germany and Japan.[5]

These discussions took place on March 15 and 22; in between, on March 20, Hull had a long conversation alone with the President about the post-war treatment of Germany. But all these talks amounted to no more than an expression of attitudes and a glance at the problem rather than a step toward solid agreement or action. The one practical proposal during Eden's visit came from Hopkins, when he, Hull, and Eden had tea with the President on March 17. As Hopkins wrote in his notes:

> I said I thought there was no understanding between Great Britain, Russia and ourselves as to which armies would be where and what kind of administration should be developed. I said that unless we acted promptly and surely I believed one of two things would happen—either Germany will go Communist or an out and out anarchic state would set in; that, indeed, the same kind

of thing might happen in any of the countries in Europe and Italy as well. I said I thought it required some kind of formal agreement and that the State Department should work out the plan with the British and the one agreed upon between the two of us should then be discussed with the Russians. The President agreed that this procedure should be followed. It will, obviously, be a much simpler matter if the British and American armies are heavily in France or Germany at the time of the collapse but we should work out a plan in case Germany collapses before we get to France.[6]

On March 23, picking up this suggestion, the President wrote Hull:

> Apropos of our conversation the other afternoon, I wish you would explore, with the British, the question of what our plan is to be in Germany and Italy during the first few months after Germany's collapse.
>
> I think you had better confer with Stimson about it too.
>
> My thought is that if we get a substantial meeting of the minds with the British that we should then take it up with the Russians.[7]

The State Department had, in fact, begun its consideration of the post-war treatment of Germany a year or so earlier, and Under Secretary Sumner Welles had made clear his own advocacy of German partition.[8] This letter from the President had no discernible effect on the State Department planning; if the planners devoted any particular attention to dismemberment, it was probably because of Welles's views. There was some discussion of the problem, apparently not very fruitful, with Secretary of War Stimson, and with the British.[9] And Hull talked briefly, informally, and inconclusively with Eden about partition at Quebec on August 20; each revealed that there was some support for "imposed dismemberment" within his government, and each indicated his own disagreement with the proposal.[10]

By the fall of 1943, however, whether Germany was to survive as a unit or as fragments, it was necessary for the State Department to crystallize its policies for the treatment of Germany so that Hull might have some preliminary proposals to present at the Conference of Foreign Ministers in Moscow. On October 4 and 5, prior to his departure, he had talks with the President. On the second day, when the President brought up the dismemberment of Germany, Hull was accompanied by the new Under Secretary, Edward R. Stettinius, Jr., and three officers of the department who were directly involved in planning policy for post-war Germany; Admiral Leahy, the President's Chief of Staff, was also present.[11] The President said that he favored the partition of Germany into three completely sovereign states. Hull and his assistants were well briefed in their objections to this proposal. Their argument was that the conquering powers would have to carry the burden of extensive controls if Germany were thus to be kept divided; that these controls would not make controls for enforcing economic and military disarmament unnecessary; and that, indeed, the economic and military controls would have to be so severe that they would "evoke a greatly increased resentment on the part of the German people to the serious detriment of their ultimate reconciliation with the peace settlement."[12] It is not unlikely that Roosevelt had heard this argument from Hull before, possibly the previous March, during Eden's visit to Washington. While it was based on policy papers newly prepared in the State Department, in substance it was not new; as Hull later put it, "I myself had been opposed to dismemberment from the beginning."[13]

Roosevelt took up the argument that dismemberment might only cause the German people to desire national unity more strongly. He said he thought that his listeners were inclined to exaggerate this effect, and indicated that he based his appraisal on his own personal experience in Germany. After the discussion had gone on to other matters, the President returned to the subject of Germany to point out that occupation policy would have to be one of trial and error, and that they might discover that partition did not work.[14]

2. *Moscow and Teheran*

At the Moscow Conference, in October 1943, the three foreign ministers discussed the treatment of Germany. They agreed that Germany would be returned to her pre-1938 borders, and prepared a "Declaration on German Atrocities," later signed by Roosevelt, Stalin, and Churchill.[15] But with respect to basic occupation policy, they made no great progress. Hull presented two memoranda, "for discussion purposes"; Molotov's first reaction to them was

enthusiastic, though he later said that he regarded them as constituting a minimum rather than a maximum proposal.

These proposals began with an elaboration of the meaning of unconditional surrender by detailing the rights of the occupying powers. They recommended that the terms of surrender be enforced by an Inter-Allied Control Commission rather than by the three victors individually, but that Germany be occupied by British, Soviet, and American forces in separate sectors, with minimum interference with local government. "All Nazi officials would be promptly removed and every vestige of the Nazi regime uprooted." Reparations for physical damage inflicted by Germany would be set by a commission for that purpose.[16]

The proposals for demobilization and disarmament as such were clear-cut: no standing army, dissolution of the German General Staff, and the like. But these questions of security merged into questions of economic and political reorganization, and here ambiguities appeared, ambiguities that were the subject of much quarrelling later on. Thus, the possibility of voluntary dismemberment was suggested, but clouded in doubt, and the issue was described as "still under study" (although it was assumed that in the end the U. S. government would not favor dismemberment). Alternatively, it was suggested that the German threat to security might be lessened by "decentralization of the German political structure." The memoranda advocated for Germany "a broadly based democracy operating under a bill of rights." Steps toward this end would include restoration of "freedom of speech and religion, and of the press, freedom to organize political parties other than those of Nazi-Fascist doctrine, cultural associations, and trade unions," and would culminate in free elections for a central German government.

The economic proposals grew out of the demobilization plan, which provided that "arms manufacturing facilities be dismantled, importation and manufacture of arms, ammunition, implements of war, *and materials essential to their manufacture,* including all types of aircraft, be prohibited"[17] (italics added); all this would be done under a permanent United Nations inspection system.

The italicized phrase seemed to point toward the elimination of all heavy industry: Is not steel "essential" to arms manufacture and might not this vague requirement lead to differing interpretations among the Allies? Although obvious, the implication was not intended; heavy industry was to be controlled not eliminated. The ambiguity of the crucial demobilization plan was assured by the prescription for the requirements of a viable democracy: "a tolerable standard of living, restriction of measures of control to the requirements of general security; and harmony of policy and purpose among the British, Soviet, and American governments."[18]

Hull felt that there was general agreement on his memoranda, and in fact many of the detailed proposals were later put into effect; but general agreement on the ambiguities that lay at the heart of the policy issues settled nothing. The only point that seems to have come up for concrete discussion was dismemberment. On this there was also a strange kind of unanimity; apparently the three chiefs of state all favored partition, while the three foreign ministers and their experts were against it. That question was therefore laid aside. The American memoranda were disposed of by referring them for study to the European Advisory Commission. This body, by agreement of the three ministers, was to be located in London to "study and make recommendations to the three governments upon European questions connected with the termination of hostilities."[19]

A month after the Moscow Conference, the three chiefs of state met in Teheran and here again Germany's future was discussed—discussed but certainly not decided. Stalin talked at length about Germany. He questioned the wisdom of the undefined "unconditional surrender" doctrine, and argued the need for more stringent controls than any envisaged by Roosevelt or Churchill. He expressed no great satisfaction with either of two partition proposals; Roosevelt had presented a plan for five autonomous states and three international zones, while Churchill had proposed that Prussia be detached and the southern states included in a Danubian federation. The general policy questions were left hanging, and the problem of dismemberment was referred to the European Advisory Commission. On a more practical plane, the three governments designated their representatives on that body: Sir William Strang for the United Kingdom, Feodor T.

Gusev for the Soviet Union, and for the United States, our Ambassador in London, John G. Winant.[20]

On December 15, the European Advisory Commission had an informal organizing meeting, and held its first formal session on January 14, 1944. Its mandate to "study and make recommendations" was, of course, a term of art; EAC was a forum for negotiations where the three members, duly instructed by their governments, could present and discuss formal proposals, and, in accordance with instructions received, reach agreements. The scope of the negotiations was uncertain; the British were anxious to settle as many questions as possible while the war was still on, the Americans wanted to limit the agenda to problems arising immediately out of surrender. Since unanimity was required for deciding the agenda, the Americans had an effective veto power.

For Germany, the question of scope did not arise. It was agreed that there were three problems requiring urgent consideration—occupation zones, the instrument of surrender, and the organization of tripartite control machinery. Policy for Germany would be taken up later.

The American power to prevent discussions was unlimited; but American ability to lead the way on what it considered appropriate topics was not. Leadership depended on Winant's ability to get instructions: no matter how convinced he was of the soundness of his own ideas on what to do, no matter how wise his counselors (he was soon equipped with political, naval, and military advisers, and—later on—also an economic adviser), he could present no plans, indeed he could make no decisive comments on British or Russian proposals, without instructions from Washington.

The EAC was perhaps bound to work slowly. The Russians were difficult to work with, especially so when their suspicions were aroused by leaks about EAC negotiations to the British press; we had differences with the British on all matters; the addition of a French member caused trouble later on; but most significant, at least for this account, were the delays caused by Winant's failure to receive instructions. The causes for this must be sought in Washington.[21]

The establishment of EAC precipitated the need for agreed American plans for Germany, but the need had been long foreseen and planning was well advanced. Before describing the developments of 1944, in EAC and elsewhere, it is necessary to review what had already been done in the interested agencies.

B. STATE DEPARTMENT PLANNING: 1942-1943

State Department policy with respect to the post-war treatment of Germany was, in the winter of 1943, the product of extensive consideration within the Department, mostly by experts—career officials and others—for nearly two years. Early in 1942 Under Secretary Sumner Welles assigned the subject of the possible dismemberment of Germany to the newly created Advisory Committee on Post-War Foreign Policy, an organization partly intradepartmental in membership, but with six of its fourteen original members drawn from private life.[22] In the course of considering the dismemberment of Germany the committee had its research staff, recruited in the main from among academic experts on the various countries, prepare detailed arguments for and against dismemberment, and draw up plans for dividing Germany into three, five, and seven separate states, with accompanying analyses of the political, economic, and demographic problems involved.

The argument against dismemberment, which found early support in the expert staff and among certain members of the Advisory Committee, particularly Hamilton Fish Armstrong, editor of *Foreign Affairs,* and Isaiah Bowman, President of the Johns Hopkins University, was eventually supported by the majority of the committee. During April, May, and June 1942, the committee gave careful consideration to the dismemberment question, and reviewed it from time to time over the next year and a half. As was indicated earlier, Secretary Hull, who was Chairman of the Advisory Committee, opposed dismemberment "from the first"; his views remained unchanged, as has also been seen, when he met with the British and Soviet foreign ministers a half-year later in Moscow. His stand on general policy for Germany was, perhaps, best expressed both in the clear and in the ambiguous proposals he presented there. The President also remained set in his views; he wanted dismemberment, but he obviously hoped that it would come about by voluntary action, and he tended to postpone any decision

on imposed dismemberment. For the rest, his attitude toward Germany was stern, as evidenced, for example, in his persistence in the unconditional surrender doctrine, though he seems to have had no specific plans for the treatment of Germany after the war.

These divergences, especially on the subject of partition, put the Advisory Committee members in an awkward position. Apparently they had dismemberment under consideration (along with many other topics) for a long time without completing their formal report and submitting it to the President through the Secretary of State.[23] Their position was made no easier by the fact that Welles, who participated much more actively in the committee's work than did Hull, sided with the President and against Hull. Eventually, however, their strong opposition to dismemberment was recorded. They also recommended a vigorous long-range policy for preventing German rearmament, promoting democratic institutions, and reducing or controlling Germany's economic preponderance in Europe.[24]

Shortly thereafter, on July 12, 1943, the Advisory Committee on Post-War Foreign Policy was suspended by Secretary Hull "in order to enable the technical staff to carry out the work of intensive preparation for a more definitive round of discussion."[25] However, the Advisory Committee and its subcommittees were never reconvened. The end result of their work was the drafting by the technical staff of policy summaries on each of the many subjects with which the subcommittees had dealt. One of these was a 49-page document dated July 27, 1943, which strongly opposed the dismemberment of Germany. It was used in briefing Secretary Hull in preparation for the first Quebec Conference in August 1943.[26]

Within the State Department a new structure of committees was established immediately after the demise of the Advisory Committee. One of these was the Interdivisional Country Committee on Germany, composed of the staff assembled to do research for the Advisory Committee and of the "desk officers" in the operating geographic and functional divisions.[27] By September 23, 1943, this group had produced a policy-recommendation paper on "The Political Reorganization of Germany," which was used as the basis for the memoranda on Germany which Hull presented at Moscow.[28] Although the policy recommendations of the Interdivisional Committee showed the influence of its predecessors (the Advisory Committee and its subcommittees), the new committee had a clear field within the Department, for Welles, the active proponent of dismemberment, left in August.[29]

During the autumn and winter of 1943-1944 the Interdivisional Committee on Germany made an intensive study of post-war policy toward Germany, partially directed toward the need for policy guidance for Ambassador Winant in his EAC negotiations. The American draft of an instrument of German unconditional surrender, which became the basis for terms agreed to the following summer in the EAC, originated here. Proposals for zones of occupation and Allied control machinery for the joint administration of Germany were also produced, and will be further considered below. Here let it suffice to note that the general policy position of the Interdivisional Committee remained as it had been in the early fall, when the committee was preparing for the Moscow Foreign Ministers' Conference. It opposed dismemberment, wished to encourage democracy in Germany through a moderate peace, and advocated decentralization of the government of Germany.[30] In spite of all the changes in planning procedures, the professional staff of the State Department remained firmly committed to the policy for Germany that they had first formulated early in 1942. Moreover, despite the President's evident opposition to leniency towards Germany, Secretary Hull had demonstrated his strong agreement with this general approach.

C. AMERICAN ARMY PREPARATIONS: 1942-1943

1. Army Doctrine and Its Uses

Military government was no novelty to the United States Army. In the Philippines, in Cuba, and elsewhere in Latin America, the Army had had long experience in administering the territory of other nations. Its doctrines were embodied in successive revisions of field manuals, and were based on the concepts of "welfare of the governed" and "military necessity."[31] As an Army manual published in 1925 put it:

International law recognized that, having overthrown the pre-existing government and deprived the people of the protection which that government afforded, it becomes not only the right but the duty of the invader to give the vanquished people a new government adequate to the protection of their personal and property rights.

With reference to military necessity, it stated:

It is decidedly to the military advantage of the invader to establish a strong and just government, such as will preserve order and, as far as possible, pacify the inhabitants.[32]

This conception of civil affairs could be traced to the venerable theory of war which held that armed conflict was an affair of state, not of individuals or the nation, and that customs, traditions, laws and government were not to be unnecessarily disturbed by occupying troops.[33]

Such was the doctrine applied by our forces in their brief responsibility for governing a very small portion of Germany at the end of World War I. The doctrine had, of course, been modified to suit the circumstances in the various occupations in the Caribbean and the Philippines—underdeveloped areas, in the modern terminology.

Neither doctrine nor experience (except that the experience in administration as such proved invaluable) furnished a sufficient guide for military government in Europe in World War II. There we had to prepare for military administration in "liberated areas" like France, where we (at least Roosevelt) expected a friendly population but no firmly established resident government. And we also had to prepare for government in "occupied areas," Germany and Italy, where we were pledged to destroy the governors and the whole basis of their government: Hitler and Mussolini, Nazism and Fascism. Later on, we would face a similar problem in Japan. And in both liberated and occupied areas, the kind of government that would eventually take over the reins from the military administrators was not a matter of indifference nor, as it turned out, a matter to be avoided up to the moment when power was actually transferred.

The possible conflicts between "military necessity," "welfare of the governed," "eradication of Fascism and Nazism," and "establishment of democracy" were not clearly seen at the beginning. The first proposed solution of these potential conflicts was to create a political vacuum as a step towards the ultimate goal of democracy. This inconsistency in civil affairs policy found its way into the revised field manual on military government issued at the end of 1943. Since the spring of 1942 the War Department had been operating a School of Military Government at the University of Virginia. There the possible incompatibility between the "welfare of the governed" and the "military necessity" doctrines, as embodied in the earlier version of the field manual, had been exposed and explored. The new manual acknowledged the triumph of the "military necessity" doctrine. It also showed a severer attitude toward enemy populations under military government. The military implications of civil disorder led it to be less concerned than was its predecessor with the eradication of Fascism. And its vagueness and generality made possible a wide range of interpretations. Dealing for the first time with economic policy, it provided for rapid reconstruction in order to alleviate the burdens upon Allied supplies, both for relief and military purposes. This revised field manual was representative of military government policy as it was understood by civil affairs officers of the Army at the time of the establishment of EAC.

2. *First Encounters with the President*

The doctrines of the Army and its prospective role in the administration of occupied and liberated areas had been brought sharply to the attention of the President a year earlier in the fall of 1942, but were not resolved in any effective way until November 1943. In October 1942, Secretary of the Interior Harold L. Ickes complained to the President about the military government school at Charlottesville, which had started to operate six months earlier. In response Roosevelt wrote to Secretary of War Stimson inquiring about the school. Echoing the Ickes complaint, he stated:

This whole matter is something which should have been taken up with me in the first instance. The governing of occupied territories may be of many kinds but in most instances it is a civilian task and requires absolutely first-class men and not second-string men.[34]

Rumors of Fascists in the school prompted

the President to request information concerning the backgrounds of its trainees. Stimson defended the school vigorously and successfully. In doing so he found Secretary of State Hull a "staunch ally . . . who agreed with Stimson's view that administration in foreign lands must initially be an army responsibility, while Stimson in turn fully accepted the State Department's responsibility for the formulation of political policy."[35] But the President's critical attitude was very discouraging to the Army planners.[36]

Roosevelt's views on civil affairs were given further expression when on November 18, 1942, he delegated to the Secretary of State full authority over all economic, political, and fiscal questions concerning liberated (not occupied) areas.[37] Meanwhile, however, during the autumn of 1942, Eisenhower, commanding the invasion of North Africa, was heading into real political problems. The North African invasion had been planned in haste, and to the neglect of civil affairs. The difficulties that arose were somehow surmounted, but the need for more effective organization for civil affairs and military government was clear to all, especially the military.

It is unnecessary to pursue the complex tangles over civil affairs in Algiers and Washington, and the debates that continued thereafter: they concerned primarily dealings with future liberated areas. To a considerable extent, the Army found itself accidentally involved in controversies among the civilian agencies of the government. Its primary aim was to ensure control over civil affairs in combat and communication zones. Eventually the President came to accept this view and decreed on November 10, 1943, that the Army should have full responsibility for civilian relief (the main subject of controversy) in each area so long as the fighting continued and for six months thereafter.[38] The effects on the President of all these events and the painful dilemmas in North Africa and Italy can hardly be spelled out. His later behavior, in 1944, seems to show that while he recognized the need for Army administration of civil affairs, he was not disposed to accept advice from the Army, State Department, or any other agency on underlying policies, though this minimization of the role of the State Department had not become apparent by the end of 1943.

3. The Establishment of the Civil Affairs Division

The effects on the War Department can also be observed. One important consequence was the recognition at the top of the need to coordinate Army activities in civil affairs and to assign the responsibility for guiding these activities to a single new agency within the Army. The new agency was the Civil Affairs Division, established on March 1, 1943. It was created to deal in a regular and systematic way with the civil affairs problems already present in North Africa and expected to arise in areas subsequently occupied or liberated as a result of military operations. While CAD was to be a part of the War Department Special Staff, in order to assure that its work was in harmony with the regular military business of the War Department, its communications with commanders in the field were to be cleared through the Operations Division of the War Department General Staff, which was responsible for directing the key supervisory and operating activities of the General Staff on behalf of the Chief of Staff. In order further to gear its activities in with OPD, an OPD officer was detailed as a member of CAD. During most of its existence its head was Major General John H. Hilldring. A month after its establishment, the Joint Chiefs of Staff recognized CAD as the logical place to coordinate the planning and administration of civil affairs in most occupied areas. The Secretaries of War and the Navy promptly endorsed this recommendation.[39]

When Hilldring took charge of the Civil Affairs Division in April 1943, Stimson explained to him that he did not want the Army to have anything to do with the making of policy, but that as a Cabinet officer, though not as head of the War Department, he might himself become involved in policy questions. Marshall indicated that he was going into civil affairs planning and administration with reluctance. He instructed Hilldring to get into it no further than he had to. These were instructions which Hilldring took seriously: as director of a division of the War Department Special Staff, his job was to service the field commanders. The function of his particular division, the coordination of civil affairs activities, turned out to be largely administrative problems,

usually concerned with civilian supply. If the fighting forces needed policy for civil affairs, he was only to see that it was provided, not make it himself. Stimson, the Cabinet officer, and McCloy, his energetic Assistant Secretary, were the only ones in the War Department properly concerned with the substance of occupation policy, and they only through Stimson's role as an adviser to the President. General Hilldring and the other military and civilian chiefs were operating on the assumption that the Army was to remain the handmaiden of policy, and that CAD was to be only the handmaiden's handmaiden. Nevertheless, the confinement of CAD to the role of coordinator of things which were presumably not policy, but only questions involving military government was not to limit CAD to a wholly passive role. One of the first tasks Hilldring undertook was to make State and other Departments realize that they would have to take second place to the War Department where military government problems were involved. By the end of May Hilldring could say that State had been brought into line with this view.[40]

For months after its establishment, CAD was largely preoccupied with organizational and jurisdictional problems within the Army, more generally with the United States government, and with the British Army, as will be seen below. It also was busy with the selection and training of civil affairs officers, with arrangements for essential supplies for liberated and occupied areas, and with civil affairs agreements with the governments-in-exile. Finally, it had to struggle with the requests for aid, information, and guidance that flowed in from General Eisenhower's headquarters as urgent practical problems arose first in North Africa and later in Italy. All this left little time for the long-term planning of policy, and aside from work done on military government handbooks and manuals at Charlottesville, the year marked little progress on German affairs.[41]

Recurrent efforts of CAD to arrange to have someone outside the War Department conduct studies on German institutions indicate the limited progress of the Army towards competence in long-term military government planning made by the end of 1943. These studies were originally conceived as an examination of Axis laws, to be conducted in the Department of Justice. The request was soon withdrawn as the need for something broader in scope became more apparent. But by the end of the year nothing more concrete had been done than to discuss the project with two Harvard professors.[42]

At the end of November, while the chiefs of state were discussing at Teheran what to do with Germany, State submitted to CAD for its clearance the "Treatment of Germany" paper presented by Hull at Moscow. CAD specifically approved of State's intention that the surrender terms be brief, was troubled that the paper made no direct statement that military government was contemplated (it did speak of occupying forces), and objected outright to the proposal to scrap German armaments as a part of the plan to disarm Germany. CAD wanted it made clear that a period of military government was inevitable and should be provided for, and wanted to preserve German armaments in case they could be used in the war against Japan.[43] The larger issues such as economic policy, dismemberment, denazification and demilitarization, it passed over in its concern for what it considered at this time to be the only aspects of German policy which were important from a military standpoint.

D. ANGLO-AMERICAN MILITARY PLANNING FOR THE OCCUPATION OF GERMANY

The war was conducted by a Grand Alliance, but the members of the Grand Alliance were not all equally involved in the whole global conflict, nor, *a fortiori,* on all fronts. In much of the world, the Anglo-American partnership was very close and nowhere more so than in the campaigns in the Mediterranean and European theaters of operations. In the Mediterranean, from November 1942 to the end of 1943, General Eisenhower was commander of a combined headquarters, acting under the direction of the Combined Chiefs of Staff whose superiors were the President and the Prime Minister. Coalition warfare under CCS and General Eisenhower's AFHQ was found workable and successful; it established a pattern for future operations in Europe.

At the Casablanca Conference in January 1943, Roosevelt and Churchill agreed that Allied forces would invade France in 1944, and

agreed further to set up an organization in England to prepare plans for the invasion. The planners, as well as the invading armies, were to be "combined," i. e., Anglo-American. In the early spring of 1943 the planning agency was established under the deliberately mystifying designation of COSSAC—Chief of Staff to the Supreme Allied Commander (designate); COSSAC himself, pending the long-delayed designation of a supreme commander and the formation of his command, was British, Lieutenant General Sir Frederick E. Morgan.[44]

General Morgan's primary concern, in his uneasy position, was the planning of the actual invasion. In time, however, he found it necessary to assign officers to civil affairs planning as well, and by an odd circumstance was forced to develop plans for the occupation of Germany almost a year before the actual invasion of France, almost two years before V-E Day.

What happened was this. Periodically, in both London and Washington, there was a sudden conviction or fear or hope that Germany would collapse. One such occasion occurred in the summer of 1943. At the end of July, Morgan was told to prepare RANKIN (Plan C), as it was called, a plan for operations if Germany did collapse, and to have it ready so that it could be presented at the first Quebec Conference which was to open on August 14.[45]

RANKIN (C) dealt with a complicated problem, involving as it did plans for the countries that would be suddenly liberated as well as for Germany itself. The plans for Germany were rudimentary, but in one respect they were specific and determinative of future controversy and action: this was the question of occupation zones. On a question of this sort, planning allows no room for ambiguity.

Morgan sought guidance from the British government, and received none. He thereupon proceeded on three straightforward assumptions: (1) British, American and Russian armies would occupy Germany; (2) the zones should be of approximately equivalent size; (3) Berlin, as capital, would be a separate enclave. On a map of Germany lines were drawn, following provincial boundaries, showing three zones fitting these assumptions. The remaining question was who would get which zone. Obviously the Russians would be in the East. The decision on the Western assignments seemed almost equally automatic, for the American troops already in Britain were in the West; they would enter the continent, and ultimately Germany on the right flank, and would therefore arrive in the Southwest zone.[46]

RANKIN (C) was ready on August 13, and forwarded to Quebec, where it received the general blessing of CCS. From the standpoint of COSSAC, this marked the beginning of serious planning for civil affairs, but the problem of zonal boundaries had a strange life of its own.[47]

Morgan's plan for the zones was, as has been said, approved by CCS at Quebec and, though designed for the case of German collapse, soon became the plan for use after victory as well. Whether this item, one among many, was discussed at Quebec by Churchill and Roosevelt is not known, though of course CCS had reported the plan to them and they had approved the final CCS report. (There is no available evidence that either Hull or any of his assistants was told of this, but then or later they learned that there was some kind of joint Anglo-American agreement or disagreement over occupation zones.) At any rate, by mid-November Roosevelt decided that he did not like these arrangements. He was extremely eager to have no involvement with France, or any responsibility for order or for relief there, or in southern and central Europe, including Austria. He was also anxious to facilitate the redeployment of our forces to the United States and the Far East, especially since he believed that our forces of a million men could not stay in Europe more than one or maybe two years after the end of the fighting in Europe. For these reasons he was determined that we should have the Northwest zone while the British took the Southwest zone.

The President's views were expressed to the Joint Chiefs of Staff on the U. S. S. *Iowa* en route to the Cairo and Teheran Conferences. On November 19, 1943, in a discussion of RANKIN, he reiterated his desire for the Northwest zone. In what seems to have been a rather confused fashion, he linked the concept of occupation zones with the concept of dismemberment. He had in mind the creation of three German states, with the possible addition of a buffer state between Germany and France; presumably each of the three zones would later become one of the three states. Either forgetting or setting aside General Morgan's map, he

took a National Geographic Society map and drew hasty pencil lines on it to show the boundaries he wanted for the three zone-states. The Joint Chiefs indicated that his plan would present certain logistic problems because the U. S. Army was and would be on the right flank of the British Army, but they said they would work out a solution.

Aside from logistic and other difficulties, it is hard to imagine that the Russians or the British would have accepted Roosevelt's zonal proposal. Morgan's plan had made three slices of Germany with almost equal divisions of population and area. Roosevelt's proposal contemplated the creation of a buffer zone or state and an assignment of a lion's share of the rest to the United States; both Britain and Russia would have seriously reduced shares. The pencil marks on the map also show that Roosevelt proposed that the U. S. and Russian zones meet at Berlin, though the minutes could be interpreted to mean that Berlin would be in our zone.[48]

Roosevelt's plans did not suit Churchill. At the second Cairo Conference, on December 3, 1943, Churchill and Eden argued with Roosevelt for the Northwest zone; Admiral Leahy, who was present, seems to have agreed with them and presumably said nothing. The issue was debated but not resolved at a meeting of the Combined Chiefs of Staff the following day.[49] They merely decided to ask General Morgan to study the possibility of devising a plan that would resemble Roosevelt's map. A later discussion between Roosevelt and Churchill—largely in terms of dismemberment—was inconclusive. Thus, when the time came to send Winant instructions, the Army had become possessor of two plans for zonal boundaries, and was also awaiting agreement by Roosevelt and Churchill on zonal assignments. Of all this, the Department of State was only generally aware. It did not know what the agreements and disagreements were.

One additional element in combined planning during 1943 needs to be noted. In July, CCS established the Combined Civil Affairs Committee to recommend civil affairs policies for occupied and liberated areas, and to coordinate military and civilian agency interests. Its chairman was Assistant Secretary McCloy, and its other American members were General Hilldring, a Navy officer, and James C. Dunn, Director of the Office of European Affairs of the State Department. Two British members represented the Joint Staff Mission, one the Foreign Office, and one was a civilian expert.[50]

CCAC, as a subcommittee of CCS, normally prepared instructions for transmission by CCS to Eisenhower, or other heads of combined commands. Thus, though it included important civilian representation, it was not designed as a general civil-military coordinating body, as useful on the American side to the State Department as to the military; and its formal access to Roosevelt and Churchill lay only through military channels. Furthermore, it was not designed to prepare policies for areas where the Russians would join in the occupation, or for the period after dissolution of a combined command.

Notwithstanding its limitations, CCAC had a function to perform, and soon started on its task. In its early meetings it dealt largely with problems of Italy, but soon began on other matters. In the fall, it ran into difficulties. The British were eager to make London the headquarters for all civil affairs matters. From November to the end of January CCAC was deadlocked. And the U. S. Army, not pleased with what they viewed (with much reason) as an attempt by the British to dominate civil affairs, looked with disfavor on EAC (the tripartite European Advisory Commission) because of its London site.[51]

E. SUMMARY

By the end of 1943 the American armed forces had had some valuable experiences with civil affairs in North Africa and Italy, the first Big Three wartime conference had been held, and the cross-channel attack had been set for the coming spring. Occupation policy for Germany remained unsettled. Preliminary soundings at Moscow and Teheran in October and November had revealed that the three powers were not prepared to commit themselves as yet to a policy and, indeed, that there were divisions within their own governments. If the discussions at Teheran on the post-war treatment of Germany indicated anything about substantive policy, it was that the three heads of state favored some form of dismemberment of Germany.

But while policy issues remained unsettled,

eral policy but not particularly precise, and certainly not concrete in the spelling out of policy. For use within the Department, these papers might have been entirely adequate in their precision. But they were to prove ambiguous when subjected to hard negotiation with Treasury and War.

State accepted its position as policy-maker for the post-war treatment of Germany, but this function was performed by middle-ranking officials who received little active support from the Secretary's office. Evidently at the end of 1943 State was not willing (or perhaps able enough) to give policy-making for the treatment of Germany, or cooperation with the War Department on such matters, a priority high enough to require the Secretary's active and continuing interest.

By the beginning of the third year of overt American participation in the war it was becoming increasingly evident that the War Department's role in occupation was bound to be significant. Cooperation between the State and War Departments seemed essential. But the two departments were not finding a working relationship easy. State had been preoccupied with refining policy documents, while the War Department viewed civil affairs largely as an intrusion upon its primary responsibilities, both because these "non-military" matters seemed to threaten the involvement of the Army in politics, and because they were rivals of military requirements.

While at the end of 1943 the State Department had only begun to view the settlement of German policy as urgent, and hence cooperation with the War Department as necessary, by this time the latter had four persuasive reasons not to reciprocate. A continuing one was the security problem: the War Department, determined to protect the secrecy of its operational plans, was unwilling to share information related to them with State. Another reason was the War Department's experience with establishing the zonal boundaries for occupation which suggested that going to the trouble of clearing with or even consulting the State Department in the settlement of pressing political issues related to military operations was unnecessary. Here had been an urgent policy question which the combined planners in London had wanted settled. And to the extent that it was by 1944, it was settled through the Joint Chiefs of Staff dealing directly with President Roosevelt.

A third reason persuading the War Department against cooperation with State had developed over the Army's struggle to prevent the British from dominating Anglo-American civil affairs. The War Department had insisted that a duplicate CCAC sit in Washington because the British seemed intent on dominating the original one in London. Since State expected to use EAC as its channel for an agreed Anglo-American policy, and EAC sat in London where the British could also (as the Army thought) dominate it, the War Department officials who had fought the civil affairs battle with the British were understandably reluctant to help State support the EAC. At the same time, the existence of a combined staff structure under CCS, and in COSSAC in London, assured the War Department of its own avenue to Anglo-American agreement which was a potential rival to the distrusted State-EAC channel.

But besides these factors which tended to persuade War Department officials to drag their heels in State-War cooperation, and to look towards military channels instead for settling policy on the treatment of Germany, the War Department's conception of its role in civil affairs as only the executor, and perhaps the coordinator, but certainly not the maker of policy, compelled it to take seriously the State Department's efforts at policy-making. As we shall see, however, not all of the above reasons were equally apparent to all War Department officials, which meant that cooperation with State was viewed differently in different parts of the War Department.

Thus the problems emerging at the end of 1943 within the American government over the establishment of policy for the treatment of Germany were less matters of substance than of procedure. No one had challenged the State Department's policy paper or, in principle, its right to make the policies involved. The major task at hand was to develop a working relationship with the War Department. But if issues of substance had not yet been joined between State and War, several important ones were nevertheless emerging. Was the Army to conduct a "neutral" administration of Germany, leaving to a later time, when the State Department would be in charge, the

some administrative machinery for settling them had been constructed—on the tripartite level the European Advisory Commission, for Anglo-American affairs, CCAC, and within the American government the Working Security Committee, described below. What any of them could accomplish remained to be seen.

The President, the State Department, and the War Department were playing the major roles at this time in the development of policy for Germany within the American government. If President Roosevelt had been a different kind of person, what he wanted might have been describable in one or more of several ways. He might by this time have had strong views about, first, the general nature of policy, and, second, specific programs for carrying out that policy. In fact, his general view (he wanted to be stern) was too general to be policy, and his only specific program, if dismemberment could be called that (and on that he was not absolutely sure), was opposed by the State Department. Third, he might have decided upon the procedure by which the American position on occupation policy for Germany was to be determined within the American government. He had already taken positions which had implications for this decision: that the War Department was to have a minimum role in policy-making, and that the State Department was to have a maximum role in the administration of liberated areas, and in the development of a tripartite policy in the European Advisory Commission. But he had allowed the War Department to handle with him the first concrete decision concerning post-war Germany, the determination of zonal boundaries; the Army's demand for behind-the-lines control in the Mediterranean was evidently going to be given liberal interpretation with Roosevelt's blessing; and the importance of EAC, and hence of State, in all of this was illusive.

Fourth, he might have decided how urgent it was for his government to reach tripartite or Anglo-American agreements on policy, and how far such agreements should go. Early in 1942 he had shown some interest in reaching an agreement with the British, and then with the Russians, on what to do with Germany in case she collapsed unexpectedly. But by the end of 1943, since the President had offered no substantial encouragement to efforts to answer the question in the meantime, it was clear that he did not regard tripartite agreement as very urgent. Actually, both he and Hull disapproved of decisions on post-war settlements while the war was still going on. The establishment of the European Advisory Commission at the end of the year provided a basis for a new test of his sense of urgency, the results of which were not yet evident. And, as later occurrences will make clear, for better or for worse, and in accordance with what he had said on one occasion during Eden's visit, he had evidently decided to postpone policy until the actual situation in Germany could be surveyed and until more could be known about other factors relevant in the determination of long-range policy for Germany.

What Roosevelt wanted could therefore be described with the fourth alternative: that policy commitments for the treatment of Germany were not greatly urgent and should be postponed wherever possible. He had, to be sure, indicated his preferences from time to time regarding the three other approaches to policy for Germany. But only with respect to the fourth approach was he consistent in both his expressed and applied views. He had decided not to decide just yet; but he did not stifle, as we shall see, all efforts to produce policy. That would have put him under a handicap when the time came for making a decision. On the other hand, he did not encourage his subordinates to badger him with potential policy commitments; it was the pressure of their work that forced them into doing that.

The State Department position on the post-war treatment of Germany had taken shape in mid-1942, and had not changed by the end of 1943. State shared the popular desire for a stern peace: it sought demobilization, demilitarization, denazification, and restitution. But the enforcement of these programs was to be limited because of the long-term objectives of State Department policy. State Department officials believed that in order to enable Germany to develop as a peace-loving democracy (which was State's panacea for post-war international relations), post-defeat living conditions in Germany would have to be attractive enough to endear the new regime to the Germans.

In attempting to strike a balance between these two conflicting objectives, State had produced a variety of finely drawn policy papers which were careful in their statements of gen-

carrying out of American post-war objectives towards Germany? Surely this would be impractical; and yet it was the only way the Army could be kept out of policy-making. To what extent were long-term policy considerations to give way to military "necessities," real or alleged, or to the Army's judgment as to what policies were workable, during the period of Army occupation? This was the major potential conflict between the State and War Departments, and neither of them really anticipated it.

The imminent procedural problems were attributable to the inherent rivalry, so to speak, of the two policy-making channels: the Working Security Committee—European Advisory Commission channel (described below) sponsored and fostered by State, and the joint and combined military staff channel dominated by the military, especially the War Department.

II. POLICY FOR GERMANY: THE CRYSTALLIZATION OF STATE AND WAR DEPARTMENT POSITIONS (JANUARY TO AUGUST 1944)

During the first eight months of 1944 a variety of efforts, well organized though not always vigorously pressed, were made in a variety of ways to settle the emerging questions concerning the German occupation. One major effort—the one which yielded the most tangible results—concluded with the issuance of a policy directive to Eisenhower, who as commander of the combined operation across the English Channel was to open the new front in Europe and destroy the enemy forces. The directive set the policy for the administration of behind-the-lines military government by the Allied forces in Germany while the German state was still at war. Another one was the effort of the State Department to provide the American representative on the tripartite European Advisory Commission with policy guidance for negotiations over the treatment of Germany which had been cleared with the War Department, since the Army would have initial responsibility for carrying out any policies agreed to in those negotiations. As disparate as these two efforts were, both had their origins in the President's trip to Cairo and Teheran at the end of 1943, the former, in his decision at Cairo to appoint Eisenhower to command the combined Western front operation, which led immediately to a request for a combined directive on pre-surrender occupation policy; and the latter, in the decision made at Teheran to approve the Foreign Ministers' recommendation and establish the European Advisory Commission, which, *inter alia,* would serve as the forum for the negotiation of a three-power agreement on Germany. Besides these two-power military and three-power diplomatic efforts at the settlement of short-term and long-range policy, respectively, the State Department sponsored in the spring of 1944 an inter-departmental committee intended to reach agreement within the Executive Branch of the American government on foreign economic policies. Although the committee membership did not include the War Department, it gave extended consideration to post-war economic policy for Germany. These three efforts to establish policies for the occupation of Germany led to the crystallization of the State Department's position on occupation policy and the War Department's position on its role in the occupation. These were the positions held by the two departments at the time of the intervention of the Treasury Department in the determination of our German policy in August 1944. They therefore deserve fuller treatment.

A. CCS 551: THE PRE-SURRENDER DIRECTIVE (DECEMBER 1943 THROUGH APRIL 1944)

On December 5, 1943, during the second Cairo Conference, President Roosevelt had finally decided to appoint General Eisenhower to the supreme command of OVERLORD; on January 15, 1944, Eisenhower arrived in London to take up his duties. Thereupon SHAEF succeeded COSSAC, inheriting its staff and its voluminous plans, but bringing in new officers (mostly from AFHQ), and endowing the headquarters with the command authority that COSSAC had lacked.

The time was short, since the target date for the invasion was only four months hence. COSSAC had made great progress, but its plans were incomplete and not authoritative. Eisenhower wanted major changes in the proposed initial landing operations. Changes were also

soon instituted in the staff and organization for civil affairs, and officers went to work to revise the handbooks and manuals that had been prepared in COSSAC. There was no neglect of Germany. In March 1944, SHAEF had some thirty-eight studies planned or in preparation, dealing with such diverse topics as armistice terms, disarmament, and control of German courts. By the end of April, some seventy-two studies were in process.[52]

At about this time, Eisenhower asked CCS for a definitive directive on the military government of Germany. In Washington, CCS, appropriately enough, referred the request to CCAC, which replied to Eisenhower that EAC was working on a directive and program for Germany. However, since early agreement in EAC was not anticipated, CCAC agreed to initiate a directive for the pre-surrender period with the understanding that it would be subject to amendment by EAC. This directive, known as CCS 551, was approved informally by the Combined Chiefs of Staff and dispatched to Eisenhower on April 28, 1944. It was later circulated in EAC for Russian examination. Financial, economic, and relief supplements were approved by CCS in May 1944, and the financial guide was amended in August.[53]

Before turning to the substance of CCS 551, it may be useful to consider its background. Any agreements on tripartite government of Germany could not very well come into effect until the surrender, since the Russian armies in the East and the Allied forces in the West would be separated by whatever German forces and government still survived. By the same token, until the fighting was over, SHAEF would certainly continue as a combined command. Thus a single directive for the Anglo-American armies for the pre-surrender period was essential.

The War Department took the initiative in drafting CCS 551, although the initial proposals may have come from Eisenhower. On the American side the State, Treasury, and Navy Departments participated in the initial drafting and in resolving divergent views with Great Britain.[54] Quite probably the Foreign Office and State Department representatives were responsible for the careful preservation of EAC's jurisdiction. The Army, as has been noted, was suspicious of EAC, though the desire to secure Russian concurrence and to preclude any impression that the British and Americans were "ganging up" on the Soviet Union was accepted policy in JCS as well as in the State Department.[55]

Some of the foregoing is speculative, but CCS 551 itself can be analyzed directly. Entitled "Combined Directive for Military Government in Germany Prior to Defeat or Surrender," it was addressed to General Eisenhower as Supreme Commander, Allied Expeditionary Forces. It served as the basic document for Anglo-American civil affairs planning for Germany at the time of the Normandy landings, and was to remain in effect until the surrender of the German armies. In September 1944, an Interim Directive known as JCS 1067 was issued; this was designed to apply to the period immediately following surrender and was issued to Eisenhower as the commander of American troops in Europe, not as Allied Commander. CCS 551 was never rescinded. Its semi-successor, JCS 1067, was never endorsed by the British military chiefs, and applied only to the American zone in Germany and only in the post-surrender period.

The opening words of the Political Guide, Appendix A of CCS 551, were these: "The administration shall be firm. It will at the same time be just and humane with respect to the civilian population so far as consistent with strict military requirements. . . . It should be made clear to the local population that military occupation is intended (1) to aid military operations; (2) to destroy Nazism-Fascism and the Nazi Hierarchy; (3) to maintain and preserve law and order; and (4) to restore normal conditions among the civilian population as soon as possible, insofar as such conditions will not interfere with military operations." To accomplish these aims CCS 551 envisaged extensive controls over the economy. Military government would see to it that the production, control, collection, and distribution of food and agricultural produce were maintained, and that the production of food was maximized. Utilities and coal mines were to be kept in full working order, and the German industrial plant was to be protected. German regulations of wages, prices, and rationing and the German tax system (except discrimination in favor of Nazi troops) were to be continued. Exports, imports, and the inland transport system were to be controlled to aid the Allied military effort.

The political clauses were limited. The Supreme Commander was to "permit freedom of speech and press, and of religious worship, subject to military exigencies and the prohibition of Nazi propaganda; and establish local government, making use of Germans or of Allied officers. Military Government will be effected as a general principle through indirect rule." Fraternization was to be discouraged; and sweeping measures undertaken to destroy Nazism and Fascism, and the German General Staff and Supreme Command. Discriminatory Nazi legislation was to be revoked, but there was no absolute ban on the employment of Nazis. Political activity was to be forbidden or discouraged, but the Supreme Commander was to "permit the formation of a democratic trade union movement and other forms of free economic association."

The directive also covered Austria, if Allied troops entered Austrian territory. By contrast with the rule for Germany, fraternization was to be permitted, and political activity given more latitude.[56]

CCS 551 thus shows the paramountcy of military considerations. Law and order and the production of food and other goods were objectives that would contribute to Allied military success. The only major specifically political objective contemplated in the directive was the vitally significant but purely negative one of destroying Nazism.

B. INSTRUCTIONS FOR WINANT (DECEMBER 1943 THROUGH AUGUST 1944)

1. Establishing the Working Security Committee

As soon as the three members of the EAC were named at Teheran, the State Department moved to establish a mechanism for interdepartmental clearance of instructions for Ambassador Winant. It was realized that other agencies, notably the War Department, had a material and legitimate interest in the EAC actions. There was clearly need for some sort of inter-departmental committee structure, and a plan for inter-departmental cooperation was proposed. Apparently the original proposal of the State Department called for a State-War-Navy committee "at the Assistant Secretary level," to be established by the President, assisted by a drafting group with members from the same departments. But this plan was abandoned, and only the drafting group was created. Named the Working Security Committee, it was established on an "informal" basis by a letter from the Secretary of State to the Secretaries of War and Navy asking them to designate members. The chairman of WSC was James C. Dunn, the State Department representative on CCAC, but after the first two meetings his place was taken by James Riddleberger, the division chief in charge of Central European Affairs under Dunn. The "principal permanent representatives" of the State Department were, in addition to the chairman, the Chief of the Division of Territorial Studies and the Adviser in the Office of Economic Affairs; other State Department officers also attended. Sometimes as many as ten came to one meeting. The Civil Affairs Division appointed the Army representative, Lieutenant Colonel Edgar P. Allen. The Navy member was designated by the Office of the Chief of Naval Operations. He was Commander Curtis Shears, but his alternate, Lieutenant T. R. Cissel, usually sat for him.[57] In anticipation of the establishment of inter-departmental clearance procedures, State had submitted informally to CAD, as soon as the results of the Teheran Conference became known in Washington, the paper on the "Treatment of Germany" which Hull had distributed at the Moscow Conference in October, so that by the time the Working Security Committee got underway on December 9 with the formal submittal of that document to CAD, Hilldring had already taken a position on it.

In conformity with the CAD position (on which it felt it had State Department agreement) that on military government matters State was to take second place to the War Department, the CAD member who represented the War Department began—and temporarily ended—the proceedings for organizing the Working Security Committee by asserting that WSC had no jurisdiction over the surrender and occupation of Germany, since these were "a military matter," to be decided "at the military level"; necessary orders would be issued by the Combined Chiefs of Staff. This stopped all progress for two weeks,[58] until the deadlock was broken from above.

On the same day that his representative on

WSC deadlocked its proceedings, Hilldring referred the State Department paper to Stimson and McCloy. The CAD reaction to State's attempts to initiate WSC work had seemed adamant and severe, but it did not reflect major differences over substantive policy. CAD's interest in the document was confined to three matters. One was the implication that the surrender instrument should be brief; on this CAD agreed with State. A second was the role anticipated for American military government. The paper made no direct statement that military government was contemplated. CAD thought there should be a formal announcement of military government, particularly since they anticipated that American troops in Germany would encounter chaotic conditions, whether or not capitulation occurred before or after occupation.[59] Finally, CAD objected to the State Department's proposal to scrap German armaments, arguing that they might be used in the war against Japan. This initial reaction showed the protective concern of CAD for the authority and discretion of military commanders to prosecute the war whatever the surrender conditions, plans for indigenous populations (to use the Army phrase), or disarmament policies.

Eventually the deadlock was broken. The first regular meeting of WSC was held on December 21, 1943. The State Department submitted some thirty or more papers, all dealing with policy questions relating to the surrender and occupation of Germany. WSC had plenty to work on; but there were troubles ahead. Because of the State Department's view of the committee, it did not feel obligated to present a single agency position in the WSC. The several State Department spokesmen who attended WSC meetings would often take different positions, with the result that CAD could not assure the JCS staff that WSC papers represented State Department positions. On the other hand, to the State Department representatives, bargaining with CAD seemed like bargaining with the Russians, marked as it was by interminable haggling. Progress was slow at best and nil at worst.[60]

2. *WSC and the State Department*

State's view of the WSC function was expressed in a memorandum prepared in the Division of European Affairs:

> It is our understanding that the Working Security Committee is intended to constitute a central body within this Government through which the policy recommendations of the various interested agencies on matters before the European Advisory Commission can be cleared. It is the function of the Committee to provide Ambassador Winant with draft documents stating the views of this Government for presentation to the European Advisory Commission[,] with directives to be followed by him in his conduct of negotiations, and with background material which, though not necessarily representing the definitive policy of this Government, is essential for his guidance in discussion of the various subjects before the Commission. It is likewise the duty of the Working Security Committee to take appropriate action on and reply to incoming communications from our representative on the European Advisory Commission.[61]

State saw the Working Security Committee as "an operational unit and not a body for the conduct of research and debate."

What did all this mean? "Operational unit" could not be taken in any conventional sense, for WSC was not by any stretch of the imagination engaged in operations. But operating, in administrative terms, is a relative matter, usually referring to the central day-by-day responsibilities of the agency. Surely in this sense State was justified in viewing the function of WSC, which was to provide guidance for the ambassador engaged in tripartite diplomatic negotiation, as close to the center of its immediate responsibilities, that is, as "operational." Even thus limited, this interpretation is not entirely accurate, however, for WSC was not expected to establish, or generate the establishment of "definitive policy," but to generate guidance short of final commitment by the government. The above quotation reveals the desire of the State Department that Winant's instructions be flexible enough to allow for genuine negotiation in the unusual diplomatic situation in which he found himself. No doubt this fact helps to explain why the Department did not expect to supply him with unalterably final positions for "negotiations."

Though explainable, State's conception of WSC's function was nevertheless ambiguous. And the ambiguity made working with the War Department more difficult for State.

The function of WSC was tied up with the scope of authority of the European Advisory

Commission. On this subject State was ambivalent. On the one hand, it was drawn into supporting EAC by reason of its primary responsibility for negotiations there and the possible implications of those negotiations for postwar planning. On the other, it saw EAC as a potentially permanent regional international organization which would rival the projected United Nations Organization, to which State was strongly committed. Thus, though for different reasons, the State and War Departments both distrusted EAC.[62] Evidently officials in both Departments were disturbed by the expansive views of the British regarding the purpose of the Commission. These were made public (and, probably, carelessly overstated) on December 17, 1943, when the Under Secretary of State for Foreign Affairs, George Hall, said in the House of Commons that, according to his understanding of the functions of the Commission, it was "charged to consider almost any question with regard to peace problems which might arise when war is over," and that this included the Japanese as well as the German war.[63] The State Department wished to confine the jurisdiction of the European Advisory Commission to the letter of its charter from the Teheran Conference protocol. But this included a surrender instrument and control machinery for occupation, and, by implication, agreed policies which could serve as the basis for operating the control machinery. The ambivalence of the Department toward EAC was magnified by the view, taken by "Hull, the entire State Department, . . . Winant, and his Delegation," that the "Allied Control Council for Germany could not be made to function unless the three governments provided their military commanders with a solid foundation of agreed specific and detailed policy directives to be enforced uniformly throughout Germany," a view which they shared with the British.[64]

3. *Differences over the Status and Purpose of WSC*

The State Department provided WSC with satisfactory support, once agreement was reached in WSC: cables to Winant agreed upon there went out without undue delay, for the committee machinery of the Department could ensure sufficiently prompt internal clearance. But the State Department officials who set up WSC were unable to provide for other necessary mechanisms, and never quite understood their relations with the War Department. There was, for example, no systematic way in which the actions of WSC could be geared into the elaborate and effective committee structure underlying the Joint Chiefs of Staff and the Combined Chiefs of Staff. There was, as has been noted, no committee superior to WSC that would permit its problems to be considered formally and regularly by State, War, and Navy Secretaries or Assistant Secretaries. To be sure, Dunn served on the Combined Civil Affairs Committee, a committee whose field of interests paralleled or overlapped that of WSC. Yet obviously neither CCAC nor its superior CCS could send instructions to Winant, although CCAC-CCS instructions for Eisenhower would be closely related to WSC instructions for the Ambassador. Possibly, since the chairman of CCAC was the Assistant Secretary of War, the use of CCAC or its "American side" to secure clearance or concurrence on WSC problems by its State Department member might have been effective. But this possibility had already been fairly well eliminated when earlier efforts to establish a Civil Affairs Committee under the Joint Chiefs of Staff failed. Indeed, the proposal of a committee of Assistant Secretaries from State, War, and Navy (described above) was an effort to correct that deficiency; and its rejection only a further sign that opposition to it still existed in the Navy and the Joint Chiefs of Staff. The major stumbling block in both instances was the reluctance of the Joint Chiefs to accept closer liaison with civilians, particularly outside their own department. Without access to JCS papers, the suggested council of Assistant Secretaries could not hope to achieve a common position for both State and the military; but the Joint Chiefs would not allow access to their papers for reasons of security. Similarly, efforts to establish a Joint Civil Affairs Committee failed because of objections raised in the War Department to having a civilian agency (State, and possibly Treasury) represented on a committee of the JCS, which was conceived as a purely military organization. CCAC represented a partial breach of the dike, and eventually—in December 1944—the impasse was removed with the establishment of the State-War-Navy Coordinating Committee, described below.

These problems appeared to be organizational and procedural, but behind them lay fundamental differences of view between the State and War Departments about their respective roles in the formulation and execution of policy. Although Hull and Stimson had reached an understanding about the functions of their respective departments, Hull evidently did not make that understanding clear to his subordinates, for a year later, in December 1943, Dunn expressed a widely held view in State in instructing George F. Kennan upon his appointment as Counselor for the U. S. Delegation to EAC. Kennan was admonished to remember that in wartime the State Department had only an advisory role, and gave advice only when it was asked.[65] The War Department's view, it should be recalled, had been made clear to Hilldring at the time of his appointment as head of CAD. Both Stimson and Marshall had told him that his agency was not to make political policy. Put together, these views would seem to produce a policy vacuum into which neither State nor the War Department was willing to move; in combination they should at least have meant mutual forebearance as each department approached issues of policy with reluctance. But both of these inferences are incorrect. War and State differed over the meaning of "policy" and the requirements of "policy guidance" for the field, so that when they denied themselves jurisdiction (and responsibility) for policy, they were talking about two different things, which they were inclined to deal with differently, anyway. Although State considered its policy role to be only secondary to the military function in wartime, it considered itself responsible for diplomatic relations and for post-war planning, a function which it took very seriously indeed. Between the pressure for policy guidance for Winant, and State's interest in anything which was likely to affect post-war conditions, its determination to give the military their head was likely to be abandoned. As we shall see, its concern with long-range, in contrast with short-run, policy could lead it to insist that nothing should be done in the short run to jeopardize long-run considerations. The War Department, in contrast, was inclined to view policy—or at least the kind of policy which it was supposed to avoid making—as something quite apart from military considerations. In its attempt to protect its own freedom of action in military affairs, and to provide Eisenhower with adequate guidance for military operations, the War Department in fact became involved in what it intended to avoid in principle, political policy determination.

For all of these reasons, the War Department and the State Department both found themselves, particularly after the civil affairs mix-ups in North Africa, leading contenders in a contest which both of them had declined to enter.

Furthermore, in its dealings with State through WSC, CAD was caught in a vacuum between its instructions to leave political policy-making to the Secretary of War and security policy-making to the Chief of Staff (or the Operations Division). Besides its operating responsibilities, CAD was to be only expediter and coordinator of policy, and not a policy-maker in its own right. Until this definition of its function was changed, its membership on an inter-departmental committee to clear policy for Winant was an anomaly. Moreover, the existence of such a committee implied co-responsibility for State and War in advising Winant. Since the War Department did not regard this to be the case, Hilldring could only treat membership for CAD on the committee as an advisory function, which implied no commitments to or responsibility for policies considered by the committee.[66] Inevitably, this was unsatisfactory to State, which had established the committee in order to get the War Department committed to its policy papers—as it turned out, often before they were cleared internally in State.

The difficulties encountered by CAD in its initial attempt to establish an appropriate relationship for itself and for the War Department as a whole with the Working Security Committee did not end with the breaking of the deadlock marked by the holding of the first regular meeting of the committee on December 21, 1943. The State Department submitted at that meeting more than thirty papers on German policy for clearance. Without objecting to the general substance of policy, CAD now found, as it had with the "Treatment of Germany" paper, much that was not in harmony with War and Navy Department thinking.[67] The changes which were needed would take time, but the time was needed anyway for clarifying the role of the War Department in guiding

the United States representative to the EAC in his tripartite London negotiations.

4. The Clearance Problem

The Department of State tried to use WSC for two kinds of business: (1) replies and instructions to Winant in his coping with questions as they arose in EAC under the Moscow charter; and (2) the formulation of inter-departmental policy as a basis for Winant's instructions. With respect to the first, WSC had been assigned three "urgent" matters: an instrument of surrender, allied control machinery, and zones of occupation. The first two of these were worked out in a few months in WSC and satisfactory instructions forwarded to Winant (later vicissitudes are irrelevant here). But even they demonstrated problems of WSC clearance which plagued it until it was superseded by the State-War-Navy Coordinating Committee in December 1944.

The clearance problem can be stated simply enough: The State Department wanted War and Navy Department clearance for its instructions to Winant. But War and Navy Department clearance meant JCS clearance. Navy Department clearance was usually no problem. CAD was the principal agency in the government exclusively concerned with civil affairs matters, and this fact, along with the limited relationship between naval operations and civil affairs in Germany, assured the War Department leadership in European civil affairs. Clearance, then, meant War Department and JCS clearance.

But the clearance problem was in fact not so simple. For one thing, the Joint Chiefs would not accept for consideration anything which had not been thoroughly cleared in the State Department. For another, the requirement of War Department clearance meant interminable delays while staff divisions tried to cover themselves on matters to which they had never given much consideration. Taken together, these clearance requirements resulted in painfully protracted problems for the State Department in seeking inter-departmental clearance for EAC negotiations. At times they meant that WSC was merely an outpost through which State approached the Joint Chiefs.

The clearance problems encountered in dealing with the three urgent matters, surrender terms, occupation machinery, and zones, were not, on the whole, the central problems of WSC clearance. Initial guidance on surrender terms went through quite rapidly (although not rapidly enough to satisfy the State Department, which was not yet accustomed to the slow motion of the committee). WSC, which met almost daily in these early months, completed a detailed review of the basic document on German surrender terms in one week. Army and Navy clearance took two weeks, and JCS clearance one week. But this speed was no indication of military cooperation with the State Department. The Joint Chiefs did not clear the original document, which was a British draft in much detail, but a commentary on it which made the largely negative point that the surrender instrument should be as short as possible; besides approving this commentary they approved the appropriate substitute, i.e., a short draft instrument. As this procedure was seen in the State Department, the draft text of the German surrender instrument which was finally cleared and sent to Winant "was prepared in the War Department and . . . not communicated to the Working Security Committee until after it had been approved by the Joint Chiefs of Staff."[68]

Occupation machinery was a subject which also fared poorly in the military clearance procedures for WSC, although here again the action was relatively prompt. After some delay, WSC agreed on February 1 to a document on "Military Government of Germany" and referred it to the Joint Chiefs via General Marshall's "Command Post," OPD, the Operations Division.[69] Here, for the first time, the question of how to get JCS approval for a document which did not have full War Department and State Department clearance was faced. OPD's solution was to clear the document for referral to the Joint Chiefs only on condition that they be told that it was only a preliminary draft of the United States' views. OPD recommended that JCS only "take note" of the document and insist that Winant clear it with Eisenhower before using it in EAC negotiations.

The Joint Chiefs did not act to approve the OPD proposals until February 24. In the meantime, Winant had cabled his concern over the delay, stating that he was being pressed by the British to discuss the subject.[70] The response from Eisenhower's command came a week after

JCS approval. The document had proposed three separately occupied and administered zones following German defeat, with a tripartite control council for coordinating the administration of these zones. But SHAEF was planning for an Anglo-American combined administration of military government during the operations phase in Germany. Fearing that switching over to separate administration and occupation at the close of hostilities would prove too disruptive, Eisenhower approved the proposal for a tripartite control council, but not the separate British and American administrations for their respective zones. He thought it would be more practicable to continue the combined Anglo-American administration for the two zones, while each country would occupy its own zone with its own troops.[71] The State Department learned Eisenhower's views from Winant. The dissent which it promptly registered with CAD was based on an established premise: It was necessary to avoid going to the Russians in the EAC with a fixed Anglo-American position. CAD could add to this its knowledge that the President and the Joint Chiefs had taken a firm stand that the United States should not participate in the occupation and administration of Germany except in Northwest Germany.[72] McCloy, visiting the European Theater of Operations headquarters in mid-April, pointed out to Eisenhower that in view of the President's known position, the proposal for a combined administration of occupation zones would not be acceptable. He emphasized that the President had made up his mind on the matter and did not welcome suggestions of alternative policies from U. S. officials in or out of uniform.[73] Eisenhower withdrew his objection to the control machinery document, and in late April Winant finally had the guidance he needed to begin negotiations on that subject in the EAC.

5. *The Muddle over Zones*

The dispute over zones was exasperating since the Army representatives were never instructed by those in the Army who knew that the zonal boundaries and the zonal assignments had been discussed but not agreed to by Roosevelt and Churchill. If this had been explained to the State Department representatives, the subject could have been put aside, or their proposal (which included access to Berlin by a slight rearrangement of boundary lines) might have been referred to the President (as, in a sense, it eventually was). They were aware that the Combined Chiefs had concerned themselves with the subject of zones, but did not know of the blocked negotiations in the Combined Chiefs over zonal boundaries and assignments. They could not know how their own plans did and did not fit these disagreements.

On January 15, 1944, the British presented in EAC what was in fact Morgan's proposal, but Winant, lacking instructions, could take no position on it; and when relevant instructions did arrive from WSC via the Secretary of State they only provided for a different (and quite unworkable) division of zones. This new U. S. plan for zones was simply the map that the President had pencilled on shipboard. At that time, General Marshall had turned it over to General Handy, head of OPD; somehow it had gone from him to WSC. In the meantime, Roosevelt had apparently accepted in its stead the British zonal plan (but he still rejected the Southwest zone for the United States) in a note to the Acting Secretary of State on February 21, 1944. Some months later Winant secured direct from the President permission to put aside the JCS division of zones and agree to the boundaries (so that the Russian zone could be definitely settled). In September 1944, at Quebec, the President finally gave way to Churchill and accepted the Southwest zone for the United States, though only after securing certain modifications in the two Western zones. Subsequent tangles over zones, corridors, and access to Berlin were significant, but are not relevant to the present study.[74]

Thus, guidance for Winant through WSC on zones of occupation was significant not so much for its promptness, or lack of it, or even for its reasonableness, or lack of it; but for its irrelevance. Similarly, guidance for Winant on the two other urgent matters—surrender terms and machinery for military government following defeat or surrender—did not cease to be a problem once Winant had received a document from WSC on the subject. The War Department's insistence upon a short instrument of surrender postponed the major policy questions about the treatment of Germany. (How those questions were handled by WSC will be related below.) And JCS clearance, as coveted as it

was by State, could be troublesome. It could hardly be reassuring to Winant that the Joint Chiefs had "taken note of" a document. And if approval were based on numerous specific conditions, Winant's hands could be tied in his negotiations almost as effectively as if he had no instructions whatever. His military adviser, Wickersham, considered it his duty to see that Winant hewed close to the JCS position. As Wickersham interpreted his own position, he had his marching orders from the Joint Chiefs and was not prepared to give an inch on anything until they told him to do so.[75] This was precisely what happened in EAC deliberations on the instrument of surrender. The War Department view that the instrument be brief had been accepted and followed meticulously by Winant. Central to this position was the point that since the surrender would be unconditional, the instrument of surrender would have only military significance, so that the enemy could not derive from it any limitations on the authority of the victors. But when the Russians wanted to make the military nature of the instrument an explicit point in it, JCS approval had to be sought again, for the Joint Chiefs had not stated their own position in these precise terms.[76] JCS clearance could hamstring as well as expedite EAC negotiations.

6. *The First Attempt to Clear General Policy*

All of the difficulties with WSC clearance procedures either suggested or avoided by the handling of the three urgent matters for EAC came to a head in the efforts to use WSC for its second purpose, the formulation of interdepartmental policy as a basis for Winant's instructions. Agreed statements of general policy on the treatment of Germany, while not in the same sense "urgent," were nonetheless imperative. They were needed as the basis for planning the operations phase of military government, for drafting the directives to be handed to the German authorities following their acceptance of the surrender instrument, for planning the occupation which would follow, and for guiding Winant in EAC negotiations on these and related subjects. As difficulties with WSC clearance procedures continued, two additional objectives developed. Clearance of general policy was needed, first, in order to give Winant instructions which would guide without hamstringing him; and, second, to free him from the necessity of clearing more specific agreements.

The first document on which the State Department sought War Department clearance through WSC channels, it will be recalled, was the "Treatment of Germany" paper which Hull had distributed at the Moscow Foreign Ministers' Conference in October 1943. It was at once the most general and the most authoritative statement of policy in the possession of the Department. Yet the document had never been approved by the President, its consideration at Moscow had been highly informal, and it had certainly not been given approval by Eden and Molotov.

State had submitted the "Treatment of Germany" paper to CAD before the Working Security Committee was established. Although CAD's reaction to it was quite favorable—with all the ground it covered CAD only objected to its failure to make clear the anticipated role of military government and the fact that it had ignored the possible military value in the war with Japan of captured German arms manufacturing capacity—it appeared advisable for several reasons to seek inter-departmental clearance on policy papers which were not quite so comprehensive. The most practical reason for doing so was that major elements of the paper dealt with the urgent matters of surrender terms, occupation machinery, and zones of occupation. It also dealt with two short-term matters, demilitarization and denazification; and with the long-term questions of political and economic reorganization. Demilitarization and denazification were principles on which State had every reason to expect easy inter-departmental clearance. As principles they were no more questionable than the objective of victory. Disarmament of the enemy was equally unquestionable as a principle (except in the prognosis of the British Prime Minister), but CAD had already challenged its particular meaning, as we have seen. Political reorganization had its bromidic aspects also. But the issue of disarmament had kept political reorganization unsettled as a principle, although within the State Department political decentralization rather than dismemberment had drawn virtually unanimous support since the resignation of Under Secretary Sumner Welles. The "Treatment of Germany" paper, repeating

phrases drawn when Welles and the President had kept the issue alive, rejected dismemberment in favor of decentralization. The State Department officers might have pressed papers through the WSC (or tried to) which stated and clarified their position on political reorganization. They certainly had given this subject extensive consideration and felt strongly enough about it. But if anything appeared postponable, this did. Decentralization was, after all, the prelude to dismemberment. Whether that next step would be taken could be decided after occupation had begun. Besides, State had reason to leave the issue of dismemberment as dead as possible after the beginning of 1944, a tactic which it carried off with notable success, as we shall see. After the resignation of Welles and the Moscow Conference, State had reason to hope that dismemberment was no longer a serious possibility for the American position on the political reorganization of Germany. But to the surprise, and no doubt dismay, of Hull and his associates, they learned from Winant that at the second formal meeting of EAC the British representative, Strang, had introduced the subject of dismemberment and stated that British records of Teheran indicated that it should be studied and recommendations should be made on it.[77] Since the record of the Teheran proceedings had not been furnished to the Department of State, Hull was unable to know exactly what was the validity of the British claim. He had good reason to know that the President liked the idea of dismemberment. But beyond that, he and his associates could not know how much Roosevelt was really committed to it. These were uncomfortable circumstances for State. Preparing for the Yalta Conference in mid-January, its stated position was that Germany should not be forcibly partitioned. In London, at the same time, a subcommittee on dismemberment was appointed in EAC, after it was understood that agreement on establishing the subcommittee did not imply whether dismemberment should or should not occur. The subject was then buried in subcommittee.[78]

The general subject of the political reorganization of Germany, including dismemberment, was also dropped by State from its submittals to WSC in favor of the second and more pressing question of general policy. In place of the comprehensive "Treatment of Germany" paper appeared two papers on the economic treatment of Germany entitled "Germany: Post-Surrender Problems; Control of the German Economy Immediately After Surrender; Policies Essential to Guard Against Internal Collapse" and "Germany: General Objectives of United States Economic Policy with Respect to Germany."[79] By early February WSC had approved the two documents but the obstacle of War Department clearance remained. It proved formidable.

An attempt to gain clearance of the papers by the individual action of all the offices of the War Department whose clearance the Operations Division would require before submitting them to the Joint Chiefs was soon abandoned in favor of a conference in the Civil Affairs Division with some five branches of the Department, in addition to representatives from CAD and OPD. This group welcomed the distinction of short-range and long-range objectives of American policy for Germany represented by the two documents, concurred in their general approach, and criticized them, as CAD had done of the "Treatment of Germany" paper in December, for their failure to make the defeat of Japan an objective of civil affairs policy in Germany. The group then went on to concern itself with the substance of economic policies: reparations, reconversion of agriculture and industry, and German foreign trade. German agriculture, industry, and manpower should be used for rebuilding devastated countries, and Germany should be integrated into the world economy. On these points the group wanted to go beyond the wording of the State Department's draft to clarify and to emphasize.[80]

All members of the group agreed that these papers represented the proper approach to the solution of extremely important problems and would be of great usefulness in military planning. The branches present were not the whole War Department, but their approval satisfied the Operations Division that it could refer the two papers to JCS as approved by the Department. The meeting on February 9 indicated CAD's growing concern over War Department clearance procedures, but it did not assure prompt consideration of the documents, in turn, by the Joint Chiefs. They were unwilling to commit themselves to approval "from a military viewpoint," as their phrase went, of eco-

nomic policies the precise relationship of which to military strategy and operations remained unclear. JCS consideration of the two documents dragged on through the months of February and March.

7. *Guidance Without Clearance*

Meanwhile, the State Department's Division of European Affairs, faced with its responsibilities to Winant, grew more and more restive. After surveying the deadlocks and delays encountered thus far by WSC, one of the staff of the Division wrote his chief on February 19:

> A considerable backlog of documents for the consideration of the Committee has now accumulated, and its dimensions are constantly expanding. This is explained by the fact that until certain of the basic documents now before the Joint Chiefs of Staff have been considered, it is not feasible for the Committee to pass on other related subjects.
>
> It is hoped that some means may be found for speeding up the process of clearance by the Army and Navy and more prompt action by the Joint Chiefs of Staff. As a possible step in this direction, it is suggested that the appointment to the Committee of a representative of the Joint Chiefs of Staff might be useful.[81]

Not until the end of March were the two economic policy papers rescued from the Joint Chiefs of Staff, and then only by a device similar to the one used in early February to gain JCS "clearance" for the paper on occupation machinery. At a meeting on the last day of March, McCloy, Hilldring, and Colonel Edgar P. Allen, the CAD representative on WSC, met with Riddleberger, the acting chairman of the committee, and two of his assistants, and worked out an arrangement by which the documents could be sent on to Winant for his use. Although it could be said that the War Department had cleared the two economic policy papers after they had been amended to meet War Department criticisms, Major General Thomas T. Handy, the Assistant Chief of Staff, Operations Division, probably acting only after making inquiries with Marshall, had declined to refer the papers to the Joint Chiefs because military plans had not advanced to the point where economic and military considerations for the occupation of Germany could be integrated.[82] The next step, a device worked out at the instigation of OPD and CAD, and accepted by McCloy and Riddleberger at their meeting on March 31, was to have McCloy sign a letter to Dunn, the official chairman of WSC, informing him that there was no objection to sending the two documents to Winant providing it was understood that they did not have War or Navy Department or JCS approval.[83] Thus, just two months after the economic policy papers were referred to the War Department by WSC, Winant was allowed to make use of them. But since WSC had been established at the instigation of the State Department, and in this instance the passage of two months—to say nothing of the time spent in WSC itself on the documents—had gained no commitment from the military except, in practical terms, the agreement not to complain to the President that Winant was considering economic policy for Germany as a subject for negotiation in EAC, the usefulness of WSC must have seemed negligible to the State Department officials concerned with it.

To the State Department these two documents were particularly significant because they were concerned with basic policy. Once they were approved, other documents intended for guiding Winant which were based on them could be cleared more expeditiously. The form of their referral to Winant not only meant that the two papers would be of only limited use to him, but that the prospects for clearing the many papers being held up in WSC pending JCS approval of the two basic economic policy papers remained the same, and that State continued to be interested in gaining clearance of the two papers as a device for breaking the log-jam in WSC. Within a week of learning of the Joint Chiefs' determination not to commit themselves on the economic policy papers, State had produced a new revision of the "General Objectives" paper by adding to it an introduction on the nature of the document which sought to meet the JCS refusal of clearance. First, it emphasized the non-military character of economic policies for Germany by referring to their long-run implications and their expected effect upon Germany's future position in the world and upon the peace and security of the United Nations. Second, it described the paper as a formulation of broad objectives of American policy which was not intended to prejudge decisions still to be taken

regarding the form, extent, and duration of the occupation. But the effort had no effect. Neither this document nor the one dealing with short-term economic problems of the occupation was ever approved by the Joint Chiefs. As we shall see, in June the State Department took its economic policy papers to a quite different forum, the Executive Committee on Economic Foreign Policy, for inter-departmental clearance through a channel which did not involve the Joint Chiefs.

8. Winant's Proposals

The first six months of 1944—Winant's first half-year as the U. S. member of EAC—were painful ones for him. Aside from the problems within EAC itself, he had been bedevilled by his failure to receive prompt instructions, and by the recurring and continuing difficulties over the occupation zones. At the beginning of April, just at the time that it became known in London that the JCS had avoided clearing the two economic policy papers, Winant's political adviser, George Kennan, and his military adviser, Brigadier General Cornelius Wickersham, returned to Washington. Kennan went in search of more adequate policy guidance for the whole range of EAC issues. An appointment with the President was arranged for him. He found Roosevelt exceedingly vexed by the British demand for the Northwest zone, but obtained from him an agreement to lay aside the JCS proposal for zones so that negotiations could proceed on the basis of the British proposals in EAC which reflected the agreement on boundaries between Roosevelt and Churchill —leaving the assignment of the two Western zones still at issue.[84]

In May, Winant himself returned to Washington to discuss all EAC problems, but made no progress. The President remained firm on the need for obtaining the Northwest zone (whatever its boundaries), and Winant failed to reach agreement with the War Department on a corridor to Berlin. But, as a result of Kennan's visit to the President, Winant was able to return to London in June and present an American zonal plan in EAC which accepted the zonal boundaries proposed by the British but not the assignments. And partially as a result of Wickersham's visit, the prospects were bright for early agreement on the other organizational and procedural issues—the surrender instrument and the control machinery. So Winant began to concern himself with the substantive issues of occupation policy. In formulating his own views, he had the assistance of his immediate advisers.[85] But he did not have access to the voluminous studies prepared by SHAEF or still in process. Instead of continuing to wait for guidance from Washington, he decided to send in his own recommendations, a step that would help to ensure their consideration by the State Department and that might hasten agreement on a policy. What these papers amounted to and how they were received in Washington will be considered shortly.

Frustrations over JCS clearance of WSC papers had led one State Department officer to propose in mid-February that a JCS representative sit on the Working Security Committee. The idea was obvious and attractive, but it begged the question. The reason why JCS clearance was so hard to come by was because of the Chiefs' determination not to delegate to anyone their corporate authority, and going beyond that, not to give what a lawyer would call "advisory" opinions. A representative on WSC would have to violate one or both of these objectives. Another proposed solution to the JCS clearance impasse came from Lieutenant General Brehon B. Somervell, Commanding General, Army Service Forces, who evidently had become interested in assuring that Winant had adequate guidance in order that the supply and logistics aspects of EAC negotiations would be taken fully into account. A major War Department criticism of the State Department economic policy papers, it will be recalled, had been of their omission of the defeat of Japan as a prominent objective of occupation policies for Germany. In late March Somervell proposed to the JCS that CAD be especially charged with overseeing development of recommendations to the Joint Chiefs for United States policies covering military problems arising from disarmament, demobilization, and demilitarization of the Axis nations.[86] If his proposals had been accepted, CAD would in effect have become for certain purposes an extension of the JCS staff, with direct access to the Chiefs. The problem of War Department clearance would thus have been circumvented and the chances of JCS clearance would have been considerably increased, though not guar-

anteed. No doubt this would have been an extraordinary procedure, but had the Chiefs been seriously concerned over the delays in clearance of papers for Winant, they could have accepted it. But Somervell's proposal was referred to the Joint Staff Planners and forgotten, and the Joint Chiefs adopted a much more modest change in procedures in order to cope with the clearance problem. On June 6, more than four months after JCS had delayed and evaded clearance of the two economic policy papers, they set up the Joint Post-War Committee to handle post-war military problems of interest to them, and specified that the committee was to work with State on instructions to Winant on military matters, including Axis surrender terms.[87]

Although the establishment of this committee has been interpreted as an indication that the Joint Chiefs were interested in solving the problem of policy clearance for instructions for Winant, it actually demonstrated that the Joint Chiefs were more intent upon protecting their military cognizance than upon expediting WSC clearances. Creating a Joint Staff committee specifically for that purpose was likely to assure adequate consideration of the substance of policies on their merits once the propriety of such consideration had been established. But the major issues of clearance were jurisdictional and procedural, and these the establishment of another committee could not help. Moreover, the senior member of the committee, Major General George V. Strong, was an advocate of a very stern peace for the Germans. These views led him to disagree with the substance of economic and political policy papers reflecting the State Department's position in favor of a peace of reconciliation.[88] Because it did not deal with the real problems of clearance, and possibly also because of the views of the senior member of the committee, the establishment of the Joint Post-War Committee in no way helped solve the clearance problem.

In the meantime, Winant and his staff had been working on the material which they intended to submit to WSC. The bulk of it consisted of short directives which originated out of negotiations over the surrender instrument. It will be remembered that the British had begun these negotiations with a long and detailed surrender instrument draft of seventy paragraphs. They gave it up provided the subjects omitted from it would be covered by proclamations and general orders which would be issued following the execution of the surrender instrument.[89] On July 11, Winant began to submit to the WSC via the State Department, drafts of these directives and general orders prepared by his staff.

The first submittal consisted of three important documents entitled "General Directive for Germany," "Principles of Allied Military Government for Germany," and "Military and Political Policies to be Followed in the Administration of Germany." After that, documents were sent at the rate of about two a week until, by the end of October, twenty-two had been received by the State Department. They consisted of brief, broad policy statements within the framework of the "unconditional surrender" policy and relevant proclamations and general orders, and it was hoped that they could be acted upon quickly in Washington by merely checking them for consistency with existing policy. Hence, copies were sent directly to JCS as well as to State.[90] But if the later documents were intended only to implement established policy, the first three unavoidably dealt with policy questions. The proposed "General Directive for Germany"[91] provided that the general mission of the occupation forces included the disarmament and demilitarization of Germany and the destruction of German's war-making potential. The occupation was to convince the German people of their total defeat and of the futility of future wars of aggression. It was to destroy the Nazi Party and discredit its doctrines. It was to allow those Germans who were interested in peaceful international life to establish a responsible democratic government, although it was not to give its support to any particular party or movement. It was to discourage fraternization.

In view of the discussions going on at this time in Washington in the Executive Committee on Economic Foreign Policy (described below), the suggestions from London regarding the use of the machinery of government in Germany and the reconstruction of Germany's industry are of particular note. The draft directive proposed that Germany be governed indirectly by the occupying forces through the use of existing civil service staffs, after they had been purged of active Nazi leaders and other unreliables or undesirables. And the in-

dustrial system, at least by implication, was to be extensively reconstructed. The occupation was to make available to the countries that had been victimized by Germany as much of her resources as was possible for relief, rehabilitation, and reconstruction. And, in order to maximize these contributions, the occupation was to assist the German people to establish efficient administration and to develop their national economy.

The document on the principles of military government[92] was notable for three particular points: (1) The economic reconstruction of Germany should occur on a basis which would provide minimum subsistence in Germany while it furnished a maximum German contribution to the relief, rehabilitation, and reparation of the United Nations. (2) Existing administrative machinery, but not policy-making machinery, should be used for the execution of agreed policies and routine administration in Germany. (3) The tripartite control council would have considerable administrative machinery which would be able to, and would (so it was implied) assure uniform implementation of control council policies throughout the three zones. The document on military and political policies (a later version of which will be discussed more fully below) proposed economic reconstruction of Germany, along with demilitarization and denazification. Thus, all three papers dealt with major policy questions concerned with the treatment of Germany.

Winant may have hoped that somehow policy papers drafted by his assistants would fare better in inter-departmental clearance than had papers drafted in Washington. Perhaps he thought—mistakenly—that the troubles in WSC were due to the fact that the State Department had raised more policy questions than were necessary to obtain the policy guidance he needed. Whatever the reason, his own papers encountered the same snags that had stopped the State Department drafts from going through. The papers concerned merely with implementation could not be approved in the War Department or the JCS until policy was established, and the policy papers were held up because some of the matters they dealt with, and were bound to deal with, were not directly determinable on the basis of requirements for military operations. Winant's three policy documents were sent to the Working Security Committee where they remained throughout the rest of July and most of August.[93]

9. *The War Department Shift*

During August, while they were under consideration by WSC, the entire situation for German policy-making in Washington changed. Beginning in early August the War Department developed into a vigorous expediter of policy guidance for Winant; and in mid-August German policy suddenly became a matter of violent inter-agency dispute. The origins and course of the dispute require separate treatment which they will receive in a later section. The reasons for the shift in War Department attitudes are also discussed below, but the extraordinary military advances in Europe underlay the rather sudden move towards a new approach. Obviously, D-Day on June 6, the capture of Cherbourg on June 27, the breakthrough at St. Lo on August 1, and Patton's subsequent drive to the East raised the problem of how to occupy Germany from the status of a dim future need to an urgent, possibly immediate, necessity.

The first sign of change in Washington of the War Department attitude towards the WSC and its purpose may have been the cable from Hilldring to SHAEF on July 1 in which he warned SHAEF that post-war policy for Germany was a responsibility of EAC, not of SHAEF, and that no agreements had yet been reached on the duration of military government or on the nature of the agency that would succeed it.[94] But beyond offering encouragement to Winant in his efforts to assemble his draft directives for clearance through WSC, the cable had no effect on Washington clearances for EAC. It was not until a month later that the change took definite shape. Over lunch with Stimson at the end of July, Harry Hopkins, the President's intimate adviser, had agreed to talk personally with Roosevelt to gain his approval of the Southwest zone of Germany for the American occupation forces. With this encouragement, McCloy was anxious to press the immediate settlement of German policy in general by telegraphing Roosevelt, who was in Warm Springs. When he showed his draft to Stimson in Stettinius' office, however, Stimson objected, fearing it would seem to press Hopkins' hand, and that it might jeopardize a favorable decision on the zones.

He did, however, show McCloy's draft to Hopkins and talked with him about it later that day. Failing in his attempt, McCloy returned to the cumbersome channels already in existence for policy-making for Germany. A letter to Stettinius, the acting Secretary of State, on August 2 mentioned the problem of speeding up policy guidance to Winant and suggested that a solution should be found.[95] The solution arrived at in the following week appeared to differ little from the vain attempts made over the previous eight months by the State Department to accomplish the purposes of WSC. Hilldring and Dunn agreed that papers under consideration by WSC would be reduced to contain only the essence of policies requested by Winant. This, it was hoped, would simplify War Department action and enable the Army to get rapid JCS clearance. But this time the "solution" was initiated in the War Department, and was regarded as important enough to involve the Assistant Secretary, McCloy. Moreover, the new arrangement went further than any of the devices attempted previously by the State Department. Informative material of a voluminous nature would go to Winant as a guide, not requiring JCS clearance, although Hilldring would examine it with a view to its acceptability from a military viewpoint.[96]

The Civil Affairs Division's change of attitude towards WSC and EAC was evidently due to a growing sense of the urgent need to have agreed EAC directives for the three Allied commanders in chief, compounded by a change in the assumptions on which military government planning was being based which exposed major policy questions theretofore avoided. SHAEF's military government planners, Winant and his advisers, the State Department, and CAD had all assumed that the collapse of the German economy could and would be avoided. The possibility of collapse was not ignored, as the economic policy papers which the State Department submitted to WSC indicated. Nor was the problem of keeping the German economy going ignored. SHAEF plans, for instance, anticipated that major reconstruction work would be needed. But the ultimate preventability of collapse had never been seriously questioned. In the summer of 1944, however, doubts on this point began to spread in the government. In June, during deliberations of the Executive Committee on Economic Foreign Policy (recounted below), the State Department representative refused to commit himself on whether or not collapse could be prevented; yet its preventability had been an axiom of State Department policy planning for at least six months. More relevant to our interest is that these doubts developed in SHAEF at about the same time.[97]

The significance of this changed prognosis about the German economy cannot be overemphasized. In its efforts to avoid policy-making the Army had tried to work within established policies or make indisputable policy assumptions. Assuming that the collapse of the German economy could be prevented without great difficulty, Army civil affairs and military government planning for Germany was based on the fully agreed objectives of demilitarization, denazification, demobilization, restitution and reparation, the security of American forces, and the prosecution of the Japanese war. The major means for the accomplishment of the last four of these objectives were to be the continued operation and reconstruction of the German economy. Hence, a major policy question, the post-war economic treatment of Germany, was avoided by reliance on well-known American aims.

But if collapse was going to occur, despite some effort by the occupying powers to prevent it, the question arose as to whether the military should make a supreme effort to prevent it, or be prepared to accept its consequences; if so, the policy question of how to treat the German economy, which was hardly susceptible to an indisputable answer, had to be confronted directly. As a consequence, the increasing belief during the summer of 1944 that the collapse of the German economy during military occupation could not be prevented made the need for established policy guidance for the Allied commanders clear to SHAEF and to CAD in a way that it had never been before. The rapid movement of the cross-channel invading forces towards Germany only added great urgency to that new clarity.

Thus, in mid-August, when the intervention of the Treasury Department precipitated a violent dispute within the American government in Washington over its policy for the treatment of Germany, the War Department had just come to the conclusion that major policy decisions were urgently needed on these matters, and had just begun to press for them.

C. THE EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY (APRIL THROUGH AUGUST 1944)

1. Establishment of the Executive Committee on Economic Foreign Policy

The Executive Committee on Economic Foreign Policy was created by Presidential letter on April 5, 1944, as an inter-departmental committee "to examine problems and developments affecting the economic foreign policy of the United States and to formulate recommendations in regard thereto for the consideration of the Secretary of State, and in appropriate cases, of the President."[98] It was established because of a growing awareness that the economic problems of foreign policy are "frequently of proper concern to other Departments as they administer laws in their respective fields," although the President acknowledged the "principal responsibility" of the State Department "for the determination of policy in relation to international problems. . . . " The committee consisted of representatives of the State, Treasury, Agriculture, Commerce, and Labor Departments, the United States Tariff Commission, and the Foreign Economic Administration. It first convened on April 18, 1944. The chairman was Dean Acheson, then Assistant Secretary of State. Harry C. Hawkins, Chief of the Division of Commercial Policy and Agreements of the State Department, was Vice Chairman.

All but one of the agencies which later played important roles in the development of policy for the treatment of Germany were represented here. Harry D. White, an Assistant to the Secretary, represented the Treasury Department. Lauchlin Currie, Deputy Administrator of the Foreign Economic Administration, sat for his agency. Acheson represented the State Department. The War Department was the agency not represented.

FEA promptly requested consideration by ECEFP of policy toward ex-enemy countries because it had an immediate concern with related problems. FEA had been created in September 1943, as a catch-all to contain the proliferation of war agencies concerned with international economic activities. Into it were put the Office of Economic Warfare and the Office of Foreign Relief and Rehabilitation Operations, the Office of Lend-Lease Administration, and the Office of Foreign Economic Coordination of the Department of State. In addition, the functions of two government agencies with respect to the procurement of food in foreign countries were transferred to FEA. Through their concern with economic warfare, FEA personnel had to be familiar with the German economy. At the same time, their responsibilities for lend-lease, relief and rehabilitation, and for the procurement of food abroad, required them to anticipate (1) what economic burden the United States, as a matter of policy, would assume for defeated Germany, and (2) to what extent and in what way Germany would be a source of supply for other countries. Such questions as the comparative standard of living in Germany and in liberated areas after surrender were clearly within its proper range of interests, and other problems, by a liberal interpretation of its charter, might also be made its concern. Furthermore, it had resources in information and staff which, in the economic area, were more extensive than those of any other agency.

The third agency represented on ECEFP which was later to play an important role in the formation of American policy on the post-war treatment of Germany was the Treasury Department. In general, by the summer of 1944 its responsibilities had not involved it in problems connected with the post-war treatment of Germany, though it was actively engaged in trying to track down hidden German assets and would eventually be concerned with the exchange rate for German marks and similar matters. It had played some part in drafting the Financial Guide, Appendix C of CCS 551, which had been issued (in its original version) just ten days before ECEFP took up the German problem.

2. Preparation of State Department Plans

The State Department's efforts to get a general position on economic policy for Germany cleared through the military for Winant's guidance had come to failure by the end of March when it was agreed that its two economic policy papers could be sent to Winant, but only if he were told that the War and Navy Departments and the JCS had not approved them. These documents had been derived from its "Treatment of Germany" paper, which had been dis-

cussed at the Foreign Ministers' Conference at Moscow in October 1943, submitted to the War Department as the first paper for clearance through WSC, and then abandoned in favor of the two economic policy papers because they were concerned with only the most urgent aspects of German policy.

The establishment of ECEFP posed for the State Department the prospect of a new avenue for the inter-departmental clearance of its economic policy papers. It would have been foolish for those in the Department who were concerned with providing policy guidance for Winant—in particular, Dunn, Riddleberger, and their associates—to conclude that they could simply outflank the Joint Chiefs by obtaining ECEFP endorsement of their papers. The military were not represented on this committee and military clearance was precisely what Winant needed. But at least the State Department officials could hope that ECEFP approval would place them in a stronger bargaining position, and possibly help them to approach the Joint Chiefs from a less subordinate position than WSC had provided.

Hopefully, in the spring of 1944, when SHAEF was preparing German studies and CCS 551 was being drafted, the Department's Interdivisional Committee on Germany revised the "Treatment of Germany" paper to abandon the ambiguity of the Moscow document on dismemberment. The new general policy statement opposed the forcible dismemberment of Germany, recommending instead the decentralization of the future structure of German government wherever practicable, and also demilitarization, the punishment of war criminals, and the control of education. Reparations to the United Kingdom, the Soviet Union and some of the other European allies were tied in more closely with economic policy, making them more moderate.[99] The new draft was then considered by the Postwar Program Committee, one of two high-level policy committees established by the Departmental reorganization of the previous January, and composed of the highest officers of the Department, with Secretary Hull as Chairman.[100] During three long meetings of the committee in early May presided over by Under Secretary Stettinius, agreement was reached on a basic policy document of some fifteen pages.[101] The two economic policy papers had undergone revision in the State Department as late as April 10.[102] State was now prepared with current statements of its position on German policy for ECEFP. As it had anticipated, or arranged, at the weekly meeting of the committee on May 19, 1944, the representative of the Foreign Economic Administration requested, and it was agreed, that the subject of the economic treatment of ex-enemy countries would be placed on the agenda of the committee.[103]

3. *The State Department's Proposals*

On June 9 the State Department presented to the Executive Committee on Economic Foreign Policy the latest drafts of the two documents on economic policy for Germany for which it had failed to obtain military clearances in the Working Security Committee, and the following week a document on Reparation, Restitution and Property Rights. The first document proposed that our general objectives should be: to deprive Germany of the economic means for resuming hostilities; to guarantee the performance of acts of restitution and reparation; to redress the balance of economic power in Europe; and to bring about fundamental changes in German economic life so that it could, in time, be integrated into the type of world economy envisaged in the Atlantic Charter. These objectives (as the Civil Affairs Division of the War Department had insisted the previous December) were to be subordinated to the effective prosecution of the war with Japan. The means proposed for attaining them were listed as integration of Germany into the world economy, control of German materials usable for the manufacture of armaments, conversion (rather than the dismantling) of war industries, and the elimination of forms of industry and commercial organization which could threaten peace. The meaning of economic integration was explained as including full employment of manpower and resources in the production of commodities and services of a non-military character for which the German economy was well adapted. The purpose of integration was to make Germany more vulnerable to sanctions, to prevent her making use of trade as an instrument of war, and to make possible the rising standard of living necessary to reconcile the German people, under new leadership, to the peace settlement. The docu-

ment stated that the United States placed great importance upon the preservation of continuity of German economic life, and therefore that the prevention of economic collapse was an extremely urgent matter. To maintain a functioning German economy it might be necessary at the beginning of the occupation to utilize existing economic organizational machinery in Germany, even purely party organizations exercising economic control functions.[104]

In two respects this treatment of the collapse problem in the State Department's objectives paper must have been unsatisfactory to CAD when the paper was under consideration there. In the first place, the prevention of collapse was put equal to or above military necessity as justification for departing from other objectives. And second, the accomplishment of an economic policy was held to be sufficient reason to expect the Army to seek the collaboration of Nazis and Nazi organizations in Germany. The problem of how to deal with possible or threatened economic collapse in Germany could not have been put in a more unattractive way to the Army.

The second document indicated what would be needed to prevent breakdown in the German financial system, inland transport, food and other essential civilian supplies, production, and foreign trade. In each case it proposed that the existing system be taken over, maintained and extended, if necessary, even if drastic action was needed to do so.[105] In view of this document's preoccupation with the administration of occupation policies, it is surprising that the State Department submitted it to ECEFP. Evidently the committee took this same view, for it laid the document aside.

The State Department's position on policy during occupation, as it was explained to the committee in two other papers, was that in principle the occupation forces should have broad powers to control, that the extent of control would depend upon the use which could be made of German administrative machinery, and that in any case Germany was to be deprived of the economic means of resuming hostilities. Specifically, this meant the control of imports and the prohibition of the manufacture of implements of war, but not a restriction on the development of heavy industry in Germany. State envisaged an occupation period of about ten years, and anticipated that these controls, along with reparations deliveries, would last as long as the occupation.

These were the major restrictive features of the Department's plan. On the other side were its plans for a peace of reconciliation. It expected the German standard of living to be equal to the minimum living standard of the countries despoiled by Germany. And it took the view that a collapse of the German economy was extremely undesirable because it would tend to associate chaos and poverty with democratic government, a circumstance that could hardly endear democracy to the Germans. Although the Department was strongly committed to the prevention of collapse, its committee spokesman, perhaps because of growing doubts about the possibility of doing so, expressly refrained from saying whether collapse could be prevented or not.

4. *Committee Criticisms and Revisions*

The State Department's presentation of its views on the economic treatment of Germany was impressive for its comprehensiveness, but it was also notable for what it avoided saying. How low a standard of living would be allowed in order to meet reparations schedules, or to see that Germany was deprived of the economic means of committing further aggression? How much building up of German heavy industry would be permitted in order to meet reparations deliveries? Was there no point beyond which the further development of German heavy industry as such could be regarded as a threat to the peace? And on the other hand, how much effort would be expended in preventing the economic collapse of Germany, or in assuring a minimum standard of living? These unanswered questions, involving as they did inherent conflicts among the generalities of the State Department position, or doubts as to the relative importance of general objectives, indicate how little State policy planning had tested its major policy assumptions against the concrete problems that it anticipated would have to be faced in the occupation of Germany. An explanation of this failure is obvious. ECEFP took up the discussion of post-war policy for Germany only three days after D-Day, when Germany seemed far away; and on August 4, when it reached agreement on the revisions of two of the State Department

papers, although Bradley's armies were in open country, the magnitude of his success was still uncertain.

But if the pressure of events had not forced State to face some of the harder problems connected with the post-war treatment of Germany, the committee, led by one of its members, did. The FEA representative objected to a number of points in the State Department papers when they were first presented, and he continued to challenge and suggest in the meetings which followed. From its first meeting on June 9, the ECEFP was unanimous in advocating control, not destruction, of the German economy.

The FEA position, as it developed through June and July, was that collective security and economic controls, not economic destruction, would have to be relied upon ultimately as protection against future German aggression. The ten-year reparations period envisaged by the State Department FEA thought was too long. Rather, reparations should be short term, but severe. At the same time, FEA insisted that the possibility of an economic collapse of Germany be taken into account. (State had admitted that this might occur but had not developed any policy position in case it did.)[106]

By July 5 FEA had formulated a statement of reparations policy for the committee which dealt systematically and, above all, with a sense of priority, with the major facets of the reparations problem. It was a formulation which became, and remained, the basis of U. S. reparations policy. First, FEA wanted to determine reparations on the basis of the capacity to pay rather than by the magnitude of admissible claims for damages. Its representative suggested that a minimum standard of living should be set, and that all else for the next five years—that is, all that Germany could produce with existing machinery—should go to reparations. Second, the State Department view as to what that minimum standard should be was rejected. State had originally proposed in the ECEFP that Germany should be permitted a standard of living equal to the minimum of those countries which she had attacked. Although FEA had originally accepted this proposal, it now argued that this was too low a standard, for it would affect Germany's ability to pay reparations, would result in instability, and might jeopardize the reintegration of Germany with the world economy. And third, financial reparations should be avoided, since they would necessarily be paid out of the normal commercial trade of Germany, and hence would, on the one hand, build up the capacity of the German economy beyond what it needed in normal times, and on the other, develop a pattern of trade which would make other nations dependent on German exports.

On August 4, 1944, ECEFP approved two papers on post-war German policy, one on the general economic treatment of Germany, and the other on German reparations. The first was a revision of the "General Objectives" paper. Its final amendment, made that day, indicated that the committee had become heavily committed to the policy of preventing a collapse of the German economy. The new sentence emphasized the belief that one of the most important devices for preventing a collapse of employment and the disintegration of the economy would be the prompt placement of orders in the heavy industries for reparations goods.

The main objectives of the first document—the control of Germany's economic war potential, the elimination of Germany's economic domination in Europe, the eventual integration of the German economy with the rest of the world, the establishment of democratic institutions, and prevention of the collapse of the German economy—had been clarified considerably, particularly in their relation to each other. For instance, it was made clear that economic disarmament did not mean a large-scale and permanent impairment of all German industry, or of the development of heavy industry, nor was it to prevent the integration of the German economy with the rest of the world, nor the saving of the German economy from collapse.

The main part of the second document, a revised "Report on Reparations, Restitution and Property Rights,"[107] was its recommendations for a reparations agreement. Reparations should begin as soon as possible after the war and be limited to a maximum of five years. "Fairly extensive controls" would probably be needed for the collection of substantial reparations from the German economy. Pressure from nations might make it necessary to extend the period of reparations deliveries beyond five years, in which case they should be tapered off gradually. It was evident that Germany could only pay for a small proportion of the damage for which it was responsible, and certain criteria

were suggested for determining the amount. The time limit should be set first; then the amount could be the maximum collectible within that period, and incentives could be provided or penalties inflicted by changing the time period. The amount was also to be conditioned by the requirement that the Germans be allowed to keep enough of their own production to maintain a certain minimum standard of living.

Reparation payments in kind were preferred over cash payment. They were to come from inventories, capital equipment, current production, and labor service, the bulk from current production.

The extent to which the industrial plant of Germany should be built up in order to maximize current production for reparations was explained in an ambiguous paragraph which, on the one hand, stated that such capital formation should be kept to a minimum in Germany, but on the other permitted reconstruction to the extent necessary to maintain the prescribed standard of living and to meet reparation schedules. The paragraph concluded by recognizing the danger of leaving Germany at the end of the reparations period with a greater productive capacity than at the beginning.

The Executive Committee on Economic Foreign Policy, in reaching agreement on the treatment of Germany by early August 1944, had secured significant, though not fundamental, modifications of the State Department recommendations. FEA had objected continually to the lack of precision in the policy proposals of State and to several specific points of substance. Other agencies raised a random series of objections to the Department's proposals. But the proceedings of the Executive Committee carried steadily through to final agreement on August 4, with each meeting showing definite progress towards the reconciliation of differences. The conciliatory and constructive atmosphere of ECEFP meetings contrasted notably with the exasperated tone which the State Department had come to take toward the meetings of the Working Security Committee and the difficulties it had with the War Department there.[108] But in one respect this atmosphere was misleading. The Treasury representative on the committee, Harry Dexter White, had regularly sent a substitute to the meetings who participated very little in its deliberations. Evidently the Treasury Department regarded the committee as a State Department device to encroach upon economic and financial matters in which the Treasury was interested. Holding this view, it had no interest in supporting ECEFP. Illustrative of this fact was the noncommittal position taken by the Treasury representative on August 4 at the time the committee approved the two policy statements on Germany. Though he had no objections to raise regarding these two documents, and he could see no reason why the committee should not act on them, he was not at that time prepared to state definitely the Treasury's position on these matters. As will be seen, Treasury soon took a very definite position.

5. Summary: The Establishment of Policy (August 1944)

By mid-August 1944, certain definite steps towards an established American policy for the treatment of Germany had been taken, and certain definite obstacles had been encountered. (1) An Anglo-American military directive, CCS 551, had been issued to Eisenhower for guidance of the combined forces in Germany concerning military government prior to the defeat or surrender of the German state. This directive emphasized the paramountcy of military considerations, but at the same time provided for the destruction of Nazism, and such extensive control of the German economy that, in the absence of further guidance, the military would be in a position to do with the German economy what they wished. (2) The State Department's policy of a "stern peace with reconciliation" had reached a fairly clear formulation by the end of August, largely because of the criticisms of earlier drafts by FEA representatives in the Executive Committee on Economic Foreign Policy. (3) The State Department had not yet learned how to work with the War Department in the making of policy. Indeed, each department tended to think of its own position as that of the honest broker when it was actually promoting a particular policy. (4) Until early August the War Department had shown only indifference to cooperation with the State Department for the purpose of clearing American policy in order to expedite Anglo-American negotiations on the treatment of Germany. It seemed to be confident that what policies had to be settled could be handled

the same way that establishing the occupation zones had originally been: through military channels to the President. It was highly protective of military discretion. And perhaps too it shared the President's view that policy decisions should be postponed until the condition of Germany was known.

With the demands on the War Department such as they were in this period, neglect is a poor basis for criticism. Nevertheless, the pattern of War Department indifference is unmistakable. The failure of the War Department to provide the Working Security Committee with a counterpart committee of Secretaries, or with adequate internal clearance procedures—indeed, without even attempting to do so until six months after the establishment of WSC—and the attitude of the Joint Chiefs towards WSC papers, even when they had been approved by the Secretary of State, indicate that the War Department was not disturbed about the slowness with which occupation policy on a two- or three-power basis was being made. Moreover, from the first controversy in WSC over that committee's jurisdiction to deal with policy for the surrender and occupation of Germany to the failure to obtain JCS approval of WSC drafts, the War Department seemed primarily concerned with protecting its freedom of action in the accomplishment of its mission. While it was sensitive to the military implications of other matters, it discounted the policy implications of military matters. Quite naturally, its military considerations had policy implications. Hence, its determination to be the servant of the policy-makers, which assured that it would not commit itself to overt substantive policy, did not assure that it would keep out of policy-making, or even that it would not support a definite policy. Was there any pattern, then, to the policy implications of the positions taken by the War Department on the basis of allegedly military considerations? That is to say, did the War Department, in the last analysis, have a kind of back-door policy for the German occupation? Certainly by mid-August 1944, no distinct policy approach was evident in War Department thinking about the treatment of Germany unless (as was done) one can derive an approach from the Department's insistence on the power of the occupation forces to control extensively the German economy.

III. THE STRUGGLE OVER THE MORGENTHAU PLAN (AUGUST THROUGH DECEMBER 1944)

A. INVOLVEMENT OF THE TREASURY, AUGUST 1944

1. Introduction

The Treasury Department had shown little interest in helping the State Department develop policy for the treatment of Germany in the ECEFP during the early summer of 1944, but it was neither devoid of interest nor without views concerning post-war Germany. The Secretary of the Treasury was one source of these views, for he had strong personal opinions about Germany. Another source was the general economic and financial war program of the Department. A third was the finance officers who had been recruited from the Treasury Department for Army civil affairs activities. During August 1944, all three sources were suddenly drawn upon to produce a full-blown policy for Germany. Before describing the circumstances which led the Treasury to take this step, it will be helpful to know more about these main sources of policy, particularly because they continued to play an important role in the Treasury position after its original formulation.[109]

1. Morgenthau's father had been prominent in public life, serving during World War I as U. S. Ambassador to Turkey. As the result of this experience he developed a distrust of the German nation for what he was convinced was premeditated and cold-blooded aggression.[110] Young Henry apparently shared his father's feelings, for prior to America's entrance into World War I he was anxious for intervention, both in national and personal terms. How relevant this early experience was to Morgenthau's later views is not easy to determine, but it suggests that his approach to German policy in 1943 cannot be explained simply as a reaction to the anti-Semitism of the Nazi regime, as does also the fact that the Treasury approached the fiscal and monetary problems of the Italian "liberation" with a far greater emphasis on punitive objectives than did the State or War Department officials. For Morgenthau, and for many of his associates in the Treasury, there may have been more of a disposition to try to fix the problems of foreign affairs once and for all than was characteristic of War and State Department officials both amateur and professional. An early indication of Morgenthau's views in World War II was provided by his fight with OWI in April 1943 over whether in a public speech he could refer to the "rotten bloodstained foundation" of "Germany" or of "Nazi Germany." He insisted on making it "Germany," but in the end gave in reluctantly to OWI's effort to differentiate between Germany and its current regime.[111]

2. Treasury programs related to the war could be expected to reflect Morgenthau's vigorous and determined attitude toward the war effort, but they also were characteristic of the Department's approach to economic and financial problems. On the whole, while the Treasury pursued its objectives with vigor and skill, it was not a bold innovator or user of new economic techniques. By 1944, Harry D. White was the most influential economist in the Treasury. He had an imaginative intellect which he used to great advantage in the initiation of economic objectives. But in the application of economic techniques his talents were less obvious. Perhaps partially out of inclination and personal limitation, perhaps also because his preoccupation with economic objectives had led him to neglect the rapidly developing techniques of his field of competence, he was more skilled in seeing the economic problem than in drawing fully upon

available economic tools to analyze and solve it. Professor Hart might have said of him, not that he was anti-Keynesian, for no competent economist can be that, but that he was pre-Keynesian[112]—a comparison of particular relevance since a major antagonist of White in economic policy matters often was the pre-eminent British economist of his day, Lord Keynes.

Apparently a result of White's approach to economics was a tendency to apply the meat cleaver rather than the scalpel; that is to say, to place little faith in economic controls, but rely instead more upon a favorable arrangement of economic power. In financial planning for Italy he had fought for what many people considered an unduly hard economic policy as exemplified in a low rate of exchange for the lira, a policy many considered unwise. The application of this approach in the achievement of Morgenthau's objectives with respect to Germany will be made clearer below.[113]

3. The first Treasury official to become an Army civil affairs officer was Bernard Bernstein, who was commissioned in October 1942 with the express approval of Morgenthau, and in response to a cable from Eisenhower for a Treasury official to help with currency matters in Algiers after the landing. During 1943 the need for Army finance officers, mostly in SHAEF, grew rapidly. When the Army turned to private banking as a source for these people, Treasury complained. As a result, the Army attempted, when possible, to recruit its finance specialists from the Treasury Department. It was Army policy to defer to Treasury on financial policy, and this was taken by Treasury and by the Army finance experts recruited from Treasury to mean that the latter enjoyed a special status in the Army with respect to command and communication channels, a status which they also claimed for their representatives in American embassies. They insisted that in order to carry out their assignment in the Army as financial experts, they needed to maintain direct and private contact with the Treasury Department, and that, in fact, they were representatives of the Treasury in the Army. The emphasis in military procedure upon the proper clearance of communications made it impossible for the Army to look upon this assertion with anything but hostility, and Hilldring, for one, never accepted it. But despite the strong objection of the Army, the Treasury continued to work directly with its former officials in uniform. By doing so it had a channel of communication with civil affairs planning and experience in the field which was often more direct than was that of CAD, which was usually bound by the circuitous routes of Army command channels. When the time came, Treasury could use this channel to its advantage in the formulation of its own policy position with respect to the treatment of Germany.

A final note about Treasury policy for Germany: Any administrative organization expects or hopes to count on the support of its staff for a policy, regardless of personal views, once the policy is established authoritatively. But the Treasury Department expected and got this same kind of support from its staff for non-authoritative Treasury positions. That is to say, policy discipline in the Treasury allowed for free discussion of policy within the Department but a solidarity of viewpoint outside the Department. This fact is crucial for an understanding of both the Treasury position on Germany and its sources. There were, to be sure, differences within Treasury at this time over policy, not the least of which was the question of the post-war treatment of Germany. But in dealings with other agencies the Treasury maintained a kind of "cabinet solidarity" which gave it a powerful voice in matters of its own interest, and provided the basis for maintaining control over Treasury "representatives" among Army civil affairs officers.

2. *Morgenthau's Trip*

On August 6, 1944, two days after the Executive Committee on Economic Foreign Policy had finally approved the report on economic policy for Germany, and the one on reparations, restitution and property rights, Secretary of the Treasury Henry Morgenthau, Jr., flew to London to settle some financial problems connected with the liberation of France. Traveling with him were two Assistants to the Secretary, Harry D. White and Fred B. Smith, and a Treasury lawyer, Josiah E. DuBois. During the flight White showed Morgenthau a copy of the paper on reparations, restitution and property rights the ECEFP had approved two days earlier (with White's representative taking a noncommittal position for the Treasury). Perhaps reflecting his view of ECEFP, in present-

ing the paper, White described it as a "State Department memorandum."[114] Morgenthau read it and listened to White's comments about it. The provision that reparations be taken out of current production from German industry over several years, White said, would cause Germany to become again the industrial heart of Europe. First, German industrial plants would have to be reconstructed; and second, after reparations were completed, Europe would be dependent on Germany, while Germany, accustomed to maintaining herself and producing for reparations account also, would not be so dependent on Europe.

After this explanation, Morgenthau expressed his sharp disagreement with the reparations document, for it failed to deal with what he thought was the basic question—the establishment of conditions which would prevent Germany from the forcible domination of Europe a third time.[115]

The following day Morgenthau and his party lunched with Eisenhower at SHAEF headquarters in southern England. Here, White pressed his views on Eisenhower also. He asserted that the Civil Affairs Division, SHAEF, was planning to get the German economy going as soon after occupation as possible, just as it was planning to do in liberated countries. (He and Morgenthau were acquainted with SHAEF plans for Germany.) Instead, he insisted, "we should give the entire German economy an opportunity to settle down before we do anything with it."[116] Eisenhower, picking up this point, indicated that he would like to "see things made good and hard for the Germans for a while."[117] However, he considered the flooding of the Ruhr coal mines "silly and criminal."[118] While White was also opposed to abandoning the mines, Morgenthau liked the idea, and may have mentioned it to Eisenhower. Despite this specific point of disagreement, Morgenthau came away from the meeting convinced that the Supreme Commander agreed with him. Eisenhower talked in general terms about holding the Germans responsible and making them sense their guilt—the kind of general objectives found in CCS 551. Accounts of his statements are confusing, and it is not clear whether he went on to say, for instance, that he wanted to prevent Germany from reconstructing her industry on her own. But he spoke of controlling industrial production and requiring Germans to "make their own living," and this may have been enough to convince Morgenthau that Eisenhower did not support the views of his subordinates in civil affairs who expected to provide Germany with American help in order to get its economy functioning again.[119]

After a brief trip to Normandy, Morgenthau held a meeting on August 12 with several American officials in England to acquaint himself with his government's thinking about the treatment of Germany. Ambassador Winant attended, accompanied by his political adviser, Philip Mosely, an economic expert, E. F. Penrose, and Walter Radius, a State Department expert on transportation and communications. Colonel Bernard Bernstein was the only member of the armed forces in attendance. As has been noted above, he was a former Treasury official and an acquaintance of Morgenthau, and since October 1942 an Army civil affairs officer. Morgenthau's party—White and Du-Bois, together with two Treasury men stationed in London at the Embassy, Aarons and Taylor—were also present. Winant and his associates did not know that German questions would be discussed at this meeting and they were completely unaware, at its beginning, of Morgenthau's views. Penrose, the economic expert, was first called upon to give an account of the British views on the treatment of Germany. In response to a specific question, he expressed the belief that the British would not long seek revenge upon Germany.

An intermission followed Penrose's statement. During it he and Mosely discussed with White the two papers on Germany prepared in ECEFP. White told them that he had read neither document. At no time during the meeting or, indeed, after it, did the State Department officials suspect that White and Morgenthau were familiar with the report on reparations or that this document lay behind Morgenthau's sudden intervention; his interest in the German problem had been of long standing.

After the intermission, Morgenthau opened the discussion with a brief and unordered statement of his views. "From all the evidence I have been able to gather in both the United States and England," he has been quoted as saying, "I am not at all convinced that a realistic program is being followed which will result in Germany's inability to wage war again."[120]

Serious consideration should be given to the reduction of Germany to an agrarian economy, he stated, so that Germany would be a land of small farmers with no large-scale industry, comparable to the farm plan in Denmark. Since the United States would be unwilling to keep troops in Germany for a very long period to control her, this seemed to be the only way to prevent her further aggression.

Bernstein was asked to report on planning within SHAEF for the occupation of Germany. He indicated that the Army philosophy of "take over and control" inevitably led to assumption of responsibility for economic, financial, and social affairs in Germany, and that its desire to do a good job was leading it into plans to buttress and invigorate the German economy. Army civil affairs, he thought, was being carried away with a concern for what was good and efficient from the point of view of administration.

Winant then explained the work of the EAC, accounting for its lack of accomplishments by the lack of official instructions or authority from any of the three governments.

White then expounded in more systematic form the ideas Morgenthau had already expressed. In order to deprive Germany of the means to take aggressive action again, it would be necessary to destroy German industries. Chaos might issue from the occupation, but it should be made clear to the Germans that they alone were responsible for it, and could obtain no help from the victors in dealing with it. White opposed reparations drawn from current production of German industry. This, he pointed out, would encourage the reconstruction of industry in order to expand production. Rather than allow this he would prefer to cancel reparations deliveries.[121]

Hearing this exposition of Morgenthau's proposals, Winant's economic adviser was impressed:

> Whatever might be thought of the opinions of Mr. Morgenthau, it was impossible to deny the resourcefulness of Dr. White in mastering the main points of the interdepartmental committee's report just before the meeting, and transforming the Secretary's sketchy and spasmodic exposition of his views into a clear, amplified, and well-organized restatement composed in fifteen minutes after Mr. Morgenthau had finished speaking. . . .[122]

While Morgenthau had at this meeting evidently approached the subject of his current concern with considerable restraint, in the course of the ensuing conversation he revealed the extent of his commitment to the agrarianization thesis. When confronted with the problem of what to do with the population which could not be supported by farming in Germany, he suggested dumping it in North Africa.

Although Mosely argued persistently against the Morgenthau-White thesis, during the course of the meeting Winant made little comment on Morgenthau's views; he wished to avoid personal involvement in what promised to be a nasty squabble in Washington, and he was embarrassed by the intervention of the Secretary of the Treasury in the affairs of the Department of State. His own attempt to persuade Morgenthau not to repeat certain statements to Anthony Eden seems to have had little effect.[123]

Before returning to Washington, Morgenthau also talked with British officials about his newly awakened interest. Before the conference on the 12th, he talked with the Chancellor of the Exchequer, Sir John Anderson, and the Foreign Secretary, Anthony Eden, and thought he detected a difference of opinion between them. Sir John indicated that he thought Germany should be allowed to continue manufacturing non-military items. Morgenthau suggested: "We could divide Germany up into a number of small agricultural provinces, stop all major industrial production and convert them into small agricultural land-holders."[124] Sir John did not respond. His silence was interpreted as indicating that he disagreed. Over lunch, Eden emphasized that a soft policy toward Germany would only incur the suspicion of Russia and make post-war cooperation with her more difficult.[125] At this or a later talk with Eden, Morgenthau outlined his scheme to turn Germany into an agricultural state. Eden, perhaps sensing the intra-governmental conflict brewing in American quarters, did not express objections to this plan. His silence was interpreted (almost certainly incorrectly) as indicating agreement.[126]

3. *Winant's Reaction*

Morgenthau's European visit apparently had almost immediate repercussions. A few days after the August 12 conference in the English

countryside Winant sent a long cable to the President in an attempt to get confirmation in Washington for the agreements already reached in the European Advisory Commission. As Penrose has put it,

> Winant was anxious . . . to consolidate the gains already made in negotiations on the European Advisory Council [sic], and hoped that the row would not break out in full force until the White House had confirmed the results of past negotiations.[127]

Winant's cable attempted to present his viewpoint on the problems of policy development in EAC, to indicate what agreements had already been made in EAC, and to focus attention on the policy questions still to be settled with respect to Germany. Optimistically, he pointed out that EAC had reached agreement on the terms of German surrender, that the agreement on zones could be completed as soon as Britain and the United States agreed on their zonal assignments, and that an agreement on the machinery of Allied control was imminent. What was needed, he indicated, was the content or substance of the policies to be administered. Suggesting that Russia would be eager for extensive reparations, and that these would have to come mostly from the industrial West of Germany, Winant urged the formulation of a reparations policy and the early agreement on one by the Allies. The cable was an impressive one, running to some seven thousand words. It attempted to put the German problem within the framework of a stable postwar relationship with Russia.[128]

4. *Eisenhower's Reaction and CAD Response*

On August 17, about the same time as the Winant cable, Eisenhower warned the War Department that the occupation of Germany might have to begin sooner than had been anticipated; by this time, the German armies west of the Seine had been decisively beaten, and hopes for German surrender were running high. Less than a week later, on August 23, he advised the Combined Chiefs of Staff that the policy directive for the occupation of Germany under which he was operating, CCS 551, was out of date and no longer applicable. In this message to the CCS, Eisenhower said that plans for the occupation of Germany were based on the presurrender directive which assumed conditions that no longer existed: that the Allies would have to fight their way into Germany, and that there would eventually be a general surrender of German armed forces or of a central German authority. Under these conditions, even though a main function of SHAEF would be the reestablishment of law and order behind the lines, extensive controls over the economy by SHAEF would be unnecessary since the maintenance of a functioning economic system could be made a responsibility of the surviving central government authority. However, now that it was evident that the central German government would not survive, SHAEF should be relieved of the responsibility for maintaining law and order or for controlling the economic system.[129]

In part, this cable was undoubtedly inspired by the wave of optimism nourished by the great victory and the continuing sweeping advances; it was in this sense a reaffirmation of the message of August 17. In part, too, it seems to reflect the conversation with Morgenthau a fortnight earlier. White had spoken of the German economy "bogging down in a morass of economic wreckage."[130] This conviction was apparently firmly held by him and by Morgenthau, who remarked in his talk with Winant that "chaos was inevitable."[131] But by this time it was also a view held by many within Eisenhower's own staff, notably the G-5 Division of SHAEF.[132] On the assumption that "chaos was inevitable," the responsibilities laid on Eisenhower by CCS 551 would be impossible or at least difficult to fulfill. Furthermore, an attempt to carry them out when civil order and agricultural and industrial production were no longer needed to sustain military operations in Europe would run counter to Eisenhower's stated belief: "The Germans should be permitted and required to make their own living, and should not be supported by America."[133]

In Washington, the new expectations of CAD officials that the German economy was bound to collapse before or during occupation had produced new efforts to obtain policy agreement on a longer-term basis than the presurrender directive, CCS 551. The War Department's first attempts in early August to unblock the Working Security Committee's efforts to provide Winant with instructions on the treatment of Germany have been described above. On August 15, two days before Eisen-

hower's first cabled warning of the need to reduce his responsibility for maintaining the economy of Germany, the Civil Affairs Division had requested that the Combined Civil Affairs Committee prepare a statement of general policy for SHAEF to be used in the immediate post-surrender period, in case a successor to CCS 551 was not prepared in time.[134] Thus, by mid-August new approaches were being made to existing short-term and long-term policies, all at the initiative of Army officials. Had the imminent surrender of Germany been the sole reason for concern over policy, only the second of these would have been urgent. The unavoidability of Army involvement in high political policy questions which the prospects of economic collapse had revealed to Army officials lay behind this major change in its viewpoint.

The Treasury Department had come to a change of viewpoint by a different route. By the end of July, Treasury was advocating a revision of the Financial Guide to CCS 551 which would shift the primary reliance for financial (and economic) policies from elaborate, pre-set administrative plans to the improvisation of a program on the spot because of the difficulty of anticipating important conditions.[135] The effect of this proposal would be to make not only occupation planning, but the extent of Army responsibility for the German economy more flexible. Apparently in response to Eisenhower's cable of August 23, three days later the CCS approved the Financial Guide revision. The issue was thus side-stepped rather than settled, as an impasse in the CCS over instructions to Eisenhower directly bearing on his responsibility for the German economy later revealed.[136]

B. *MORGENTHAU IN WASHINGTON*

1. *Morgenthau Acts*

Upon returning to Washington on August 17, Morgenthau directed Harry White and two Treasury lawyers, John Pehle and Ansel Luxford, to have a draft of the Treasury's position on policy toward Germany prepared. They, in turn, enlisted the help of several others in the Department.

Morgenthau himself promptly saw Hull about the terms of reference of the EAC, a question which had come up in his conversations with Eden. To settle the question, Eden had gone over the minutes of the Teheran Conference with Morgenthau. At that conference, it had been agreed that the question of the dismemberment of Germany was to be considered by the EAC. The discussions leading up to the understanding indicated that there was only agreement to *consider* the proposal.[137] Since the EAC, after burying dismemberment in subcommittee, had proceeded immediately to consider matters which assumed a single German state, Morgenthau asserted that EAC was "blandly ignoring its instructions from Teheran." Morgenthau did not understand the workings of EAC, nor did Hull clarify the situation. EAC would only "consider" or "study" a subject if one of the three governments instructed its member to present a formal written proposal. This had not been done, and Winant had correctly proceeded with matters on which he did have instructions. Roosevelt had failed to tell Hull about the discussion at Teheran, and the State Department naturally took no steps to advocate a policy it opposed.

Morgenthau's version of the Teheran Conference minutes shocked Hull, who admitted that he had never seen them, and then went on to pour out all the exasperation which had built up in the attempts of the State Department to get instructions through the Working Security Committee to the European Advisory Commission.[138]

The following day Morgenthau tried to rouse the President by telling him that since the Teheran Conference no American officials were attempting to plan policy for Germany in accordance with his wishes, particularly in relation to dismemberment. Roosevelt did not respond. He chose to interpret this information to indicate that there was a misunderstanding between Churchill and himself—a misunderstanding which could be settled easily through direct contact.[139]

Stimson had been away from Washington for most of August recuperating from a minor surgical operation which had been slow to heal. Before that, he had traveled in the European theater. Roosevelt, in turn, had gone to the Pacific in the early summer. Consequently, when Stimson arranged to see Roosevelt on August 23rd, it was his first appointment with the President since June. Stimson had wanted

to talk about the settlement of policy for Germany. His appointment was cut short, however, and all that he could accomplish was to stress the urgency of the matter, to learn of the forthcoming Anglo-American conference at Quebec where Roosevelt expected to settle with Churchill "all these questions in regard to Germany," and to make an appointment two days later.[140]

Stimson, Morgenthau, and McCloy lunched together that day. The talk was about German policy. Morgenthau recounted his story of the agreement on dismemberment at Teheran, but Stimson was able to satisfy himself that Roosevelt, Churchill, and Stalin had not committed themselves so formally and fully as Morgenthau seemed to think.[141]

There seems to have been no very clear meeting of minds between Morgenthau and Stimson and McCloy. Morgenthau continued to press his views on Germany without realizing how little support he would get from Stimson. His report to the President, upon his return from England the week before, that American officials were not planning for the dismemberment of Germany, was a general criticism, but it was most likely to reflect upon the State Department in its conduct of EAC negotiations, although the more tangible evidence Morgenthau had was concerned with Army conduct. Two days later Morgenthau called the White House and requested the first appointment that morning with the President;[142] he thought that Stimson's meeting with the President on the same day would deal only with the specialized question of the Army's responsibilities in Germany, while he would cover the whole range of German questions. Stimson and McCloy knew of Morgenthau's appointment, and Morgenthau knew of Stimson's. Neither was bothered because neither realized how profound their differences were.

To his meeting with Roosevelt Morgenthau took a SHAEF military government handbook for Germany which Colonel Bernstein had handed him in England, and a memorandum on the handbook prepared by his staff—probably after his luncheon with Stimson and McCloy.

Roosevelt was interested enough in what he saw in the memorandum to agree to read the handbook that night. He discussed the treatment of Germany with Stimson at lunch in general terms, but evidently without saying very much about the SHAEF handbook. If Morgenthau was attempting that day to arouse the President to disapprove of civil affairs planning in England, Stimson tried to impress him with the urgency of settling the policy issues about Germany and at the same time refute Morgenthau's proposals, such as he knew them. Stimson emphasized the importance of a prompt settlement of the zonal assignment question, arguing for acceptance of the British proposal on which he, Stettinius, and McCloy agreed. He explained that the British had naval interests in occupying the Northwest zone which the United States did not have. He understood, he said, that the President was alarmed at the prospects of American assignment to the Southwest zone because the lines of supply and communication to it would lie through France, where they would be in jeopardy when the revolution which Admiral Leahy had forecast occurred. No revolution would occur, he insisted, while the war was still being waged, because of the presence of so many American troops; and when it was over, there would be independent lines of communication through Germany, anyway. Furthermore, he suggested, the Southwest zone will be "a more congenial part of Germany," and it will be considerably further away from the "dirty work that the Russians might be doing with the Prussians in eastern Germany."

He went on to talk of the questions raised, or soon to be raised, by Morgenthau. While he thought that "trimming the outer edges of Germany"—East Prussia, Alsace and Lorraine, and possibly Silesia—would not be unwise, he opposed the partitioning of the whole country. Were it divided, he said, and a policy of deindustrialization followed, he feared her "excess population" of thirty million people would starve. In the long run, the destruction of the economic structure of Germany would have serious consequences. For now, he argued against a punitive exchange rate for Germany, which Morgenthau was proposing. As alternatives to Morgenthau's proposals he suggested the internationalization of the Ruhr and the Saar and individual punishment by legal methods. His "main point" at the end was that the Army was going to have to go into Germany without instructions on vital questions of policy.[143]

2. *The President Responds*

After lunch, Roosevelt and Stimson went into the Cabinet meeting together. There the President explained that he had been talking with Morgenthau

> on the general question of the control of Germany after the end of the war. He said that he had just heard about a paper prepared by the Army and that he was not at all satisfied with the severity of the measures proposed. He said that the Germans should have simply a subsistence level of food—as he put it, soup kitchens would be ample to sustain life—that otherwise they should be stripped clean and should not have a level of subsistence above the lowest level of the people they had conquered.

At the Cabinet meeting Stimson indicated his disagreement with this view. He

> pointed out that among other things Germany was a highly industrialized nation, that it would be a practical impossibility to shift large segments of the population who depended for their existence on industrial [sic] economy back to the land; furthermore, he pointed out that the products of German industry and business were needed for the rebuilding of Europe, particularly the iron and steel from the Ruhr.[144]

While the President continued with the expression of his views regardless of Stimson's opposition, he did accept a suggestion, made by Stimson during lunch that day, that he name a Cabinet committee composed of the Secretaries of State, War, and Treasury to consider the problem of how to treat Germany. Stimson had pointed out to the President that he did not really have the time to study through the problems involved and suggested that the committee of these Cabinet officers "could assimilate the work that was already being done by men on a lower level and prepare it for the President himself."[145] In announcing to the Cabinet his acceptance of this suggestion, Roosevelt instructed the committee to consider the problem of how to deal with Germany along the lines that he had just outlined.[146]

While Roosevelt had made no severe criticism of the SHAEF handbook at the Cabinet meeting (he had not yet read it), the following day, August 26, he sent a memorandum to Stimson.

> This so-called "Handbook" is pretty bad. I should like to know how it came to be written and who approved it down the line. If it has not been sent out as approved, all copies should be withdrawn and held until you get a chance to go over it.
>
> It gives me the impression that Germany is to be restored just as much as the Netherlands or Belgium, and the people of Germany brought back as quickly as possible to their pre-war estate.
>
> It is of the utmost importance that every person in Germany should realize that this time Germany is a defeated nation. I do not want them to starve to death, but, as an example, if they need food to keep body and soul together beyond what they have, they should be fed three times a day with soup from Army soup kitchens. That will keep them perfectly healthy and they will remember that experience all their lives. The fact that they are a defeated nation, collectively and individually, must be so impressed upon them that they will hesitate to start any new war.
>
> . . . . . .
>
> There exists a school of thought both in London and here which would, in effect, do for Germany what this Government did for its own citizens in 1933 when they were flat on their backs. I see no reason for starting a WPA, PWA, or CCC for Germany when we go in with our Army of Occupation.
>
> Too many people here and in England hold to the view that the German people as a whole are not responsible for what has taken place—that only a few Nazi leaders are responsible. That unfortunately is not based on fact. The German people as a whole must have it driven home to them that the whole nation has been engaged in a lawless conspiracy against the decencies of modern civilization.
>
> Please let me see the revision of this and also let me have this original copy back.
>
> [s] F.D.R.[147]

In his note to Stimson, Roosevelt quoted some twelve excerpts from the handbook which dealt with the Army's responsibility for keeping German economic and political life functioning adequately. Indicative of the tone of all of them was the first:

> Your main and immediate task, to accomplish your mission, is to get things running, to pick up the pieces, to restore as quickly as possible the official functioning of the German civil government in the area for which you are responsible. . . . The first concern of military government will be to see that the machine works and works efficiently.

Thus, on his second try with the President,

the Secretary of the Treasury scored. He had been unable to raise the President's interest over the failure of the European Advisory Commission to consider the question of the dismemberment of Germany. But a demonstration that the Army had stated that the first and main task of civil affairs was to maintain or restore civil and economic life in Germany drew Roosevelt's immediate disapproval. It was indeed ironic that he aroused the President's interest in a position which the Army was already trying to abandon.

3. War Department Reaction to the President's Note

While Stimson's wish was granted by the establishment of the Cabinet Committee, Morgenthau's views on the substance of policy found in the President a sympathetic reader. Roosevelt's note to Stimson on the civil affairs handbook was copied and circulated widely in the State and Treasury Departments. Upon receipt of it, the War Department had the Combined Chiefs of Staff suspend distribution of the handbook.[148] The Combined Civil Affairs Committee then attempted to fill the gap left by that suspension. At first it was planned to tell Eisenhower to use the pre-surrender directive if Germany surrendered before he received other instructions. But the committee finally decided to notify him that he might issue pre-surrender interim directives based on directives of the Combined Chiefs of Staff. It instructed him also to block out of the handbook all directives that assumed a policy of general economic or administrative rehabilitation. For post-hostilities guidance, he was informed, a directive was under consideration.[149]

On September 15, after it had been found impossible actually to block out the offending passages, at the suggestion of CCAC the handbook was issued with a fly leaf insertion which stated that the directive would apply only to the pre-surrender period, and that its application should insure that

(1) no steps beyond those necessary for military purposes should be taken for the economic rehabilitation of Germany;

(2) no relief supplies except the minimum necessary to prevent disease and disorder that might interfere with military operations should be imported or distributed; and

(3) no Nazi sympathizer, nor Nazi organization should be continued in office for purposes of convenience or expediency.[150]

The War Department was in a difficult position to defend itself against the President's rebuke because the handbook represented a position which the Army had been in the process of abandoning for several weeks. Hilldring, writing to Eisenhower's G-5 at the end of August, stated that both he and McCloy were in complete agreement with the substance of the President's memorandum.[151] But the action of SHAEF in going ahead with the handbook and the works it represented needed and deserved defense. A draft memorandum to the President was prepared for Stimson's signature by CAD. Although it was never sent (the matter was handled informally by Stimson or McCloy), it was an important statement of CAD's position at the time:

MEMORANDUM FOR THE PRESIDENT:

The Handbook of Military Government for Germany dated August 15, 1944, referred to in your memorandum dated August 26, 1944, is a preliminary draft prepared in the Supreme Headquarters, Allied Expeditionary Forces, in London. The draft is a working paper and at the time of its delivery to you had not been approved by General Eisenhower. It has not been distributed to the Armies nor has it yet been transmitted to the War Department for approval or comment. Supreme Headquarters was immediately notified by the Combined Chiefs of Staff to defer any use of the Handbook pending further instructions.

I agree that many of the provisions which you quote seem unduly solicitous of the future welfare of Germany. The Handbook has now been reviewed by General Eisenhower's Headquarters and a new draft of it has just arrived which we have checked and believe to be in conformity with your views. Mr. Morgenthau has seen the new draft and concurs in this statement.

. . . . . .

With respect to food and relief the directive states that "German food and other supplies will be utilized for the German population to the minimum extent required to prevent disease and unrest." There is no provision for any imports.

In other matters, I think you will find that this directive, which is the only official instructions issued to date to General Eisenhower, is entirely consistent with any long range policies this country, acting in conjunction with England and Russia, may see fit to adopt.

As to the post-surrender period, there are still no agreed tripartite policies established, but Gen-

eral Eisenhower's staff has been required to make plans on a tentative basis. It has always been understood, however, that these plans would be and are subject to change, in accordance with such policies as may be handed down either by tripartite agreement or by the Combined Chiefs of Staff. It was on this basis that the SHAEF staff prepared the draft of the Handbook which you saw.

In the meantime the War Department has prepared a draft of a directive dealing with the Post Surrender period and pending such time as tripartite or other instructions are given as to the long range policy for the treatment of Germany. This directive will be submitted to your Committee within the next day or two for review.

Your concern on this matter again brings forward the need for a clear understanding of our policy, which I trust the creation of the informal Committee of the State, Treasury, Navy and War Departments will expedite.

With events moving so rapidly, it is urged that such policy and guidance be furnished to the military authorities as soon as possible to the end that those who are charged with the duty of executing the terms of surrender and administering military government will have the fullest information as to the policy of the United States.

In accordance with your request, I am returning to you the draft of the Handbook which you sent me with your memorandum of August 26.[152]

4. *The War and State Departments Press for Agreement*

Policy instructions for Winant constituted an old subject, but at the end of August it was an old subject with a new urgency. Paris had been liberated; the Allied armies were rushing eastward; a collapse of Germany within days or weeks seemed highly possible. The need for an immediate directive was incontestable. As if this was not enough, Roosevelt's memorandum to Stimson showed that the establishment of agreed policy was likely to be even more complicated a process in the future than it had been in the past.

Meanwhile, working under the shadow of these events, the Civil Affairs Division's change of attitude toward the Working Security Committee and the tripartite negotiations in London, which reflected SHAEF's changed prognosis about the German economy and the responsibility which the occupation forces should take for it, continued to gain momentum. In early August Colonel Thomas W. Hammond, the Assistant Military Adviser to Winant, returned to Washington to assist CAD in its efforts to improve the military clearance procedures for Winant. As Hilldring and his representative on WSC, Allen, now saw it, the slowness of WSC was due to the State Department. On about August 17, the day Morgenthau returned to Washington, Hilldring, Hammond, and Allen met with H. Freeman Matthews from State to impress upon him the urgent necessity for getting action in Washington on the draft directives which were coming in from Winant each week. They emphasized that these documents differed from earlier papers considered by the committee since they were concerned only with the implementation of policy already established, not with questions of general policies. As was noted above, this was not true of the first three papers submitted by Winant in July, for they were very much concerned with questions of general policy. In order to reach agreement on general policy so that the directives dealing with more specific subjects could be cleared for Winant, a meeting was scheduled for the following week to consider two of the three policy documents from London, the draft "General Directive for Germany" and "Principles of Allied Military Government for Germany." On August 24 the committee cleared both papers. It was expected that War Department clearance could by some special dispensation be by-passed and the papers could be submitted at once to the JCS.[153] This WSC action immediately took on new significance. The Cabinet Committee on Germany was designated the next day, and CAD learned from Winant's staff in London their view that it was unlikely that individual directives would ever be approved by the EAC, but that a broad policy directive might well receive favorable and prompt consideration.[154] The two papers dealt with broad policy, but the third was potentially the most comprehensive of them all. CAD now hurriedly brought it out of WSC, intent on speedy military clearance.[155]

The new comprehensive policy paper took into account the most recent developments. It avoided the issue on which the President had expressed such strong views by leaving out the proposals on economic reconstruction, so that no general statement on economic policy remained. In its form, it followed, in some degree, the directive, "Military and Political

Policies to be Followed in the Administration of Germany," prepared by Winant's staff and transmitted by him in July, though it was considerably more detailed. The greater detail revealed a modest denazification policy, involving only "chief Nazi associates" and "important" government officials, much like the policy of CCS 551. Also noteworthy was the failure of this directive to adjust to the changing circumstances described in the SHAEF cable to the Combined Chiefs of August 23. German administrative machinery and German personnel were to be relied upon for the execution of Allied policies and to maintain law and order, while extensive controls were to be exercised over the German civil authority. The basic policy of the directive was wholly in conformity with the expressed State Department position; its greater concreteness probably reflected War Department views. Winant had originally intended that this document only lay down general policies on the most important matters requiring tripartite agreement; evidently the War Department representative on WSC had led it into more detailed provisions.

While the pressures for expediting clearance of WSC papers now came from within the War Department instead of from State, with the appointment of the Cabinet Committee on Germany clearance again came to a standstill. Meanwhile the Operations Division held up both papers until formal concurrences by War Department agencies concerned should be received.[156] Thus rebuffed, Hilldring tried a different routing for the third paper, the comprehensive policy agreement draft. He referred it on August 28 to the Joint Post-War Committee. Although this was the usual routing, he was told to expect clearance to the JCS secretariat by September 1, in just two days. But the clearance was held up at the last minute when the appointment of the Cabinet Committee on Germany was interpreted by the JCS staff to mean that the President wanted an agreed German policy worked out in a different way.[157]

Shortly before this, on August 25, the day after the President had established the Cabinet Committee on Germany, and the Working Security Committee had cleared Winant's two policy papers for Germany, Hull had sent Stimson the two economic policy papers which State had had cleared by the Executive Committee on Economic Foreign Policy in early August, pointing out that they had been approved by ECEFP, listing its inter-departmental membership, and requesting the views of the War Department on it before its transmittal to the President. Hull's letter also asked that an appropriate War Department officer be designated for informal discussion of the subject matter with Assistant Secretary of State Dean Acheson, the chairman of ECEFP. And, in what was almost a paraphrase of what CAD had been telling Hull's own subordinates, the letter explained that an agreed general policy statement was necessary in order to go ahead with subsidiary issues which now needed decision.[158]

5. *Adjustments in the War Department Position of Policy Neutrality*

CAD's determination to expedite the establishment of policy for Germany can be viewed as one retreat from an extreme position of policy neutrality—an indifference to the making of policy based on a confidence that it was not really necessary. Stimson's proposal of a Cabinet Committee was a second retreat from policy neutrality. It had been intended that the War Department be the servant of the policy-makers, but not a policy-maker itself. There were bound to be two objectives for this desire to keep the Army out of politics: One was to protect America from the dangers of militarism; the other, to protect the military from the dangers of politics. By late August 1944, in the War Department the latter objective seemed to be in considerable jeopardy.

From the viewpoint of the Army, the hazards of a political role for itself rendered policy-making which was "civil" or "political" rather than "military" in character unthinkable as an Army responsibility. As we saw earlier, the major Army doctrines on military government were "military necessity" and "welfare of the governed"—one of which emphasized the military character of occupation duties, the other the service functions of the Army, while both sought to minimize the Army's involvement in policy. But in thirty-two months of war the Army had found the avoidance of involvement difficult if not impossible. With encouragement from the State Department and the President it had hoped that it would be responsible for occupying Germany for a short time only. Dur-

ing that time it hoped that it could carry on a kind of neutral military government and that the policy questions involved in the treatment of Germany could be postponed until the War Department's responsibility for military government had ended. But the Army had learned that its hopes had little foundation. Experience in North Africa, Sicily, and Italy had made clear that it was impossible to administer civil affairs without becoming involved in policy-making. At the same time, there was a growing expectation of longer Army control of occupation than had originally been anticipated. In an attempt to hold the line against involvement with policy-making, the War Department had established the Civil Affairs Division as a policy coordinator. Presumably, by "coordinating" policy made elsewhere, the War Department could still avoid policy-making, and at the same time provide its civil affairs people with instructions, so that they could avoid the dangers encountered in North Africa which had resulted from operating in a policy vacuum. But CAD had found it difficult to coordinate without further involvement in the making of policy. The distinction between the two functions was clever but not wholly realistic.

The Army's hopes had been pinned on what was probably the old Army tenet of "welfare of the governed," as modified under the inspiration of State Department policy positions. In the course of developing occupation plans for the Army, what at first seemed to be purely administrative devices were revealed to have significant policy implications. Many of these implications were avoidable with the reconstruction policy, for reconstruction meant in fact an economic policy for Germany, but one determined, not on its own merits, but in pursuit of some of the universal objectives of post-war policy: restitution and reparation. This was the State Department modification of "welfare of the governed." But when economic collapse in Germany began to seem probable, so that if it were to be prevented the effort required would have to be of such a scale that it could only be undertaken as a result of a clear commitment with respect to German economic policy as such, the last hope of avoiding involvement in non-military policies collapsed for the Army. Thus, in addition to entanglements with policy-making which it had found unavoidable in the administration of civil affairs, the War Department now had to anticipate that it would be held responsible, not merely for the efficient administration of civil affairs in Germany, but also for carrying out policies with important long-term implications for American foreign policy.

The first reaction in the War Department was to see that those policies were clearly established by others. This was the point at which the Army had arrived by the end of July 1944. It accounts for CAD's change of attitude toward the Working Security Committee and the tripartite negotiations in the European Advisory Commission on occupation policies. But Stimson's move went further, for he attempted not simply to expedite but to shape the substance of policy.

The Army's new sense of urgency for agreement on military government policy was a major reason as well for this second retreat into policy-making. Whatever else the War Department's attempt to remain neutral had accomplished, it had not expedited the determination of policy. The military plans developed at SHAEF with painstaking effort had become as doubtful as had the major assumption on which they were based, that the German economic and political system would not collapse. The War Department's conflicting desire to keep out of policy-making, but make sure that policies established did not conflict with military necessity, had made it refuse to commit itself in advance to State Department position papers, thereby immobilizing the WSC and EAC. Indeed, thus far the only concrete progress made in the settlement of the major questions concerned with the occupation of Germany had been accomplished by considering the question of occupation zones as a military one and settling it through military channels. Finally, the War Department might become intent upon expediting policy guidance, but that was not enough, for the War Department did not constitute the Joint Chiefs of Staff.

When the Treasury intervention occurred it cut across the War Department's disappointments over its own role in policy-making. In the first place, the Treasury began with an attack upon a military government handbook prepared by an Army staff in London. If this kind of instruction could not be kept free from criticism for its policy content, what could? Secondly, the manner of criticism was disturb-

ing, besides being embarrassing: the Secretary of a civilian department had gone to the President, who had reprimanded the Army in a letter which was widely circulated. Thirdly, from what could be known about the views of the Treasury, impossible demands might be placed upon the Army's civil affairs administration. And finally, even if they were not impossible to execute, occupation policies were bound to be the subject of partisan debate.

Under these circumstances the War Department was faced with an unhappy dilemma: if it left the making of policy for Germany to others, the Army was likely to become the spokesman for a partisan viewpoint, or the scapegoat of failure, or worse. The only immediate alternative seemed to be the unabashed abandonment of its neutral position vis-à-vis policy, and its active and overt participation in policy-making. However, Stimson's conception of his position as Cabinet member provided another way out. He could, not as spokesman for the War Department but as a member of the President's Cabinet, take an active part in the development of policy for Germany.[159] In this way, the fiction of the War Department's unconcern over the substance of the civil affairs policies which it administered could be preserved, and in fact the Army's active involvement could be subdued, while at the same time policies in the execution of which the Army would not become vulnerable to partisan attack could be encouraged, if not assured.

Determined now to expedite policy decisions for the occupation of Germany, but still to minimize the responsibility of the War Department for policy-making, Stimson turned to his role as a Cabinet member. It is ironic that in doing so he temporarily quashed CAD's efforts to expedite inter-departmental agreement on policy for Winant's guidance in the tripartite negotiations in London, although it may not have been unintentional. Stimson had become distressed during his recuperation at Saranac Lake by what appeared to be increased efforts by the State Department to by-pass the Secretary of War and deal directly with the Joint Chiefs of Staff. On his way back to Washington he had drafted a memorandum to Hull protesting this practice, which he delivered in person the next day. Dining that night with Dunn, McCloy, and Harvey H. Bundy, his Special Assistant, he tried to interest them in his protest, but was disappointed in the response.[160] They had little reason to respond with enthusiasm. While he had been away, Dunn's and McCloy's subordinates, with the initiative coming from the War Department, had devised a way, or thought they had devised a way, to get JCS approval for WSC papers—by by-passing War Department clearance (including, presumably, the Secretary). It may well be that Stimson, from a distance, had mistakenly thought that these efforts were the result of State Department pressure. Whether he understood them or not, his memorandum to Hull could only jeopardize their success, for which, presumably, McCloy and Dunn were hoping. When Stimson's point, that only the President, the Secretary of War and the Secretary of the Navy had an inherent right to consult directly with the Joint Chiefs of Staff, was pressed by him later, after Stettinius replaced Hull as Secretary of State, it led to the establishment of the State-War-Navy Coordinating Committee, which proved to be a much more effective agency for the expediting of inter-departmental agreement on politico-military policies.

C. PREPARING FOR THE CABINET COMMITTEE

1. Hopkins and the State Department Position

On August 29, four days after the President had accepted and acted upon Stimson's proposal of a Cabinet Committee, at a conference in Hull's office with Patterson and Forrestal, the Under Secretaries of War and Navy, respectively, present, McCloy pressed for an early meeting of the Cabinet Committee. His immediate concern—one which must indeed have been alarming to Army financial planners—was with the President's idea of having no established rate of exchange with Germany and, by implication, no currency controls. With these notions as an impetus (for no one present liked them), plans were laid to get the committee under way. Forrestal was assured that the Navy would have access to proceedings of the committee and could be represented whenever it desired.[161]

Three days later, Harry Hopkins called on Hull to announce that the President had asked him to give the Cabinet Committee his un-

divided attention. Hopkins, formerly Secretary of Commerce, had taken up residence in the White House in May 1940, to become a kind of alter ego of Roosevelt, functioning as his most intimate and trusted adviser and assistant. At this time, the Roosevelt-Hopkins relationship had entered a cool phase,[162] and Hopkins was aware that he would not attend the forthcoming Anglo-American conference at Quebec.

While visiting Hull, Hopkins was shown by James Riddleberger, Chief of the Division of Central European Affairs, and H. Freeman Matthews, the studies on post-war Germany made in the State Department and in the European Advisory Commission.[163] Later in the day, Riddleberger and Matthews drew up a memorandum outlining the State Department's views on American policy for the post-surrender treatment of Germany.[164] By this time—September—negotiations in the European Advisory Commission had dealt with surrender terms, zones of occupation, and control machinery and military government. The United States had approved formally the instrument of unconditional surrender of Germany recommended by the EAC. Britain and the USSR were expected by the State Department to approve it also. Tentative, but not formal, agreement had been reached regarding the zones of occupation, but Britain and the United States remained in disagreement as to which would take the Northwestern and which the Southwestern zone. In March 1944, Britain and the United States had submitted proposals to the EAC for the machinery of occupation. The USSR had at first refused to discuss them until the surrender terms had been agreed to. By the end of August, however, they had agreed on discussions and submitted their own proposals.

The Riddleberger-Matthews memorandum noted that several important problems remained unsolved for which high policy decisions were urgently required. First, they urged acceptance of the State Department's policy of opposition to an imposed dismemberment of Germany. This view had been well established and consistently expressed by the staff during more than two years. The Department now favored a federal system which, it thought, would avoid the disadvantages of both dismemberment and the existing centralization of government in Germany. Second, it wanted the dissolution of the armed forces of Germany, of all forces related to the military; and the destruction of all military equipment. Third, it proposed the liquidation of the Nazi Party. Party members were to be excluded from political or civil activity and subjected to a number of restrictions. (Whether or not this was to apply to all party members was not made clear.) Discriminatory laws were to be abolished. Fourth, war criminals were to be held for whatever disposition was later decided upon. On all of these proposals general agreement existed within the government. Sharp differences did exist within the government on economic measures for Germany, but Riddleberger and Matthews based their position on the general policy statement approved by ECEFP on August 4, summarized above.

These views of the State Department, particularly the reassertion of its approval of the ECEFP Report on General Objectives of United States Economic Policy with Respect to Germany, reflected its awareness of opposition from the Treasury and the President. Riddleberger and Matthews undoubtedly had heard word of Morgenthau's plans for turning Germany into an agricultural country. They objected on the grounds that such actions would adversely affect the economy of Europe, and would require the liquidation or emigration of millions of Germans. Beyond that, the President's memorandum of August 26 showed them that he had strong views on economic policy; apparently Matthews and Riddleberger at this point hoped that the President might be persuaded to modify his position.

2. *Treasury Preparations*

On the same day that the State Department completed the memorandum described above, the Treasury committee which Morgenthau had appointed upon his return from England completed a draft memorandum entitled "Suggested Post-Surrender Program for Germany," which might be considered the first formal draft of what soon was widely known as the Morgenthau Plan;[165] and, indeed, while Morgenthau was not the draftsman, it was in substance *his* plan. In brief, it suggested that the position of the United States should be based on the following principles: First, the complete demilitarization of Germany. "This means completely disarming the German Army and people . . .

and the total destruction of the whole German armament industry as well as those parts of supporting industries having no other justification." Second, the partitioning, or dismemberment, of Germany. East Prussia, the southern portion of Silesia, the Saar, and the adjacent territories bounded by the Rhine and the Moselle Rivers, and all German territories north of the Kiel Canal were to be incorporated into other countries. The remainder of Germany, excluding the Ruhr, was to be divided into two states, each of which was to be decentralized by making it a federation. Third, the Ruhr, the Rhineland, and the Kiel Canal were to be made into an internationalized zone, which should be a free trade area.[166] Fourth, reparations out of current production were not to be demanded; but all reparations and restitution would have to come from existing German resources and territories, including forced German labor outside Germany. The fifth provision involved denazification. Indicative of its severity was the following provision:

> Apart from the question of established guilt for special crimes, mere membership in the S.S., the Gestapo, and similar groups will constitute the basis for inclusion into compulsory labor battalions to serve outside Germany for reconstruction *purposes.*[167]

It further provided that all Nazi Party members, Nazi sympathizers (broadly defined), Junkers, and military and naval officers should be "dismissed from public office, disenfranchised, and disqualified to hold any public office or to engage in the journalist, teaching and legal professions, or in any managerial capacity in banking, manufacturing or trade." The final principle of particular significance concerned the German economy. It was a clear and forceful statement of the "let Germany stew in its own juice" view:

> The sole purpose of the military in control of the German economy shall be to facilitate military operations and military occupation. The Allied Military Government shall not assume responsibility for such economic problems as price controls, rationing, unemployment, production, reconstruction, distribution, consumption, housing, or transportation, or take any measures designed to maintain or strengthen the German economy, except those which are essential to military operations and are indicated above. The responsibility for sustaining the German economy and people rests with the German people with such facilities as may be available under the circumstances.[168]

Once Germany was disarmed, it was expected that her neighbors (including Russia, but not including Great Britain) would take primary responsibility for policing and administering her. U. S. troops would be withdrawn "within a relatively short time."

3. *Preliminary Meetings*

At the request of the President, Hopkins called together several advisers of the Secretaries of State, War, and Treasury for an exchange of views prior to the convening of the three as a Cabinet Committee. Three of these meetings were held, the first two in Hopkins' White House office on September 2. Matthews and Riddleberger represented State; the Assistant Secretary of War, John J. McCloy, and the chief of the Civil Affairs Division, General Hilldring, represented War; and Harry D. White, Assistant to the Secretary, and ranking Treasury official who helped prepare the first draft of the Morgenthau Plan, was the Treasury spokesman.[169] White produced the "Suggested Post-Surrender Program for Germany," and in a lengthy interpretation of it went beyond its terms in describing the extent of the severity, especially by emphasizing that no trade from the proposed internationalized zone of the Ruhr and Rhineland be permitted to contribute in any way to the German economy.[170]

In the afternoon session the State Department memorandum prepared the previous day was presented, and Matthews and Riddleberger explained how it fitted into British and Russian ideas, as they understood them. McCloy pointed out the difficulties which would arise in attempting to carry out the plan advanced by the Treasury. He insisted that it was essential to give General Eisenhower an interim directive for the treatment of Germany to suffice until more long-range plans could be made. Hopkins thought it most important that this directive be prepared as soon as possible, and urged McCloy to hurry its completion. McCloy replied that the State and War Departments had both been working on this directive (the document completed in WSC on August 30), and that there were only minor differences between them which could be adjusted easily, but the

Treasury memorandum was in obvious conflict with some major provisions of the State-War draft.[171]

It was decided that a meeting should be held, with Treasury representation, to hasten the completion of the interim directive.[172] Riddleberger was requested by the conferees to draw up a further memorandum attempting to reconcile the views of the three Departments which their respective Secretaries might submit as their recommendation to the President.

On Sunday, September 3, Hopkins met again with State Department representatives, evidently to go over the draft Riddleberger was to prepare. Besides Riddleberger and Matthews, James C. Dunn, Director of the Office of European Affairs, attended. Dunn pressed with Hopkins the State Department theme which had been introduced the previous day in defense of its own work. He emphasized the great importance of working out with our Allies the questions involved in post-war treatment of Germany. He explained the impossibility of obtaining the concurrence of Russia and Britain in some of the principles proposed by the Treasury. He described the tripartite control of Germany envisaged in U. S. and British proposals to the European Advisory Commission for a Control Council for Germany, and indicated how extensively they would have to be modified to conform with Treasury ideas. The State Department representatives had the impression that Hopkins accepted the validity of this line of argument. He remarked, somewhat noncommittally, that he believed it essential for the President and the Secretary of State to keep in agreement on all plans that might be developed for Germany.[173] It is useful to note that Hopkins gave the same impression to the Treasury representative that he gave to State; Morgenthau believed that Hopkins was on his side.

After the conclusion of these three meetings with Hopkins, the State Department participants advised Secretary Hull that there had been agreement on demilitarization, denazification, the extensive control of communications, press and propaganda, and the educational system, and the decentralization of the German government. The points of disagreement, Hull was informed, were whether Germany should be partitioned, and what the economic policy toward Germany should be. State objected to the forcible partitioning of Germany, while Treasury wanted to divide it into two separate states and the internationalized Ruhr zone. These were the areas of explicit disagreement. But the generality of the areas of agreement hid further differences which only became evident later. With respect to economic policy, the State Department had advocated far-reaching rights of control over the German economy for the purpose of effecting restitution and reparation, forcing the conversion of the German economic capacity to non-military production, and eliminating German economic domination in Europe. The ultimate objective would be to change the fundamental organization and conduct of German economic life so that the economy could eventually be integrated into an interdependent world economy.

The Treasury, Hull was told, contended that reparations in the form of recurrent payments and deliveries should not be demanded. Restitution and reparation should be accomplished by the transfer of German resources and territories.

The general form of the statements in the State Department memorandum of September 1 had evidently prevented a clash in the preliminary meetings with Hopkins between State and Treasury over their divergent views regarding denazification. Although the State participants advised Hull that this was a point on which State and Treasury agreed, their memorandum provided that party members should be excluded from political or civil activity and subjected to a number of restrictions, while the Treasury memorandum suggested the areas of exclusion in more specific terms, and, in addition to party members, applied it to Junkers, military and naval officers, and Nazi sympathizers who by word or deed sided with or abetted the Nazi program. When denazification was later considered in more concrete terms, the differences implicit in these two statements became clearer.

4. *Morgenthau and Roosevelt*

While Hopkins was preparing the ground for the meeting of the Cabinet Committee, Morgenthau was advancing his cause with the President. Both had gone to their Dutchess County homes for the Labor Day week-end. There Morgenthau received a copy of the Sep-

tember 1 draft prepared by his staff. His own reaction to it was not wholly favorable. In general, it was not severe enough for him. Under the provisions of the draft, the only industry which would remain in the internationalized Ruhr area would be what survived the destruction of all armament industry and "supporting industries," and the removals of equipment for reparation. The remainder would belong to the international body administering the zone, and could never be allowed to develop in such a way as to contribute to the military potential of the Ruhr area or of Germany. How extensive the stripping of industrial plants for restitution and reparations would be was not indicated in the draft, and in any case could not be determined on the basis of general policy.

Neither was the extent of destruction through previous military action mentioned; nor could it be indicated in the draft. Certainly, however, it was believed that destruction through strategic bombing was by this time severe. Perhaps ignoring the total weight of all these factors, Morgenthau objected to this draft because it left the Ruhr "intact."[174] He preferred to see a plan for the complete dismantling of Ruhr industry, and the distribution of the Ruhr plants among the nations which had been victims of Germany. He also found the following provision on German re-education to be weak:

> All schools and universities will be closed until an Allied Commissioner of Education has formulated an effective reorganization program. It is contemplated that it may require a considerable period of time before any institutions of higher education are reopened. Meanwhile the education of German students in foreign universities will not be prohibited. Elementary schools will be reopened as quickly as appropriate teachers and textbooks are available.[175]

When President and Mrs. Roosevelt drove over from Hyde Park one afternoon during the week-end for tea, Morgenthau showed him the draft. Roosevelt indicated that he regarded three things as psychologically and symbolically important. First, Germany should be allowed no aircraft of any kind. Second, Germans should not be allowed to wear uniforms. And third, there should be no marching of any kind. Prohibiting uniforms and parades would do more to impress the Germans with their defeat, he thought, than anything else.[176] The President seems to have avoided any discussion of basic policy questions suggested by the Treasury memorandum. His strictures on parades and uniforms were, no doubt, based on recollections of a summer spent in Germany in his youth. His proposal to prohibit German aircraft had a quite different origin and significance.

Stimson returned to Washington on Labor Day, September 4, from another week of recuperation. While away he had kept in touch with McCloy by direct wire, and had formulated what he seems to have regarded as his own alternative to Morgenthau's punitive economic policy proposals, legal punishment for individuals. He wanted to intern Gestapo and perhaps SS leaders and "then vigorously investigate and try them as the main instruments of Hitler's system of terrorism in Europe."[177] When he returned to Washington he discussed his proposals with his own assistants and with Marshall. Marshall expressed particular approval of his plan to have civilians instead of Army officers man the court panels of his tribunal system, although he anticipated that the Russians would use military men.[178]

Again, as when he returned to Washington the previous week with his letter to Hull on direct State-JCS relations, Stimson seems to have been out of touch with the developing situation. While he was away the second time the breadth of the Treasury Department's onslaught against developing or prevailing policy views had become apparent, and it certainly included a far more stringent denazification policy than State or War Department officials contemplated. In the face of the Treasury proposals, as they were presented in the preliminary meetings with Hopkins, the expectation that a relatively mild denazification program, even one which was worked out in relatively concrete terms, could be a serious counterweight to the Treasury proposals was ill-founded. Yet the attention Stimson gave it before the first meeting of the Cabinet Committee suggests that he considered it a serious alternative. If he did, his illusion was short-lived.

On the evening of Labor Day, September 4, and the eve of the first meeting of the Cabinet Committee, Stimson and McCloy dined with Morgenthau and White. Stimson had become aware of the great divergences in view between himself and Morgenthau shortly before he had

suggested to the President the appointment of a Cabinet Committee to consider the treatment of Germany, and had discussed them with him immediately after it. At dinner with Morgenthau the central issue was skirted, although on both sides there was an awareness of sharp differences.[179] "Morgenthau," he later observed, "is, not unnaturally, very bitter and . . . it became very apparent that he would plunge out for a treatment of Germany which I feel sure would be unwise."[180]

D. *THE CABINET COMMITTEE MEETINGS*

1. *The First Meeting*

The Cabinet Committee, consisting of Hull, Stimson, Morgenthau, and Hopkins, met for the first time in Hull's office on the Tuesday morning after Labor Day, September 5. Hull presented as an agenda for the meeting the memorandum prepared by Riddleberger at the request of the participants in the week-end meetings.[181] It should be recalled that Riddleberger was asked to attempt to reconcile the views of the three departments in a memorandum for the approval of the three Secretaries. His draft was based on earlier State Department staff studies, and took familiar and non-controversial positions on such matters as the demilitarization of Germany, the dissolution of the Nazi Party and all affiliated organizations, extensive controls over communications and the educational system, and the acceptance of the principle of reparation. He attempted to reconcile Treasury views with expressed State Department views by postponing the settlement of differences. He proposed that the question of the partition of Germany be deferred until the internal situation and the attitude of the principal Allies could be determined; but the proposal may have carried with it the hope that the idea would be dropped. A decision on reparations was also to be deferred indefinitely. This action was justified by emphasizing a preliminary statement in the Report on Reparations, Restitution, and Property Rights to the effect that the United States had no direct interest in receiving reparations itself.[182] Whereas the earlier report had gone on to assert indirect American interest in a reparations program because it would affect the achievement of general economic, political, and security objectives,[183] the draft for the Cabinet Committee suggested that since the U. S. wanted no reparations for itself, it should take no fixed position on reparations until the views had been expressed of governments which had more direct interest.

Apparently the State Department tactic of suggesting postponement was successful, for no one raised any serious objections to the document, except to its last paragraph which was an ingenious but perhaps unfortunate restatement of economic policy. Hopkins, indeed, indicated that he approved the whole document.[184] Stimson could accept it down to the last paragraph.[185] Morgenthau seemed to agree with most of it, but refused to commit himself.[186]

The paragraph to which Stimson objected so strongly read:

> h. The primary objectives of our economic policy are (1) the standard of living of the German population shall be held down to subsistence levels; (2) German economic position of power in Europe must be eliminated; (3) German economic capacity must be converted in such manner that it will be so dependent upon imports and exports that Germany cannot by its own devices reconvert to war production.[187]

Like its predecessors in State Department policy papers, this paragraph was susceptible of varying interpretations. While it followed closely the wording of such previous drafts as the two documents on Germany approved by ECEFP on August 4, the earlier phrases "minimum German economy" or "minimum prescribed standard of living" were translated into "standard of living held down to subsistence levels." Presumably Riddleberger was trying to find a definition that would satisfy the President (who had spoken of "soup kitchens") and yet avoid the Treasury's planned chaos.

Similarly, the conversion of German economic capacity to ensure dependence on exports and imports would avoid Morgenthau's proposals for drastic reparations and destruction, while conforming to Hull's own free-trade policies.

Hull was ill at this time and had had little time to study the memorandum. Surprisingly, he now momentarily abandoned the moderate views he had expressed at Moscow, and even-

tually supported at home. He gave an extreme interpretation to Riddleberger's last paragraph, and more or less joined Morgenthau in recommending that the Ruhr and the Saar be converted to agriculture.[188] Even Hopkins was willing to have steel production prohibited. Stimson was the only one of the four who clearly opposed the deindustrialization of Germany in this meeting. While Morgenthau argued strongly for his own views at this time, he did not present any proposal in writing. Rather, it was agreed that Hull would send his memorandum to the President and that Stimson and Morgenthau would each submit a statement of their own views on it.

After the meeting, Stimson prepared a memorandum setting forth his views on the paper Hull had presented. He sent copies to Morgenthau, Hopkins, and Hull, who forwarded his to the President. After quoting the last paragraph from Hull's memorandum, Stimson observed:

> While certain of these statements by themselves may possibly be susceptible of a construction with which I would not be at variance, the construction put upon them at the discussion this morning certainly reached positions to which I am utterly opposed. The position frankly taken by some of my colleagues was that the great industrial regions of Germany known as the Saar and the Ruhr with their very important deposits of coal and ore should be totally transformed into a non-industrialized area of agricultural land.

Since this memorandum of Stimson's is one of the clearest and most direct arguments against the deindustrialization of Germany and in favor of a moderate treatment of the enemy, it is quoted here at length:

> I cannot conceive of such a proposition being either possible or effective and I can see enormous general evils coming from an attempt to so treat it. During the past eighty years of European history this portion of Germany was one of the most important sources of the raw materials upon which the industrial and economic livelihood of Europe was based. Upon the production which came from the raw materials of this region during those years, the commerce of Europe was very largely predicated. Upon that production Germany became the largest source of supply to no less than ten European countries. . . .
>
> I can conceive of endeavoring to meet the misuse which Germany has recently made of this production by wise systems of control or trusteeship or even transfers of ownership to other nations. But I cannot conceive of turning such a gift of nature into a dust heap.
>
> War is destruction. This war more than any previous war has caused gigantic destruction. The need for the recuperative benefits of productivity is more evident now than ever before throughout the world. Not to speak of Germany at all or even her satellites, our allies in Europe will feel the need of the benefit of such productivity if it should be destroyed. Moreover, speed of reconstruction is of great importance, if we hope to avoid dangerous convulsions in Europe.
>
> . . . . . .
>
> My basic objection to the proposed methods of treating Germany which were discussed this morning was that in addition to a system of preventive and educative punishment they would add the dangerous weapon of complete economic oppression. Such methods, in my opinion, do not prevent war; they tend to breed war.[189]

2. *Two Meetings with the President*

On the following day, September 6, a White House meeting of the Cabinet Committee was called suddenly. Hull presented his memorandum of September 4 to the President, and said that while it had not been agreed to by the other members of the committee, it might serve as a basis for discussion.[190] Instead of a statement on Hull's memorandum, Morgenthau submitted a modified version of the document he had shown the President at Hyde Park.[191] Added at the end of it as sections 12 and 13 were the President's three suggested proscriptions against airplanes, uniforms, and parading. The other changes reflected Morgenthau's views. Besides the German armaments industry, "other key industries which are basic to military strength" should be destroyed. This was to include all industry in the Ruhr, which was to be "so weakened and controlled that it can not in the foreseeable future become an industrial area." All existing industry in the Ruhr should be dismantled within a period of six months after the cessation of hostilities. Included in the new version of the Morgenthau Plan was the specific proviso that "all equipment shall be removed from the mines and the mines closed"; apparently in explaining the application of this proposal, Morgenthau said it meant that the mines would be flooded and wrecked.[192] So much for the "weakening" of the Ruhr; it was to be "controlled" by an inter-

national security organization established by the projected United Nations organization, as had been suggested in White's draft of the Morgenthau Plan.

Morgenthau's changes in the Treasury proposals were all designed to make for an even sterner peace. His "key industries which are basic to military strength" has a broader sweep than White's "those parts of supporting industries having no other justification," and his proposals to destroy all industry in the Ruhr and to shut the coal mines were drastic supplements to the earlier plan.

The President had evidently read and pondered over Stimson's memorandum of the day before. At this meeting Stimson had the impression that Roosevelt was addressing most of his remarks to him. The President reverted to his proposal in the memorandum on the military government handbook, stating that "Germany could live happily and peacefully on soup from soup kitchens." However, he did not seem to accept Morgenthau's proposal for the dismantlement of the Ruhr, but argued instead that the Ruhr could furnish raw material for the British steel industry. Stimson pointed out the incompatibility of this scheme with dismantlement. Hull had shifted his position somewhat at this meeting, and Stimson felt that he made some progress with the President. Evidently Morgenthau drew the same conclusion, for he requested another meeting. That afternoon Stimson was in touch with Hull by telephone. He suggested that McCloy might try to prepare a compromise statement of the final section of Hull's September 4 draft on which he had taken issue. Hull "heartily" agreed.[193]

On the 9th, the Cabinet Committee met again with the President, the last time until after Roosevelt's return from his second Quebec Conference with Prime Minister Churchill. Although two hours had been allotted, the President could spend only forty-five minutes with them. Both Stimson and Morgenthau had, with the aid of McCloy and White, respectively, prepared memoranda which went over much of the same ground again. Morgenthau, attempting to deal with the point raised by the President at the previous meeting that the Ruhr could furnish raw material for British industry, argued that the destruction of German industry and mines would give England the markets it needed on the continent and cure the English depression in coal mining. In support of his argument he asserted that England had enough coal to supply its present output for five hundred years. Stimson regarded this as a misstatement of fact and considered the whole argument fatuous.[194] Furthermore, he was "unalterably opposed" to any such program. These resources constituted a natural and necessary asset for the productivity of Europe, he said, and the total obliteration of them was wholly wrong when the world was suffering from destruction and from want of production. The memorandum which Stimson introduced argued to this effect.

At this meeting Stimson and Morgenthau found themselves at odds on another important issue also. Morgenthau favored the execution of an agreed list of war criminals upon apprehension. Stimson insisted on observance at least of the rudimentary aspects of the Bill of Rights, which, he thought, included notification to the accused of the charge, the right to be heard, and within reasonable limits, the right to call witnesses in his defense. He was willing, however, to characterize such a trial as "summary." He indicated that he had an open mind on partition, and evidently would go along with the State Department proposals of September 4 to postpone decision on that question. He did not, as Morgenthau consistently advocated, approve of letting France have the Saar or the Rhineland. Indeed, in preparing for this meeting he had obtained the assistance of Jean Monnet, a prominent Frenchman working with the British mission in Washington, who privately favored the internationalization of the Ruhr and the Saar.[195] But Stimson would accept with certain modifications the State Department draft of *September 4, as it was introduced at the first meeting with the President. To it he wished to add a prohibition of the manufacturing, design,* or use of airplanes or flying. To the section of the document proposing postponement of a decision to partition Germany, he would add the Treasury provision that East Prussia and a portion of Silesia go to Poland and Russia, but suggesting internationalization for the Rhineland, the Ruhr, and the Saar. The question of rebuilding destroyed plants in Germany he would leave to the appropriate Allied or United Nations authority. The controversial last paragraph of the document he would rewrite, leaving out the clause: "the standard of living of the German population shall be held down to sub-

sistence levels. . . ." The President again remained noncommittal on the opposing views advanced by Stimson and Morgenthau, although evidently Morgenthau's argument that Europe did not need a strong industrial Germany quite struck his fancy. He reiterated his view that the United States should not occupy the Southwest zone in Germany because he expected, as Admiral Leahy had predicted, a revolution in France which would jeopardize American lines of communication.[196] Hull remarked to Morgenthau that he agreed with the Treasury memorandum. That night the President left for Quebec and his conference with Churchill.

The following day there was a report in the press on the Cabinet Committee meeting with the President. Morgenthau's presence was explained in terms of "the important matter of providing new Reich currency."[197]

E. THE QUEBEC CONFERENCE

1. Morgenthau's Achievements

Morgenthau was with the President when he left Washington for Quebec, and it was decided that he would go along as far as Hyde Park, where Roosevelt planned to stop off for the night. The Secretary of the Treasury could then drive on to his own Dutchess County farm—perhaps to be nearer Quebec in case the President wanted him there. That day Roosevelt had indicated to the Cabinet Committee that if the financial situation was brought up at Quebec, he would want Morgenthau at the conference. (Earlier Hull had been invited to attend but had declined, evidently because he anticipated a row between Eden and Churchill in which he did not want to become involved—a premonition which proved accurate.[198]) As the result of riding to Hyde Park with his Dutchess County neighbor, Roosevelt went on to Quebec with the draft of the Morgenthau Plan which had been presented to him that day at the Cabinet Committee meeting.

On the afternoon of the 13th, in response to the President's request, Morgenthau arrived at Quebec, where he was soon joined by Harry White. That evening at dinner, in accordance with the President's arrangements, he presented the Treasury plan to Churchill and Eden. The Prime Minister reacted immediately by heaping vituperation upon Morgenthau for his suggestions. The next day Morgenthau talked with Lord Cherwell, Churchill's personal adviser on scientific problems, and occasionally on other matters as well. He learned that Cherwell was interested in modifying Churchill's position, but it is not clear whether Cherwell had ideas equivalent to Morgenthau's in mind to begin with, or whether Morgenthau persuaded him, possibly with the same argument that had earlier appealed to Roosevelt—that the agrarianization of Germany would be to the advantage of Britain in her concern for restoring her balance of payments, since Germany would be eliminated as a competitor for export markets. Cherwell, in turn, convinced Churchill.[199] Cherwell and Morgenthau were assigned the task of writing a memorandum of understanding to be signed by Churchill and Roosevelt. They were instructed orally by Churchill, who summed up the discussion which he had been having with Roosevelt in regard to the future disposition of the Ruhr and the Saar. Paraphrasing this summary, the Cherwell-Morgenthau draft read:

> . . . He said that they would permit Russia and any other of our Allies to help themselves to whatever machinery they wished, that the industries of the Ruhr and in the Saar would be shut down, and that these two districts would be put under an international body which would supervise these industries to see that they would not start up again.
>
> This programme for eliminating the war-making industries in the Ruhr and in the Saar is part of a programme looking forward to diverting Germany into largely an agricultural country.

Dissatisfied with this statement, Churchill dictated another, which was approved as dictated. It read:

> At a conference between the President and the Prime Minister upon the best measures to prevent renewed rearmament by Germany, it was felt that an essential feature was the future disposition of the Ruhr and the Saar.
>
> The ease with which the metallurgical, chemical, and electrical industries in Germany can be converted from peace to war has already been impressed upon us by bitter experience. It must also be remembered that the Germans have devastated a large portion of the industries of Russia and of other neighboring Allies, and it is only in accordance with justice that these injured countries shall be entitled to remove the machinery they require in order to repair the losses they have suffered. The industries referred to in the Ruhr and in the Saar would therefore be necessarily put out of

action and closed down. It was felt that the two districts should be put under some body under the world organization which would supervise the dismantling of these industries and make sure that they were not started up again by some subterfuge. This programme for eliminating the war-making industries in the Ruhr and in the Saar is looking forward to converting Germany into a country primarily agricultural and pastoral in its character. The Prime Minister and the President were in agreement upon this program.

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Exactly what was meant by this document was a question which received much attention thereafter. The Treasury officials, who at first regarded themselves as the victors in this contest over policy, later come to feel that Churchill had added the word "pastoral" as a device to ridicule and discredit the whole idea of agrarianizing Germany,[201] but this is not plausible. In comparison with the draft which Churchill rejected, the one which he dictated had less of the tone of spiteful punishment than that of emotion and stern justice. And its use of the phrase "metallurgical, chemical, and electrical industries," if any significance could be attributed to it at all, could be regarded as an attempt to limit the area of applicability of the policy of deindustrialization and narrow the scope of the removals program; at least it seemed to exclude the coal mines from destruction. Actually the phrase was one that Morgenthau, who had picked it up from one of his advisers, had proposed; the authorship, however, did not settle the question of interpretation. In other respects, too, the memorandum could be read as a milder restatement of the Treasury proposal; aside from the vague proposal of international control in the Ruhr and the Saar, dismemberment was not mentioned, nor were any of the rest of Morgenthau's supplementary projects, which were not discussed at Quebec. Any attempt to make precise comparisons with earlier proposals would be futile; as subsequent events showed, however clear the intentions of Cherwell and Morgenthau, Roosevelt and Churchill were quite unclear about the full implications of the document they signed.

Eden was greatly upset by Churchill's formulation of the minute on Germany. They had a "heated discussion," and Churchill asked Eden not to take up the matter with the War Cabinet until he himself returned. (Eden's opposition surprised Morgenthau.[202])

Roosevelt and Churchill turned to other important problems. Morgenthau was delighted. He had achieved his chief goal. Germany would be converted "into a country primarily agricultural and pastoral in its character." And reparations, based solely on German aggression, could well result in complete removal of all German industry. Subsequent events were to cause Treasury officials to take a second look, but Morgenthau never changed his view that Roosevelt had endorsed his policy on Germany. It was White's view too, and he returned from Quebec determined to aid the British in their precarious financial condition—a problem which he had theretofore thought unimportant. However, Morgenthau had been deeply concerned about England ever since his visit to London when he was appalled by the devastation wrought by the V-bombs.

2. *Hull's Reaction*

On the following day, September 16, Hull received in Washington two memoranda from Roosevelt, one enclosing a copy of the minute on Germany, the second transmitting another agreement made on the 15th. From the first Hull concluded that the President and the Prime Minister had largely embraced Morgenthau's ideas; from the second he gained a suspicion as to why. It was concerned with financial arrangements with the United Kingdom. Hull had wanted to relate the continuance of lend-lease to British concessions on trade barriers, particularly imperial preference tariffs. The British lend-lease understanding, as a consequence, keenly disappointed him. The recorded conversation stated that the President had agreed that after the defeat of Germany, and while the war against Japan went on, Britain should continue to receive munitions assistance from us to the extent of $3.5 billion, and non-munitions assistance of $3 billion. The understanding further allowed Britain to use component parts and raw materials obtained on lend-lease in her export trade.[203]

It was Hull's view that Morgenthau had arranged this concession on trade policy for the British in exchange for their endorsement of his plan for Germany. He evidently found little

significance in the President's covering letter to these documents which, referring to the one on the rearmament of Germany, said: "I think you will approve the general idea of not rehabilitating the Ruhr, Saar, etc." The President's statement may have reflected what was in his mind; it certainly did not reflect the text of the agreement: "not rehabilitating" is hardly the same as pastoralizing. It seems fairly certain that Hull's conclusions about the views and motivations of Roosevelt, though not unreasonable, were wrong, but it may well be that there was some degree of mutual understanding between Churchill and Morgenthau.[204]

While the President was at Quebec, Stimson and McCloy were not idle. McCloy spent one morning in New York seeking out support for Stimson's views. Two days later he and Stimson lunched with Lord Halifax, the British Ambassador, and Sir Alexander Cadogan, who was in Washington for the monetary conference at Dumbarton Oaks. However, the British officials, their hosts were disappointed to learn, were unwilling to commit themselves, even informally, on German policy questions. On September 14, the day the papers announced that Morgenthau had gone to Quebec, Stimson telephoned Hull to suggest that the Cabinet Committee continue its work in Morgenthau's absence in view of Eisenhower's urgent need for a directive. Stimson also pointed out that the State Department was in the same position with respect to instructions to Winant. Hull delayed his response until the next day when he replied that he would send his instructions for Winant to the President through Hopkins. (He thus hoped to abandon the Working Security Committee as hopeless.) The Cabinet Committee was to await Morgenthau's return.[205]

In the meantime, McCloy had been preparing, under Stimson's guide-lines, another memorandum to send the President. Based on a broad humanitarian argument, it concluded: "The sum total of the drastic political and economic steps proposed by the Treasury is an open confession of the bankruptcy of hope for a reasonable economic and political settlement of the causes of war."[206] This paper was sent to Hyde Park, to which the President had returned after the conference. Stimson had learned of the Quebec decisions before sending his third memorandum, but decided to do so anyway.

On September 20, while Roosevelt entertained Churchill at Hyde Park, the Cabinet Committee met in Hull's office to hear Morgenthau's story about Quebec. Besides the three Secretaries, White, McCloy, and Matthews were there. Morgenthau related his story. Churchill's initial reaction to his plan, he said, was like Stimson's earlier. He ascribed the Prime Minister's subsequent reversal to his acceptance of the argument, advanced by Morgenthau, that the elimination of German commercial competition would aid Britain. Stimson had been inclined to accept this explanation from his first hearing of the Quebec decisions;[207] but he asked Morgenthau if Churchill had accepted the plan because of eagerness to get continued lend-lease assistance. Morgenthau denied this (though Hull remained unconvinced), indicating that upon his arrival at Quebec he had found the President prepared to accept the Prime Minister's views without question, and that it was he who had insisted that a committee be set up to work out the problem where a more liberal trade policy could be kept in mind.[208]

This meeting marked the first explicit change in Hull's attitude toward the Morgenthau Plan, evidently brought about both by what actually happened at Quebec and by his suspicions about what happened there. He was disturbed to see such a setback to the liberal international trade policy which he had sponsored and supported over the long span of the Roosevelt Administration. While he had not found violent objection to the Morgenthau Plan theretofore, he bitterly objected to the way this fundamental problem of foreign policy, on which State Department committees and study groups had been working diligently since the first months of the war, had been settled through the efforts of the Secretary of the Treasury at an international conference where he was not present. These had been his feelings as the meeting began, and Morgenthau's remarks only aggravated them. For the Secretary of the Treasury explained that Eden's bitter opposition to the German memorandum upon his arrival at Quebec took him by surprise because Eden had not objected when Morgenthau had presented his views to him in London the previous month. Hull found this another indication of Morgenthau's propensity to interfere with matters properly the concern of the State Department.[209] At this meeting Hull expressed his acute shock at the procedure followed in

the settlement of foreign affairs at Quebec. His sense of jurisdictional outrage seems to have sharpened his views on the Morgenthau Plan.

F. THE DRAFT INTERIM DIRECTIVE

1. The Setting for Negotiation

The Quebec agreement on Germany was, as we have seen, a significantly modified version of the Morgenthau Plan; but this fact was missed in the general surprise over the agreement within government circles at the time. McCloy's immediate interpretation of that agreement was recorded on September 18, just two days after he could have learned of it, by James Forrestal: ". . . the President had decided to go along with Morgenthau."[210] All the participants at the Cabinet Committee meeting two days later seemed to agree with McCloy's conclusion, although what Morgenthau told them there about how the agreement was drafted may have led some of them to question the magnitude of the Treasury victory. But for the time being, no one challenged its completeness.

It was in this atmosphere of triumph for the Morgenthau Plan that the Draft Interim Directive for Germany was given its final form on September 22. Inevitably, it reflected to some degree the advantageous position currently held by the advocates of the Morgenthau Plan. Yet even more than the Quebec agreement, it modified significantly the Treasury position.

On September 2, a week before President Roosevelt began his trip to Quebec, in a meeting preliminary to the proceedings of the Cabinet Committee on Germany, the three assistants agreed that a Draft Interim Directive on the treatment of Germany to Eisenhower for use immediately and until a long-term policy could be determined should be hurried through to completion, regardless of the outcome of higher-level discussions. In effect, they were deciding on a temporary abandonment of the attempts to get instructions to Winant on German policy via the Working Security Committee from which tripartite agreements could be negotiated in the EAC, and which in turn would provide the basis for military government by the three occupying powers. The Interim Directive was to be first an American policy agreement and then an Anglo-American directive, like CCS 551. Perhaps in order to assure that the agreement would not be repudiated after its completion, Treasury representatives were to be added to the group of State and War Department officials who were already working on it.

From the beginning the Treasury position in drafting the Interim Directive had certain advantages derived, first, from the President's blast at the military government handbook, second, from Roosevelt's willingness to include the Treasury in the Cabinet Committee deliberations over the treatment of Germany, third, from the Quebec agreement, which came at the climax of the drafting process, and finally, from the fact that CAD was now recoiling from the State Department's position on the reconstruction of the German economy. That is to say, while Stimson and McCloy were presenting their arguments for moderation in dealing with Germany, CAD was moving in the opposite direction. It had been rudely awakened by Eisenhower's fears that Germany would collapse, and by Morgenthau and the handbook incident to the extent to which military government planning had in effect committed the War Department to the reconstructionist views of the State Department. While they were bound to avoid other such traps, and their own position in these negotiations, as elsewhere, was circumscribed by military proprieties about civil policy-making, they were nevertheless likely, if only in compensation for their previous alliance with State, to side with the Treasury now.

The tendency for CAD, even after its awakening, to drift again over into a substantive policy position had already been demonstrated before the establishment of the Cabinet Committee. In late summer an attempt was made by the Office of War Information to draft a paper for guidance on long-range propaganda for Germany, which led CAD to state its own position. The fundamental principles of War Department policy, as CAD conceived them, were (1) "nonfraternization," and (2) the impression on the Germans of their war guilt. Specifically, General Hilldring objected to OWI's statement that at the end of the war German economic, social, and cultural reconstruction would begin.[211] In a similar vein, the senior member of the JPWC had written Briga-

dier General Vincent Meyer, by this time Winant's military adviser, to object to the reconstructionist approach to Germany. Evidently Meyer had already abandoned reconstructionist views included in papers drafted in his own office not two months before.[212]

The Treasury position also had certain weaknesses. The handbook blast and Morgenthau's inclusion in the Cabinet Committee had both come from his questioning of the approach being taken to military government in terms of its ultimate, or long-range implications; and the Quebec agreement, if not exclusively long range, was certainly general policy. But the Interim Directive was intended only for use until long-term policy could be agreed upon. It was to embody no policy. Indeed, while its purpose was to provide SHAEF with operating objectives until policies were settled, as the directive itself finally stated, those "objectives must be of short term and military character, in order not to prejudice whatever ultimate policies may be later determined upon."[213] Because the directive was intended to provide neutral guidance only, Treasury efforts to write elements of the Morgenthau Plan into it could therefore be opposed on the ground that the directive was not intended to embody policy. The neutrality of the document, then, was a defense against the Morgenthau Plan proposals which were available to its State and War Department opponents—although the War Department's intense interest in completing the directive as soon as possible made that argument of less use to War than to State.

2. *The Drafting Process Before Word from Quebec*

The drafting process began promptly on September 3, when the War Department made available to the new Treasury members a draft "Interim Directive to SCAEF Regarding the Military Government of Germany in the Period Immediately Following the Cessation of Organized Resistance." The Draft Directive provided that the objectives of the military occupation were to be short-term and military in character. It avoided unsettled policy questions or questions which seemed to be under consideration at higher levels by emphasizing the discretion of the military commander. Although the War Department, particularly CAD, where this document was under consideration was moving rapidly away from wanting the Army to assume responsibility for German society, it should be noted that this fact was not made clear in the document. Had it done so, undoubtedly Dunn, Riddleberger, and their associates in the State Department would have objected strenuously to it. Instead, while providing for a positive function for the Army in the occupation of Germany which reflected the earlier War Department position, the wide discretion proposed to be conferred on SCAEF would allow him to avoid any responsibility for maintaining the functioning of the German economy and government.

Two days later, September 5, William H. Taylor of the Treasury Division of Monetary Research had produced a new version of the Interim Directive which reflected the views of his Department. It omitted authorization for SCAEF to make arrangements with Russian field commanders concerning the tripartite occupation of Germany. It added a provision that any infraction of occupation rules should be punished severely. And it allowed for the reopening only of elementary schools, after they had been purged, and not of secondary schools and colleges. But SCAEF was still given broad authority.

In financial and economic matters, however, the Treasury draft differed sharply from the War Department draft, which would have allowed SCAEF to control financial institutions, industry, agriculture, utilities, and transportation and communications facilities, in order to preserve a functioning economic system and prevent disease and unrest. The Treasury proposal, in contrast, simply left out the portion dealing with the control of financial institutions; and sought to limit severely the section on economic policy. It provided:

1. In the imposition and maintenance of economic controls, German authorities will to the fullest extent practicable be ordered 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 for any breakdowns in those controls, will rest with themselves and their own authorities.

2. In furtherance of the policy stated in the previous paragraph, you, as U. S. member of the Control Council, should use your efforts to see that the Allies intervene in the operation of the

German economy only for the following purposes:

a. Assuring the safety of your forces and the satisfaction of their needs.

b. Assuring the immediate cessation of production to the iron and steel, metallurgical, electrical and chemical industries, insofar as their equipment has been used for production of implements of war.

c. Assuring, to the extent that it is feasible, the production and maintenance of goods and services essential (1) for the prevention or alleviation of epidemic or serious disease and serious civil unrest and disorder which would endanger the occupying forces and (2) for further military operations to be conducted in other theaters (but only to the extent that specific directives of higher authority call for such goods or services).

d. Preventing the dissipation or sabotage of German resources and equipment which may be required for relief, restitution, or reparation to any of the Allied countries, pending a decision by the appropriate Allied governments whether and to what extent German resources or equipment will be used for such purposes.

. . . . . .

Except for the purposes specified above, you will take no steps (1) looking toward the economic rehabilitation of Germany, nor (2) designed to maintain or strengthen the German economy. Except to the extent necessary (1) to accomplish the purposes set out above, and (2) to assure thorough elimination of discriminatory Nazi practices in actual operation of economic controls, the responsibility for and the task of dealing with such economic problems as price controls, rationing, unemployment, production, reconstruction, distribution, consumption, housing or transportation will be left in German hands, [sic] You should, however, take such steps as may be necessary to assure that economic controls are operated in conformity with the above purposes and the general objectives of military government.[214]

Four meetings of State, Treasury, and War officials were held between September 2, when it was agreed that the drafting of an Interim Directive to SCAEF should be accelerated, and September 22, when, in an all-day meeting of State, Treasury, and War Department officials, an Interim Directive was set in the final form in which it was later transmitted to Eisenhower. Three of the preliminary meetings were held before the announcement of the Quebec agreement; the last of them was held on Sunday evening, September 17, the day after Hull and Stimson received the news from Quebec. Representing the War Department were McCloy, his executive officer, Colonel Harrison A. Gerhardt, Adrian Fisher, an assistant, and three officers from the Civil Affairs Division: William Chanler, David Marcus, and John Boettiger, a son-in-law of the President. The Treasury sent its Under Secretary, Daniel Bell, an Assistant to the Secretary, John W. Pehle, and Ansel Luxford and Josiah DuBois. Riddleberger and Dunn represented State. Except for Bell, Boettiger, and Gerhardt, all the Treasury and War representatives were lawyers.

Since September 5, when the Treasury completed the draft quoted above, the Interim Directive had been through several revisions at the hands of Treasury and War Department officials. The Treasury had continued to insist on its clause requiring severe punishment for the infraction of military government regulations, adding to the provision which allowed the use of either military government officers or Germans in occupation administration the requirement of severe punishment for Germans thus employed who refused to comply with the instructions of the occupation authorities. From early in War Department civil affairs training and planning, an accepted, if perhaps unrealistic, principle was that no political activity would be allowed, and military government was not to become identified with any political group. The Treasury insisted that to this be added a provision empowering SCAEF to dismiss and return to his homeland any officer who violated this provision. In contrast to the severe tone of the punishment and dismissal provisions, and the restrictive character of its amendments of the economic and financial policy provisions, Treasury saw to it that the responsibilities of SCAEF for political prisoners of the Nazis, and to allied nationals and prisoners of war, were positively and clearly stated. These, then, were the major developments in War-Treasury negotiations by the time of the September 17 meeting.[215]

3. *The Meeting of September 17*

In the draft it submitted on the 17th, the Treasury continued the tactic of filling earlier War Department drafts with sterner stuff. Simultaneously, its changes connoted a concern lest the broad grant of authority to SCAEF be itself the basis for a soft occupation policy. The sterner stuff was added, as it had been

earlier, through greater details in provisions; the other loophole for softness was drawn smaller by reducing the discretion allowed SCAEF in the administration of the directive —an attempt perhaps to force the compliance of an agent expected to be hostile.

In earlier proposals SCAEF would have been allowed to ignore at his own discretion the categories of people to be arrested that were set forth in the directive. The Treasury wanted to require him to report back to Washington, giving reasons why he wished to exclude any categories. Presumably he would not be allowed to ignore them without approval from Washington. Similarly, SCAEF had been empowered to make credits available to the Reichsbank or its branches, thereby establishing it as a central bank. The Treasury wanted to make it necessary for him to clear the matter with the Combined Chiefs of Staff. Finally, the statement of the aims of the occupation was to be altered by replacing "lasting peace" as an aim with the objective of preventing Germany from ever becoming a threat to the peace of the world again; and by making as essential steps in the realization of the aims of occupation the elimination of Nazism and militarism and the immediate punishment of war criminals. Thus, an attempt was made in the redrafting of the directive to reduce the discretion of the Supreme Commander even with respect to the general goals of the occupation.[216]

Though it was concerned with "details," the sterner stuff dealt with basic policy. Denazification was to be broadened from applying only to Nazis to include Nazi sympathizers and anyone in key positions. And Treasury wanted SCAEF's authority over German finances, both public and private, further reduced. All of these proposals from the Treasury Department were accepted in the September 17 draft.

As has been noted, the Quebec agreement on Germany reached Washington on Saturday, the 16th. Probably available to the drafters of the Interim Directive on the 17th, the reinforcement which it seemed to give the Treasury position in these negotiations may well account for State's acceptance on that day of all the amendments proposed by Treasury. The same amendments presumably appealed to the War Department because they were intended to reduce the responsibility of SCAEF. The War Department had attempted to withdraw from responsibility for economic and social collapse in Germany, but, by maximizing SCAEF's discretionary powers, had tried to avoid as well a controversy over policy. There were disadvantages in this approach. Discretionary powers are authority, and authority implies responsibility—the very thing which CAD wanted to reduce. If the policy issue were to be avoided by enlarging discretion, the reduction of SCAEF's responsibility towards German society could not be clearly established. Thus the proposed limitations on SCAEF's discretionary authority had an appeal to CAD. And the Treasury, which had no inhibitions about involvement with policy, was interested in the same objective. This was the point at which Treasury and War Department interests coincided, at least as well as can be understood a decade and a half later.

The main issue raised and still left unsettled in the Sunday evening meeting was the exact wording of the statement on economic policy (in the form of the directive it was called "Appendix 'C' "). The Treasury had recommended beginning the economic directive with a statement wholly negative in tone. It provided that no steps looking toward the economic rehabilitation of Germany were to be taken unless and until further directions were given. SCAEF was not to assume responsibility, except as otherwise directed, for such economic problems as price controls, rationing, unemployment, production, reconstruction, distribution, consumption, housing or transportation, or take any measures designed to maintain or strengthen the German economy. These responsibilities, the Treasury proposal indicated, would continue to remain with the German people. It would empower SCAEF, however, to impose such economic measures and take such other action as he deemed necessary for the accomplishment of the objectives of the occupation or to prevent serious civil unrest and disorder which would endanger the occupying forces.[217]

Both War and State Department officials objected to this draft, the State representatives, however, the most strenuously,[218] for they continued to hold to the position that the German economy should not be allowed to break down, but should be used for the further prosecution of the war. (Actually to most State Department officers the long-term objective of establishing

regenerated Germany was probably equally important.)

4. *Final Agreements on the Directive*

McCloy was more concerned about getting a directive settled upon for the present than about furthering a particular viewpoint. By this date—September 17—the Allied armies were outrunning their supplies, but a collapse of German resistance still seemed possible. Indeed, on this very day, Montgomery was launching the airborne attack over the lower Rhine; if that succeeded, the road to Berlin might well be open. Under the circumstances, McCloy was under strong compulsion to get some sort of directive approved and forwarded to Eisenhower without delay. The sense of urgency was reflected in the directive when it was approved a few days later; its opening words were:

> In the event that Rankin "C" conditions obtain in Germany or that the German forces are either defeated or surrender before you have received a directive containing policies agreed upon by the three governments of the U. S., U. K., and U. S. S. R.[219]

Rankin "C," it will be recalled, was the plan for action if Germany collapsed—a plan prepared by COSSAC a year before, for the first Quebec Conference in August 1943.

The need for speed limited McCloy's freedom of action. So did the Quebec agreement, for it was the most authoritative statement of the President's line of thought. And so also did the War Department's new position on the responsibility of SCAEF for the German economy. All that McCloy could appropriately seek at this point was a directive that would be consistent with his conception of military needs and responsibilities, although his own concern, like Stimson's, went further. While he favored a strong denazification program, he was convinced that Germany would have to be reconstructed. He had done much of the drafting on the three Stimson memoranda to the President. In fact, he wrote all of the third one, which took such a broad humanitarian position. Yet necessarily in his negotiations with Treasury regarding the draft directive he had conceded much to the views of Morgenthau; but he had kept in the directive most of its positive tone. Following the meeting on the 17th, he had a draft prepared which had the effect of placing the Treasury paragraph on economic policy described above, which was designed to make sure that the German economy would *not* be controlled, as an exception to a statement of the purposes for which the German economy *would* be controlled. It read:

> 1. You shall assume such control of existing German industrial, agricultural, utility, communication and transportation facilities, supplies, and services, as are necessary for the following purposes:
>
> *a.* Assuring the immediate cessation of the production, acquisition or development of implements of war.
>
> *b.* Assuring, to the extent that it is feasible, the production and maintenance of goods and services essential (1) for the prevention or alleviation of epidemic or serious disease and serious civil unrest and disorder which would endanger the occupying forces and the accomplishment of the objectives of the occupation; and (2) for the prosecution of the war against Japan (but only to the extent that specific directives of higher authority call for such goods or services).
>
> *c.* Preventing the dissipation or sabotage of German resources and equipment which may be required for relief, restitution, or reparation to any of the allied countries, pending a decision by the appropriate Allied governments whether and to what extent German resources or equipment will be used for such purposes. Except for the purposes specified above, you will take no steps looking toward the economic rehabilitation of Germany nor designed to maintain or strengthen the German economy. Except to the extent necessary to accomplish the purposes set out above, the responsibility for such economic problems as price controls, rationing, unemployment, production, reconstruction, distribution, consumption, housing or transportation will remain with the German people and the German authorities.[220]

Treasury accepted this new draft, and it was sent on to the officials concerned in State.[221] They were not satisfied with it. Failing to obtain their approval, on the 19th McCloy asked them to prepare a draft of their own.[222] At a final meeting held on the 22nd—two days after Morgenthau's triumphal meeting in Hull's office—*State's draft was considered. The meeting lasted* most of the day, although little was done to change the draft directive, and its economic *policy sections raised the only point of con-*

troversy involving the draft itself. Since the previous meeting, however, the full implications of Quebec were becoming more evident. The Cabinet Committee meeting on the 20th had left Hull outraged at Morgenthau's usurpation of State Department responsibilities, even though Hull had found little in the Morgenthau proposals to disagree with in earlier Cabinet Committee meetings. His principal assistants, who had disagreed with the substance of Treasury policy from the beginning, now had reason to expect the backing of their chief. With reference to the draft economic directive, as approved by War and Treasury, they insisted that nothing in it should be construed to mean that the War Department intended to introduce economic chaos into Germany.[223] They demanded a less ambiguous statement in the directive to this effect than it contained. (They did not get it. They settled instead for a letter from Hull to Stimson setting forth the State Department reservation on the Interim Directive. The reservation stated that nothing in the economic directive was to be interpreted as preventing the Supreme Commander from retaining or imposing such economic controls as he might deem essential to the safety and health of the occupying forces. Since this was merely the reiteration of an idea which occurred in several places throughout the directive, the State Department received little comfort or reassurance for its misgivings.)

The Treasury officials at the meeting also attempted to adjust to the new situation. State had been forced to rely on the tactics of entrenchment, but Morgenthau's assistants could advance—or foray—with confidence. According to a State Department participant, the Treasury representatives

> made it altogether clear that in their opinion the Treasury Department, as a result of the establishment of the Cabinet Committee on Germany, should be consulted on all phases of German problems, including both political and economic. They participated vigorously in the discussion on the political directive and insinuated that the Treasury plan for the treatment of Germany had received the approval of the Cabinet Committee and the blessing of the President. They stated flatly that the economic documents, as approved by the Executive Committee on Economic Foreign Policy, had been repudiated both by Secretary Morgenthau and Secretary Hull and that no further attention was to be given to these papers. [This meant, it should be noted, that they had picked up Hull's misunderstanding of Riddleberger's September 4 memorandum.] They requested that certain other confidential memoranda be transmitted to them at once and implied that henceforth all such material should be immediately made available to the Treasury Department. In general, they took the line that henceforth the Treasury must be consulted on all important matters respecting Germany and that that was the purpose of the Cabinet Committee.[224]

With the approval of the State Department secured by the inclusion of Hull's letter of reservation, on the following day (September 23) the drafting of the Interim Directive to SCAEF Regarding the Military Government of Germany in the immediate post-defeat period was completed. It was cleared with Roosevelt by Hopkins and sent to Winant in London on September 27 for background information and guidance, but not for transmission to the EAC. Winant was informed that it had been prepared by the War and State Departments and concurred in by the Treasury Department, but it had "not as yet been approved" by CCAC; it was intended to cover an interim period after the defeat or surrender of Germany and before a directive containing policies agreed upon by the U. S., Britain, and the Soviet Union had been prepared.[225]

The Interim Directive was recommended by JCS for consideration by CCS on September 24, 1944, and in that transmittal it was given the file number JCS 1067. It was sent to Eisenhower at the same time it was forwarded to Winant. Originally intended as a directive from the Combined Chiefs of Staff to Eisenhower as the Supreme Commander of the Allied Expeditionary Forces, the Interim Directive continued to be known by its JCS file number for it was opposed by the British when it was considered in the CCS on October 3, somewhat to the surprise of War Department officials, who anticipated difficulties with the British Cabinet instead. Indeed, on that same day Stimson had enlisted the President's help in gaining prompt action from Churchill.[226] Eisenhower had now been provided with stopgap policy guidance which was supposed to have the effect of keeping his administration of occupied Germany from prejudicing one way or the other the implementation of a long-term policy for the treatment of Germany, once

that policy was established. But since the British would not accept JCS 1067, it did not provide policy guidance to Eisenhower as SCAEF, but only as the ranking American military commander in Europe and only with effect in the U. S. zone of Germany. In a sense, its interim nature was thereby compounded, for it could be superseded, not only by a long-term policy, but also by a short-term policy agreed to by the British and American military chiefs, and not only by a new policy for one-third of Germany, but by a policy for two-thirds, or even all of Germany.

G. *THE AFTERMATH OF QUEBEC*

1. *Status of the Morgenthau Plan, October 1, 1944*

The extent of the Treasury victory at Quebec and in the Interim Directive to Eisenhower was deceptively clear. Both State and War Department officials interpreted Quebec as a victory for Morgenthau, though the text of the Quebec agreement did moderate Morgenthau's proposals considerably. A second and equally important victory for the Treasury Department was the Interim Directive, which was drafted with the assumption that the President had endorsed the Morgenthau Plan at Quebec. But the Quebec agreement was rejected by the British Cabinet (a fact which Morgenthau would never recognize). And the Interim Directive, rejected by CCS, never received combined command status. It could be at best only a temporary and limited victory for Treasury, for it was only intended to stand as a policy guide even for the American forces until a more permanent directive could be drafted. Moreover, while it contained much of the Morgenthau Plan, the Treasury policies were weakened by qualifying and escape clauses. And beyond that, of course, since the British controlled the Ruhr, and the Russians Silesia, JCS 1067 could hardly constitute a major move toward full-scale agrarianization!

At the end of September 1944, the future of the Treasury Department position even for treatment of the United States' third of Germany could be determined by the answers to these three questions:

(1) How firmly would Morgenthau's victory at Quebec stand?

(2) How long would the Interim Directive last? and

(3) Would the War Department or any one else, carry out the Morgenthau Plan as it was contained in the Interim Directive or its successor?

Each of these questions exposed a threat to the Treasury position. The threat of the first, that Roosevelt would either clarify or withdraw his seeming endorsement at Quebec of Morgenthau's views, was compounded by the impending election and the hostile public reaction to the Morgenthau Plan. It might be minimized or eliminated by obtaining subsequent commitments to the Treasury position from the President. The threat of the second was that a longer-term occupation directive which would succeed the Interim Directive might not contain as much of the Treasury viewpoint as did the latter, which was drafted in the full flush of Treasury's alleged victory at Quebec. This threat could be countered by making sure either that the replacement of the Interim Directive be postponed or that the long-term directive not be substantially different from the Interim Directive. The third threat, that the War Department would make the occupation easy on the Germans because, as Colonel Bernstein had put it, of its desire to do things well, or would depart from the hard-peace views of the Treasury for some other reason, could be countered by ensuring that the Army authorities charged with carrying out occupation policy would be given a minimum of discretion to depart from the Treasury tenets, or, alternatively, that the occupation authorities were sympathetic to Treasury views.

The Treasury's capability of meeting the first threat was high. Morgenthau's personal relations with Roosevelt assured him an advantage over Stimson and the ailing Hull. In meeting the second threat, the Treasury could count on the force of inertia in policy-making, the attitude of the War Department, and its own strict internal policy discipline. The Interim Directive represented a settlement (on restricted terms) of a controversial problem within the American government; to try to alter it would be to reopen the controversy. Since the directive was a document of compromises, almost as much could be lost as gained by challenging the settlement it had made. And the War Department's primary explicit goal was not any

particular policy, but policy determination. Army officials would view with alarm any effort to reopen the controversy. Hence, the Treasury Department could count on the War Department as an ally in the strategy of preserving the Treasury victories of September by tying the substance of subsequent occupation directives to the Interim Directive. Finally, in any test of negotiating capabilities with other departments in the Executive Branch, the Treasury Department could count as an asset its internal policy discipline, which assured it that its bargaining position would not be weakened by internal dissent.

The third threat, that the War Department would take advantage of the ambiguities of the Interim Directive, and of the discretion which it had insisted would be left to its field commanders, to fail to carry out the hard peace terms of the Morgenthau Plan as they were incorporated into the Interim Directive, could be minimized by continuing the Treasury participation in the drafting of policy papers concerned with the treatment of Germany and by direct influence upon the occupation officers themselves. The Treasury's continuing participation in the drafting of policy papers was assured, if not by the relevancy of its interest, then by its power to reopen a policy settlement with which it did not agree, as had been demonstrated in August 1944. By participating, the Treasury could work for minimizing the discretion allowed the Army in administering policy, and hence its capability of departing from policy settlements in favor of the Treasury which were made in Washington. At the same time, the Treasury Department was favorably situated to influence the actual administration of occupation policy by the War Department through the rather large number of civil affairs officers recruited by the Army from Treasury as financial experts who continued to look to Treasury for policy guidance.

2. *The Disengagement of Public Interest*

While the treatment of Germany was the subject of discussion at several levels throughout the month of September, both interdepartmentally and internationally, it was not discussed authoritatively in public until after the press brought some of this activity to public attention. To be sure, the first Cabinet Committee meeting with Roosevelt was reported with no awareness of the nature of the problem discussed, or of the personalities involved. By September 11, however, the press was able to identify the "hard" and "soft" peace split, and to single Morgenthau out as advocate of the former. In reporting the controversy over dismemberment, the *New York Times* correspondent, Turner Catledge, showed a familiarity with the official State Department position which could only indicate a pro-State leak. This was countered on September 21 in Drew Pearson's column with a strongly pro-Treasury version of the military government handbook incident of the previous month, including the President's letter to Stimson. Roosevelt was quoted, upon being presented with the handbook by Morgenthau and White, as saying that "there's not going to be any industry in Germany to control."[227] Then on Sunday, the 24th, the story of the Cabinet split came out, including a pro-Treasury version of Quebec; and the *Wall Street Journal* published a fairly complete summary of the Morgenthau Plan. While the press reaction was generally divided, both Morgenthau and the President—for he was closely identified with the Morgenthau Plan in the newspaper accounts—came in for a good deal of criticism. Like most of the government officials, the reporters had no clear realization of the fact that the Plan as such was really not adopted in Quebec. The following day, September 25, Morgenthau met with White and other assistants who had been concerned with drafting the Treasury Plan to decide what the Department should do in view of the widespread publicity. Despite strong sentiment among the group in favor of further defense of the Treasury side of the story, Morgenthau decided against it. He cancelled his press conference for the day, and insisted that his staff refrain from giving out information to the press.[228]

On the same day Hull issued a statement to the press on the post-war German situation. It did not deny the reported split, nor did it mention the Morgenthau Plan. It read:

> The whole question of dealing with the post-war German situation has been receiving attention by each of the governments most interested, and that includes this government and the State Department. It would serve no purpose to say more at this time, except that the higher officials of the

governments concerned will reach mutual understandings, I hope, at an early stage. It is very necessary that we wait until we know the true conclusions they reach.[229]

This statement was widely interpreted as confirmation of the Cabinet split.

On the following day Roosevelt dissolved the Cabinet Committee and issued a statement in an attempt to calm the public and editorial furor raised by publication of news of the Cabinet split and the Morgenthau Plan. The statement read:

> The President announced today that the Cabinet Committee which he had appointed some time ago to advise him regarding certain aspects of the American policy towards Germany after the collapse or surrender of that country, had completed its responsibility and accomplished its purpose.
>
> First, it had considered the American recommendation to the CCS.
>
> Second, it had submitted its views to the President. These several memoranda will now receive the consideration of the President and the Secretary of State, and American representatives conferring with our allies in respect to the long-range policy will be advised of the position of this government at an appropriate date.

Both this statement and Hull's of the previous day are notable for their attempt to disengage public attention from the problem of post-war Germany, rather than to educate or inform public opinion, and indicative of the fact that the President particularly was unwilling to determine future policy. In further pursuance of this policy, publication of the Interim Directive to Eisenhower, planned for September 27, 1944, when the Supreme Commander received it, and already prepared for the press, was cancelled. It was not published until over a year later, during which time its secrecy was purportedly based on considerations of national security. The version that was finally published in October 1945 was the second revision of JCS 1067, issued on April 25, 1945.

At the same time, "high administration sources" were giving out information to the press that the President did not favor the Morgenthau Plan, and never really had adopted its basic philosophy.[230] The press, on September 28 and 29, carried several different reports either indicating a change of heart by the President or clarifying his position. On the 28th, Morgenthau again cancelled his press conference, but managed to send a note to the President indicating the strongly favorable response to his Plan indicated by his mail.[231] He also had a talk with Elmer Davis, head of OWI, who asked how fifteen million Germans would be kept from starving; Morgenthau arranged an appointment for Davis with White.[232]

The next day, September 29, Roosevelt made public in his press conference a letter to Leo T. Crowley, FEA Administrator. It instructed Crowley to speed up the studies that FEA had under way to determine what should be done with the German economy after surrender. These studies were intended to devise means of controlling the power and capacity of the German economy to make war in the future.[233] Asked about the Cabinet split, he replied that "every story that came out was essentially untrue in its basic facts."

The President's letter of September 29 to Crowley was his final effort to disassociate himself from the Morgenthau Plan in the public eye, and to disengage public interest in German policy. He was largely successful, except for sporadic attempts by the Republican Presidential nominee to make the Morgenthau Plan a campaign issue. The Morgenthau Plan as a campaign issue will be described later. First, however, it is necessary to go back to the period immediately following the Quebec Conference when the State Department began its efforts to modify the commitment which the President had made there to the Treasury Department's views on how Germany should be treated after the war.

3. *The State Department Presses Its Case*

Stimson had argued against Morgenthau's views in a series of three memoranda to the President. Then, after Morgenthau's triumphant return from Quebec, Hull, having returned to the moderate position of his own Department, assumed the mantle of advocacy. On September 25, the day his press statement was distributed, he sent to the President a memorandum which took the line of argument previously developed in State that certain specific channels had to be followed for the settlement of policy concerning Germany, since the matter had ultimately to be settled on a tripartite basis. The memorandum suggested that the United States should as the next step have the firm agreement

of the British and Soviet governments on a policy for Germany—implying without saying so that this would not be the policy of the Quebec agreement.

> We have thus far acted on the basis that every action followed with respect to Germany, particularly in the post-hostilities period, would be on an agreed tripartite basis. It has also been our understanding that the Soviet Government has also acted on this general assumption, and of course the European Advisory Commission, established by the Moscow Conference, was set up for the purpose of working out the problems of the treatment of Germany. We must realize that the adoption of any other basis of procedure would enormously increase the difficulties and responsibilities not only for our soldiers in the immediate military occupation period but also of our officials in the control period following.

It implied quite correctly that the British government might not stick by Churchill's commitment at Quebec on German policy: "We have not yet had any indication that the British Government would be in favor of complete eradication of German industrial productive capacity in the Ruhr and Saar." It suggested that the State Department sound out the views of the British and the Russians, either through the EAC or otherwise. Hull's assistants concerned with German affairs drafted this document,[234] and it was presumably as satisfying to them as to him.

At about the same time, Hull went to the White House with a copy of the Morgenthau Plan and the September 15 memorandum from Quebec. He made several points which, taken together, indicated the extent to which he had come to accept State Department staff work on Germany, and had departed from his brief association with Morgenthau's views. He told the President that the Morgenthau Plan was not prepared by experts on the subject. Forty per cent of the German population could not be supported just on the land of Germany, and would have to die. And he summarized the present policy of his own Department: Germany should be kept under military control until the theories of Nazism and racial superiority had been completely eliminated—possibly twenty-five or fifty years. And the standard of living of Germany should be kept below the average of neighboring populations and should be raised as German ideas on human rights, individual liberty, freedom, and peace improved.[235]

Hull's policy still had important differences from the policies planned by State Department officials over the previous two years. They had not expected military occupation to be of very long duration. Their long-range goal was, like Hull's, democratization. But they regarded a long period of occupation and an enforced minimum standard of living as incompatible with this objective. Presumably, Hull was taking into account the President's desire for "hard" treatment of the Germans.

Hull then expressed his suspicions that the British had agreed to Morgenthau's proposals because Morgenthau agreed to help them get their $6.5 billion lend-lease arrangement from the United States. He concluded his argument by restating the reasons why the State Department should handle such negotiations, and by pointing out to the President that he would be injured politically if he were connected in the public mind with the Morgenthau proposals.

Hull noted that Roosevelt's only reply to his comments was that he had not actually committed himself to the Treasury proposals.[236]

On the day following his talk with Hull, Roosevelt dissolved the Cabinet Committee.

4. *Further Views of the President*

Roosevelt telephoned Stimson on September 27 to comment on Stimson's third memorandum. He said that he did not really intend to try to make Germany a purely agricultural country, but said that he had wanted to pull Britain out of a post-war depression, using the familiar argument of Morgenthau that Germany should be eliminated as a commercial competitor of Britain. Stimson was sure that Roosevelt felt he had made a mistake in supporting Morgenthau and was trying to get out of it, an interpretation confirmed by Robert E. Sherwood who saw a good deal of Roosevelt after Roosevelt's return to Washington.[237]

Two days later, on September 29, the President sent a memorandum to Hull. Replying to the suggestion in Hull's memorandum of September 25 that since tripartite agreement would be necessary for any policy concerning the treatment of Germany, Britain and Russia should be sounded out for their views, it read:

> I do not think that in the present stage any good

would be served by having the State Department or any other Department sound out the British and Russian views on the treatment of German industry. Most certainly it should not be taken up with the European Advisory Commission which, in a case like this, is on a tertiary and not even a secondary level.

The real nub of the situation is to keep Britain from going into complete bankruptcy at the end of the war.

Somebody has been talking not only out of turn to the papers or [sic] on facts which are not fundamentally true.

No one wants to make Germany a wholly agricultural nation again, and yet somebody down the line has handed this out to the press. I wish we could catch and chastise him.

You know that before the war Germany was not only building up war manufacture, but was also building up enough of a foreign trade to finance rearming sufficiently and still maintain enough international credit to keep out of international bankruptcy.

I just cannot go along with the idea of seeing the British Empire collapse financially, and Germany at the same time building up a potential rearmament machine to make another war possible in twenty years. Mere inspection of plants will not prevent that.

But no one wants "complete eradication of German industrial productive capacity in the Ruhr and Saar."

It is possible, however, in those two particular areas to enforce rather complete controls. Also, it must not be forgotten that outside of the Ruhr and Saar, Germany has many *other* areas and facilities for turning out large exports.

In regard to the Soviet Government, it is true that we have no idea as yet what they have in mind, but we have to remember that in their occupied territory they will do more or less as they wish. We cannot afford to get into a position of merely recording protests on our part unless there is some chance of some of the protests being heeded.

I do not intend by this to break off or delay negotiations with the Soviet Government over Lend-Lease either on the contract basis or the proposed Fourth Protocol basis. This, however, does not immediately concern the German industrial future.[238]

The President's memorandum revealed more of attitude than of policy, although its readers in the State Department thought that it "modified appreciably" his views as expressed at Quebec.[239] Perhaps his reference to potential German resurgence in twenty years reflected some preference on his part for the Morgenthau Plan's promise of quick action with permanent results, just as the general tone of the plan was consistent with his clear desire for stern action, though the comment on controls in the Ruhr and the Saar points in the opposite direction. Yet, in this very personal document, it is hard not to believe that Roosevelt's key sentiment for his reaction to the specific Morgenthau proposals was expressed in the second paragraph: "the real nub of the situation is to keep Britain from going into complete bankruptcy at the end of the war." This notion stood by itself; only when he repeated it did the President link it with his desire to prevent German rearmament. But equally characteristic was his unwillingness to enter into negotiations with Russia about Germany before surrender.

Roosevelt's note was somehow delayed in transmittal. On October 1, two days after it was written but two days before it actually reached the State Department, Hull went to the President with a memorandum, also written on September 29.[240] In the opening paragraph of this paper Hull remarked that the Cabinet Committee had never reached agreement, and added that the President's memorandum of September 15 "seems to reflect largely the opinions of the Secretary of the Treasury." Then: "I feel that I should therefore submit to you the line of thought that has been developing in the State Department on this matter." (Indirectly Hull was suggesting that the President was not really committed to Morgenthau's Plan or the Quebec agreement.)

The body of the memorandum consisted of two parts. The first was a familiar recital of the status of organizational and procedural negotiations on Germany in EAC. The second dealt with the unresolved policy issues, and emphasized that "these objectives will have to be worked out with our principal Allies if they are to be applied throughout the German Reich." Then followed a restatement, with little modification, of Riddleberger's memorandum of September 4, as amended by Stimson on September 9, which set forth the State Department's position on the post-war treatment of Germany: (moderate) denazification, controls over communications and education, postponement of a decision on partition. The long-term economic objectives were "to render Germany incapable of waging war," and "to eliminate

permanently German economic domination of Europe" (as in Stimson's draft of September 9). The short-term objective was reparations. The proposals for achieving these objectives were more sharply drawn than those in the early State Department papers, and reflected some of the negotiations over JCS 1067: plants incapable of conversion to peaceful uses were to be destroyed, the rest were to be converted; German economic self-sufficiency would be eliminated; controls would be established over foreign trade and key industries, while the power of the large industrialists and landowners would be reduced.

One paragraph dealt unsympathetically with reparations and another set forth the need for long-term controls. Only in the final paragraph was there any very clear reflection of the President's stern attitude. It read:

> It is of the highest importance that the standard of living of the German people in the early years be such as to bring home to them that they have lost the war and to impress on them that they must abandon all their pretentious theories that they are a superior race created to govern the world. Through lack of luxuries we may teach them that war does not pay.[241]

On October 3, Stimson lunched with the President. Roosevelt by this time was willing to blame the whole mid-September furor over Germany on a "boner" committed by Morgenthau. In explaining away his own position, he now turned, not to Morgenthau's argument that Britain would be aided by having Germany eliminated as a competitor for export markets, but to a rationale with more positive implications: Britain would need German steel to keep its own manufacturing going. The rest of the products of the Ruhr would be left to Germany. Roosevelt was so affirmative in his assertions that Stimson read him parts of the Quebec memorandum of understanding, which had been marked "O.K. F. D. R." The President was frankly staggered by this and said he had no idea how he could have initialed it; that he had evidently done it without much thought.[242]

5. *The Quebec Minute Undermined*

Stimson sent Hull an account of this meeting, and Hull also had before him the President's memorandum of September 29, quoted above, which reached the State Department on October 3. Hull considered following up immediately with a request to the President for clarification of his views. He had his assistants draft a memorandum concerning the ambiguity of the President's statements regarding the treatment of German industry. It referred to the September 15 document which indicated that the Ruhr and the Saar would be "necessarily put out of action and closed down"; and later: "This programme for eliminating the war-making industries in the Ruhr and in the Saar is looking forward to converting Germany into a country primarily agricultural and pastoral in its character." The President's memorandum of September 29, however, stated: "No one wants 'complete eradication of German industrial productive capacity in the Ruhr and Saar.' " After pointing out this "ambiguity," the memorandum stated that the note left by Hull on October 1 corresponded to the views of the President's September 29 memorandum. It concluded by asking the President for his approval of Hull's note so that the confusion which had arisen could be ended.[243]

This memorandum was never sent. Instead, Hull waited patiently until two weeks later, when the President, on October 20, wrote him a reply to the memorandum he had presented in their October 1 meeting.

Roosevelt began:

> In regard to your memorandum of September twenty-ninth, I think it is all very well for us to make all kinds of preparations for the treatment of Germany but there are some matters in regard to such treatment that lead me to believe that speed on these matters is not an essential at the present moment. It may be in a week, or it may be in a month, or it may be several months hence. I dislike making detailed plans for a country which we do not yet occupy.

Concerning the first part of Hull's memorandum dealing with EAC negotiations, he said:

> I agree except for going into too much detail and directives at the present moment, and we must emphasize the fact that the European Advisory Commission is "advisory" and that you and I are not bound by this advice. This is something which is sometimes overlooked and if we do not remember that word "advisory" they may go ahead and execute some of the advice, which, when the time comes, we may not like at all.

Concerning the second part, the policy recommendations, he began:

> In view of the fact that we have not occupied

Germany, I cannot agree at this moment as to what kind of a Germany we want in every detail. In regard to the problems involved, there are some which now are perfectly clear and which can be approved now.

He agreed with the demilitarization proposals, but stressed the prohibition of aircraft. He concurred in the recommendations on denazification, controls over communications and postponement of decision on partition. On control of education, he wrote: "I should like to talk to your experts as to just what this means." Finally, on the economic objectives, he wrote:

I should like to discuss this with the State Department in regard to some of the language. I agree with it in principle, but I do not know what part of it means. Much of this sub-head is dependent on what we and the Allies find when we get into Germany—and we are not there yet.[244]

When the President wrote his first memorandum to Hull, on September 29, the failure of the Arnhem operation was known, but there was still a fading hope of quick victory. When he wrote again on October 20, it seemed all too clear that Germany would hold out at least into the spring or summer of 1945. The President was therefore freer to indulge his predilection for, one could even say his insistence on, the postponement of decision on policy for Germany. But in the State Department this point was missed. As Riddleberger described the October 20 memorandum, "the President approved many of the proposals for the treatment of Germany made by the State Department and approved in principle the economic objectives as described by us."[245]

These two memoranda to Hull show another slight change in the President's views. The first had called for a cessation of all activity in EAC; the second indicated some willingness to have EAC continue its work, though EAC directives without details would hardly have much meaning.

Roosevelt's general desire to postpone decision on Germany was given new emphasis in a memorandum to the CAD on October 25 which "even placed in question the U. S. draft directives which had already been cleared in Washington and circulated to the EAC."[246]

H. THE TREASURY AND THE ELECTION OF 1944

Knowledge of these post-Quebec probings of Roosevelt's viewpoint was confined largely within the Executive Branch. After the President's letter to Crowley on September 29, public attention, at least as judged by press reporting, had been effectively disengaged from Morgenthau's proposals and the dispute they had caused in Washington over the post-war treatment of Germany.

Morgenthau, fearing that his role in the formulation of German policy might be made an issue in the Presidential campaign then in full swing, and also sensing the President's mood, kept out of the work on German policy which continued throughout October. His fears were well founded. On October 18, in a speech to the *New York Herald Tribune* Forum on Current Problems, Dewey, the Republican Presidential candidate, used the version which had appeared in the papers of the mix-up over post-war German policy as an example of the difficulties which resulted from Roosevelt's personal handling of diplomacy. The State and War Departments, he said, had been planning for the occupation of Germany, as was appropriate; but neither Stimson nor Hull went to Quebec. Instead, Morgenthau, "whose qualifications as an expert on military and international affairs are still a closely guarded military secret" was taken, and this resulted in the acceptance of his plan there. Later, the Morgenthau Plan was "scrapped"—as the previous State-War plan had been—and FEA was ordered to produce a new one. Dewey pointed out that the Morgenthau Plan had, upon its publication, been picked up by the German propaganda apparatus and given considerable play. The effect of these "ill-conceived Treasury proposals" he described as follows: "Almost overnight the morale of the German people seemed wholly changed. Now they are fighting with the frenzy of despair. We are paying in blood for our failure to have ready an intelligent program for dealing with invaded Germany."[247]

Undoubtedly these charges, and the press reports upon which they were based, disturbed Morgenthau personally, but he was soon looking forward to the time when he could again play a part in determining German policy. About November 1, he told McCloy at dinner ". . . that after the elections he intended to get back into the German picture in a big way."[248]

In his wind-up speech for the campaign on

the night of November 4, Dewey struck again at the Morgenthau Plan. "The publishing of this plan while everything else was kept secret," he said, "was just what the Nazi propagandists needed. That was as good as ten fresh German divisions." And in support of his claims, Dewey cited two of the several news sources which saw a connection between the publication of the Morgenthau Plan and the stopping, in mid-September, of the swift Allied advance to the German border.[249] Morgenthau was extremely sensitive to this kind of charge. Forewarned of it, he had called the White House earlier that day and talked with Stephen Early, the President's Press Secretary. Early recorded the somewhat exaggerated message which he received as follows:

> Sec'y Morgenthau says: Have just been tipped off that Dewey will devote his entire speech tonight to the Morgenthau Plan and to what Morgenthau told the President at Quebec—*that this has prolonged the war.* He thinks Stimson or Marshall should stand by to issue statement of denial tonight after Dewey's speech.[250]

Morgenthau also called Stimson that evening, who agreed to have McCloy listen to the speech and then talk with Morgenthau about it, although he was anxious to keep the Army out of the campaign. In any event, Stimson and McCloy both listened to it, and agreed that from Morgenthau's point of view, as well as Roosevelt's and the Army's, it was better not to publish any reply to it. Stimson did write privately to Morgenthau to assure him that Dewey's criticism had "no basis whatever,"[251] but the letter was not published at the time. Stimson also recorded in his diary his own interpretation of the event: "I am sorry for Morgenthau for never has an indiscretion been so quickly and vigorously punished as his incursion into German and Army politics at Quebec."[252] Within Morgenthau's own office a reply was prepared to Dewey's charge. It was a re-statement of Morgenthau's views, intended to set the record straight, which was to be approved by Stimson, Hull, and the President prior to its publication. (Presumably, the approval was to be of its accuracy as a statement of Morgenthau's views, for Stimson and Hull clearly would not have approved its substance.) Like the Stimson letter, it was not published, and probably not circulated.[253]

Morgenthau was in fact involved again in German policy just before the elections were over, although in a way not likely to produce press accounts. The British, it will be remembered, had not been willing to let JCS 1067 become a Combined Chiefs of Staff document and had, in turn, submitted to CCS a draft of a policy directive for Germany which embodied the British viewpoint. It was much longer and more detailed than JCS 1067, and provided for long-term policy, rather than the interim period covered by the American document. Morgenthau had his staff prepare a memorandum on it, completed on November 1, which read in part as follows:

> 2. The appropriate document for immediate discussion is the American interim directive document. This document is to the large part [sic] a statement of principles which after agreement would provide the basis for the preparation of handbooks containing full details for administration. The failure of the British Government to present its views on this document is preventing further progress of combined discussions on the treatment to be accorded Germany. We are faced with the danger that the prolongation of the period in which the military directive operates will seriously prejudice the situation within Germany and limit the effectiveness of long range policies which may be found to be desirable by the three governments.
>
> 3. The following are some of the major policy issues which the British document fails to deal with adequately and which must be dealt with in any long range program:
>
> (a) The elimination or destruction of heavy industry in Germany, specifically the metallurgical, chemical and electrical industries in Germany.
>
> (b) Future boundaries of Germany.
>
> (c) Partitioning of Germany.
>
> (d) Disposition of the Ruhr through internationalization or otherwise.
>
> (e) Restitution.
>
> (f) Reparations, including whether there will be reparations in the form of recurring payments.
>
> (g) A comprehensive educational program.
>
> (h) A positive program for political decentralization.
>
> (i) The character of controls to be employed in preventing re-emergence of a powerful industrial Germany.
>
> (j) Agrarian reform including the breaking up of the Junker estates.
>
> (k) The punishment of war crimes and the apprehension of war criminals.
>
> (l) The extradition of war criminals to the scene of their crimes.

The Treasury memorandum concluded with a series of critical comments on the British proposal intended to "indicate the difference in approach." It began: "Administrative convenience is frequently placed above principle in dealing with programs of German occupation"; and went on to assert that the punishment of infractions was not severe and direct enough, that the list of persons to be detained for political and security reasons was "totally inadequate" and gave too much discretion to the Allied Commander in Chief, that "too much political freedom" would be given the Germans, that the need for a "fundamental reorientation of German educational institutions" was ignored, and that the German police were to be too heavily armed.[254]

Here was the first important indication of the Treasury position since its period of quiescence in German policy had begun following the President's dissolution of the Cabinet Committee in late September. The Treasury had by now adopted a tactic which later became a characteristic of the position taken by Bernstein in civil affairs planning in London. The original JCS 1067, the Treasury memorandum insisted, should be the basis for discussion and hence of agreement on a short-term, Anglo-American policy for Germany. This position was understandable from the American standpoint, but since the British had already rejected JCS 1067 in the Combined Chiefs of Staff, it had no more status in Anglo-American negotiations than had any British draft.

With respect to long-term policy, the Treasury position at the end of October was slightly less severe than it had been before the Cabinet crisis, and, as we shall see, wholly out of touch with views expressed by the President to the State Department since Quebec. Missing from the list of "major policy issues" which needed to be settled for any long-range program was any reference, such as appeared in the Quebec agreement, to the most important proposal raised by the Treasury: the agrarianization of the German economy. The exclusion of this issue was not by itself an indication that the Treasury position had been changed; by this time the proposal had become too sensitive an issue to be dealt with directly. But its exclusion does record a step in Morgenthau's gradual (and limited) moderation of view on the treatment of Germany.

The Treasury memorandum listed first as a major policy issue "the elimination or destruction of heavy industry in Germany, specifically the metallurgical, chemical and electrical industries in Germany." If this had ever been an accurate statement of the President's views, it was so no longer. The Quebec agreement, where the "metallurgical, chemical and electrical industries" phrase first appeared, proposed a "programme for eliminating the war-making industries in the Ruhr and in the Saar," but said nothing about industry in other parts of Germany. While this may not have been a significant exception in fact, Roosevelt made it important, for on September 29, while he was in the process of backing out of his commitment at Quebec, he seized upon this exception, saying in his memorandum to Hull: "Also, it must not be forgotten that outside of the Ruhr and Saar, Germany has many *other* areas and facilities for turning out large exports."[255] Roosevelt had begun to back out of the Quebec agreement when he talked with Stimson on the telephone on September 27, and on October 3 he clearly repudiated it while lunching with Stimson.[256] On October 20 he seemed to confirm that repudiation by his favorable treatment of the State Department's position on German policy.[257] Although the Treasury memorandum on the British document failed to take into account these later indications of the President's views, it is quite possible that Morgenthau knew of them by this time, for, even after he was sure to have known of them, the Treasury never did take cognizance of them, but continued to maintain that the President's views were most accurately expressed in the Quebec agreement, and that the Interim Directive on the treatment of Germany, which was written in its shadow, remained authoritative.

At the end of October Morgenthau showed his memorandum on the British policy draft to McCloy, who tried without success to persuade him not to give it to Lord Cherwell, who was in Washington at the time.[258] On November 1, just before Cherwell returned to England, Morgenthau gave it to him anyway. Cherwell agreed that the British proposals of long-range policy for the treatment of Germany were inappropriate at that time, and that the American Interim Directive could better serve as the basis for Anglo-American discussions. Whether he

took this position because he considered himself—or his chief—to be committed to it is not clear; and whether Cherwell's agreement was as definite as Morgenthau thought is also uncertain.

I. THE TREASURY WRITES A BOOK

While State was trying to commit the President to its views, White had been supervising the writing of a book to be published under the by-line of Morgenthau as a reply to the critics of the Morgenthau Plan. The book had apparently begun as an outgrowth from the staff work done in Treasury for the Cabinet Committee discussions on Germany.[259] Following the November elections, preparation of the book became more serious, perhaps because of Dewey's charges against the Morgenthau Plan. A dozen or more people tried their hands at chapters. As was usual Treasury practice in its staff work, those who worked on the book were not necessarily expected to agree with what they produced, and many of them did not. The major part of the writing was done during November and December 1944, although before it was published in October 1945, under the title of *Germany Is Our Problem,* the book underwent substantial revision. The extensive activity involved in the book's preparation had little to do with the outcome of occupation policy, but it provided a stockpile from which to draw arguments and was a significant indication of an important development in Treasury thinking.

The clash over the treatment of Germany had been carried on at its inter-departmental points of contact with the usual personal frictions, but with little recrimination, although undoubtedly within the three departments primarily involved some dark suspicions were held by each about the other. Treasury was resented for its very involvement, suspected of double-dealing, doubted as to its veracity, and disliked for its aggressiveness. State was thought to be pro-German, somewhat inept, and impractical. War appeared as an empire builder, anxious to take over policy direction—perhaps to promote reaction, perhaps only because it preferred administrative convenience to principle. Each department saw the other dominated by a group in which it could not place its full confidence. In Treasury it was New Deal lawyers and economists; in State, the career diplomat; in War, Republican lawyers, comparatively new to the Washington scene, but backed by the career officers.

Early drafts of Morgenthau's book indicate that by November 1944 a substantial suspicion had developed within Treasury that the real reason for most of the opposition in War and State to the Morgenthau Plan was due to a belief, which no one dared disclose, that Germany should be built up as a bulwark against Russia on the European continent. In an early December draft of Chapter 2, for example, Morgenthau's answer to the "real issues" involved in the German problem was stated for him as follows:

> II. I believe that in formulating a solution to the German problem we must address ourselves to the German problem and not be shunted off into a whispering orgy of red-baiting on how to prepare for war against Russia. I do not believe that the American people are so immature about the political facts of life that they have to be kept in sheltered ignorance of the undisclosed major premise of much of the "discussion" about Germany. I believe that the Russian issue should be flung on the table and that the American people should be given the opportunity of deciding for themselves whether Germany or Russia is their real enemy.[260]

This draft paragraph was probably based on an idea set forth by Morgenthau, who had been greatly perturbed by some remarks on the subject by Churchill, as he said in one of his articles in the *New York Post.* However, the one person mentioned in connection with this argument by the staff doing the drafting was Stimson, who had opposed the Morgenthau Plan from his first hearing of it. A letter from Stimson to a Congressional committee in 1930, when he was Secretary of State, was used to illustrate the "real issue motivating many of those who are desirous of building up Germany." The letter read: "In her position in the center of Europe, Germany in good health would be a bulwark of strength against instability and communism."[261] In the Morgenthau book, a careful refutation followed: While Russia was capable of being "the greatest menace that the world has yet seen,"[262] she is anxious to return after the war to her economic development. Russia and the United States are traditional friends, and have no major conflicting

interests. We can continue to be friends. But if we mistrust her, that will only lead to mutual suspicions.

If we conjured up fears against a nation which is going to great lengths to demonstrate its friendship and which has no intelligent reason for attacking or provoking us to war, we shall have to embark upon the impossible national policy of maintaining military forces to fight all the rest of the world.[263]

J. TREASURY INFLUENCE IN LONDON

While State was trying to get the President committed to its own viewpoint, the Treasury Department, in addition to working on Morgenthau's book, was watching the development of policy in another quarter. The Joint U. S. Advisors to Winant, in his capacity as Delegate to EAC, had continued preparation, in conjunction with sections of Eisenhower's U. S. Group Control Council, of a large number of draft directives for Germany which were intended for tripartite approval. Upon their approval by the Joint U. S. Advisors, they were to be submitted simultaneously to the State and War Departments. When approved by the Working Security Committee (or the new SWNCC) and the Post-War Planning Committee of the Joint Chiefs of Staff, and cleared by JCS and State, they were to be introduced into the EAC, where they would be negotiated with Britain and Russia. Ultimately, they were intended for issuance to the Commander in Chief, U. S. Army, European Theater of Operations, and to his British and Russian counterparts. Bernstein, as head of the Finance Division of the U. S. Group Control Council, was involved in the preparation of the draft directive on financial controls, and had access to the rest of the draft directives. He made them available to L. C. Aarons, a Treasury representative at the American Embassy in London, who forwarded summaries of them to White in Washington. Some of the documents had already been approved in Washington; some had not. Their summaries described to White the degree to which they conformed to JCS 1067, as the Treasury interpreted that directive. Since Bernstein was at odds with his Army superiors over the right of direct and private communication with the Treasury Department, which he claimed, White was cautioned to use this information discreetly in order to protect Aarons' source of information.

Bernstein was opposed to the very idea of drafting the directive on financial controls, for he was reluctant to have new plans for German financial matters formulated in the absence of further top-level guidance. He preferred, instead, to stand on the financial directive in the original CCS 551 (presumably letting it carry over by default from the pre- to the post-surrender period). When the American Advisors insisted that their terms of reference required them to prepare such a draft, he agreed to give his views on it. He indicated that he did not want the Control Council involved in the administration of the zones of occupation, thus taking a more extreme position on zonal autonomy than did the War Department. He also wanted a clear distinction drawn between the power of the Control Council to control German financial institutions and its authorization to do so only to the degree necessary to accomplish Allied aims. In this way, it would be clear that the clauses in JCS 1067 and previous documents which stressed the sovereign power held by the occupying powers would be responsible for all phases of German affairs. Bernstein also indicated, in his consultations with the U. S. Advisors to EAC, that any additional financial directive should strengthen the proscriptions against Nazis.

Evidently not satisfied with the way the drafting of this document was going in the American EAC delegation in London, Bernstein sent copies of it in various stages of its drafting to L. C. Aarons and other Treasury representatives assigned to the embassy, together with the background information and his own comments. These papers were copied and forwarded in turn to White and other Treasury officials in Washington concerned with German policy, who were involved in rewriting JCS 1067 as a post-surrender document. Meanwhile, Aarons was planning a trip to Washington. In the last letter on the draft financial directive, dated from London, December 28, 1944, the Treasury officials in Washington were cautioned: "Buz [Aarons] is familiar with the Draft General Order. No inquiries should be made concerning it until he arrives in Washington."[264]

With the issuance of the "Handbook for Military Government in Germany Prior to Defeat or Surrender" in December 1944, and of

various technical manuals, the basic planning by SHAEF of military government for the pre-surrender was complete. By that time it was apparent to G-5, SHAEF, that the period of SHAEF's responsibility (or of British and American responsibility) would extend beyond the date of surrender, although how long beyond was not clear. The pre-surrender directives were deemed inadequate for the post-surrender period. At the the same time, it was recognized that EAC had produced little agreed tripartite policy, and, with the stalemate into which the President had thrown it as the result of his instructions of the previous September 29 and October 20, SHAEF was not hopeful of EAC action. Besides, a new obstacle to effective EAC deliberation had arisen with the addition of a French member to the Commission on November 27, 1944, following the liberation of France. The determination of the French provisional government to establish its independence in foreign affairs, and to press at all costs for ambitious objectives with respect to Germany, caused new difficulties in EAC negotiations. Furthermore, as has been noted earlier, the War Department was not likely to encourage action by EAC, a body it distrusted. CCS, the only body which could and did provide SHAEF directly with policy guidance in civil affairs, had not produced a post-defeat directive either. As a consequence, G-5, SHAEF, undertook in mid-December to prepare a post-surrender policy, with the expectation that it would be submitted to CCS as the policy which was proposed to be followed in the absence of further direction. A month earlier State and War had begun to prepare a revision of JCS 1067 for use in the European Advisory Commission.

The SHAEF pre-surrender directives to army group commanders, based on CCS 551 and issued in April 1944, contained none of the sterner stuff which was added to that document the following September in the process of turning it into JCS 1067. Since the JCS document applied only to the immediate post-defeat period, its use as a policy guide in the planning in SHAEF for Phase I (the pre-surrender period) was not appropriate, since CCS 551 was still in effect for that earlier period. But Bernstein and others who agreed with the Treasury position on the treatment of Germany consistently used it as the basis for planning in both phases. On the other hand, in Winant's EAC staff, where efforts were being made to plan for the whole of this post-surrender period, moderate State Department views predominated, and Treasury policies could make little headway. When Brigadier General Frank J. McSherry, Chief of the Operations Branch of the G-5 Division, SHAEF, undertook the development of a post-surrender policy, Bernstein, his Chief of the G-5 Finance Division, was presented with his first real opportunity to promote the Treasury thesis.

Before considering the next Treasury move, it will be useful to return briefly to the two approved—but differently approved—directives about Germany. For, since JCS 1067 was not approved in the Combined Chiefs of Staff, CCS 551 remained the only Anglo-American agreement on the treatment of Germany—although it was applicable only to the period prior to defeat or surrender, while JCS 1067 was intended to be used after defeat or surrender until a longer-range policy could be negotiated. Because the British were to insist that CCS 551 should be the basis for a longer-term policy, it will be well to review the substance of each of these two documents for the control of Germany.

IV. TOWARDS AN OCCUPATION DIRECTIVE: THE FIRST REVISION OF JCS 1067

A. INTRODUCTION

CCS 551, the Anglo-American directive on the treatment of Germany prior to defeat or surrender, which was issued to Eisenhower on May 28, 1944, had assumed that the German society, government, and economy would be substantially intact behind the lines; and that all that military government would have to do would be to purge them and supervise them. Because of this assumption, the question of whether or not, or how effectively, the occupying forces could operate and control the German state was passed over. Instead of considering this question, the officials who drafted CCS 551 concentrated their attention upon the less speculative objective of providing the responsible officers with maximum discretion and power. Eisenhower was instructed to maintain: (1) taxes, bona fide pensions, allowances, and social security, and resume service on the public debt as soon as possible; and (2) the agricultural, industrial, and production systems of Germany. At no point in the directive was the eventuality that these tasks might prove impossible given consideration.

CCS 551 stressed the paramountcy of military considerations, and to that end, the wide discretion of the Supreme Commander. For instance, he was instructed to purge Nazis from public positions; but it was up to him to decide whether other government officials were to be replaced. In combination, this broad grant of discretionary power and the assumption that the state of affairs would not inhibit the exercise of that power meant that military government would be held responsible for the operation of the entire German state. As has been shown, by August 1944, Eisenhower had become alarmed at the responsibility which CCS 551 placed upon him to maintain the operation of the German economic system, particularly since it was rapidly becoming clear that the social and economic fabric of Germany would not be able to hold together in defeat, with military government acting merely as overseer.

Even given the assumption that German society would not collapse, one major question remained unanswered by CCS 551: what criteria were to be used in settling questions which came within the discretion of the military government officials which could not be settled by the dictates of military necessity? For instance, Eisenhower was instructed to purge the German government of Nazis, but it was left up to him whether other government officials were to be replaced. To give a general answer to that question would be to draw conclusions about the relationship of the Nazi Party to the German people as a whole, and about the nature of war guilt—issues which remained unsettled in every Allied government. The alternative was a pragmatic solution which emphasized the particular facts of each situation in order to avoid the need for a general solution. But the Army could not thereby avoid responsibility for the unarticulated general policy that underlay whatever particular decisions were based on this pragmatic approach, as its first experience with occupying Germany, in Aachen, was later to demonstrate. What happened, of course, was that military necessity tended to get stretched to cover this gap. But that was an expedient solution which could never be wholly satisfactory. Maximum discretion for the military proved to have its drawbacks.

How to avoid policy-making and still have administrative discretion was not a new or a unique problem for Army civil affairs officers in 1944; nor was it susceptible of an easy or

final solution. However CCS 551 might have been drawn, the problem would still have existed to some extent. Nonetheless, it was magnified by granting maximum discretion to the field commander in the accomplishment of his military objectives.

But once it was evident that German society was likely to fall apart, and that the Army would probably have to pick up the pieces, it became imperative for the Army that its responsibilities in the occupation of Germany be strictly limited. For the Army, this raised two questions: How could its responsibility be limited without its discretion being limited correspondingly? and second, how could the Army be held responsible for the occupation of Germany when it could not be in complete control of the situation?

The Interim Directive, JSC 1067, sent to Eisenhower on September 22, 1944, was, like CCS 551, a stop-gap measure, in this case to be used by the United States Army in its own zone following defeat or surrender, but only until something more long-range had been decided upon. While it was prepared by an interdepartmental committee, under the supervision of Assistant Secretaries, for the most part, and while it was concerned with a period of time during which the dictates of "military necessity" could not be so compelling as during the period covered by CCS 551, the latter document dealt more frankly with policy questions than did the Interim Directive. CCS 551 had been able to avoid policy questions by using the doctrine of "military necessity," and by its assumption that German society would remain substantially intact. But in August, Eisenhower had cabled his belief that this was a risky assumption. The deliberations of the Executive Committee on Economic Foreign Policy in June and July had already brought the assumption under close scrutiny; and in August, American officials concerned with civil affairs in both London and Washington came to doubt it. Nevertheless, it is striking that CCS 551, which was drafted by military staffs in lieu of policy settled by civilians responsible for it, delved more frankly (though not in greater detail) into some policy matters than did JCS 1067, the Interim Directive. The Interim Directive failed to settle issues of German policy because of its stop-gap purpose, and because it was a negotiated document which was acceptable to officials with widely divergent views.

Perhaps the most prominent questions which remained unanswered by JCS 1067 concerned the economic treatment of Germany. It authorized the occupation authorities to assume control of industrial, agricultural, utility, communication and transportation facilities, supplies, and services only for purposes of demilitarization, prevention of disease and unrest, prosecution of the Japanese war, and the preservation and protection of facilities and supplies for purposes of relief, restitution, and reparation. While this was clearly an attempt to make the "German authorities," rather than the American occupation, responsible for the successful functioning of the German economy, in contrast to the provisions of CCS 551, it raised questions which remained unanswered elsewhere in the text: How could "German authorities" be held responsible for anything unless they had some independence of action, which was evidently not contemplated? Here was a new problem of responsibility for the Army. How stringent would the life of the German populace be under this directive? The answer to this question depended upon the military interpretation of "disease and unrest" (which would determine how much the occupation forces would do to help) and by how much "the German people and the German authorities," with whom responsibility for any other positive actions was to rest, would be capable of doing. But how could the Germans act except with the approval and support of the occupation authorities? Undoubtedly they could not, and yet they were to be responsible for what they did or failed to do. Apparently, German efforts would have to come from local initiative, for "all dealings in so far as possible should be with municipal and provincial government officials rather than with Central government officials." But of the economic problems specifically left to the German authorities—"price controls, rationing, unemployment, production, reconstruction, distribution, consumption, housing or transportation" —most of them could be accomplished only on a national (or, as it turned out, zonal) basis. Clearly, the relationship between occupation forces and viable indigenous government remained an unsettled question.

Two other important matters also were left

unsettled by the Interim Directive, even though they were given attention in it. The categories of people who were to be arrested were fairly clear, but not what was to be done with them after arrest. Could the Army release its prisoners at its own discretion? Or were all to be tried? Or were some to be given summary punishment? Silence on these points covered real differences between the three departments. Treasury viewed arrest as the first step towards trial for war crimes, while the War Department came to see arrest as an administrative tool for keeping undesirables out of circulation.

The second matter involved the problem of political centralization in Germany. JCS 1067 looked ahead to a unified, tripartite administration of occupied Germany, while at the same time it envisaged decentralization of the political structure of Germany. How these two were to be reconciled was not indicated.

Thus, CCS 551 and JCS 1067 both avoided many of the questions involved in occupation policy. Some of these questions were questions of detail to be worked out at the proper place by the civil affairs staff of the Army. Others awaited resolution in the Cabinet Committee or by the President. For the time being, however, Eisenhower was provided with a policy statement on Germany which followed the Morgenthau Plan in some respects, but which was ambiguous enough to place in question the degree to which Morgenthau's views were to be carried out; which provided the Supreme Commander a maximum degree of discretion, and which absolved him, as best it could, of responsibility for the collapse of Germany.

B. *AFTERMATH OF THE CABINET COMMITTEE: CLEARANCE OF WINANT'S DIRECTIVES RESUMED*

McCloy and the Civil Affairs Division had struggled to get the Working Security Committee going from early August until after the appointment of the Cabinet Committee on Germany on August 25. Hilldring, indeed, had pressed on with his efforts to get War Department and JCS clearance for Winant's basic policy papers right up to the eve of the Cabinet Committee's preliminary meetings a week later. But he discontinued these efforts when he learned not only that the Joint Chiefs were now more reluctant than ever to consider policy papers which had not been thoroughly cleared in the War and State Departments, but that the War Department, or Operations Division at least, was reluctant to present post-war matters on Germany to the JCS until the Cabinet Committee's views were known. When the committee was dissolved a month after its designation, McCloy promptly proceeded to "devise a more expeditious means of providing Winant guidance."[265] JCS 1067 could now serve as the approved general policy paper which had been anticipated for so long as the device which would break the log-jam of Winant's instructions. On September 30 McCloy met with representatives of CAD, State, Navy, and the Joint Post-War Committee of the JCS and worked out a plan whereby the twenty-two draft directives which had now been received from Winant could be processed through the Working Security Committee. In early August he had attempted to accomplish the same thing by arranging that WSC would refer for JCS clearance only a minimum number of papers which would contain the essence of policies, and that the large volume of other materials would be cleared as supporting documents without reference to the Joint Chiefs. But the hurdles of War Department and JPWC clearance had remained formidable for the policy documents, and this arrangement had never gotten underway. The new procedure was to dispatch papers worked out in the WSC directly to the Joint Chiefs of Staff for their consideration. The three departments represented at McCloy's meeting approved this arrangement, and so did the JPWC (which, however, did not "represent" the Joint Chiefs). The first two papers to be submitted under this procedure were held up by the Operations Division because they had not received formal concurrences from the appropriate War Department agencies. Marshall personally attempted to submit them to JCS and was turned down by Leahy when he was told that the documents had not been fully cleared in the War and State Departments.[266]

War Department clearance was then attempted, but State Department officials pointed out that the approval of WSC had been based on the assumption that both State and War were thereby committing themselves to approval, subject only to JCS concurrence, and that "if the War Department seeks to refer the ac-

tions of the Committee to War Department agencies with reference back to the Working Security Committee, the State Department will demand the same consideration."[267] CAD now attempted to achieve its long-desired direct contact with the Joint Chiefs by having CAD submittals cleared when necessary in the War Department *after* JCS had taken cognizance of them, and by arranging for referral from the JCS to the Secretary of State rather than back to WSC. But even as "an emergency and temporary expedient" this proposal proved unacceptable or unworkable.[268]

There were passing hopes in CAD that JCS 1067 had settled general policy, and that details could now be worked out at a military level without the need for referral to EAC. And in both London and Washington there was always the continuing hope—perhaps it was an illusion—that if only the directives were less detailed they would get over the clearance hurdles.[269] Although by this time that hope had little foundation, the War Department had good reason to indulge in it: the Army was interested in maintaining the freedom of action of its zone commander at the same time that it was interested in getting policy settled.

The impasse of ten months duration remained unbroken at the end of October 1944. The Joint Chiefs had avoided since December 1943 the approval of any long-term policy for the treatment of Germany. But it had approved a short-term policy in JCS 1067. The problem of the JCS impasse, combined with difficulties with the British over a general occupation directive, was now to turn American officials in Washington to JCS 1067 as the basis for its negotiations in EAC.

The British, it will be remembered, had rejected JCS 1067 as a Combined Chiefs of Staff document. They preferred their own more detailed draft for a long-term directive. Then, on October 12, they revealed a new and bolder strategem. Since the establishment of EAC they had pressed Winant for agreement there on German policies. The War Department and the JCS, however, had in effect denied him the instructions by which he could act. Now, however, it was clear that the Americans wanted policies settled, and that they could agree on policy intended for military channels. But the military channels—the Combined Civil Affairs Committee and the Combined Chiefs of Staff —were in Washington, and for the moment, at least, were clogged with, what was to the British, the objectionable JCS 1067. What was needed was a way to turn the American desire for settling policy to agreement on a British draft.

The strategem adopted was revealed to McCloy when the British representative on the Combined Civil Affairs Committee called on him on October 12, the day of a regular CCAC meeting. His instructions from the War Cabinet were, he explained, not to discuss in the CCAC, even informally, the American Interim Directive. The proper place to discuss post-surrender policies was the European Advisory Commission. Anglo-American negotiations in CCS or CCAC over JCS 1067 would, he explained, prove embarrassing to tripartite efforts in EAC —a reference, no doubt, to the policy instigated earlier by the U. S. to avoid facing the Russians in EAC with settled Anglo-American positions. If the EAC did not come through with agreed policies in time, he went on, CCS 551 could be used until something else had been agreed on.

The British insistence upon the settlement of policies on the treatment of Germany through diplomatic channels in London was by this time familiar enough, but not the new use for CCS 551. If it could be carried off with the Americans, that use would give the British a decisive advantage in the EAC by eliminating the time pressures on them while the Americans were becoming more impatient. The Americans would be posed with the unpleasant alternatives of losing to the British by default, or accepting the British draft in order to achieve agreement.

McCloy responded that, as he recorded it, CCS 551 was "not only inadequate but misleading as a directive for a post-defeat period." Later he argued that negotiations in the CCS over CCS 551 would be no less embarrassing, and went on to point out the larger differences between the two documents to show how contrary CCS 551 was to the established position of his government. He placed his greatest emphasis on the economic policy implications of the two documents and on the greater responsibility which CCS 551 placed on SCAEF for the rehabilitation of German industry and the re-establishment of economic life in Germany.[270]

The British and American positions were

now in fundamental disagreement. The Americans probably would have been willing to settle their differences in the CCS, but the British clearly were not. Because it was diplomatic rather than military, because it was tripartite rather than just Anglo-American, and because it was in London, the British evidently insisted that EAC was the place to negotiate over fundamental disagreements concerning policy for Germany. And the Americans involved were in no position to argue the other way. It had been difficult enough to get the Joint Chiefs simply to concur in policy for Germany formulated anywhere in the American government; to expect it to negotiate such policies with the British would have been absurd. Instead, CAD and McCloy turned once again to EAC. At a meeting in McCloy's office on November 6, with McCloy, Hilldring, Dunn, Matthews, Riddleberger and Winant present, it was agreed that the attempt to clear Winant's directives would be abandoned, and that instead, JCS 1067 would be revised for presentation to EAC as a broad general directive for the initial government of Germany. Matters of detailed planning would then be handled by the tripartite Control Council for Germany, or on a military level.[271]

The War Department, it should be noted, had two particular reasons to be satisfied with this agreement, and both were at Winant's expense. One was that it abandoned Winant's draft directives, which were too detailed for the Army's liking. Even while supporting them, CAD had fretted over them.[272] It had insisted on keeping them out of the surrender instrument. Only three weeks earlier Winant's Military Adviser had disputed CAD's contention that the drafts were too detailed for EAC consideration. Now Winant had concurred in that view. The second reason was that while Winant was to carry on the negotiations over German policy, the reins on him were to be held as tight as policy agreement in Washington would permit. It was agreed that if the British or the Soviet Union wished to depart from JCS 1067, Winant was to submit any proposed changes in detail to Washington for approval.[273]

Both the State and War Departments, it will be remembered, were determined to minimize the importance of EAC in the determination of post-war policy. With the President's October memorandum to Hull to support these views, Winant was in no position to protest. The third reason was that the efforts of State and Winant to negotiate in EAC on the basis of long-term policy for Germany was abandoned in favor of the short-term period envisaged in the Interim Directive. Dunn and his associates from the State Department could have been pleased with the outcome of this meeting only because it meant that agreement would be sought through Winant, not through the Combined Chiefs of Staff.

C. FEA STUDIES ECONOMIC CONTROLS FOR GERMANY

In his letter of September 29 to FEA Administrator Leo T. Crowley, the President specifically exempted the Foreign Economic Administration from his general caveat against detailed planning. To understand the circumstances under which this exception was authorized, it is necessary to go back to events in early August.

Just before Morgenthau's trip, approval of the two documents on Germany in the Executive Committee on Economic Foreign Policy (on August 4, 1944) was followed up immediately in FEA by the setting up of a program for the study of economic controls necessary in Germany during the control period. It was directed by James W. Angell, an economist on leave from Columbia University, and run on the basis of a working committee of FEA officials. The "study" was expected to outline controls, and suggest general policy in administering them and the type of machinery for doing so. These proposals would be considered by ECEFP subcommittees, set up for that purpose. Originally planned to be completed in two months, the project continued on long after that.[274] By September 1 the German Working Committee had worked out an approved policy draft entitled: "Germany: General Objectives of United States Economic Policy with Respect to Germany."[275]

The document followed closely the moderate lines laid down by the ECEFP papers. While this paper was not made available to the three departments represented in the Cabinet Committee, it did draw immediate reaction within FEA. The Assistant Director of the Northern European Division took issue with its general tone. He argued that Germany was a diseased, lethal, psychopathic and virulently contagious

country, which had given no evidence that it was curable. He recommended that, rather than be operated for maximum reparations, German industry be used as replacement parts. He would prohibit airplane, synthetic oil and rubber production, and drastically reduce, through reparations, steel-making capacity.[276] This may have been the beginning of the "hard line" in FEA with respect to German policy. But as yet the agency had not accepted it. Later, in the winter of 1944, as it followed out the logic of its studies of how to control Germany (politically) through economic controls, FEA would come to identify itself with a stern, even grim, approach to the economic treatment of Germany, but it would do so only after long and sometimes bitter arguments among its staff.[277]

FEA did not get drawn into or become identified with either side in the Cabinet Committee split, at this time; it continued to object to State Department policy planning as vague, unrealistic, and incomplete; and the general sentiment of its staff supported a more assertive role for its representatives in inter-departmental work. But by mid-September it was too late to do so, for inter-departmental work was in a state of suspense pending the outcome of Cabinet Committee deliberations.[278] Aware of the Cabinet Committee split, the German Working Committee found its task to be more and more impossible. It started to work on the assumption that the ECEFP documents could be taken as setting forth settled questions of principle. It soon became apparent to the GWC staff that these documents were neither clear nor authoritative. Without any general policy from which to begin their studies, they were unable to proceed.[279]

In late September, a letter was drafted under the supervision of the FEA Executive Policy Committee for the President's signature, and addressed to Leo T. Crowley, FEA Administrator. Its purpose was to provide that agency with the minimum of policy instructions necessary for the GWC to continue its work.[280] We have already seen how Roosevelt was able to issue this letter at a time when it aided him in his efforts to disengage himself in the public eye from the Morgenthau Plan. FEA had intended to make the letter a direct authorization from the President, but in clearing the draft, State added "under guidance of the Department of State." FEA officials objected to the State amendment. They had never been entirely satisfied with the fact that their agency was under the policy guidance of State, and in this case they felt that the change in the President's letter to Crowley would only inject FEA into the dispute between Treasury, State, and War. Oscar Cox, FEA General Counsel and Deputy Administrator, who vigorously cultivated his relations with the White House, explained this point in a note to the President's press secretary, while Crowley took the matter up with Hull.[281] Neither of them was successful. However, with the release of the letter on September 29, their fears that its reference to State guidance of FEA would involve their agency in the inter-departmental row over Germany failed to materialize.

But their original plans that the letter to Crowley should clarify the work of the German Working Committee were also disappointed, largely owing to their own error. Crowley, Cox, and their immediate assistants had evidently drafted the letter without understanding the committee's problem; three days after its publication George Pettee, a GWC member, pointed out to Angell the inadequacies of the letter for policy guidance.[282]

A week later, October 12, Angell presented to the Executive Policy Committee of FEA the important policy issues which still remained unsettled, and the remaining conflicts on those that supposedly had been settled. The August agreement of ECEFP on Germany, recorded in two documents, had failed to cover several important matters: at what level German living standards should be maintained; how to handle property controls; what to do about the Nazi underground; how to dispose of Reich and Nazi Party property; and what to do about cartels, combines, and large estates. Moreover, these documents seemed no longer to be approved policy. On the other hand, the President's September 29 letter to Crowley and an earlier one which emphasized that the whole German people must feel defeat, laid down as the objectives of U. S. policy concerning the German economy (1) the elimination of German capacity to make war, (2) the eventual development of a prosperous German community without any aggressive inclinations, and (3) retribution designed to fit in coherently with the first two purposes. Since these objectives

conflicted, policy guidance could not be considered adequate.[283]

The attempt to obtain adequate top-level political guidance thus having failed, the executive group decided that this was an unrealistic approach. It was agreed that, instead of trying to fill in the details of such decisions, the function of GWC should be to work up its own material based on facts, and then recommend policy. Somewhat circuitously, however, it was recognized that some assumptions had to be made prior to the gathering of facts in order to render the economic studies meaningful.[284]

It was on this basis that the GWC continued its work throughout the winter of 1944-1945. With incomplete and conflicting policy guidance, it had to turn to the amassing of facts; and in order to make them pertinent, it had to listen to the latest indications of Presidential attitudes, through gossip and his public statements. For instance, they found great significance for themselves in his campaign speech of October 21, in which he said:

> . . . we and our Allies are entirely agreed that we shall not bargain with the Nazi conspirators, or leave them a shred of control—open or secret—of the instruments of government. We shall not leave them a single element of military power—or potential military power.
>
> . . . . . .
>
> We bring no charge against the German race, as such, for we cannot believe that God has eternally condemned any race or humanity. . . . But there is going to be stern punishment for all those in Germany directly responsible for this agony of mankind.
>
> The German people are not going to be enslaved. . . . But it will be necessary for them to earn their way back—earn their way back into the fellowship of peace-loving and law-abiding nations. And in their climb up that steep road, we shall certainly see to it that they are not encumbered by having to carry guns. We hope they will be relieved of that burden forever.[285]

D. RESULTS OF THE NEGOTIATIONS OF THE FIRST POST-SURRENDER DIRECTIVE

The efforts throughout September and early October 1944 of the President, his Secretaries of State, Treasury, and War, and their assistants, to settle the pressing questions concerning the post-war treatment of Germany had produced several effects by mid-October—as had the President's move toward the postponement of settlement, beginning in late September, which has been described above.[286] Roosevelt's objection in late August to the military government handbook caused its publication to be held up while SHAEF requested more specific guidance. The Combined Civil Affairs Committee instructed SHAEF to revise the handbook along the following lines: (a) there should be no economic rehabilitation of any kind except for necessary military purposes; (b) imports should be kept to the minimum to prevent disease and unrest which might interfere with the occupation; and (c) Nazis or Nazi-sympathizers were not to be kept in office for reasons of administrative convenience. After much correspondence, the handbook was issued with an inserted flyleaf containing the three principles.[287]

The Combined Chiefs of Staff examined this "revision" of the handbook, and stated in a cable to SHAEF on October 7 that it was not yet satisfactory, and that it should be revised to embody certain principles. Most of these principles were in sympathy with the new, hard-peace line. But among them was the following instruction which seemed to hold the occupation authorities responsible for keeping the German economy from breaking down:

> . . . the maintenance of existing German economic controls and anti-inflation measures should be mandatory upon the German authorities and *not* permissive as in the present edition of the Handbook.[288]

On October 9 the Assistant Chief of Staff, G-5, at SHAEF, Lieutenant General A. E. Grasset (a British officer), ruled on the basis of CCS 551 that the restoration and maintenance of law and order were to go as far as military necessity *required;* and that therefore, "in certain cases" it would be desirable to go back to the original handbook (which the President had criticized). Thus, Morgenthau's first success in hardening the heart of military government, and the President's blast at the military government handbook, were nullified in considerable part. The British had never agreed to JCS 1067, which had therefore no CCS standing; nor, as soon became clear, did they feel themselves bound by the Quebec agreement. CCS 551 remained for the British, and for Anglo-American planning, the most impor-

tant policy guide. The consequences of British action were therefore apparent in CCS policy and even more apparent in SHAEF, where the G-5, Grasset, was, as has been noted, a British general. The British and Americans in CCS and CCAC continued to disagree on policy. The President's actions resulted in confusion rather than clarification in London military circles.

The effects on Winant of the events of September and October, and especially the President's decision to postpone all decision, were severe. Roosevelt's acceptance of the Southwest zone made it possible for Winant to secure agreement on an EAC zonal protocol; he was also able to push forward with the protocol on control machinery. But policy to guide the use of that machinery was held in suspense.

The effect on the Army was to make it anxious to help Winant—at least on its own terms. After another vain attempt to push German policy papers through the JCS, the War Department turned again to the European Advisory Commission, but consolidated its position around JCS 1067 by gaining an agreement from State and Winant that the Interim Directive would be revised for submittal to the Commission.[289]

The drafting of an Interim Directive (JCS 1067) to General Eisenhower, pending more definitive and long-range political decisions, had been undertaken to clarify policy for the German Country Unit, the group planning the military government of Germany under Grasset in SHAEF.[290] This objective was not accomplished. It was obvious to the American military planners in England that JCS 1067 had incorporated certain provisions of the Morgenthau proposals, as they had been published in the daily press. But to what extent the JCS document was intended to incorporate Morgenthau's views was not clear.

Colonel Bernstein, the Chief of the Finance Division of G-5, SHAEF, and the one who had shown Morgenthau the handbook, and explained to him the tendency of military government to be overly solicitous of occupied areas, became the chief spokesman of the retribution school and "representative" of the Treasury Department within military government. When, in the fall of 1944, the German Country Unit was abolished, and its American members transferred to the U. S. Group Control Council, he was given the additional assignment of Director of the Finance Division of that organization.

On September 29 the President wrote the Secretary of War suggesting that in recruiting civilians for financial work in Germany he call upon the Treasury Department (and upon other departments and agencies for other specialists), a policy which had been followed, though not consistently, since 1942. Bernstein was thereby authorized to surround himself with people from the Treasury Department, and was provided with grounds for claiming that he and other Army finance officers had a special relationship with the Treasury which entitled them to maintain direct communication with that department (a claim which did not go unchallenged by his Army superiors).

The basis of faction was thus laid in London within the Army civil affairs organization for Germany. The Treasury "crowd," through its spokesman, asserted that the Morgenthau Plan was incorporated without modification into JCS 1067. Many of the Group Control Council officers held more moderate views regarding the treatment of Germany, and they contested this assumption. Bernstein's contacts with his former chief, the Secretary of the Treasury, gave him a great advantage in his negotiations in England.[291] On the other hand, as the CCS instructions of October 7 indicated, the moderate faction had support at high and influential places also. JCS 1067, as with the other results of the Cabinet Committee deliberations and Presidential activities of September and October 1944, did not settle or clarify policy for the treatment of Germany, but only led to further disputation within SHAEF.

Another factional split developed in the field at this time. The U. S. Group Control Council was staffed largely with officers of civilian background who had come from the German Country Unit, where they had also predominated. This civilian element had been organized originally in early 1944 in order to have a combined planning staff for each of the countries of Europe, and when it was entirely unclear as to what the relationship between Allied military commands, military government and occupation forces, and possible Allied civilian administrators in Germany would be. With the establishment of the U. S. Group Control Council in August (the British had established a

parallel organization somewhat earlier) a definite struggle developed for influence between the Army regulars of the U. S. element of G-5, SHAEF, constituting the civil affairs side of military command, and the civilian-oriented staff of the U. S. Group Control Council, which envisaged military government as relatively independent of military command and operating in its internal structure on a somewhat modified conception of military command.[292]

The three civilian agencies in Washington were affected in different ways by the events of September. The State Department continued its exchanges with the President in its effort to undermine his Quebec commitment to Treasury views on German policy. But new work required active leadership by the Secretary, and Hull could not give it. A fresh start could not be made until December when Hull, yielding to the bad health which had kept him from all work since the end of October, resigned and Stettinius, his successor, took office.

The Treasury Department staff, as has been described, kept up the momentum of its preparation of position papers on German policy, while it kept out of controversy on the subject within the government during the 1944 Presidential campaign, by a collective effort to write a book on Germany, and by producing a long blast at a British position paper on Germany.

The position of FEA, following the drafting of JCS 1067, was not so frustrating as it was for State or Treasury, but that agency was left in a confusing situation, trying to study the German policy problem without adequate terms of reference, turning indeed to the President's campaign speeches for policy guidance.

E. ROOSEVELT'S VIEWS AND THE STATE DEPARTMENT

The correspondence concerning German policy which the State Department had undertaken with the President following the Quebec Conference had by the end of October yielded results markedly favorable to the State Department viewpoint, although the Department officials undoubtedly overestimated the extent to which the President agreed with them. The President's last reply, dated October 20, had informally commented on and raised questions about their October 1 memorandum. Anxious to continue this correspondence because of its apparent success, because of the Department's desire to settle policy questions, and particularly because JCS 1067 was now to be revised for Winant's use in EAC negotiations, State prepared by November 10 a new draft statement of economic policy for the treatment of Germany which attempted to incorporate Roosevelt's latest views. Stettinius, who was acting Secretary most of the time now, talked with the President on the afternoon of the 10th. He said that Roosevelt had requested in his last memorandum a new draft on economic policy, which was now ready. He stressed the importance of providing EAC promptly with a settled American position on the treatment of Germany so that a tripartite agreement could be reached before occupation began. When promised that the new draft was short, the President agreed to read it. Stettinius sent it to him the following day, asking for further discussion "if this draft does not accurately set forth your views."[293]

The memorandum was an ingenious exposition of American policy on the economic treatment of Germany in relation to British and Soviet views which neatly refuted by oblique reference both the Morgenthau Plan and the only real justification the President had ever given for accepting a portion of it at Quebec —the protection of British markets.

Tripartite agreement on the economic treatment of Germany is urgent, it began,

> because present British, Russian and American attitudes on the question show major divergencies which, if allowed to persist, would begin to be reflected in widely different policies at an early state in the occupation of Germany. Such differences, in turn, would lay the basis for new European rivalries and endanger the effectiveness of an international security organization.

With this familiar claim of the State Department reasserted, the draft described the British and Russian positions on the economic treatment of Germany. The British intend to retain "as large a part of the existing organization and structure of the German economy as is compatible with the destruction of the Nazi regime," it stated. Their aim is to prevent economic breakdown, but retain control over the German economy. And now State made its oblique assault upon the argument used at Quebec, and adopted at that time by the President, that the Morgenthau Plan would assure

Britain of markets for export. It showed that Roosevelt's and Churchill's objective of protecting Britain against German economic competition did not require Morgenthau's solution.

Furthermore Russia had "no economic interest in restraining German competition." Rather, she would want to exploit the German economy to aid Russian reconstruction and development. "It is pretty clear," the State draft concluded (underestimating the Russian demands for reparations in the form of existing plant), "that sweeping deindustrialization would be regarded by Russia as incompatible with her interest in Germany as a source of supply of industrial goods."

These divergent tendencies of policy could "seriously endanger long-run cooperation between Britain and the U. S. S. R." But the two powers do have a mutual interest in cooperation itself, and in certain economic conditions. One of these, State claimed, would be inter-zonal movement of goods, since the two zones are economically interdependent. The other was a common ground on economic treatment:

> (a) Both Britain and Russia favor exercise of extensive responsibility by the occupation authorities for control of the German economy.
>
> (b) Both countries seem to oppose sweeping deindustrialization of Germany. Agreement could probably be reached on a program of industrial dismantling—to include specialized facilities for production of munitions and aircraft and, perhaps, a few synthetic materials.

Here was the oblique assault on the Morgenthau Plan itself, for the stated area of Anglo-Soviet agreement on the economic treatment of Germany was strikingly like the position which the State Department had been taking, while the description of the British and Russian positions was intended to make clear that neither country could be brought around to accept the essential features of the Treasury position. The conclusion drawn from it was a clear challenge to the Morgenthau Plan.

> A program of sweeping deindustrialization does not provide an adequate basis for sustained international security cooperation, nor does it provide a satisfactory alternative to such cooperation. A program designed to impose lasting restraint on Germany's industrial exports to Western markets also involves the danger of generating serious, new rivalries in Europe and of weakening the basis for international security cooperation.[294]

The draft concluded with a restatement of policy on the economic treatment of Germany. It referred to the familiar liberal economic objectives of the "abolition of German self-sufficiency" and the "elimination of German economic domination over Europe," as distinctly long-range. For negotiating with the British and Russians on a policy for the period of Allied control it proposed a series of six general points. The first concluded the main argument of the draft:

> *We shall be obliged to go along with the British* and Russians in accepting large responsibilities for the guidance and reorientation of German economic life. It is altogether unlikely that a "hands off" policy would be accepted and adhered to by all three powers. Consequently, we must be prepared to take all possible steps in the initial phases of occupation to prevent development of a chaotically unmanageable economic situation, since this is a prerequisite to the exercise of effective economic control.[295]

The remaining points proposed a low initial German standard of living, disarmament, heavy reparations for a short period, and machinery to ensure inter-zonal movements of commodities.[296]

On November 15, Stettinius and two assistants met with the President. Roosevelt told them their memorandum was generally satisfactory, particularly because "it did not dot all the i's and cross all the t's,"[297] but that he feared that the proposed Control Council in Berlin would have "insufficient representation of a tough civilian point of view," since present plans were that it would be made up of "military men." The Control Council had not been mentioned in the memorandum. Apparently in accepting the main point of the memorandum—that the United States would have to accept "large responsibilities for the guidance and reorientation of German economic life"—the President had thought ahead to the execution of those responsibilities, and concluded that the military viewpoint was insufficiently "tough" because it tended to emphasize administrative convenience.[298]

Stettinius wanted a definite commitment. He asked the President if he would be willing to send copies of the memorandum to War, Treasury, and Navy for comment as a draft which he considered satisfactory. The President agreed to do so, but returned to his earlier theme. He

said he was still in a tough mood and that he is determined to be tough with Germany." But he agreed that the memorandum was "sufficiently tough." He ended by reaffirming his conviction that we could not tell what Germany would be like after defeat—hence, of course, his praise for the memorandum's failure to "dot all the i's and cross all the t's."

That day Roosevelt showed Morgenthau the memorandum at lunch. Morgenthau convinced him that the policy statement was not satisfactory, for the President subsequently indicated to the State Department that he wished to redraft it.[299]

A week later, when no new draft had come from the White House, Stettinius attempted to prod the President. "At the time you redraft the memorandum on the Economic Treatment of Germany you might find the attached memorandum useful," he wrote.[300] The "Summary of Department's Views on Economic Treatment of Germany"[301] which he enclosed was—excluding Hull's confusions in the early Cabinet Committee meetings—perhaps the greatest compromise with the Treasury position ever proposed by State. It read:

> The Department of State believes:
>
> (1) The German economy should be operated as nearly as possible *as a unit* during the occupation period.
>
> (2) Allied occupation policy should be severe—
>
> (a) a rock-bottom standard of living for the Germans;
>
> (b) labor services for the rehabilitation of devastated parts of Europe;
>
> (c) transfer of such industrial equipment and stockpiles as liberated countries can put to effective use, limited only by necessity for maintaining a minimum German economy;
>
> (d) conversion of the German economy to peacetime production, including production for minimum German needs and for reconstruction of rest of Europe on reparation account;
>
> (e) elimination from positions of control of those industrial and financial leaders who have been closely identified with the Nazi regime or who have derived large benefit from Aryanization or spoliation of occupied countries.

To be sure, it went on to insist that Germany would be controlled effectively only by an international security organization, and that in the long run economic inter-dependence would be an important factor—both points which threw into question the seriousness of the quoted passage. Moreover, the passage uses far less precise terminology than was available as a by-product of the nearly three months of contention over German policy. "Rock-bottom standard of living," for instance, in the light of the dispute over the German living standard, the issues raised by it, and the terms of measurement developed for it, was meaningless. It revealed no new position: only a greater concern on the part of State that some kind of long-range policy be settled.

A week later Stettinius reminded Roosevelt again that he awaited the President's revision of the memorandum on the economic treatment of Germany—this time by sending to the White House a memorandum on British views which served to reinforce the tentative description included in the November 10th memorandum.[302] The President finally responded from Warm Springs on December 4, but hardly in the way Stettinius had expected. He sent a short note to Stettinius which read:

> I have yours of November 29th on the Economic Treatment of Germany. There are two things which I think the State Department ought to keep in the linings of their hats. (1) That in the Economic Treatment of Germany we should let her come back industrially to meet her own needs, but not to do any exporting for sometime and we know better how things are going to work out. (2) We are against reparations. (3) We do want restitution of looted property of all kinds.[303]

Instead of a positive policy statement, affirming State's position, the note seemed intended to correct what were regarded as misconceptions held by State. Furthermore, its first two points were in disagreement with the British position described in Stettinius' previous note. State had been trying to get the President to take into consideration the British viewpoint in order to facilitate tripartite agreement, but Roosevelt had now balked. The Warm Springs note had a tone of impatience and finality to it which may well have been intended. For, despite Stettinius' badgering of the President, the policy paper on the economic treatment of Germany was never redrafted in the White House. On March 6, 1945, after it had clearly become outdated, it was returned to the State Department.[304] The President had been led away from the Morgenthau Plan through the persistence of State, but it could not tie him down to its own position. Perhaps the key phrase in his

memorandum of December 4 was: "[until] we know better how things are going to work out."

F. THE FIRST REVISION OF JCS 1067

1. The Setting for Revision

In Washington the attempt to produce a policy directive for the occupation of Germany in the post-defeat period through inter-departmental agreement had already been disrupted when Roosevelt announced at the end of September 1944, the dissolution of the Cabinet Committee on Germany. Only the pressing Interim Directive, which was an expression of United States policy only, had been completed. While SHAEF was left to wrestle over the ambiguities of the original Interim Directive, JCS 1067, and over its applicability to SHAEF planning, efforts were resumed to achieve agreement within the United States government on a longer-term policy for the treatment of Germany which would apply throughout the American occupation, and could serve as the basis of Anglo-American and tripartite agreement.

One of the difficulties in arriving at a German policy had been the lack of effective interdepartmental machinery—a lack that was not remedied by CCAC and ECEFP in spite of some successes within their particular spheres; certainly it was not solved by WSC. The problem was, of course, not confined to Germany: similar problems requiring agreement particularly among the State, War, and Navy Departments were arising all over the world.

The high status of JCS in the wartime government, as the experience of the Working Security Committee so amply demonstrated, complicated the problem of inter-departmental coordination. State had found it virtually impossible to reach the Joint Chiefs by way of WSC. Yet a direct approach to the Chiefs was resented in the Secretary of War's office. For a solution of this dilemma new machinery was developed.

Since his first letter to Hull in August about direct State-JCS relations Stimson had remained troubled over what he considered an unjustifiable intrusion on the status of the Secretaries of War and the Navy. His letter went unanswered. When he was sure it had been forgotten, he wrote again, on October 12.[305] In August, McCloy and Dunn had been hopeful of expediting guidance for Winant by going directly to the Joint Chiefs without War Department clearance (because of the cumbersomeness of full staff clearance, not the difficulties of clearance in Stimson's office). From their viewpoint, therefore, Stimson's suggestion that the State Department deal with JCS through the Secretaries of War and the Navy was badly timed. Two months later, however, when their joint efforts to rejuvenate the Working Security Committee were proving vain, Stimson's complaint was more timely. Hull's office (he was ill and soon to retire) responded with a sympathetic query. McCloy thereupon took the matter up with Admiral Leahy, the President's representative on the Joint Chiefs of Staff. Since Leahy had opposed having the Joint Chiefs clear papers not first cleared fully in both the State and War (or Navy) Departments, he naturally favored it, although King and Forrestal did not.[306]

On November 4, Stimson wrote the now Acting Secretary of State, Edward R. Stettinius, Jr., making his point a third time, and suggesting that communications should be jointly addressed to the two service Secretaries, who would then be responsible for consulting the appropriate military authorities and coordinating the views of the two departments.[307]

Stettinius replied with a proposal for an interdepartmental committee composed of representatives of the three Secretaries, and "charged with the duty of formulating recommendations to the Secretary of State on questions having both military and political aspects and coordinating the views of the three Departments in matters of interdepartmental interest." In effect, he intended to replace the now defunct Working Security Committee with a new committee of higher rank, such as his Department had originally intended as the mechanism for providing Winant with guidance for EAC negotiations. While Stimson's proposal was for what seemed to be another obstacle to policy clearance for Winant and other politico-military questions, it was now turned, undoubtedly with the willing cooperation of officials in both the State and War Departments who had been concerned with expediting the clearance of guidance papers for Winant, into a new effort at coordination.[308]

On December 1, which was also the day Stettinius succeeded Hull, a working committee of Assistant Secretaries which came to be known as the State-War-Navy Coordinating Committee was appointed, consisting of McCloy, Artemus Gates from the Navy, and, as chairman, Dunn from State, who by the time of the first meeting of SWNCC on December 19 had been promoted to Assistant Secretary.[309]

On the same day, and largely at Stimson's initiative, the Committee of Three, the Secretaries of State, War, and the Navy, resumed its weekly meetings. After meeting regularly for only a few months, Hull had signalled its decline into uselessness exactly three years earlier when he had announced to Stimson scarcely two weeks before Pearl Harbor that he had washed his hands of further attempts to negotiate with the Japanese, and that the problem of American relations with Japan was now in the hands of the military—Stimson and Knox and their departments.[310] Although the meetings had continued, they remained no more than a casual exchange of information, the routine probably maintained out of a felt need for, or hope that, something more could be achieved. Then, when Hull fell ill, they were discontinued.[311]

Now, with Stimson anxious to assert his Cabinet role, a new Secretary of State who wanted to improve his Department's relations with the services, a new Secretary of the Navy, Forrestal, who had become greatly interested in the developing policy implications of the war, and the three departments committed to SWNCC, an attempt was made, which proved partially successful, to rejuvenate the Committee of Three. At its first meeting on December 29 both Stettinius and Forrestal "suggested that McCloy come in as recorder to keep us in connection with the lower committee [and through it, with the JCS] and also to act in helping us to formulate and regulate our own agenda."[312]

Since SWNCC was to concern itself with matters of mixed military and political significance, if it was to be effective, it needed to be closely geared in with the Joint Chiefs of Staff, and have available for its use JCS papers. In December 1944, the Joint Chiefs were at the height of their wartime prestige and influence. They were persuaded to cooperate with the new inter-departmental committee, but only after extracting from Stimson the promise that, in order to minimize the risk to JCS security, SWNCC would be strictly limited to its three original members. The promise met an immediate test, for among SWNCC's initial tasks was completing the formulation of a directive on the treatment of Germany for negotiation in the European Advisory Commission, an activity in which Treasury would demand participation.

However, in December 1944, such demands were not likely to be pressed hard or conceded readily. Stimson had committed his Department against such a development. At the same time, State felt, on the basis of its talks and exchanges of memoranda with the President during October and November, that he had repudiated the Morgenthau Plan and all but formally ratified its own position. Moreover, the directive under consideration was for Winant's use. Treasury might have some excuse for helping to provide the Army with the policy guidance which the Army could not produce itself, but it held no favored position in policy-making for the State Department.

To the Treasury, the fact that the revision was destined for use in EAC, which had accomplished so little thus far, may have made working on that document seem unimportant, particularly since Bernstein was at that time participating under General McSherry in London in the drafting of policy papers for submittal through the Combined Chiefs which could have ultimately the same effect as would the proposed EAC agreement.

The War Department continued to try to play a neutral role, in principle; in fact, it now tended to side with the Treasury. McCloy and Hilldring, determined to keep the Army out of high policy-making, were anxious to carry out the wishes of the Commander in Chief. But what were those wishes? To the State Department Stettinius' correspondence with Roosevelt in October and November, following the Quebec Conference, had indicated that the Commander in Chief had had a change of heart on the Quebec statement on Germany, a change which State was anxious to exploit. To McCloy, the salient problem was to keep the agreement which JCS 1067 represented from disintegrating, and the salient fact, that whatever the views the President expressed, the Treasury

Department was still influential with him.

In addition, the War and Treasury Departments had coincident viewpoints concerning two important elements of German policy. For different reasons both wanted the Army clearly absolved from any responsibility for maintaining the German economic system in operation; the Treasury, because it did not want the Army to be authorized to build up the German economy, and the War Department because it did not want to have responsibility which clearly over-reached its capabilities. The other point at which War and Treasury Department views tended to coincide at this time was over denazification policy. The War Department had, as a result of its somewhat indiscriminate use of Nazis in the administration of Aachen, the first major German city it had taken, come under bitter attack in the press, and was at the time of revision of JCS 1067 developing a more strict denazification policy for the pre-surrender period.

2. *The SWNCC Revision Initiated*

The first draft of the revision of JCS 1067 was prepared in the War Department in mid-November. An *ad hoc* committee worked on it during the latter part of November and much of December 1944, holding conferences almost daily. It consisted of two of Hilldring's assistants in CAD, Colonel R. Ammi Cutter and Lieutenant Colonel Edgar P. Allen, Riddleberger and Emile Despres for the State Department, and Lieutenant Harding F. Bancroft for the Navy Department—a rejuvenated Working Security Committee, so to speak.[313] The State Department had evidently hoped to make substantial changes in JCS 1067 in transforming it from an interim policy directive to a long-range policy position paper for Winant. The War Department, on the other hand, anxious to expedite the establishment of long-term American policy, wished to avoid any changes in JCS 1067 which might lead to further interdepartmental bickering of the kind which had occurred three months earlier. The issue between them was joined in meetings of the working committee on November 24 and 25, while the State Department still hoped to nail down a repudiation by Roosevelt of his Quebec commitment to Treasury views. Riddleberger advocated substantial changes in JCS 1067 and insisted that the Treasury need not be consulted except on matters of financial consequence, including the financial appendix to JCS 1067. Cutter stated as McCloy's view that deviations from JCS 1067 should be as slight as possible, and that, as a matter of good judgment, any substantial ones should be reported to the Treasury. Cutter defended automatic arrest as a feature of denazification policy. Both men ended up citing the strong (and divergent) views of their superiors.[314] By December 27, when the first business meeting of the SWNCC was held, the working committee had reached tentative agreement on a draft, and it had been decided that a part of it, the financial directive, should be cleared with the Treasury Department. In fact, before giving final approval to the revised JCS 1067, the whole of it was referred to the Treasury Department for comment, as Cutter and McCloy had proposed.[315]

Among other things, the Treasury insisted that the denazification provisions be made more severe by extending the arrest categories further down the pyramid of the Nazi hierarchy. War Department officials supported this change. As has been noted above, the Army was moving at this time towards a stronger denazification policy. In addition, it had come to accept a more comprehensive arrest policy because of a transformation in its own thinking about the function of arrest in military government. While it had originally seen the arrest policy proposed by the Treasury, which was intended to assure the apprehension of a maximum number of persons for punishment as war criminals, as an unnecessary burden on the Army, since in any case the War Department would insist on maximum discretion for the commander on the spot, it was an easy shift of emphasis to viewing arrest—or "security arrest," as it was called—as a technique of control for military government. Seen in this light, detention was not a burden but a necessity.[316] With War Department support, the Treasury proposals for broadening the arrest categories, and thus strengthening the denazification policy, was accepted in the SWNCC revision.

The War Department had held the initiative in its relations with State throughout the revision of JCS 1067, although perhaps only because it had strictly circumscribed its own freedom of action. It had insisted that nothing be done

in the revision to alienate the Treasury, that changes from the original version be modest, and that policy provisions remain general. All of these were points with which State Department officials were inclined to disagree.

On December 27, when the draft was practically completed, Hilldring and six of his assistants gathered in McCloy's office for a final settlement of the War Department's position. The first question raised, although it was a procedural one, was in some ways the most important: whether it was necessary to obtain JCS clearance for the revised directive prior to turning it over to Winant. McCloy settled the matter promptly, for he had anticipated it. He had discussed it with General Handy, the head of OPD, who had agreed with him that no major changes of substance which had military implications—in fact, no major changes of substance at all—had been made in JCS 1067, so that JCS approval was unnecessary. Moreover, "the document must come back from the European Advisory Commission in any event for approval, when it could be submitted to the Joint Chiefs of Staff in final form."

This time, it would appear, the tables were turned on the Joint Chiefs. For a year their requirement that a matter be in its final form before they be asked to review it had held up clearance of guidance for Winant because it had not been possible to establish a final State-War-Navy position. Now that one had been reached, the fact that it was only intended as a position for tripartite negotiation, and hence, not really a final position, was used to avoid JCS clearance. Once an agreement had been negotiated between Britain, the Soviet Union, and the United States, it would be in final enough form to be reviewed by JCS. Even JCS could hardly expect to modify inter-governmental agreements.

There were other features of the revised JCS 1067 which were troublesome. Herbert Feis, a prominent State Department economist, and some of the CAD personnel were concerned about the way the economic directive prohibited the occupying authorities from interfering with the German economy for any constructive purpose. Also the attempt to set an absolute ceiling on the German standard of living was fraught with difficulties. And de-nazification provisions, which, according to McCloy, represented an adjustment between the final American practice in Italy and the extreme position of the Treasury Department, were obscure, and according to some, too soft. But all objections gave way to practical considerations. The Army needed a policy, and this one would do. As it stood, it had the agreement of the State, War, and Treasury Departments, and the President. Modifying it would jeopardize that agreement and cause delay. Moreover, if the *laissez faire* philosophy of its economic policy was extreme, it was a good point from which to begin bargaining with the British, who were inclined, McCloy said, to want too much interference and control in German economic affairs. Finally, it met the Army's desire for a general directive, rather than a detailed one such as the British proposed.

At a meeting on January 6, 1945, after final consideration of the other Treasury objections to the document, SWNCC agreed to recommend to the Secretary of State that the revised JCS 1067 be sent to Winant in London as a Working Paper representing U. S. views for negotiation in EAC. This was done. The draft was also sent to Ambassador Robert D. Murphy, Political Adviser to General Eisenhower.[317]

The revision was designed to rephrase JCS 1067 (which was originally drafted in the form of a directive from CCS to the commander of a combined theater) as a directive from each of the three governments to its commander in chief in Germany. Such a redraft was necessary in order to put the directive in a form appropriate for discussion (as requested by Ambassador Winant) in EAC. It also reflected a change of policy in the winter of 1944-1945 to backstep on combined Anglo-American military government plans in order that the Russians, who might be brought into civil affairs planning in London, would not be suspicious of Anglo-American collusion. It was for this same reason that the U. S. Group Control Council had been separated from the British parallel organization shortly after their reorganization in August 1944.[318]

The first part of the January 6 revision of JCS 1067, indicating a growing concern for the provision of control machinery, differed from the original draft in that it defined the relationship between the tripartite Control Council,

which was to be the central Allied organ of occupation, and the zone commanders in terms of the supremacy of the Control Council. The authority of the Control Council was to be paramount throughout Germany, and the commanders would enforce its decisions in their own zones of occupation. Throughout the rest of the document minor changes were made to carry through this provision.

Reflecting the factional fight in the field over whether the civilian-dominated U. S. Group Control Council or the Army "regulars" in G-5, SHAEF, were to dominate military government, and the earlier dispute in WSC between State and War representatives as to the relative degree of autonomy to be exercised by the Army field command, considerable discussion had occurred in SWNCC over the authority to be granted the zone commander in the revised directive. State held that cooperation with the Russians and the functioning of Germany as a whole unit were essential, and that therefore the tripartite level of occupation administration deserved strong support. The Army, in contrast, perhaps because of its earlier difficulties with the British over civil affairs planning for Germany and its skepticism of Allied cooperation through diplomatic means, in addition to its general opposition to changing JCS 1067, was reluctant to accept provisions for the establishment of strongly centralized joint occupational arrangements. Hence, the clear assertion made at one point in this document of the Control Council's authority over the zone commanders thus constituted a significant concession to the State Department viewpoint (although the draft still contained so much "separate zone" doctrine as to upset the British and Russian delegations seriously). Similarly, the economic directive in the revised JCS 1067 bore the marks of new concessions to the moderate economic view. It began by adding to the controversial first paragraph (which was, as it had been approved in September, an elaborate combination of positive and negative statements regarding economic policy) an additional positive statement. It required the commander in chief of each nation's forces to assume such control over various activities in Germany as was necessary for assuring the safety of his forces, the satisfaction of their needs, and the accomplishment of his mission, thus beginning on the note of military necessity. It left the Control Council to deal with the problem of zonal surpluses and deficiencies.

Like the relationship of zone commanders to central machinery of occupation, the length of the occupation period was dealt with more directly in the January revision of JCS 1067. To the earlier directive it added:

> It is envisaged that control or surveillance of Germany will be maintained in some form for a prolonged period, and that military government will, when practicable, be replaced by other methods of control involving smaller commitments of forces.[319]

The economic directive in the January revision spelled out the deindustrialization provisions of the original JCS 1067 in somewhat greater detail. Though still ambiguous, the result was a statement of severe policy. Besides war production, all ferro-alloy, light metal, and synthetic oil and rubber production was to be eliminated, either by destruction, conversion or removal for reparations; and all other industry was to be reduced to its 1932 level. While this was seemingly a victory for the Morgenthau Plan, another provision required the occupation authorities to exercise control over wages and prices, and fiscal and monetary affairs in order to prevent inflation, an obligation which could easily lead to a responsibility for preventing breakdown in the German economy. One of the first indications of Treasury policy, it will be remembered, had been White's insistence, while accompanying Morgenthau on his trip to England in August 1944, that Germany should be left to "stew in her own juice."[320]

Thus, the revision of JCS 1067 had produced a tortuous draft of statements and counter-statements, of new refinements and new loopholes. To say that it favored either the Treasury viewpoint or the State Department position would be misleading. It was not a victory for State because the hard-peace provisions and the other features of the Treasury position were not eliminated—because, that is to say, JCS 1067 was not substantially modified. Nor was it a Treasury victory, for, although JCS 1067 had survived without major alteration, some definite concessions had been made to the State Department position. If anyone did emerge from this encounter as the victor, it was the War Department, but only because its objec-

tives were modest: to expedite and to maximize its freedom of action.

While the economic directive showed few signs of new Treasury influence, the financial directive for the revision of JCS 1067 was clearly dominated by the Treasury position. Since it was not completed by January 6, the rest of the revision was sent to Winant without it, with the understanding that the missing part would follow when completed. An agreed financial directive revision was not to be completed for another month. In the meantime, Bernstein had returned to Washington from London and influenced its preparation decisively.

3. *Bernstein in Washington: Revising the Financial Directive*

While the revision of JCS 1067 was being completed in the State-War-Navy Coordinating Committee at the turn of the year, Bernstein traveled to Washington to carry through, in the Treasury Department, a careful survey of the Treasury position, and apply it specifically to the problem at hand in London of developing a post-surrender policy to be used by SHAEF so long as it remained responsible for the occupation of Germany. When he arrived, he found Treasury involved in similar work through another channel: the redrafting of the financial directive for JCS 1067 referred to above. Drawing from his own experience working on the financial section of a general order being prepared in London by the U. S. Group Control Council, he suggested to his Treasury colleagues that the new financial directive grant substantial police powers to the zone commanders, subject to the overriding authority of the Control Council on matters on which it agreed. He also proposed that the use of German foreign exchange to purchase imports be prohibited except where clearly and urgently needed to further occupation objectives. In London, Bernstein had had some difficulties with Winant's economist, E. F. Penrose, over the draft financial directive being prepared there, the latter insisting that the occupation authorities would have to be made responsible in some measure for public finance, since otherwise inflation would be likely to occur; and that would render taxation meaningless.[321] Bernstein, on the other hand, was anxious that the occupation not be given powers with the constructive potentialities which accompanied a responsibility for public finance. In Washington he saw to it that, along with the suggestions mentioned above, the Treasury's draft of the revised financial directive had written into it a statement that the Germans would be responsible for taxation and public finance.

Bernstein's stay in Washington led to a flurry of meetings within the Treasury Department—seven all told from January 10 to February 3, 1945.[322] At these sessions, the central task was the preparation of the revised financial directive for JCS 1067. However, Bernstein and his associates reviewed all phases of German policy, and their discussions stimulated a variety of side activities by Treasury officials.[323]

On the day of the first meeting, January 10, Morgenthau sent a memorandum to the President on Germany after defeat in which was summarized the Treasury position at that date as it had been developed in the drafts for his book. Echoing Churchill's phrase in the Quebec minute, it said:

> We are more convinced than ever that if we really mean to deprive Germany of the ability to make war again within a few years it is absolutely essential that she be deprived of her chemical, metallurgical and electrical industries. We don't think that this alone will guarantee peace, but that it is one of the steps we must take now.[324]

This conclusion was based on three premises: (1) "The German people have the will to try again." (2) "Programs for democracy, re-education and kindness cannot destroy this will within any brief time." (3) "Heavy industry is the core of Germany's war-making potential." He went on to state to the President for the first time the suspicions which his staff had been writing about for more than two months:

> The more I think on this problem, and the more I hear and read discussion of it, the clearer it seems to me that the real motive of most of those who oppose a weak Germany is not any actual disagreement on these three points. On the contrary, it is simply an expression of fear of Russia and communism. It is the twenty-year-old ideal of a "bulwark against Bolshevism"—which was one of the factors that brought this present war down on us.

The memorandum suggested that the people

who held this view were unwilling to admit it, but covered their real reason with such arguments as the following: Europe needs industrial Germany. German production is needed for necessary reparations out of production. The removal or destruction of German war materials and armament industry would effectively prevent them from waging war again. Leniency would facilitate the growth of democracy in Germany. Making Germany "a predominantly agricultural country, with light industries but no heavy industries, would mean starving Germans." He concluded:

> This thing needs to be dragged out into the open. I feel so deeply about it that I speak strongly. If we don't face it I am just as sure as I can be that we are going to let a lot of hollow and hypocritical propaganda lead us into recreating a strong Germany and making a foe of Russia. I shudder for the sake of our children to think of what will follow.

Growing out of the meetings with Bernstein, Treasury officials drafted a letter to be sent to McCloy. It raised strong objections to the instructions issued from SHAEF by General Grasset on October 9, which, it said, were designed to preserve the economic structure of Nazism. It asserted that there was a great gap in the denazification program as laid down in the military government handbook, since there was no provision for removing "Nazis, Nazi collaborators and other undesirables from the important sectors of industry and commerce,"[325] and the procedure in finance provided for suspension, not removal. Specific proposed changes in the military government handbook were included.

In mid-January, Josiah DuBois of the Treasury played an active part in inter-departmental negotiations on the treatment of German war criminals. He pressed for stern and prompt action and feared that the proposed procedures left loopholes through which some war criminals might escape. The Treasury had had some measure of success in securing adherence to its views.[326]

During Bernstein's absence in Washington, his Finance Division, USGCC, continued to work with EAC political advisers on German financial policies. A draft entitled "Advanced Ministerial Control Plan (Germany)—Finance," dated January 13, 1945, was sent to him in Washington. He raised several objections to it, criticizing most strongly the assumption of financial responsibilities in Germany by the Allied occupation. He disagreed with the assumption that public financial agencies would be in existence or reconstituted on a national basis, since it involved objectionable centralization. He thought it wrong to conclude that executive control of zonal activities would be exercised from Berlin. He pointed out that his idea of the division of functions between the Zone Headquarters and the Control Commission was that the Zone Headquarters would have the function of picking the representatives of the Ministry of Finance in their respective zones. Finally, he said that he did not "like the idea of our saying that we will coordinate our policies with the British even, in fact, if the Russians are not available."[327]

On January 24 he wrote his executive officer, Major Morton P. Fisher,[328] to this effect, and later reprimanded him for failing to insist on his interpretations of JCS 1067 as the embodiment of the Treasury viewpoint, and demand that it be the only basis for policy negotiations in EAC.

The Treasury conference on German policy was resumed for two days on February 2. The answers to several questions of occupation policy in the post-surrender period were agreed to. They included some relatively specific problems involving reparation and restitution, art objects, as foreign exchange assets, the counterfeiting of AM (American Military) marks, and other matters. In more general terms, it was decided that SHAEF should not be authorized to allow exports to neutrals.

The revision of the financial directive for JCS 1067 was also considered at these meetings. Bernstein had helped Treasury officials draft a new version which was submitted to State and War officials at the end of January. In comparison with other draft revisions then under consideration, this document emphasized more emphatically the Treasury view. It stressed decentralization by authorizing the zonal administrations to carry out policies in the absence of EAC approval—perhaps copying General McSherry's tactics in London. It made the Germans, rather than the occupation authorities, responsible for public finance, and added a new paragraph which limited strictly the application of the disease and unrest formula. (Bernstein thought the British interpreted

the disease and unrest formula too broadly.)

Somewhat belatedly, at these Treasury meetings on February 2 and 3, a letter to McCloy was approved which, echoing Bernstein's dispute with Penrose in London, protested a provision in the economic directive (approved January 6 along with the rest of the revision of JCS 1067) which made the occupation authorities responsible for the prevention of inflation. The Treasury letter stated that the assumption of any responsibility for inflation controls was in effect responsibility for the entire German economy—a responsibility which the Treasury did not think should be assumed.[329]

4. *The SWNCC Revision Completed*

McCloy and Hilldring, finding nothing important in the new version of the financial directive to which the Army could object, accepted it with minor modifications. But the State Department's reaction was more critical. It found the autonomy of the zones in financial policy undesirable, and the restrictive character of the policy guidance furnished unsatisfactory. In its view, the breakdown of banking and financial machinery ought not to be allowed, nor should inflation be permitted. Both would jeopardize the objectives of the occupation. Furthermore, it considered the proposals for blocking German public assets to be a technique without a policy. With Hilldring and McCloy willing to accept the Bernstein draft financial directive, State was unable to demand much alteration of it. Indeed, on February 6, after War and Treasury had cleared the document, it was Hilldring who attempted to gain concurrence from State. Eventually, State was satisfied by the addition of one of those curious paragraphs so characteristic of the original JCS 1067 which combined constructive and restrictive statements, but which indicated that the financial machinery of Germany was not to be allowed to break down. The Treasury's sweeping policy on internal blocking was also slightly modified in order to allow the use, under general licenses, of government property. The financial directive was finished on February 12, thereby completing the first revision of JCS 1067.

V. COMPLETING THE OCCUPATION DIRECTIVE: THE SECOND REVISION

A. YALTA

1. Background

The Yalta Conference was long in the making.[330] Roosevelt first proposed it to Stalin in July 1944, but eventually the earliest feasible time was found to be February 1945. The delay was irksome, and led to Churchill's meeting with Roosevelt in Quebec in September 1944, and with Stalin in Moscow in October.

To the State Department, Yalta seemed to offer great promise. Here, for the first time since the first Quebec Conference in August 1943, the Secretary of State would be present at an international meeting; indeed, this was the only wartime conference in which, it was anticipated, he would be present from start to finish and in daily, almost constant, touch with Roosevelt. Furthermore, there would be a happy absence of distracting personalities—no Morgenthau, no Stimson, no Crowley—and a happy assurance that the JCS would either stick to their own business (as the State Department viewed it) or be readily at hand for prompt decisions when their action was needed. At one time it was hoped that Stettinius would accompany Roosevelt on the *Quincy,* but this did not occur; instead, Stettinius went by air and, after conferring with Eden at Malta for a couple of days, saw the President there only briefly before the whole delegation set off for Yalta, where it arrived on February 4.

Although Stettinius was at the President's side only briefly on the voyage to Yalta, he had had *some opportunity to acquaint Roosevelt* with the State Department's viewpoint before leaving Washington. On January 18, five days before the President set sail, Stettinius had presented him with a briefing book which contained summaries, full statements, and supplementary materials on ten points which the Department hoped to have "satisfactorily dealt with" at Yalta; and before the voyage began, Stettinius had numerous conferences with Roosevelt on topics expected to be considered at the conference including the United Nations and the treatment of Germany. In addition, the President asked to have the briefing book placed in "his cabin aboard ship." How much he supplemented his talks with Stettinius by reading on shipboard the massive State Department documentation is unknowable, but, for reasons discussed below, it is doubtful that he would have found much that was new to him in the State Department's papers on German policy.

The section in the briefing book on the treatment of Germany consisted of three papers running to some ten thousand words, and summaries with another two thousand words, to boot.[331] From one standpoint, this was the best of all the Department's policy statements on Germany. It was frank and inclusive; it tried to avoid ambiguities even on the tough questions; it was precise where other memoranda had been vague and it presented a reasonably consistent and coherent program. It evinced active awareness of British and Russian desires, and tried manfully to incorporate some recommendations embodying points on which Roosevelt seemed to have made his position clear; it was, for this reason, "sufficiently tough."

Of the three papers one was on the general treatment of Germany, one on economic policy, and one on reparations. The paper on economic policy was a clarified and elaborated version of the November 10 State Department draft on the same subject which the President had been brought to the very brink of approving and with which he was certainly familiar. The paper on reparations was substantially the same as the Report on Reparations, Restitution, and

Property Rights, which had been approved by the Executive Committee on Economic Foreign Policy on August 4, 1944—before Morgenthau had risen to challenge the developing views of his government on the treatment of Germany. It is highly doubtful that the President was familiar with this document, but he probably was familiar with its approach to reparations.

The paper on the general treatment of Germany began with one recommendation which Roosevelt carried out before the Yalta Conference convened: that the draft "Agreement on Control Machinery in Germany" be accepted by the President "without reservation." There is no reason to doubt that the President was fully conversant with this recommendation. Some of the other portions of the paper had deep roots in State Department staff work, such as its recommendation against the forcible dismemberment of Germany, which went back to the first policy papers on Germany prepared in 1943; and its proposals on public information and education policy, a summary of which the President had approved in his October 20, 1944 memorandum.

Taken as a whole, the briefing book made a conscientious effort to treat seriously the President's repeated demands that he wanted a "tough" policy for Germany. He had made it clear to all and sundry that he wanted the Germans to know that they had been beaten; he wanted all alibis removed; he wanted Germany to learn that all Germans shared Hitler's guilt. With these immediate objectives in mind (based largely on vivid memories of the aftermath of World War I), Roosevelt clung to "unconditional surrender," wanted to have the fighting end on German, not on Austrian, Hungarian or other soil, and wanted a severe though not a vindictive occupation policy.

Faced with the unpalatable alternative of having the President approve Treasury proposals, the State Department authors of the German policy papers had tried to meet his desires in their own policy drafts following Quebec. And they did so now in the briefing book in providing "policy for the period immediately following the cessation of organized resistance." They proposed that the victors should not provide more than a minimum standard of living—the standard to be determined in quantitative terms at Yalta. They proposed drastic controls and general reduction of heavy industry, and even elimination of certain industries such as synthetic gasoline and aircraft during, but only during, the control period. They proposed the elimination of all Nazi laws, public institutions, and party organs, and of active Nazis from influential positions in public and private life—although they wanted to draw a sharp distinction between Nazi leaders and party members. They proposed "direct military government . . . as a means of reinforcing the reality of defeat on the German mind."[332] They rejected a provisional government of Germans, although German administrative machinery would be used for the purposes of the occupation authorities. And they made most emphatic their recommendation that the tripartite (or quadripartite) control machinery be set up and operated in a way that would assure uniform policies throughout Germany.

While these were "tough" proposals, representing in some instances modifications of earlier State Department positions to conform to Presidential wishes, the Department had drawn in its briefing papers a sharp distinction between the "period immediately following the cessation of organized resistance" and "long-range objectives and measures," and had confined its "tough" policy to the former. For the latter, all the old schemes developed in the Advisory Committee on Post-War Foreign Policy in 1942 and 1943 were applied. They envisaged a gradual improvement in the conditions of life in Germany; the development of democratic government, first on the local level; the removal of occupation controls after a period of moderate duration; and the political and economic assimilation of Germany into the liberal, free-trade world envisaged for the future. In deference to the President's expressed wishes, no details were suggested for the accomplishment of these "ultimate objectives."

2. *Briefing Book Ambivalences and Presidential Hesitations*

This sharp division in the briefing book between short- and long-range policies for Germany was an ingenious way of dealing with a situation which had grown increasingly uncomfortable for the State Department. To begin with, it had certain long-range objectives for Germany which reflected its concept of the

ideal post-war world, and hence which were not easy to give up. These objectives had come under attack for their fuzziness and leniency. Then the pressure of events as they developed through 1944 created in State a sense of urgency for the establishment of policy agreements which, if they were to be of any use as agreements, must be concrete enough to apply; and State became committed, largely through its responsibilities in the European Advisory Commission, to the establishment of concrete American policies which could serve as the basis for tripartite negotiation. Then, however, the President's own reluctance to commit himself beforehand to post-war policies, plus his embarrassment over his premature commitment on post-war German policy at Quebec, made him wary of long-term policy agreements, and determined to avoid commitments to details for the future treatment of Germany. Under these circumstances, State, inspired perhaps by the tactic embodied in the Interim Directive, began talking with the President, following Quebec, about very short-term policies. By restricting the period for which the policy was to be made, State could the more easily compromise with the Treasury position without jeopardizing its own objectives, and at the same time contain a commitment from the President on enough details to make tripartite negotiation in the European Advisory Commission at least feasible.

The briefing book papers on Germany embodied this State Department tactic. The detailed proposals of policy were to apply for a period of time indefinitely short; while the long-range policy, which was of a more liberal cast, would begin as soon as that period ended. State had really turned the President's own argument against him. He had been trying to force a more pragmatic approach to post-war commitments. In doing so, he gave State an opportunity to continue advocating its own long-range policies for settlement.

The Department's basic recommendation that long-term German policy be determined prior to surrender had a well-argued rationale; and the substance of the policy was also well reasoned. Both had been, in the main, accepted by Stimson and McCloy. Morgenthau, too, wanted a prior determination of policy and he too had a rationale for his preferred policy. What neither Hull and Stettinius nor Morgenthau seem to have realized was that Roosevelt in preferring postponement also had a rationale. The Big Three Alliance was working remarkably well, all things considered. To raise issues of post-war policy could jeopardize it. Moreover, the unknowns of the future—the conditions in Germany, the American public temper towards continuing foreign involvements, and the fate of the Big Three coalition, to mention a few—placed a premium on the maintenance of freedom of action for Roosevelt, at least so it appears in retrospect. Occasionally Stimson and McCloy may have had some inkling of this viewpoint, though Roosevelt never made fully clear his reasons for delay on many issues. But it is interesting to observe that Churchill, in preparing for Yalta, also proposed delay as a policy and did give his reasons.[333]

Meanwhile, Winant had received in London the revised JCS 1067 (except, of course, the financial directive). On January 28, he sent Roosevelt a long letter on EAC problems, primarily to get the President to obtain tripartite agreement on certain pressing issues at the forthcoming Yalta meeting, and also as background for a meeting he expected to have with Roosevelt on the return trip after Yalta. In writing of JCS 1067 revised, he pointed out that both the British and the Russians, as far as he could tell, planned to use central German agencies (after denazification) "to carrry out their will in Germany." "This," he added, "has nothing to do with a hard or soft policy." JCS 1067 revised—as he read it—"runs counter to this policy and sets up an economic control" in each zone. He foresaw serious economic and political difficulties in this arrangement. On the same day, in a letter to Stettinius, he said that he would not introduce the document in EAC until he had seen the President.[334]

Winant made one final attempt to influence the deliberations at Yalta. On February 7, when the conference was in mid-course, he sent another message to the President. In it he spoke with some bitterness of his exclusion from the conference especially since Gusev (the Russian member of EAC) was there, as was Eden, who, while not a member of EAC, had intimate knowledge of its proceedings. He informed the President that a series of draft directives to the three commanders had been prepared in the U. S. delegation to EAC for the post-surrender

period. "The directives are on broad lines without detailing and provide a groundwork for Allied cooperation in dealing with problems that affect Germany. I hope these directives will have your support."[335]

There the matter rested. Winant spent three days with Roosevelt in the Mediterranean in February on the homeward voyage; the President seemed too exhausted to concentrate on the German problem, but was apparently still determined to postpone long-term policy decisions.[336]

To return to the preparations for Yalta: Roosevelt had pretty clearly in mind what he wanted at Yalta and what he would have to deal with. During his trip across the Atlantic he held daily conferences. Admiral Leahy judged from what the President said in these talks that his two chief objectives were completion of plans for the defeat of Germany and cooperation of the Russians in establishing the UN as the key to permanent world peace. He also wanted to secure freedom for Poland; and was preparing to make a start on solving the inevitable problem of reparations possibly by establishing a reparations commission. He had decided to make a bargain with Stalin on Russian aid in the Japanese war. This last was surely a third chief objective; possibly Leahy's own disagreement with the plan led him to underestimate its importance to Roosevelt.[337]

Obviously other matters were going to arise; some would be minor, to be disposed of out of hand; some could be dealt with by temporary arrangements. But it is clear that the only long-term problem on which Roosevelt wished to move forward was the UN. The rest, it seems certain, the President was determined to postpone.

We know that Churchill,[338] and we can be quite sure that Stalin also, had ideas about what was important, what should be settled, what could or should be postponed.

In closing this section, a bit of retrospective speculation may not be amiss. Roosevelt was acutely embarrassed over the Morgenthau episode; partly, as is evident, because of domestic political complications; partly, as has been suggested, because he had agreed at Quebec to more than he clearly realized; and partly, it may be surmised, because, responding sympathetically to arguments about British welfare and German deserts, he had committed himself to an apparently firm policy before commitment was necessary.

The State Department draftsmen might usefully have indulged in speculation of this character. Instead, anxious to wean Roosevelt away from the Quebec minute, they were too intent upon extricating from him counter-commitments to their own views to take adequate notice of those matters on which he continually avoided commitment.

A final note needs to be added on attempts to brief the President before Yalta. On January 19, the Treasury returned to the wars; their memorandum was in effect a restatement of Morgenthau's letter of January 10.[339] The War Department held its peace.

3. *The Conference Negotiations*

Both in anticipation and in practice the Yalta Conference consisted of simultaneous military discussions conducted by the chiefs of staff of the three nations and their associates, and political discussions conducted by the foreign ministers and their associates. The three chiefs of government concerned themselves with both areas; in reviewing the whole field they tended to discuss first one set of topics and then the other, but to them, far more than to their subordinates, the interrelationships of fighting and politics were consciously in mind; the agreement on the Far East is merely the most obvious case in point.

Germany may have bulked large in the thinking of the conferees at Yalta, but it occupied only a small place in their discussions, and in the deliberations of the foreign ministers and their aides.

One reason for this comparative brevity of the discussions on the fate of Germany was the general conviction that the three powers were not ready for final decisions. At the first luncheon of the foreign ministers, Eden said that "there had yet been no Cabinet discussions" on the treatment of Germany and added that the matter would have to be referred for further joint study. Molotov agreed. Stettinius said nothing. A little later Stettinius said in an aside to Molotov that the United States would like an agreement on economic matters; Molotov replied that the Soviet Union wanted reparations and hoped for long-term credits from the United States—a request he had earlier

made to Harriman. Stettinius expressed sympathy. The discussion ended with Molotov urging agreement on "these economic questions," presumably reparations and credits.[340]

The decisions on Germany taken during the conference reflected, in a sense, this opening talk. Aside from some general affirmations in the communiqué (quoted below), only four German questions were disposed of at Yalta.

(1) Approval of EAC Protocols on zones and Control Council.[341] The tripartite zonal division had been agreed to in EAC. U. S. concurrence was finally given at Malta on February 1, 1945. Russian formal approval was relayed to EAC from Moscow just before Yalta. There still remained need for final completion of an Anglo-American military agreement on zonal transit arrangements. Marshall settled this ancient squabble with a large-minded gesture.

The protocol on the Control Council had also been agreed to in EAC and needed only formal approval by Russia. This was given.

(2) *Granting of a zone and a seat on the Control Council to France.*[342] On the very first afternoon, Stalin and Roosevelt discussed the question of a French zone. The French were eager to have a zone, and were supported by the British. Roosevelt was willing to go along out of "kindness," or so he said. Later Churchill pressed the matter and Stalin agreed—his own zone would be unaffected. The question of a French seat on the Control Council was harder. Churchill kept on insisting against the opposition of the other two. Eventually Roosevelt switched and Stalin fell into line.

(3) *Dismemberment of Germany.*[343] Stalin wanted an agreement that Germany would be dismembered; and to an agreement in principle there was no objection. It was quite obvious to all, however, that no one knew how to apply the knife, and that neither Roosevelt nor Churchill, at least, was ready for an irrevocable commitment. Roosevelt talked about provincial autonomy in the Germany he had visited forty years before, but this was no help. The problem was referred to the Anglo-Soviet-American members of EAC—not to EAC itself because French membership on that body, recently acquired, created complications. The word "dismemberment" was added to the instrument of surrender, but, largely at Eden's initiative, only permissively as a step that might be taken by the Allies if they deemed it necessary. The terms of reference of this problem to the committee of three were an open invitation to delay: the committee was to "study the procedure" and to "consider the desirability of associating with it a French representative."

(4) *Reparations.*[344] This was a matter on which Stalin pushed hard. Maisky was well prepared and made a full presentation of the Russian proposal. In brief, the Russians wanted the Germans to provide Russia with $10 billion of reparations in kind. Half of the total (it was later explained) would consist of capital goods to be removed during the first two years, the balance of goods from current production delivered over a ten-year period. In principle, reparations would also go to other countries (later a sum of $10 billion was mentioned) that had suffered most and fought hardest.

Maisky also proposed that German heavy industry (steel, chemicals, etc.) be reduced by 80 per cent during the initial two-year period, and specialized industry for war purposes (airplanes, synthetic gasoline, etc.) be removed completely. He proposed the establishment of a reparations commission to sit in Moscow, and thought that after the reparations period German enterprises "which could be utilized for war purposes should be placed under international control."

The Russian request had a double rationale: First, and no doubt foremost, the Russians needed and wanted the goods. Second, they looked on reparations as a device to reduce Germany's capacity to make war.

Both Roosevelt and Churchill evinced signs of embarrassment. Both expressed sympathy—Roosevelt, who was in what he described to Stalin as a "bloodthirsty" mood, perhaps more heartily than Churchill. But both the President and the Prime Minister warned of the perils that would arise from starvation in Germany and both referred gloomily to the disastrous experience with war debts after World War I, Churchill stressing the paucity of the harvest, Roosevelt the American financing that came to German support. Churchill opposed the setting of a specific amount; Roosevelt made clear that the United States would not finance Germany for the sake of making reparations possible. Stalin wanted firm instructions for the reparations commission. He also said, in response to a question, that he was not yet prepared to

discuss forced labor as a form of reparations.

The discussions went on, in plenary sessions, and in meetings of the foreign ministers. There was little talk of the relation of reparations to Germany's war potential, much about the question of the amount; the first written Russian proposal set $10 billion for Russia, $8 billion for the U. S. and U. K., and $2 billion for the rest. There were repeated questions about forced labor, but the Russians remained reticent—they had it under consideration. Undoubtedly all three knew that the British and Americans wanted to put some limits on forced labor (the briefing book had proposed that a distinction be made between "active Nazis" and others), and also knew that Stalin wanted a free hand. There was considerable discussion of the wording of the principles of allocation of reparations. The real argument was over the figure of $20 billion. An American compromise that the Reparations Commission should take it "in its initial studies as a basis for discussion" was accepted by Stalin, rejected by Churchill, and the rejection stood; this was the only formal recorded dissent in all the conference protocols. A Russian formula for priority of recipients was accepted. All questions of elimination or control of German industry were avoided in the protocol except that the plant removals, etc., to be executed in the first two years, were described as "chiefly for the purpose of destroying the war potential of Germany." Finally, "use of German labor" was listed as one form of reparations—undefined and unlimited.

Thus the issue of reparations was postponed, though the Reparations Commission was certainly not intended merely as an evasive device; there were bound to be reparations; the main question was the amount.[345]

The Yalta protocols were not published; the public document was the communiqué. With respect to Germany it read as follows:

The Occupation and Control of Germany

We have agreed on common policies and plans for enforcing the unconditional surrender terms which we shall impose together on Nazi Germany after German armed resistance has been finally crushed. These terms will not be made known until the final defeat of Germany has been accomplished. Under the agreed plan, the forces of the three powers will each occupy a separate zone of Germany. Coordinated administration and control have been provided for under the plan through a central control commission consisting of the Supreme Commanders of the three powers with headquarters in Berlin. It has been agreed that France should be invited by the three powers, and if she should so desire, to take over a zone of occupation and to participate as a fourth member of the control commission. The limits of the French zone will be agreed by the four Governments concerned through their representatives on the European Advisory Commission.

It is our inflexible purpose to destroy German militarism and nazism and to insure 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 just and swift punishment and exact reparation in kind for the destruction wrought by the Germans; wipe out the Nazi party, Nazi laws, organizations and institutions, remove all Nazi and militarist influences from public office 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. It is not our purpose to destroy the people of Germany, but only when nazism and militarism have been extirpated will there be hope for a decent life for Germans, and a place for them in the comity of nations.

Reparation by Germany

We have considered the question of the damage caused by Germany to the Allied Nations in this war and recognized it as just that Germany be obliged to make compensation for this damage in kind to the greatest extent possible. A commission for the compensation of damage will be established. The commission for the compensation of damage will be instructed to consider the question of the extent and methods for compensating damage caused by Germany to the Allied countries. The Commission will work in Moscow.[346]

The communiqué needs no great comment. The omission of any mention of the quasi-decision on dismemberment was by agreement. The communiqué was essentially devised for propaganda purposes. Aside from the statements on the French zone and reparations, it was expressive of general sentiments. It committed no one. Any real commitments would have been included in the protocols.

When Treasury officials learned of the de-

cisions taken at Yalta, they concluded that the State Department had reversed the established policy of the United States, as it had been trying to do ever since the Morgenthau Plan was accepted at Quebec. They probably based their judgment on the communiqué and did not know about the protocols, though these would not have satisfied them either. But in either event, they missed the point. The President was not ready to push for the Morgenthau Plan or any other plan. Whatever his sympathies, he wanted to wait.

B. AFTERMATH OF YALTA

1. The Henderson Mission and Perkins Report

Before the President returned to Washington on February 28 from his trip to Yalta, Leon Henderson, New Deal economist and former head of the Office of Price Administration, had returned from a quite different kind of trip: a special mission to observe and report on planning in Europe for the economic control of Germany. Henderson's trip had grown out of concern in FEA over what was considered there the right-wing political views of War Department planners. Originally, Henderson had been cleared with the White House as economic adviser to Eisenhower, but when Hilldring, Murphy, and Eisenhower objected, that plan was abandoned. Then, in November 1944, it was suggested that he should be sent to Europe on a special mission for the President, sponsored by FEA, War, and State. When War and State backed out, he went under the sole sponsorship of FEA, as little welcome, apparently, as later that year was H. H. Fowler, whose trip is described below. Henderson returned after a month in London and two in Paris, disgusted with the treatment he had received and disturbed by what he had seen. The report on this trip was written by James A. Perkins, an FEA official who had accompanied him. On February 21 Henderson met with Under Secretary of State Joseph C. Grew, and other State Department officials, to tell them that the State Department was not listened to by American officials in Europe. He asserted that Robert D. Murphy, Eisenhower's political adviser, was frustrated as the Department's spokesman assigned to Eisenhower, and that the European Advisory Commission was paralyzed. At lunch the next day with White, Hilldring, and McCloy, he insisted that the Treasury Department had been taking advantage of the Army in order to further its own political purposes.[347]

Perkins' report on the Henderson Mission was equally to the point in its appraisal. It ended as follows:

Conclusions and Recommendations

1. The United States is not adequately prepared to discharge its responsibilities towards (a) the elimination and control of German war-making power on the economic front, (b) the handling of a system of reparations, and (c) the prevention of serious disease and unrest.

2. Present U. S. policy will, on the contrary, make it possible for the Germans to rebuild their economic potential, escape their responsibilities for delivering reparations, embroil the occupying powers in a series of misunderstandings and eventual recriminations.

3. If these results are to be avoided and if our purposes are to be achieved the U. S. Government might give consideration to the following measures.

A. JCS-1067 revised should immediately be reviewed and rewritten. The new version should contain specific reference to the basic objectives of industrial control and reparations and make provision for control machinery necessary to achieve them.

B. The negative clause in the economic appendix disavowing responsibility for the German economy should be eliminated and replaced with a positive directive indicating that Allied authorities must be prepared to supervise all aspects of the German economy.

C. It might be advisable to consider the establishment of an upper limit above which German consumption will not be allowed to go such as a percentage of consumption levels in the liberated areas or German consumption in a base year such as 1930. This directive should make clear that the Allies are not responsible for the establishment of such a level but it will positively assure that this level is not exceeded.

D. The new directive should attempt to clarify the respective functions of the Control Council and the zonal authorities. In addition to the development of agreed policy the Control Council will have to directly supervise and in some cases, participate in the administration of those controls that will have to be handled on a uniform basis. Decentralization of administration should be urged but only to the extent

necessary to simplify the task of the Control Council.

E. Policy making in Washington should be developed and supervised by a new administrative arrangement. Consideration might be given to the establishment of a cabinet level committee presided over by someone appointed by the President. Under this committee there might be an interdepartmental working committee charged with the responsibility of developing the studies, guides, and draft directives necessary to present the U. S. position on matters pertaining to our administration in Germany. The Bureau of the Budget has done detailed and excellent work on this problem.

F. The USGCC (the American staff for the Control Council) should be completely overhauled. The [numbers] and quality of its personnel should be enormously increased. Immediate needs are for at least 250 officials for the Economics Division, with 750 more ready for dispatch to the theater with two weeks notice, and an additional 2000 earmarked for eventual service. Other divisions dealing with economic matters should be similarly increased such as the Manpower, Transportation and Communication Divisions. The bar against the extensive use of civilians should be lowered and if it is decided that U. S. officials should arrive in Germany in uniform then arrangements for commissioning these officials should be permitted.

G. Officials of the USGCC should be brought into direct touch with relevant civilian agencies in Washington. If the cabinet and interdepartmental committees indicated in "E" above are established then direct contact between the head of the Economics Division, USGCC and the representatives of the FEA, Department of Agriculture, etc. that are concerned with the work of the Division should not only be encouraged but made mandatory. Without such contact the USGCC will be in no adequate position to speak for the U. S. Government in its conversations and negotiations with other powers.

H. Attention should be turned both in Washington and in the USGCC to the great problem of the administrative machinery necessary to direct the German economy. To this end a group of officials should be appointed to study and develop the framework of such machinery and the way it will have to operate. These officials should have the widest experience in handling public controls in the economic sphere and should, on this problem, direct the planning of both the USGCC and SHAEF.

I. Finally, it is imperative that agreement on the revised economic policy and machinery be arrived at with the British, Russians, and French at the earliest possible moment. Agreement in advance of the establishment of the Control Council is, possibly, a condition of its future success.[348]

This critical appraisal of U. S. policy and machinery for the occupation of Germany was dated March 3, 1945. It was thus available to policy-makers in Washington shortly after the U. S. delegation returned from the Yalta Conference. Evidently the substance of it was known earlier, for a commentary on it on the same date by Eisenhower's Chief of Staff, General Walter Bedell Smith, was also available, but only to the Civil Affairs Division. Smith insisted that JCS 1067 revised was a very sound document, and that the U. S. Group, Control Council, received adequate policy direction in its work. He pointed out that he was its director and that Eisenhower was satisfied with the way it was run. He passed off the complaints of the State and Treasury people in London as something that could be ignored. But he agreed that the planning of economic controls and the size of the USGCC civilian staff should be augmented. He wanted, in short, more manpower, not more direction.[349]

2. *State Department Initiative After Yalta*

On February 28, the day he arrived back in Washington, the President wrote Stettinius that he should assume responsibility for seeing that the conclusions of the conference, except the military ones, were carried out.[350] Stettinius was away, but the State Department officials concerned with the problem of post-war Germany, under the direction of Dunn, immediately set to work to draft an entirely new directive for the treatment of Germany.

Deadwood was quickly cleared away. The revised JCS 1067 had not yet been presented to the European Advisory Commission. Joseph C. Grew, the Acting Secretary of State, had written Winant to delay its presentation because at least its economic and relief sections did not conform to the Crimean decisions. Then, upon the President's return the next day, he wired Winant that he was not to present the document at all to EAC for it had been superseded by Yalta.[351] Since the revision had not been intended for use by the Army but

only in EAC negotiations, it was thus disposed of.

Evidently Dunn and his associates took seriously Henderson's charge that they were not listened to and Perkins' recommendation that JCS 1067 revised be completely revised again. Stettinius approved the completed draft of the proposed new directive on March 10, the day he reached Washington. He sent it on to the President with a covering letter which stated that such a directive was "urgently necessary," and suggested that, if the directive was approved, an informal policy committee on Germany should be established under the chairmanship of State and including representatives of War, Navy, Treasury, and also FEA.[352] The committee should serve as a central source of policy guidance for Germany and displace SWNCC on German problems. To be sure, here was the "new administrative arrangement" recommended by Perkins, but it amounted to much more than that, for it was the way out of a problem with which SWNCC had been faced since its establishment in December. SWNCC had been set up to operate with the benefit of a close relationship to the JCS staff only on condition that its membership be limited to State, War and Navy. But by early January, Treasury was a burr under its saddle, participating in fact in the revision of the Interim Directive. Treasury involvement in policy-making for Germany was inevitable, so that activity would have to be carried on outside of SWNCC, in an *ad hoc* inter-departmental committee the temporary and specialized nature of which would be emphasized in order to minimize the possibility of its becoming a rival to SWNCC. On the other hand, if SWNCC was to develop as a continuing institution—and there were people in State and War in particular who strongly believed that it should —important matters like the settlement in German policy should not be handled elsewhere. In the face of these conflicting considerations, in early March McCloy wrote Clayton to urge that any new agency dealing with politico-military affairs be brought within the orbit of SWNCC.[353]

Reflecting its dispute with Treasury, but particularly with the Army in both SHAEF and EAC staff work in London, and perhaps emboldened by the Perkins report, the State draft directive came down hard time and again to emphasize the significance of the central administration of occupation. The inter-allied military government agreed to at Yalta was to be a central government of Germany. The authority of this central government, the Control Council, was to be paramount throughout Germany, and the zones of occupation were to enforce its decisions. In order to eradicate Nazi ideas there were to be centralized control, under the direction of the Control Council, of mass communications, and a uniform system of control over education. A substantial degree of centralized financial and economic control was declared essential, under the general responsibility of the Control Council, to carry out the economic policies proposed. In contrast, Army officers had been concerned with emphasizing the autonomy of the zone commanders, partially perhaps because they were reluctant to become too much involved in joint occupation arrangements such as the Control Council constituted, and undoubtedly also because they were concerned with a contingency which State tended to ignore: What do the zone commanders do in the event (which War increasingly thought probable) that the Control Council fails to agree on uniform policies for the zones? Indeed, this was the Army's major difference with the State Department. State, where the point of reference was policy, was determined to get accepted what it regarded as adequate policy guidance. War, on the other hand, had as its reference point the responsibility to administer in the field whatever the policy. There was no direct answer to the War Department's insistent query; it was not that State or the EAC delegation was unwilling to consider the possibility that the three major Allies would not cooperate after the war, but their preoccupation with seeing that the record showed that the U. S. was not responsible for any breakdown of cooperation made them push it into the background.[354]

The denazification provisions of the State draft directive were moderate, as compared with current Treasury and War Department views. There were the universally supported provisions for the dissolution of the Nazi Party and its affiliated and subsidiary organizations, and of Nazi public institutions and Nazi-inspired laws. But the non-political social services of these organizations which were judged desirable could be transferred to other agencies.

Active Nazis and supporters of Nazism, and other individuals hostile to Allied purposes as well, were to be eliminated from public and quasi-public office and from positions of importance in industry, trade, and finance. It was made clear that party membership by itself was not sufficient reason for such elimination.

Economic policy envisaged the elimination of production facilities which specialized in implements of war or for the production of aircraft, synthetic oil, synthetic rubber and light metals. Reparations from current production were proposed, while a minimum standard of living, defined as being sufficient to prevent disorder and disease on a scale that would make the task of occupation and the collection of reparations substantially more difficult, was maintained. The reparation period would be ten years. It was made clear that the German production would go first to maintaining the minimum standard of living, and second to reparations; and that economic disarmament would be made compatible with both.

In sum, the draft directive was based on the briefing book, modified slightly to take into account the tenor of some of the discussions at Yalta. Thus, for example, this document spoke of a ten-year reparation period (as requested by the Russians) even though the Yalta protocol set no time limit. This was policy for an interim directive, i.e., for the "control period" in which the State Department contemplated a "hard-peace" program, subject to amelioration as time went on and the Germans showed progress toward democracy.

While the State Department staff was preparing the draft directive, Stimson met the President by appointment to talk about Germany, and particularly Roosevelt's idea that the Under Secretary of War, Robert P. Patterson, should be the military governor. Stimson persuaded Roosevelt that Patterson was still needed in Washington. In a more general vein, Roosevelt spoke of the old Germany with such affection that, as Stimson reflected later that day, it "reassured me to think that at bottom he did not differ from McCloy and myself in respect to the basic reorganization to be aimed at in Germany." Stimson went on to define the issues of policy-making for Germany as he saw them. "At the end," he has written,

> I impressed again the chaotic condition which existed now in Germany and the dangers of a general break up, and I enumerated the four contradictory theories which have been variously suggested in dealing with it and the importance of having someone who would organize agreement out of this loose situation. Those four theories were (1) the British proposition to in effect merely surround Germany with bayonets and leave her alone within to sizzle in her own juice; (2) the "pastoral" proposition for Germany suggested at Quebec; (3) the medium proposition actually set out in the approved War Department post-war directive [JCS 1067]; and (4) the proposition resulting from Russia's demand for reparations which Leon Henderson reports will be given the closest kind of economic control—viz. rationing, ceilings, etc. etc.[355]

Stimson and McCloy had both hoped that SWNCC and the Committee of Three could be the instruments for settling German policy.[356] They were, however, to be disappointed. On March 15, Stettinius held a meeting attended by Morgenthau, Stimson, Crowley, and a representative of the Navy Department, at which he announced the President's approval of his proposals for an informal policy committee on Germany and presented the March 10 draft directive with the President's initials on it.[357] At this meeting the Informal Policy Committee on Germany was established. Assistant Secretary of State Will Clayton was made chairman. Stimson named McCloy as his representative, with Hilldring as alternate. Morgenthau designated White (who was now an Assistant Secretary), with V. Frank Coe as alternate. Crowley's representative was H. H. Fowler, who was supervising the German studies in FEA as Director of its Enemy Branch. The Secretary of the Navy later designated Under Secretary Ralph A. Bard and Assistant Secretary Artemus L. Gates as his spokesmen.[358]

While the committee was being organized, Clayton saw the President about the March 10 draft which he had initialed. Roosevelt repeated his familiar remarks about feeding the Germans from "soup kitchens," this time emphasizing that they should not be set up until the Germans were actually threatened with starvation. He also made a brief and enigmatic comment about the administration of German occupation which, as it was passed on by Clayton, was interpreted in various ways. He said that his idea about governing Germany would be to appoint a committee of "say, three Germans. They would be told to do thus and

so, and if they didn't do it, we would take them out and shoot them and get three more Germans."[359]

3. The Development of War-Treasury Opposition

The March 10 draft directive apparently caught War and Treasury completely by surprise. Stimson was prompt in protesting such an emphasis on centralized administration. The Control Council, he asserted, "should be confined to making the policies, and the administration should be left to the respective military governors of the four zones."[360] Morgenthau, however, failed to catch the significance of the issue of centralization to the fate of his own proposals, for he left the meeting on the 15th without realizing the extent to which this draft differed from the original September and revised January drafts of JCS 1067, and how much of it was contrary to his own views. However, the same day McCloy telephoned him to point out the significance of the new draft, a copy of which Stimson had brought him. Treasury immediately prepared memoranda for the President and Stettinius. The one intended for Stettinius argued that the new draft departed from the Yalta agreements, as well as from Quebec and JCS 1067, with respect to the elimination of German heavy industry, the control of the German internal economy, and the decentralization of Germany. It recommended that the new March 10 draft directive be withdrawn in favor of JCS 1067, on which immediate approval in EAC should be sought. Then programs and policies would be worked out on the major questions in accordance with the Yalta agreements. This Treasury memorandum was not sent until it was revised in a meeting on the morning of March 20 of Morgenthau, White, Coe, McCloy, and Hilldring.

The War Department also prepared papers opposing the new State draft directive. They were in the form of a revision of the directive. Significantly, they proposed much that Treasury would never accept. Under the revision, the zone commanders would have all powers necessary to accomplish the objectives of the occupation. Their authority and responsibility were to be restricted by the existence of central control machinery only if it took positive action. The State Department definition of active Nazis was broadened. And denazification was strengthened by the addition of a statement that administrative convenience would be no excuse for retaining Nazis in any influential office at any level. Treasury officials would not object to these changes. But War's revision also permitted the use of Germans and German-staffed agencies in the administration of Germany. What was more important, it provided for reparations from current production, and eliminated the State restriction of Germans to a "minimum living standard," leaving in its stead the much more flexible and conventional military formula of disease and unrest.

Before the meeting between Treasury and War officials, Roosevelt moved to disassociate himself from the March 10 State Department draft, and Stettinius followed suit. The President told Stimson that he did not remember the document, and had not read it, to his knowledge. On the 19th, following Morgenthau's description to him of its contents, Stettinius claimed that when he returned from his trip, tired, Dunn had handed him the document, and that he had only glanced at it.[361]

The Treasury and War Department officials convened early on March 20 in Morgenthau's office. In the course of the meeting the Treasury memoranda to the President and to Stettinius were redrafted, and the War Department revision of the March 10 directive was discussed in detail. McCloy suggested toning down the Treasury note to Stettinius in its assertions that he had departed from the Yalta agreements. In the Treasury letter to the President, Morgenthau had suggested a redraft of the March 10 directive in accordance with the following principles:

1. We should avoid assuming responsibility for the functioning of the internal German economy and its economic controls. The maintenance and rehabilitation of the German economy is a German problem and should not be undertaken by us in order to collect reparations or for any other reason except the security of the occupying forces.

2. We should aim at the greatest possible contraction of German heavy industry as well as the elimination of her war potential. The occupying forces should accept no responsibility for providing the German people with food and supplies beyond preventing starvation, disease, and such unrest as might interfere with the purposes of the occupation.

3. During the period of military occupation,

policies in the separate zones should be coordinated through the Control Council, but the actual administration of affairs in Germany should be directed towards the decentralization of the political structure.[362]

McCloy agreed that if these three sentences were accepted, the basic confusion would be cleared up; but he cautioned Morgenthau, who was having lunch with the President, against getting Roosevelt's signature on them without a full hearing. White raised objections to the War Department draft revision because under it the Army would assume responsibility for internal economic conditions in Germany.

Minutes of this meeting, taken by Coe, a Treasury participant, record the following conversation on the directive of March 10: Morgenthau said that

> the policies of the document seemed to be those of Riddleberger and Despres of the Department of State and of Leon Henderson (who had returned a month before from his trip inspecting military government in Germany for FEA, and was being widely quoted to the effect that the powers of the zone commander were being emphasized by the Army at the expense of the Group Control Council and its functions). They had been debated before and not been established. JCS 1067 was a long-worked over compromise but now it was abandoned, in the name of Yalta, although no chapter and verse from Yalta was cited as reasons for the change. [Morgenthau] said that he was amazed at this handling of the most important issues of the time. . . .
>
> Mr. McCloy said that he agreed with the Secretary as to how this had happened. He said that Leon Henderson had a large share in it, for he had been talking all around town on these issues. Also Ambassador Winant had never liked JCS 1067 and was constantly working against it. He said that as far as the War Department could see, policies seemingly well established had been tossed overboard, with no consultation, and with superior officers not even reading the documents.

Morgenthau indicated that he had interested himself in the treatment of Germany again as a result of McCloy's phone call of the 15th. Now that he saw what was being done, he was determined to fight until the matter was cleared up. He wanted to know where Stimson stood on the matter. McCloy replied that

> Secretary Stimson had had definite views on Germany. But he was confronted after the Quebec Conference with a policy with which he in part disagreed. Now, after Yalta, he finds a State Department policy document, initialed by the President, and with this he disagrees, in part. Secretary Stimson feels badly about these incidents. He had determined to keep quiet about basic policy and pay attention to his responsibility as head of the department which will administer the U. S. occupation. He finds, and has so told the President, that the policies of the State Department will prevent our soldiers from doing their job in Germany. In particular, the Army, which has been trained for a zone command in Germany, cannot adapt to these vague ideas of centralized administration in Berlin. Stimson wants the zone commanders to have powers to act and complete residual authority until a matter is taken over and handled centrally by the Control Commission.
>
> Accordingly, the War Department was leaving the basic economic questions to others. It would carry out any agreed policy on these matters. At this juncture it would concentrate on the administrative feasibility of the new proposals.[363]

Thus had McCloy stated the position of the War Department at this time. It viewed with alarm the reopening of policy issues following Quebec, and the State Department determination to emphasize the powers of the Control Council at the expense of zone commander discretion. Beyond these considerations—indeed, in order not to lose sight of them—the War Department wished to avoid involvement in issues of substance, such as the explosive economic questions. Because State had seemingly reopened the issue of German policy by its Yalta Conference activities and by Dunn's March 10 memorandum, and had, in that memorandum, pressed its Control Council policies, McCloy at this time supported the Treasury position. Morgenthau apparently now regarded him as an ally. (Some of his assistants were less trustful.) Actually, any equating of the position of McCloy and his department with the views of either major protagonist was an over-simplification of that position. The War Department's concern over its responsibility for the execution of a policy for Germany simultaneous with the prosecution of the war (if not against Germany, then against Japan) had made it appear to be on every side of the issue at one time or another. For the time being it supported Morgenthau. Later it would depart from his views, as it had from the State Department's position. Since, to be sure, issues of substance did creep into the War Department position on German policy (and, most

emphatically, that position always had unavoidable policy implications), its switches could be viewed as vacillation. But behind them lay a consistent rationale: it supported or opposed issues of substance or procedure in the interest of administrative feasibility—that is to say, of getting in time a policy for Germany which it could execute.

4. The Presidential Policy Statement of March 23, 1945

Morgenthau went on to his luncheon with the President that day (March 20) and apparently heeded McCloy's warning not to seek Roosevelt's signature on the Treasury document, for two days later the President called in officials from the three Departments to discuss a replacement of the March 10 directive. Roosevelt began by stating directly that he did not like the directive. He went on to make clear that he wanted to decentralize authority in Germany as much as was possible, consistent with the principles of the occupation. In particular, more definite authority should be given the zone commanders in relation to the Control Council. This point had been made in Morgenthau's suggested revision of the March 10 directive. The other two points in the Treasury revision had been (1) "We should avoid assuming responsibility for the functioning of the internal German economy . . . ," and (2) "We should aim at the greatest possible contraction of German heavy industry." Apparently Roosevelt ignored the first of these points. But he made it clear that he did not want to destroy Germany's industry, emphasizing the point by stating that the Germans should be permitted to maintain their own heavy industry such as heavy machine tools and locomotives. McCloy interpreted the President's remarks to mean in general that he favored a middle course between Morgenthau's earlier extreme views and the State Department's positive position as stated in the March 10 directive.[364]

The War Department then drafted a "Summary of U. S. Initial Post-Defeat Policy Relating to Germany" which was intended to, and which McCloy felt did, represent the views of the President. State and Treasury made minor changes in it. On March 23rd it was marked "O. K. F. D. R., superseding memo of March 10, 1945" and signed, at Morgenthau's insistence, by the three men from each of the three Departments who were then present.[365] FEA did not participate, it should be noted. The "summary" was to be introduced into EAC (it never was), and be used as the basis for directives to the U. S. Commanding General in Germany.

This was the last policy statement on the treatment of Germany which received Roosevelt's attention; he died three weeks later.[366] It stated that the Control Council was to have paramount authority, but that the zone commander could decide policy in the absence of Control Council agreement. The administration of Germany was to be directed toward decentralization of government and the economic system

> except that to the minimum extent required for carrying out the proposal set forth herein, the Control Council may permit or establish central control of (a) essential national public services such as railroads, communications and power; (b) finance and foreign affairs; and (c) production and distribution of essential commodities.[367]

In a long paragraph, the whole question of economic policy received cautious handling:

> Controls may be imposed upon the German economy only as may be necessary and (a) to carry out programs of industrial disarmament and de-militarization, reparation, and of relief for liberated areas as prescribed by appropriate higher authority and (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 prevent starvation or such disease or civil unrest as would endanger the occupying forces. No action shall be taken, in execution of the reparations program or otherwise, which would tend to support basic living standards in Germany on a higher level than that existing in any one of the neighboring United Nations. All economic and financial international transactions, including exports and imports, shall be controlled with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein. The first charge on all approved exports for reparations or otherwise shall be a sum necessary to pay for imports. No extension of credit to Germany or Germans by any foreign persons or Government shall be permitted, except that the Control Council may in special emergencies grant such permission. Recurrent reparations shall not, by their form or amount, require the rehabilitation or development of German heavy in-

dustry and should not foster the dependence of other countries upon the German economy.

German authorities were to be made responsible for economic controls "to the fullest extent practicable." A series of brief statements on the Nazi Party, Nazi laws, education, war criminals, restitution, and the armed forces followed, none of them detailed enough to denote a dominant viewpoint. The statement concluded:

> The German war potential shall be destroyed. As part of the program to attain this objective, all implements of war and all specialized facilities for the production of armaments shall be seized or destroyed. The maintenance and production of all aircraft and implements of war shall be prevented.

This Presidential Policy Statement, taken as a whole, settled the dispute over policy in the same manner that the original September 1944 version of JCS 1067 had done—by placing it in tenuous balance. In the case of the earlier document, the battleground had then shifted to the interpretation and comparison of its phrases and clauses. In the meetings of IPCOG to prepare the second revision of JCS 1067 on the basis of the policy statement, which began late in March and continued through April and May before agreement was ultimately reached on drafts to be sent to JCS, the same kind of bickering over the meaning of the terms —in this case the policy statement—occurred.

When he learned of the Presidential Policy Statement, the FEA Administrator, Leo Crowley, complained to Stettinius that his agency had not been consulted in the preparation of such an important statement on German economic policy. The statement contains only a limited recognition of the cardinal United States policy of industrial disarmament and destruction of the German war potential, and no reference to administrative controls, he wrote Hull:

> Indeed, it seems to represent a retreat from the Yalta Agreement in which the leaders of the three governments represented stated their affirmative intention to "eliminate or control all German industries that could be used for military production."[368]

It will be recalled that the purpose of the Presidential Policy Statement was to instruct Winant in negotiating tripartite agreements on the control machinery for Germany, and to guide IPCOG in drafting new instructions on the immediate post-defeat period in Germany which would supersede the January draft of JCS 1067, since that document had supposedly been outdated by the Yalta agreements. IPCOG had originally begun the drafting of new instructions on the basis of the March 10 directive, but had quickly dissolved into a White House conference which produced the Presidential Policy Statement. Before IPCOG resumed work on the basis of its new instructions, McCloy again pressed with Clayton his objections to the establishment of an *ad hoc* committee to do work for which the State-War-Navy Coordinating Committee had been established. The prospects of another revision of JCS 1067 had posed an unpleasant dilemma for McCloy. If SWNCC were utilized, its membership would have to be broadened to include Treasury and possibly FEA, against the wishes of JCS, whose cooperation was vital to the success of SWNCC. But if the work were done outside of SWNCC, its authority would be rivaled and its function undermined.

It is interesting that McCloy was emphatic in his choice of the first alternative. FEA and Treasury, he wrote Clayton on March 27, should sit on the European Sub-committee of SWNCC, and on SWNCC itself when dealing with economic policy for Germany.[369] Clayton responded by reminding McCloy that SWNCC was to be strictly limited in its membership, and by suggesting that the SWNCC Secretariat could be utilized in order to avoid confusion and assure access to the Joint Chiefs.[370] McCloy insisted that the important consideration was to develop SWNCC as a satisfactory arrangement between the political and the military, that IPCOG would be only the first of many special committees to deal with problems which SWNCC should handle; and that FEA and the Treasury could be dropped when they were no longer needed on SWNCC. But the State Department would not concede McCloy's point. In his final answer to McCloy, Clayton mentioned his Department's fears that if SWNCC were used, it would be difficult to exclude Treasury and FEA from all its deliberations.[371]

Whatever the merits of the arguments, IPCOG was already established, so the State Department prevailed, and IPCOG continued. To carry out its task of revision, IPCOG was divided into political, financial, and economic subcommittees.

C. IPCOG DRAFTS THE SECOND REVISION

1. Political Sections

The discussions in the political subcommittee were based on a draft introduced by the Civil Affairs Division of the War Department dated March 28. It was a carefully constructed statement, skillfully utilizing earlier documents in such a way as to minimize the points of dispute. Two notable features in it were the provisions on denazification and education. Under the heading of denazification was a broad definition of the persons to be excluded and the kinds of public and private positions from which they were to be excluded. Here was a subject which had evoked little dispute. The control of education was a more debatable matter. Since Morgenthau's first examination of his subordinates' draft of the Morgenthau Plan the previous September, Treasury had been committed to a very cautious policy concerning the reopening of German schools. The CAD draft provided for the reopening of elementary schools when their personnel, curricula, and books had been purged of Nazi influence. It left to the Control Council responsibility for determining the disputed conditions under which the opening of secondary schools and universities would occur.

Four major conflicts arose in the development of this draft, one between War and Treasury, and the others between Treasury and State. (FEA did not sit on this subcommittee.) All of them came to a head on April 18, when a draft was completed for submission to the whole committee.

1. Paragraph 8 of the April 18 Revised Political Directive, dealing with the arrest of Nazis and related categories, had been changed at the request of the Army by the insertion of a sentence which granted discretion to the zone commander to postpone the arrest of certain persons if he believed it desirable in the light of conditions which he encountered, provided that he reported his reasons to JCS. Army insisted that this discretion was necessary for proper handling in the field.[372] Treasury objected to this provision, saying that it provided a loophole in the arrest provisions. "Such a provision," one of its spokesmen argued, "can easily be abused to protect prominent personalities in the political and industrial life of Germany."[373] They proposed, instead, in characteristic fashion, that a sentence be added to ensure that "special favor would not be granted to persons like Krupp and von Papen." It prohibited any differentiation in the manner of arrest or the conditions of detention by reason of wealth, or any kind of rank. The Army version won out, with the condition added that JCS could reverse the zone commander's decision.

2. Paragraph 4 (c) of the April 18 Revised Political Directive stated in general terms the objective of occupation, and the "essential steps" in its accomplishment. State had added to such "essential steps" as deindustrialization, industrial disarmament and the apprehension of war criminals, a phrase which characterized the basic approach to the treatment of Germany which it had used for over three years. It asserted as essential to the prevention of Germany from ever again becoming a threat to the peace of the world the "preparation for an eventual reconstruction of German political life on a democratic basis." Treasury officials claimed that the phrase was meaningless, and that it might afford an opportunity to reconstitute Germany. Nonetheless, it was not removed.[374]

3. Paragraph 9 (a) of the April 18 revision read:

> Initially you will not permit political activities of any kind, and you will assure that your military government does not become committed to any political group.

State insisted that adherence to this direction would create a political vacuum. It proposed an amendment which restricted the prohibition to an initial period, after which certain nonobjectionable kinds of political activity would be permitted. The whole committee, instead, reverted to the language of the January revision of JCS 1067 which prohibited political activity unless authorized by the zone commander, but still required him to see that his military government did not become committed to any political group.[375]

4. State wanted the instruction that elementary schools be reopened as soon as they were denazified to include "middle and vocational" schools. The Treasury Department was determined that the German schooling be wholly reshaped before the schools were reopened. It anticipated that a long and energetic

period of denazification would be required for books, curricula, and teachers. Consequently, it continued to oppose any provision for the reopening of schools. The State Department's objective was eventually obtained because the Army supported it on very practical grounds: it had discovered in Italy the great inconvenience (at the very least) of having children running loose in the streets, and had learned that the best way to keep them off the streets was to put them in school.[376]

2. *Financial Sections*

The financial subcommittee used as its basic draft the revised financial directive from the January revision of JCS 1067. This directive, drafted originally by the Treasury, had included more of the Treasury views than its predecessor, and constituted the strongest statement in agreed policy of the Treasury position. In the IPCOG subcommittee Treasury officials made only a few refinements and changes based on the observations of Treasury personnel in the field. However, on two subjects there was much discussion. These were inflation control and external assets. The first was finally decided to be an economic question, and was left to the economic subcommittee for resolution. A paragraph which authorized the taking of financial measures to prevent monetary and financial disturbances which would cause disease and unrest was accordingly cut out of the directive.

The State Department suggested, while the revision of the financial directive was in progress during April, that the provision for the disposition of German external assets was too narrow because it failed to allow for the disposition of such assets in order to pay for needed German imports. Accordingly, it proposed that the provision which stated that the American zone commander should hold the German foreign exchange assets seized by him "for distribution or reparation or restitution as determined by appropriate authority" should have inserted in it after the word "restitution" "or for other purposes." State argued that it was inevitable that the United States would provide substantial supplies for Germany during the control period, so that it would be to her financial advantage to assure payment for these supplies from foreign exchange assets. Treasury insisted that such an advantage would be purely illusory. "The United States already has claims against Germany for war costs, etc., which far exceed any amount we can possibly obtain as reparations out of Germany's external assets. Accordingly, it is merely self-deception to suggest that there is any financial gain in using German resources which are already ours by virtue of existing claims to pay for goods to be delivered to Germany during the control period."[377]

Behind this dispute lay two fundamentally different conceptions of policy. State was trying to make sure that the German economy would not be cut loose to drift without regard to the political implications of the economic floundering which might follow. State thought in terms of a "minimum living standard," and wished to guarantee that minimum. Treasury, on the other hand, no longer demanded the complete disorganization of the German economic system, but it was still prepared to deal far more sternly with Germany than was State. Hence, it was determined that no provision in the directives on the treatment of Germany should allow the possibility of lenient treatment. The Treasury was not necessarily intent on promoting economic collapse; but it was determined that nothing should allow the reconstruction of Germany. The State insertion was viewed in Treasury essentially as a loophole to a more lenient policy. The outcome of this controversy was a characteristic paragraph which laid out a carefully hedged compromise. It allowed the use of foreign exchange derived from exports to pay for imports, but required the approval of the Control Council for the disposition of other foreign exchange assets.

3. *Economic Sections*

The economic subcommittee became involved in a more fundamental but related clash over the imposition of controls on the German economy. Here the issue was joined on the particular question of whether the zone commanders should have the authority and responsibility to control inflation. State thought they should, since the long-range objectives of a democratic Germany would be severely jeopardized by run-away inflation, as would such short-run objectives as reparations. FEA, reflecting its own studies of economic controls,

while it was not as inclined to treat Germany liberally, did want substantial economic controls established. It proposed adding to the economic draft a statement making it the aim of the zone commander, during the occupation period, to develop the basis for a permanent system of controls over industrial disarmament. While the substance of FEA policy for Germany did not differ from that of Treasury, Treasury officials opposed this suggestion because it would empower the zone commander to carry out positive acts of control. Again, it was seeking to close the loophole to leniency.

The first draft of the economic directive was prepared by FEA, and contained extensive provisions for economic controls. State was prepared to accept them, while Treasury insisted, as it had so often in the past, that the whole draft be rejected, and the subcommittee begin all over again, going back to JCS 1067. Army felt that much that was important had been left out. It requested specific language concerning the responsibility of the zone commander, decentralization provisions, and a statement making it clear that the Germans were to be responsible for their own economy. It specified several other items which needed to be dealt with, including a limitation on control measures, a provision for breaking up landed estates, and a detailed statement concerning distribution of commodities between zones.

Despres volunteered to have State redraft FEA's revision. Coe suggested that a drafting committee be appointed to help State. But Despres, with Fowler's support, rejected the proposal. State's redraft was discussed April 6. The first section of the revision dealt with controls. Coe again suggested substituting the language of the original JCS 1067 for the State revision. Despres replied that his Department objected to that language because it gave the wrong tone, and had been overruled by the Presidential Policy Statement of March 23 which, he said, authorized the taking of more responsibility for controls than JCS 1067 envisaged. Boettiger indicated that Army approved the State redraft on this point. The language on controls in the old JCS 1067, he said, was the very language which he opposed. He pointed out that the Army was already controlling prices and rationing in Aachen and other cities, and that these controls would have to continue. He requested a specific direction on whether or not it would be the function of the Army to maintain controls, and indicated that a statement to the effect that the Germans were to be responsible was not adequate. Such a statement would indicate that the Army was to see to it that the Germans were to carry out controls properly, and the Army would thus be responsible for running the entire German economy.[378] Coe said that in the Treasury view it was not only undesirable but impossible for the Army or other occupation authorities to take any responsibility for the control of the German economy. This conflict remained unresolved in the subcommittee, and was taken up to the full committee, which sanctioned language envisaging the control of prices, rationing, wages, industry, commerce, finance, etc.[379]

In the same manner, other details were fought over. FEA continued to advocate the adoption of detailed provisions for control, which Treasury adamantly opposed. On substantive policy matters, however, these two agencies were not in real conflict. State was interested in a more lenient substantive policy, and was prepared to accept controls to get it. The Army, while it took a moderate line on policy, insisted on broad authority to impose controls in order to achieve its primary objective of the maximum of power for its commander in the field to solve problems at his own discretion. No single point of view predominated in the final draft which was approved by IPCOG.

Most of the work on the second revision of JCS 1067 had been done in the subcommittees of IPCOG, but ultimately the committee itself had to ratify this work and thrash out the questions which remained unsettled. While Clayton had been appointed chairman of IPCOG, almost all of its plenary sessions were held in Morgenthau's office, and in deference to his Cabinet rank he was, in effect, the chairman.

The new directive was intended as policy guidance for Eisenhower (or more literally, for Lieutenant General Lucius D. Clay, his deputy for military government) in administering the American zone of occupation, and in negotiating uniform policies for all of Germany in the Control Council. One important War Department demand was successful. The new version clearly provided for the eventuality of Control Council deadlock: Eisenhower was given policy

guidance for the American zone in the absence of Control Council agreement on policies which should be uniform throughout Germany, or required central control. However, another important War Department demand was, at best, only partially met. It will be remembered that in the earliest efforts to draft a directive for Eisenhower, the Treasury had adopted the tactic of limiting the power of the military governor as much as it could, in order to insure that he would be unable to engage in constructive activities in Germany. The War Department, on the other hand, had continually fought for greater discretion for its military governor, as was consistent with its administrative doctrine concerning instructions to field commanders generally. One passage from the new version of JCS 1067 illustrates the extent to which the military governor's powers continued to be circumscribed. It was the revision of a paragraph granting power to control inflation which originally appeared in the second version, and was belatedly objected to by Treasury in early February.

"With due regard to paragraph 4a," it stated, referring to a list of basic objectives of military government which included making the Germans aware that they were responsible for their own "chaos and suffering,"

> the Control Council should adopt such policies as are clearly necessary to prevent or restrain inflation of a character or dimension which would definitely endanger accomplishment of the objectives of the occupation. The Control Council, in particular, should direct and empower German authorities to maintain or establish controls over prices and wages and to take the fiscal and financial measures necessary to this end. Pending agreement in the Control Council you will assure that such measures as you consider necessary are taken in your own zone. Prevention or restraint of inflation shall not constitute an additional ground for the importation of supplies, nor shall it constitute an additional ground for limiting removal, destruction or curtailment of productive facilities in fulfillment of the program for reparation, demilitarization and industrial disarmament.[380]

D. FINAL CLEARANCE OF THE SECOND REVISION OF JCS 1067

On April 12, while the laborious process of revision was still going on, President Roosevelt died. The day before his death, Morgenthau stopped off to see him at Warm Springs, where he obtained the dying man's hearty approval of his proposal to write a book on how sixty million Germans could feed themselves. This last indication of Roosevelt's attitude on Germany encouraged Morgenthau and his assistants in their belief that he agreed with them.

Two weeks later, on April 26, the second revision of JCS 1067 was approved by IPCOG, and sent to JCS for clearance; JCS forwarded it to Eisenhower on April 28. However, at that time the War Department was attempting to deal with a question from Eisenhower as to whether the production of synthetic oil in Germany would be permitted. Lieutenant General Brehon B. Somervell, Commanding General of the Army Service Forces, wrote Hilldring on April 28 warning that unless German facilities for the production of synthetic rubber, synthetic oil, magnesium, and aluminum were kept intact and operated to some degree like other basic industries in Germany, it would be necessary to import these products from outside Germany, presumably the United States. In fact, he maintained, steel, iron, and heavy industry production should be maintained until requirements for a minimum German economy and for liberated areas were determined. Otherwise, heavy import burdens might result.[381] In the light of Eisenhower's inquiry and Somervell's recommendations, the Joint Chiefs recommended that the draft be changed to allow the zone commander to waive prohibition of the production of synthetic rubber and oil, magnesium, and aluminum without clearance through JCS. Morgenthau, seeing the proposal as representing an unduly liberal treatment of Germany, protested to Stimson, but to no avail.[382] IPCOG promptly accepted the amendment, which was dated May 10. The approval of President Truman was obtained on May 11 and this "Directive to Commander-in-Chief of U. S. Forces of Occupation Regarding the Military Government of Germany," known as JCS 1067/8, was issued to Eisenhower on May 14.[383]

Since President Roosevelt's approval of the Presidential Policy Statement on March 23, the pace in Europe had been swift, culminating in the German surrender on May 7. The Allied military successes and the German defeat in Europe brought with them a host of problems

which were being dealt with from day to day in concrete terms by the armies while they were being debated abstractly and in general terms at the same time in the Informal Policy Committee on Germany. The question of synthetic oil production, referred to above, was one of these questions. Another was coal production. While economic policy for Germany was being haggled over in Washington, in the field it was becoming more evident than before that German coal was required to meet the critical needs of much of Western Europe. In the face of the immediate problem, FEA was willing to go along with McCloy's plans to use German prisoners of war in the mines in order to speed production. But it was not so easy to agree on general policy. Beginning in mid-February, FEA had continually attempted to obtain assurance from McCloy that the German standard of living would be kept the lowest in war-ravaged Europe. Finally, on April 3, he responded by refusing to be tied to such a formula. Later that month, on the eve of IPCOG's approval of the new version of JCS 1067, McCloy wrote General Clay that something should be done immediately for the German people in order that they would not perish during the coming winter. It would be advisable, he argued, apart from humanitarian reasons, because famine, disease and starvation know no boundaries. He suggested as a partial solution the establishment of a government-directed work force, patterned after the Civilian Conservation Corps, which would rebuild German housing.[384]

Two other events which occurred during the final drafting of the second revision of JCS 1067 serve to indicate the developing situation. While in IPCOG the question of how much control the zone commander should exercise over the German economy was being hotly argued, Lewis Douglas, the financial adviser to General Clay (who by then was Eisenhower's deputy in charge of military government for Germany), took a hurried trip to Washington to report to McCloy his fears and those of Clay concerning the German economic and financial structure and to request the power to exercise economic and financial controls in Germany.[385] And two days before the new President signed the revised JCS 1067, a twelve-man Senate delegation, returning from a tour in Europe at Eisenhower's invitation, saw Marshall and Stimson. Their individual reactions, as reported in the press, indicated uniformly strong feelings in favor of severe treatment of Germany.

Thus although the May 1945 version of JCS 1067 constituted agreement after a long struggle in Washington (and sometimes in Europe, or at least London, as well) over occupation policy for American military forces in Germany after her defeat, even as final clearance for the new directive was being completed, the lines of dispute could be seen reforming: Morgenthau obtained new support from the dying Roosevelt; FEA was at least ready to offer the facts and figures to support an economic disarmament plan for Germany; military necessity was forcing alterations in the final wording of JCS 1067; the military governor had become uneasy about the limits of his power to save Germany from collapse; McCloy, though a defender of limited responsibility for the Army in Germany, had become concerned with the problems of large-scale suffering there; and a Congressional junket had returned with strong convictions for a hard peace. Under these circumstances, policies could be agreed upon, but could not be settled.

While IPCOG had been preparing the second revision of JCS 1067, it also had under consideration a policy statement to be used by the U. S. representative on the Reparations Commission to be established in Moscow under the terms of the Yalta Protocol. Most of the issues involved in reparations policy were identical with issues concerned with the treatment of Germany, and the State Department took the position that reparations policy should be wholly subordinate to policy for the general treatment of Germany; specifically, that reparations negotiations in Moscow should not interfere with economic policy being formulated in the EAC in London. The Treasury, on the other hand, viewed the Moscow Reparations Commission, and the drafting of instructions for it, as another chance to try for the adoption of its views. Hence many of the economic questions were raised and settled twice in the course of IPCOG deliberations during April and May 1945, once in revising JCS 1067 and again in drafting instructions for the Reparations Commission. The final draft of the reparations document was completed May 21, 1945. It reflected very much the same compromises between Treasury, War, and State Department views as did the previously completed JCS 1067/8.[386]

E. *JCS 1067/8 SUMMARIZED*

As it was approved by President Truman on May 11, 1945, three days after V-E Day, the third official version of JCS 1067 (though the second version to be issued to the Army civil affairs officers) remained the official policy for the U. S. occupation of Germany for two years. A brief summary of JCS 1067/8 follows:

1. The basic objectives of military government in Germany were negative: The principal objective was to prevent Germany from "ever again" becoming a threat to the peace of the world. Another objective was to bring home to the German people that they were responsible for the chaos and suffering which they were experiencing in defeat.

2. The role of the Control Council was to administer matters affecting Germany as a whole. In the absence of Control Council agreement on these matters, the American occupation authorities were to follow the guidance of their own directives.

3. Denazification policy was drawn broadly and flexibly. The dissolution of Nazi-oriented organizations had remained from the beginning an undisputed provision. In addition, three categories of people were to be purged or removed from public office and private positions of importance: (1) Nazis and their associates, (2) war criminals, and (3) all persons who were "hostile to Allied purposes," i.e., who were deemed by the occupying authorities to pose a threat to the security of the occupation. In effect, the third category authorized the Army to remove anyone for security reasons.

4. Arrest policy also included security arrests in addition to the arrest of war criminals.

5. Educational institutions were all to be closed, with only elementary, middle, and vocational schools to be reopened when they had been denazified.

6. Demilitarization was to include the destruction of military equipment and the disbanding of military and military-type organizations.

7. Economic policy was directed towards the negative objectives of the document, as stated in number one above. Certain limitations were placed upon the Army in accomplishing those objectives. Only those economic controls could be used which were necessary; and conversely, no other steps could be taken which would contribute to the economic rehabilitation of Germany or maintain or strengthen the German economy. The German standard of living was to be kept within a minimum defined as high enough to "prevent starvation or widespread disease or such civil unrest as would endanger the occupying forces," and a maximum which would be equal to that of the neighboring United Nations member with the lowest standard of living. Industrial disarmament, which had been the central concept in the Morgenthau Plan, was to be accomplished by prohibiting the production or acquisition of war products and removing (through reparations) or destroying production facilities "especially adapted" to the production of components "specifically designed" for military use. While these provisions were not the maximum envisaged in the Morgenthau Plan, they were also not the minimum alternative which would have all industries which operated for a direct military purpose converted to non-military production, if they could be. Here, in order for an industry to become eligible for confiscation for reparations or for destruction, its military purpose did not need to be direct, nor did conversion of it to non-military production need to be impossible.

VI. THE FINAL REVISION OF JCS 1067

A. INTRODUCTION

Some of the forces which led to the revision of the occupation directive in mid-1947 had already begun to be felt by the time of its first issuance two years earlier in May 1945. The painstaking negotiations which produced JCS 1067 had been necessary because President Roosevelt was never willing to settle definitely the inter-departmental dispute which had begun in August 1944, and was still going on at the time of his death in April 1945. The occupation directive which was issued in early May 1945, just after the German surrender, had been approved by President Truman, who was, for other reasons, not in a position to act decisively. Actually, the dispute was inherent in the nature of the case and would have continued in some form, regardless of Presidential efforts at settlement. An agreement glued together like JCS 1067 with careful phraseology, by avoiding issues, or delegating their determination in the absence of agreement, was bound to come unstuck. It was also to be expected that much would be learned in the administration of occupation. To be sure, some experience had been gained already, first in the Mediterranean theater, and by May 1945, behind the lines in Germany. But the post-surrender period brought a new dimension in occupation policy, even as CCS 551 had given way to JCS 1067, the Interim Directive, and that to the occupation directive JCS 1067/8.

President Roosevelt's misgivings about premature decision on Germany proved prophetic, for, as we shall see, the experience of occupation had an enormous impact on opinions about policy for the occupation. Some of the assumptions on which JCS 1067/8 was based turned out to be inaccurate or incorrect. Some of its instructions appeared impractical or unwise to those who saw their application. The period covered between the issuance of JCS 1067/8 and its revision two years later was a period of important transition in American foreign policy; and this transition affected significantly the American conception of the relationship of Germany to the security of the United States. As America became more concerned about its deteriorating relations with its wartime ally, Soviet Russia, it came to view Germany, not in isolation, but as part of a larger pattern of strategic interests. In this new perspective, a stern peace for Germany could produce the social and economic conditions out of which Communism could grow, instead of serving just as a means of preventing Germany from becoming a military power "ever again."

The deteriorating relations of the Soviet Union with the three Western occupying powers in Germany also made invalid the assumption that Germany could be treated as a political and economic whole. The unexpected conditions which grew out of this false hope or anticipation were vital. The Control Council became virtually useless. The American zone of Germany was far from self-sufficient, and proved to be an economic burden on its occupier. Finally, the United States soon found itself in competition with the Soviet Union for the support of the German people—a popularity contest which it was not likely to win with the Morgenthau Plan, or any part of it.

We have noted the ambiguities of the occupation directive. In carrying it out considerable differences in interpreting and administering it developed. Personal conviction and administrative convenience were probably both significant causes of the divergencies in policy which occurred "in the field."

Indeed, while the final revision of JCS 1067 was significantly different from the occupation directive issued in May 1945, in view of the forces for change in policy the more pertinent

question is not why the directive was changed so extensively after two years but why it was allowed to stand unchanged so long. With these pressures for change in mind, there follows a brief account of the events which led to the third revision in an attempt to indicate why it did not occur sooner.

But first, we must consider the Potsdam Protocol, an early modification of JCS 1067/8.

B. THE POTSDAM PROTOCOL

1. The Setting for the Potsdam Conference

With the surrender of Germany on May 7, 1945, the primary mission of the joint military operations directed by SHAEF was accomplished. The next phase of military responsibility was zonal occupation, for which purpose British, French, and American commands had to be re-established along national lines. At the end of March, Lieutenant General Lucius D. Clay had been appointed Deputy Military Governor, SHAEF, but only after the President, evidently still wanting a "tough" civilian viewpoint on the Control Council, had first offered the post of Military Governor to Patterson and then to McCloy.[387] Upon his arrival in Europe in mid-April, Clay was also designated Deputy Commanding General, European Theater of Operations, U. S. Army (later changed to U. S. Forces, European Theater), and Commanding General, U. S. Group, Control Council, in anticipation of the dissolution of SHAEF. By May 4, American troops had been withdrawn into the U. S. zone. SHAEF was dissolved on July 14, and General Eisenhower assumed command of all American forces in Europe the following day.[388]

As the re-establishment of national military commands was consummated, preparations were being completed in a suburb of Berlin for another meeting of the "Big Three." On July 17 the leaders of the three major Allies met at Potsdam to consider, among other things, the future treatment of Germany.

These meetings revealed a wider breach between Russia and her Western Allies on reparations policy than had been evident at Yalta, and on the German policy in general substantial differences remained even on the surface until the very end of the conference.[389] The Potsdam Communiqué, issued on August 2 reflected in its general phraseology and counter-statements at once the unresolved differences between the wartime Allies and the policy divisions within the ranks of American officials from whose drafts it had largely been drawn. Those Americans who looked to it in the course of their work as a source of policy guidance supplementary to JCS 1067 tended to read it not for what it said, but for what it could be claimed to say.

The Potsdam Protocol[390] was the first full-scale agreed Allied instruction since CCS 551 designed to govern in some detail the occupation authorities in Germany; and the first and only tripartite document of the kind. The two sections of it dealing with occupation policy for Germany, one on the principles to govern the treatment of Germany by the Control Council and the other on German reparations, were treated quite differently at the conference. The first received negligible attention, while the second was discussed extensively. This difference was not without significance. Reparations policy had implications which were both concrete and far-ranging, while the principles for the treatment of Germany, particularly in the form in which they were discussed, were not likely to settle the major controversies with which they dealt; and there was no assurance that the Control Council would have carried them out had they done so.

2. The American Proposals for Germany

In the first plenary session of the conference on July 17, President Truman handed to Stalin and Churchill, as his second proposal for the conference agenda, a proposed agreement on principles to govern the Control Council in the treatment of Germany during the initial control period. As Truman has summarized it:

> Complete disarmament of Germany and the elimination or control of all German industry that could be used for military production.
>
> The German people should be made to feel that they had suffered a total military defeat and that they could not escape responsibility for what they had brought upon themselves.
>
> The National Socialist party and all Nazi institutions should be destroyed, and all Nazi officials removed.
>
> Preparations should be made for the eventual reconstruction of German political life on a demo-

cratic basis and for eventual peaceful cooperation in international life by Germany.

Nazi laws of the Hitler regime which established discriminations on grounds of race, creed, or political opinion should be abolished.

War criminals and those who had participated in planning or carrying on Nazi enterprises involving or resulting in atrocities or war crimes should be arrested and brought to judgment.

Economic controls should be imposed only insofar as they were necessary to the accomplishment of these ends. Germany . . . should be treated as a single economic unit.[391]

This document became the key draft for both political and economic agreements reached at Potsdam. It was drawn up as a statement of policy towards Germany in preparation for the conference. A version of it was included in the Potsdam briefing book compiled by the State Department and examined by President Truman on the transatlantic voyage. Evidently during the trip the decision was made to submit the document as an agenda item at the conference, for it was transformed by State Department experts on Germany on the eve of the first meeting of the Big Three from a statement of U. S. policy to a proposed tripartite agreement.[392]

The proposal was largely a condensation of JCS 1067/8, the occupation directive issued in May. Two definite changes had been made during its transformation. State, it will be remembered, had not wanted to consider as a serious contingency the possibility that three-power cooperation would not continue after the war, insisting that the maintenance of the wartime alliance was absolutely necessary for post-war plans. Only at the insistence of War Department officials was the occupation directive written to provide that in the absence of agreement by the Control Council, the U. S. zone commander was authorized to make his own policies. The new proposal broadened the freedom of action of each occupying power in its own zone by adding that in "matters exclusively affecting" its own zone, it would "exercise supreme authority."[393]

The second change was to eliminate the principle of a political vacuum that had such venerable origins in War Department civil affairs doctrine. The proposed agreement stated that "non-Nazi political parties with rights of assembly and of public discussion shall be allowed and encouraged throughout Germany," and provided for local elections "as rapidly as results of local self-government seem to warrant."[394]

Each of these changes reflected a corresponding shift in position by a Department. The first, which amounted to further hedging against the possibility of failure of tripartite (actually, quadripartite) rule in Germany, was acceptable in the State Department because events of recent months, such as the impasse reached in the Allied Commission on Reparations in Moscow, coupled with reports of Soviet plundering in Eastern Europe, plus continuing difficulties with the French in the European Advisory Commission and elsewhere in connection with the occupation of Germany, had made the prospects of deadlock in the Control Council seem very real. The second change corresponded to an alteration of the War Department's attitude about political activity under the occupation. By the end of 1945, Clay had become unhappy with the ban in JCS 1067 on political activity, evidently because it deprived the Germans of any incentive for taking responsibility for their own affairs (which civil affairs planning assumed they would do), and because it tended to discourage the development of democratic movements and to encourage radicals of both the left and right. Robert Murphy, the foreign service officer who was Clay's political adviser, notified the State Department of Clay's new attitude at the end of June, and suggested that policy on political activity could now change. As a result, State was free to incorporate provisions for political activity in the position papers for the forthcoming meeting of the Big Three.[395]

Both of these changes were in political matters. The economic sections of the President's proposed agreement contained no such clearly identifiable departures from JCS 1067. They did state plainly what was more implicit in the American occupation directive, that Germany should be treated as a single economic unit; and the abbreviation of the economic provisions of the directive tended to include more detailed affirmative than negative provisions, although there was no indication that any major alteration in the economic policy provisions of that directive, or for that matter, any clarification of them, was intended.[396]

The key to economic policy, it was clear by this time, was reparations. An annex to the

proposed agreement set forth the American position on the principles to govern a reparations agreement. The State Department had been at its best in defining the reparations issue. As early as the spring of 1944, and possibly earlier, it had identified what remained throughout ensuing disputes the two major elements of the American position on reparations: first, that the United States had no direct interest in reparations; and second, that the amount of reparations should be what was left over after the requirements for maintaining the German living standard at an agreed level were met, including exports to pay for essential imports. At Yalta, the latter principle had been jeopardized—some say it was compromised—by Roosevelt's agreement to the Soviet proposal that a total figure of $20 billion (half of which would be for the USSR) be agreed to as the basis for "discussion" in the Reparations Commission. Notwithstanding Soviet insistence that the figure had been accepted without qualification, *the American position in the commission remained that no figure could be set until German needs had first been met.* Consequently, the annex reiterated this principle, the passage of time and the Moscow reparations deliberations having only sharpened its meaning, and the American commitment to it.[397]

3. *The Changing Influence of State and Treasury*

The inter-departmental dispute over German policy had run on, to say the least, long and actively by the time of the Potsdam Conference. The War, State, and Treasury Departments had been the major protagonists in Washington, with their ranks joined by the Foreign Economic Administration in the spring of 1945 as it completed its studies on the economic disarmament of Germany. By mid-July, when the conference began, some major changes had occurred in the respective positions of these agencies. The State Department's star had risen, and the Treasury's was in descent. The change had begun when the mantle of the Presidency had unexpectedly fallen on Harry S. Truman on April 12, 1945. Simultaneously, the Secretary of the Treasury's special and intimate relationship with the President was eliminated and the White House began to depend more upon conventional State Department channels for the formulation of foreign policy. The shift in position was gradual. The Treasury officials had established their competence in promoting their viewpoint; and the possibility that they would continue their special relationship with the White House could not be immediately dismissed, particularly because of the initial modest deference of the new President to the views, policies, and choice of subordinates of his predecessor. That the State Department could not be sure of its ascendant position as late as three days before the Potsdam Conference opened can be seen in an exchange of correspondence involving two Assistant Secretaries of State, Archibald MacLeish and Willard Thorp. MacLeish, perhaps overestimating the significance of Clay's interest in modifying the restrictions in JCS 1067 on political activity under the occupation, argued in a memorandum that "common agreement as to the American purpose in the occupation of Germany does not exist," that the only valid objective could be to change the German character through education, and that a treaty should therefore be reached immediately with the other occupying powers on the content of the democratic principles to be used in the reshaping of the German character. Thorp's response was first to disagree with the substance of MacLeish's argument. There was not just one objective of policy, he asserted, but several which needed compromising to be made compatible with each other. He listed six, including reform, industrial demilitarization, prevention of starvation and disease, the satisfaction of reparations and restitution claims, acceptance by the American public and its officials, and the development of friendly relations with the Soviet Union. He pointed out that Clayton, the Under Secretary, as chairman of the Informal Policy Committee on Germany, was "instrumental in developing the compromises which are apparent in its directives. I am sure he endeavored to achieve as much clarification as possible." Thorp concluded that it would be unwise to reopen "the whole issue of the objective[s] of the occupation" at that time. While he obviously had his reasons for disagreeing with MacLeish's viewpoint, and he may not have wanted to reopen the major substantive questions of policy because of some underlying disagreement within the State Department staff which had emerged in recent months, it is significant to note that

the question of a real alteration of the government's position on German policy came up only after the American delegation had left for the Potsdam Conference.[398]

Whether or not MacLeish's attempt to reopen major policy questions was actually connected with it or not, the State Department's position in the formulation of American occupation policy toward Germany had taken a sharp upturn relative to the Treasury Department shortly before the Potsdam Conference as the result of two events. Two weeks before the conference the appointment of James F. Byrnes as Secretary of State to replace Stettinius indicated the President's interest in providing the Department with energetic leadership. At the same time, Morgenthau resigned as Secretary of the Treasury because of his exclusion from the Potsdam Conference delegation.[399] Because the new President and his newer Secretary of State would be so dependent upon the work of the State Department staff, one would expect that Byrnes would have been in a position to obtain some major changes in the American position vis-à-vis Germany. To understand why this was not the case at Potsdam, it will be necessary to note the respective positions of War and Treasury, the other two major protagonists of occupation policy for Germany within the American government in Washington.

Before Potsdam, there were indications that the War Department's position in policy-making for Germany had improved. As much as McCloy had labored over the months that had passed to see that the Treasury position was not wholly excluded from inter-departmental deliberations over German policy, Stimson and he were relieved to learn that Morgenthau would not represent the Treasury at Potsdam. Twice before Potsdam Stimson expressed to the new President with considerable candor his version of the struggle over the Morgenthau Plan, including his view that Roosevelt had completely repudiated it. The second time had been in person, during final preparations for the President's departure for Germany. He came away thinking that Truman agreed with his position on Germany, an impression that could not have been entirely wrong, since Truman had just asked him to be on hand at the impending conference.[400] Thus while the War Department's role was becoming more significant, Treasury's was declining. These changes naturally affected the position of the State Department in relation to policy on Germany both at Potsdam and thereafter.

4. The Position of the Military in Policy-Making

As the Potsdam Conference opened, the military presented three faces. First, the War Department was preoccupied with its responsibilities for civil affairs in the American zone of Germany. Second, Stimson was prepared to exercise his responsibilities as a Cabinet member and return to an active role as adviser to the new President. And third, unofficial views were now forthcoming on German policies from a staff committee under the Joint Chiefs. The first two faces, though not conflicting, were in sharp contrast. At the conference, and before it, Stimson restated to Truman his position of the previous September that the fate of Germany was inseparably bound up with the fate of Europe. His was a long-term view.[401] Unlike Stimson, the civil affairs people were concerned with more pressing matters: getting necessary production started in Germany, meeting emergency relief requirements, allowing Clay the freedom of action he needed to meet the many unforeseen circumstances which arose. Since the death of Roosevelt this aspect of the War Department's position had already come into conflict with the State Department on at least two important matters arising out of the economic chaos of Europe that spring.

Liberated Western Europe, intent upon reestablishing its transportation network, and desperate for rolling stock, pressed for immediate restitution of railroad equipment. The State Department took up their cause, but the War Department declined to act without more explicit formal instructions.[402] In a similar vein, it refused to spend War Department appropriations to finance the imports needed to get German coal production underway so that it could be used throughout Western Europe. In this instance, the reason given was that War Department funds had not been appropriated to be spent for supplies directly or indirectly intended for "foreign occupied zones, the benefits of which would accrue to civilians of liberated areas."[403]

Both of these cases could be seen as conflicts between the policy-making and the administer-

ing agent. At the time that State had suggested to the War Department that Eisenhower "be instructed to interpret liberally his . . . directive" on interim reparations, hearings on Capitol Hill were for the first time since the November 1944 elections interjecting the treatment of Germany into public discussion. Not responsible for policy-making, and committed to keeping the Army out of politics, War Department officials had no incentive to commit the Army to a position which was likely to prove controversial. Similarly, the State Department could readily justify the use of Army funds for initiating the extraction of German coal as the carrying out of JCS 1067, for which Eisenhower was responsible. But the War Department had to contend with the military appropriations subcommittees in Congress for its moneys, and there the State Department's arguments were not likely to be heard. Eisenhower, it was pointed out in reminder, might have responsibilities as American representative on the Control Council for dealing with the economic problems of Germany as a whole, or of Europe, but Army appropriations for civil relief were justified before Congress for Army purposes only.[404] It would be vain to argue that this was a device to veto a policy disliked in the War Department. McCloy, indeed, had been attempting to promote German coal production for some time, and was instrumental in obtaining the President's authorization for the use of Army funds to do so.[405] The challenge for proper authorization had been thrown down in early July by Stimson in response to pressures from the State Department on the interim reparations problem:

> If the State Department will transmit to the War Department a definite policy to be followed in the administration of Germany with respect to reparations pending action by the Reparations Commission, the War Department will gladly endeavor to carry out such a policy.[406]

Besides the two faces of the War Department —Stimson's calm advice to the new President, and the stubborn efforts from within the Department to minimize the policy-making role of the Army—the Joint Chiefs of Staff provided another military face. The Joint Strategic Survey Committee, responding to a general invitation from Admiral Leahy for material useful to the President in preparing himself for the Potsdam Conference, and making plain that it was speaking for itself, not for the Joint Chiefs, had opposed the dismemberment of Germany and the internationalization of the Ruhr and the Saar for political reasons directed against the Soviet Union.[407] This was the range, then, of the military position on Germany during the Potsdam Conference.

5. *FEA Joins the Hard-Peace Faction*

The fourth major agency involved in German occupation policy in Washington, the conglomerate Foreign Economic Administration, had intentionally kept out of the three-sided squabbles carried on in producing an interim and then an occupation directive for Germany. Three days after Roosevelt's death, while IPCOG was fighting its final battles over the occupation directive, FEA sent a memorandum to Stettinius, who was still Secretary of State, setting forth a "Preliminary U. S. Program for German Economic Industrial Disarmament." Drawing from the massive documentation which it was collecting on the German economy, FEA offered in this paper a preliminary and partial program as a specific interpretation of the agreement at Yalta to "eliminate or control all German industries that could be used for military production. . . ." Though sketchy, the FEA program indicated the direction in which its studies were carrying it. What it proposed was a program of severe economic treatment for Germany, including decentralization, deindustrialization, and close supervision. This memorandum was the first comprehensive statement of the position on the treatment of Germany that FEA made on the basis of its studies[408]—which had been undertaken to provide a factual basis for the determination of an occupation policy for Germany.

FEA's newly articulate position, and the corresponding one of the Treasury people in Army civil affairs assignments in Europe, were being given sympathetic hearings and publicity in the Senate Military Affairs Committee hearings during June 1945, while the State Department was gathering and drafting its documents for the Potsdam Conference.

Thus the Potsdam Conference was poorly timed for those who were interested in raising again the fundamental issues compromised in the drafting of JCS 1067. The War Department was preoccupied with its operating problems in Germany. Clay was willing to interpret his

instructions broadly when administrative necessity required it, but not for any other reasons. The supporters of a hard peace for Germany had the ground swell of opinion seemingly with them, and FEA was now heavily committed in their front ranks; but their most effective champion, Morgenthau, was out of power. The German experts in the State Department, on the other hand, were in no position to act decisively. In their quarter, at least, the Department had been drifting without decisive leadership. First Stettinius' energies and attention were in the San Francisco Conference during June; he was then to be replaced. Under these circumstances, the State Department officials interested in doing so were incapable of moving rapidly enough even to begin the exploitation for the Potsdam Conference of the opportunity presented by Morgenthau's resignation. As we have seen, their attempts to egg the War Department into informal modifications of occupation policy without assistance from the Secretary of State were challenged by Stimson. Thus the State Department could do little more in the policy papers on the treatment of Germany which it prepared for the Potsdam Conference than restate the compromises reached in the occupation directive.

6. *The Conference Deliberations over the Treatment of Germany*

When one of these policy papers, the American proposal of an agreement on principles to govern the Control Council in the treatment of Germany, introduced by Truman at the first plenary meeting of the Potsdam Conference, was referred without discussion to the foreign ministers for their consideration, they, in turn, referred the economic questions to a subcommittee. The chief United States spokesman on the committee was the Assistant Secretary of State for Economic Affairs, William L. Clayton, who had been the chairman (at least in name) of the Informal Policy Committee on Germany which drafted JCS 1067/8 and the reparations policy of the government. Political principles were easily settled. At the third plenary session of the conference the foreign ministers presented a document which modified only slightly Truman's proposal of two days earlier and the three governments approved it.[409] But the economic principles were soon deadlocked over issues involved in the reparations problem and Soviet interests in the Ruhr, though not until someone, probably Clayton, had gained acceptance of a significant change in his own document, the substitution of "average" for "lowest" standard of living of Germany's neighbors as the measurement for the German living standard. On the fourth day of the conference, the differences over reparations were made so clear in the economic subcommittee (the Russians wanting reparations to have prior claim on the German economy over everything else, including the needs of the occupying armies and the subsistence needs of the German people) that, at Clayton's suggestion, it referred the subject back to the foreign ministers. On the same day, a Soviet proposal for internationalization of the Ruhr and the Rhineland under four-power control was parried by the British and American representatives as a political question as well as an economic one. Ultimately, the disposition of the Ruhr was put off for the reason that France had not attended the conference.[410]

Reparations dominated the conference's entire deliberations over Germany. From the beginning, it was either the subject or the basis of dispute. On the second day, Stalin and Truman locked horns on what the boundary of Germany was as the basis for discussion, Stalin arguing that it was the 1937 boundary, minus what it had lost in the war; Truman insisting on the 1937 boundary without modification. Behind this dispute lay the question of whether German territory turned over to Poland by the Soviet Union was to count in the reparations discussions.[411]

On July 23, three days after the economic subcommittee had reached a deadlock on reparations, the foreign ministers made an effort to break it. Molotov proposed that imports and reparations be treated equally in the priority of their claim to German exports. If it was found that the German economy could not produce enough to provide the agreed-upon standard of living, to pay for necessary German imports, and to meet whatever reparations figure was finally set, then all three would be reduced proportionately as much as was necessary. Byrnes, in turn, proposed basing reparations extractions on the principle that each nation would be responsible for making the extractions from its own zone, and would have first claim to the yield. Since American esti-

mates were that half of the German wealth was in the Soviet zone, and the USSR had asked for half of the total reparations figure which it wanted to have set, the questions of priority and German living standard could be sidestepped by simply allowing the Russians to liquidate their reparations claims in their own zone. Molotov's proposal was unacceptable to Byrnes, who insisted that the living standard and necessary imports had to be satisfied ahead of reparations. Molotov could not accept Byrnes's proposal in its entirety because the Soviet estimate of the proportion of German wealth in its own zone was considerably lower than one half, and because the USSR insisted on a fixed quantity of reparations from the Ruhr. The Byrnes proposal eventually formed the basis for the final agreement as it was set forth in the Potsdam Protocol. But for the moment, disagreements too fundamental to be settled by the foreign ministers remained. All major issues were referred to the three heads of government,[412] who, two days later, postponed discussion of the problem.[413]

The foreign ministers tried twice more in their regular meetings to break through their reparations differences, and the economic subcommittee continued its efforts, but to no avail.[414] In the closing sessions of the conference Byrnes tied together three questions which had not been settled: reparations, the western frontier of Poland, and entry into the United Nations. They were agreed upon in that order. The statement of economic principles, a deadlocked issue throughout most of the conference, was then approved as a matter of course, its disputed points having been resolved by the agreement on reparations.[415]

German Policy in the Protocol

The reparations agreement reached at Potsdam provided that Soviet reparations claims would be met by removals from the Soviet zone of Germany, plus 10 per cent of German capital equipment intended for reparations in the Western zone. Fifteen per cent more of that capital equipment was also to go to the Soviet Union in exchange for products from the Soviet zone.[416] Since what was available for reparations was contingent upon the achievement of certain basic conditions in the German economy—a minimum standard of living and exports to pay for necessary imports, all of which involved judgments by the zone commander or his government—Clay was thus given wide discretion in the American zone. That discretion was enhanced by a new statement of the relationship of the zone commander's authority to that of the Control Council. JCS 1067 had provided that the zone commander was free to follow instructions from his own government in the absence of Control Council agreement on the subject. The Potsdam Declaration provided that there would be joint action on "matters affecting Germany as a whole"[417]—a considerably more restricted concept of Control Council authority than appeared in the occupation directive. Supplementing the meaning of this phrase was the provision that common policies would be established in regard to mining and industrial production, agriculture, wages, currency and banking, and several other matters (including reparations). Again, however, deference was shown the discretionary powers of the zone commanders by the additional provision that in applying common policies "account shall be taken, where appropriate, of varying local conditions."[418]

In addition to this bolstering of the authority of the zone commander over what he was granted in JCS 1067, three other differences from that document also contributed to a modest liberalizing of its provisions for the treatment of Germany. (1) Rather than prohibiting political activity except where the zone commander authorized it, as did JCS 1067, the Protocol stated that all "democratic" political parties "shall be allowed and encouraged."[419] (2) The maximum level of the living standard to be allowed Germans was to be the *average* living standard of her neighbors rather than the lowest living standard of her neighbors, as provided by JCS 1067.[420] (3) A new paragraph in the document provided:

> 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.[421]

Although only the first of these differences was definitely initiated by the State Department before the conference, evidently all can be attributed to State.

Thus, out of bargaining with the Russians

at the conference had come the enhancement of zonal commander authority and discretion, which had been a primary objective of War Department officials throughout the disputes in Washington; and out of its relative freedom of action at the conference, State had been able to achieve some of the more liberal policies for the treatment of Germany which it had so long advocated. But most important of all, the Potsdam Protocol left the treatment of Germany in fundamental ambiguity. As a report of the House Special Committee on Postwar Economic Policy and Planning observed three months after Potsdam, referring to the assumption made there that it would be possible to pay reparations from Germany and strip her industry of the future capacity to make war without lowering the standard of living below the danger point for the occupation forces:

> This general formula, . . . in the judgment of the committee, contains several self-contradictory directives to our occupying authorities.
>
> Large reparations from Germany and the stripping of its normal industries on the grounds that they may potentially be used for war are not compatible with maintaining a minimum standard of living for Germany and are certainly not compatible with a sound German contribution to general European recovery. The interpretation of the directive leaves a latitude which can be used to stress either the Draper-Hoover report of the experts called upon by General Clay to advise him as to the minimum standard of living for Germany, or it may stress the crippling of Germany demanded in certain quarters.[422]

The ambiguity of the Potsdam economic formula, like the enhancement of the authority of the zonal commanders, resulted from the accommodation of Big Three interests. In the former case it was a Soviet-American compromising of fundamentally different positions on the economic treatment of Germany, the United States wanting to assure a minimum residual economic capacity in the conquered country, the Soviet Union determined to extract a predetermined amount of reparations.

C. POLICY DISPUTES IN THE FIELD

The May 1945 revision of JCS 1067 and the Potsdam Declaration failed to clear up the fundamental ambiguities of earlier statements on American policy regarding the treatment of Germany, so the differences over policy continued unabated within the U. S. military government organization. During the planning phase for the occupation of Germany, with the information available for formulating policy necessarily limited, American officials had, to say the least, diverged sharply in their views regarding the treatment of Germany. As the occupation became an operating reality, the actual circumstances under which it was to be carried out were more evident, and captured documents and personnel made available a flood of information relevant to the problem of controlling German military power. The dissident groups, instead of finding grounds for agreement in the wealth of information available or in the pragmatic solution of problems, were only provided with a greater arsenal from which to draw their polemical weapons.

For some, unexpected circumstances seemed additional support for a moderate interpretation of the policy directives. It had not been anticipated while JCS 1067 was being drafted and revised that zones of occupation in Germany would become and remain separate economic units, with Russian and French intransigence (and Anglo-American red tape) preventing inter-zonal economic activity. This economic compartmentalization slowed the recovery of trade and industry in Western Germany and left the three Western zones with a food deficit since the major food-producing area of Germany was in the East. Equally unanticipated was the massive shift of population from eastern to western Germany in the wake of the Russian conquerors and as a result of Poland's acquisition of German territory. Eight million more Germans had to be supported by Western Germany than had been expected. It is true that the need of Germany's victims for her coal was recognized early in the occupation. The first revision of JCS 1067 (approved January 6, 1945) provided that production of coal and food was to be "affirmatively and aggressively promoted." The second revision, which became the occupation directive, reflected the sterner view again by including coal production as an economic activity which was to be encouraged to the minimum extent necessary. Before V-E Day, as stern an advocate of the industrial disarmament of Germany as FEA was pressing the War Department for assurance that German coal production would be maximized. Indeed, the exportation of German raw materials would

to the new patterns of European industry envisaged by the FEA program, which was to redistribute industrial power in Europe through the relocation of German plants in France, Belgium, Czechoslovakia, and other countries.[423] But the need for German manufactured products by her victims in the war was underestimated. Holland and Belgium were soon urging an increase in German production so that they could recover the valuable transit trade upon which their economies depended; Denmark wanted an outlet for her agricultural products and needed manufactured goods in return; and actually all the world was seeking manufactures from any source. By early 1946, the small Western European nations were advocating the diversion of more German coal to the production of soda ash and caustic soda in Germany. And officials representing several Allied countries who were concerned with transportation problems in Europe turned to Germany as the major possible immediate source of transport equipment.[424]

Eventually, it became evident that reparation through the removal of capital equipment was of only limited value to the recipient nation, a fact which worked to the double disadvantage of Morgenthau Plan proponents, for it left them with only the punitive and vengeful arguments to make, while at the same time it lent support to the policy of reparations from current production as the only workable method of obtaining reparation.

Denazification, too, provided surprises. Many of those who accepted during the planning phase the denazification provisions of JCS 1067 were not fully aware of the pressures generated by a totalitarian system like the Nazi regime to force compliance, cooperation, and active support from the citizen. Nor, indeed, did they fully anticipate the personnel problem which would be created for the occupation by the enforcement of a strict and broad denazification program.[425]

In other areas the pressure of responsibilities was inclined to work in favor of a mild application of JCS 1067; and its finely drawn provisions and numerous qualifications made strict adherence to the directive, regardless of viewpoint, difficult, if not impossible. The tendency of some who were responsible for civil affairs was to avoid or postpone the application of the punitive or disruptive provisions of JCS 1067 and the Potsdam Declaration, or to interpret them generously, either because they made the more immediate objectives of military government more difficult to achieve, or simply because they did not seem to be as pressing as the re-establishment of essential civilian services.

Thus, for some of those in military government, experience led to moderation. For others, however, new information and experience only served to confirm or convince them in a belief that the wisest course would be a radical decentralization of Germany's industrial system, an extensive reduction of her economic power, and a complete overturning of her leadership groups in public and private life. Many of these people observed with alarm the flight of German assets to neutral countries where they might be safe from the reparation schemes of the United Nations. They were incensed with the evidence uncovered of business collaboration with the Nazi regime, and of the international affiliations of German industry.[426] For them, the occupation brought new evidence that Germany could be made safe only by an extensive purge of her business leaders, as well as of her public officialdom. Though they hardly represented all who held this view, the Treasury "representatives" in the Army, because they remained close-knit, though definitely in the minority, were still its major proponents. Another identifiable group with a "severe peace" orientation somewhat different from the Treasury group's, for instance, had been recruited for economic warfare activities and for the Nuremberg trials from the Department of Justice.

Throughout most of 1945 the major spokesman of the Treasury viewpoint in the Army continued to be Colonel Bernard Bernstein, who served first as Chief of the Finance Division of G-5, SHAEF; then as Director of the Finance Division of the U. S. Group, Control Council; and finally as Director, Division of Investigation of Cartels and External Assets, OMGUS—Office of Military Government, United States.

The cohesiveness and prominence of the Treasury group in the Army, as we have seen, was based on their claim to special status as representatives of the Treasury Department, which entitled them to direct contact with the Treasury without clearance through Army channels. So long as Morgenthau was in Roose-

velt's Cabinet, the Army could argue with its financial experts about the propriety of their Treasury relationship, but it could not stop those contacts. Following Roosevelt's death, however, this link with Treasury was inevitably weakened. It was fortuitously but momentarily bolstered in late May 1945, when Senator Harley M. Kilgore, the Chairman of the Senate Military Affairs Committee, gave Bernstein, who was on his way back to Washington, a letter of introduction to Truman. But Morgenthau resigned in July, shortly before Potsdam, and his successor, Fred M. Vinson, who at the time, was still widely considered as a potential candidate for the Presidency in 1948, was anxious to remove the department for which he was responsible from any unnecessary connection with the politically explosive American occupation of Germany. Throughout the summer of 1945 Bernstein constantly protested the general drift of policy application in an effort to force a more severe enforcement of occupation policies. Sometimes he met with considerable success. But in the end, without the support of the Secretary of the Treasury, he returned to Washington to protest, to fight for his views, and to resign. While other reasons were involved in his resignation, it ended the organized advocacy of the Morgenthau view in the occupation of Germany.

D. THE REVISION ATTEMPT OF OCTOBER 1945

1. Clay Promotes a New Draft

Clay had left Washington in April 1945 to take up his duties as the American military governor in Germany firmly committed to a vigorous enforcement of a "hard peace" along the lines of JCS 1067, then undergoing revision.[427] Its punitive aspects did not disturb him; but in Germany he soon came to the conclusion that its severe restriction on his authority to control the German economy was an error. When he saw the April 26 draft of the third version, which somewhat reinforced the earlier limitations on military government authority, he dispatched his political adviser to Washington to see to it that the final draft allowed more discretion.[428] The Potsdam Protocol increased his responsibilities for the German economy and, by implication, his discretionary powers.

By the fall of 1945, continuing difficulties in the Control Council had made it evident that only on limited subjects would Control Council policies supersede American policy for its zone of occupation. Consequently, JCS 1067 was becoming, by default, more of a long-term than an interim directive.

When he was in Washington in late October and early November 1945, Clay sought a revision of JCS 1067 so that it would reflect those clauses of the Potsdam Declaration which would give OMGUS broader authority to control Germany. Under Riddleberger's direction, the State-War-Navy Coordinating Committee began revision. Initially hopeful of the outcome, Clay found no difference of opinion "among the several departments in Washington charged with its preparation."[429] And Riddleberger was confident that the revised draft would be completed in a few weeks.[430]

The dispute over the role of the Treasury in the operation of military government and the substantive issues over which Bernstein had argued with State prior to his resignation had apparently shattered the inter-departmental agreement upon which was to be based the new revision of JCS 1067, for by this time strong differences had developed in State over occupation policy for Germany, caused by divergent views as to how to cope with the Soviet Union and over many of the concrete details of occupation policy, such as the level of steel production to be allowed in Germany. Moreover, Senator Kilgore, Chairman of the Senate Military Affairs Committee, had been creating an atmosphere in Congress throughout the summer and fall of 1945 which was not conducive to a formal revision of that document by holding hearings at which he and his colleagues were able to provide a forum for "tough-peace" spokesmen and to express their own concern over the apparently lenient policy evolving in practice in the occupation of Germany.[431] Senator Kilgore made public FEA reports and accompanying testimony on them which took a strongly negative line on the economic treatment of Germany and also his own criticism of U. S. officials in Germany for their failure to follow a tough policy.[432] The following day Henry Morgenthau published his book on the Morgenthau Plan. Although as now presented,

the plan was considerably milder than it had been in September 1944, it still contained the main features of the earlier Treasury position. Yet it was received with much less criticism than the earlier version.

The flurry of interest in the American occupation of Germany caused by these incidents in early October 1945 was increased by the publication of excerpts from a report on the economic situation in Germany for the U. S. Group, Control Council, by Calvin B. Hoover, at the time an economist in its Economic Intelligence Branch.[433] The Hoover report was followed a month later by the Colmer Committee report on Economic Reconstruction in Europe. This argued for a more affirmative economic policy for Germany, stressed the economic burden which Germany would be on the United States, and on European recovery, as long as the economic reconstruction of Germany were avoided, and recommended the revision of existing occupation directives where necessary.[434] The Hoover report was taken by many, including Morgenthau, as an indication that military government authorities were overemphasizing the need for reconstructing the German economy. In a lengthy interview Morgenthau presented his case to the new Secretary of War, Robert P. Patterson. The several inquiries and comments precipitated by the Hoover report led to a request from Patterson for an analysis in his department of the major economic problems confronting military authorities in Germany which could be used as the basis of discussion with the Secretary of State and the Secretary of the Navy.

Patterson's request became the occasion for abandoning the attempt at revising JCS 1067 in favor of the issuance of a statement on economic policy by the State Department. Such a statement would have the advantage of not requiring inter-departmental clearance, with all its hazards, and it would not be directly compared with the third version of JCS 1067 just published (on October 17), and used to support the charges that military government was not being severe enough. As McCloy, writing to Clay for the last time as Assistant Secretary of War, put it:

> Although it is clear that in many respects JCS 1067 was modified and superseded by the [Potsdam] Protocol, I do not think the problem merely is one of making corresponding amendments in JCS 1067. In addition to the [Potsdam] Protocol there has, of course, been an almost continuous interchange of cables dealing with specific policy questions and these, too, have in effect modified or elaborated the basic Directive. The task of tying together in one streamlined Directive all the relevant policies embodied in JCS 1067, the [Potsdam] Protocol and instructions transmitted by cables to my mind really poses a very complex problem of codification, editing and renegotiation. With recollections of the difficulties we encountered in getting Governmental agreement on JCS 1067, none of us has any illusions about the magnitude of the job of agreement [on] a new comprehensive Directive. Efforts along this line might well prove to be a field day for those who have ardently criticized existing policies from divergent and extreme points of view.[435]

Furthermore, the State Department was now the appropriate agency to clarify economic policy for Germany. IPCOG was dissolved at the end of August 1945, when Truman approved a memorandum which provided that the State Department, by reason of its responsibility to the President for carrying out the foreign policy of the United States, deal primarily with the policy aspects of questions arising in the treatment of areas under military government; and that the War Department, by reason of its military responsibility for control of such areas, deal primarily with the executive and administrative aspects of such questions.[436]

2. *The State Department's Policy Statement*

The analysis requested by Patterson was referred to SWNCC with the recommendation that the State Department be requested to clarify the U. S. position on a series of points of interpretation and application derived from the Potsdam Protocol and JCS 1067. They were:

> a. The level of the balanced "peace economy" in Germany which the United States envisages as the measure of the industrial plant to be left to Germany after implementation of the reparations and industrial disarmament program.
>
> b. The criteria by which the level of such German "peace economy" is to be determined.
>
> c. Whether or not the desired level of the German "peace economy" is to be measured by the average of the standards of living of European countries, excluding the UK and USSR, and, if so, the time period for which, and the criteria by which . . . such average [is] to be determined.

d. Whether or not it continues to be the policy of the United States that the affirmative action of military government authorities in the operation of the German economy be limited to the repair of transport, the emergency repair of housing and essential utilities, the maximization of coal and agricultural production, and the imposition of economic controls.

e. The extent to which it is desirable for military government to take affirmative steps to rehabilitate the German economy, with particular reference to: (1) the relation of the German economy to that of Europe as a whole; (2) the ceiling above which military government should not assist German economy; (3) the particular types of assistance which it is desired the military government should render the German economy; and (4) the extent to which the United States will assume responsibility for the provision of imports to support the German economy.

f. Whether or not, in determining a desired level of the German "peace economy," provision must be made for sufficient resources to enable Germany to provide foreign exchange to pay for occupation costs.[437]

It was also recommended to SWNCC that the State Department's clarification of these policy matters be published.

The State Department's answer, a 4,000-word "Statement on American Economic Policy Toward Germany," was published on December 12, 1945. The War Department had raised two general questions by its request: (1) What should the level of the German peacetime economy be, and how should it be measured? And (2) what and how much should military government do to maintain or rehabilitate the German economy? A maximum standard of living had been set at Potsdam and mentioned in the War Department's third point. What needed clarifying was whether it was to be the sole measure of the level of the economy, and how precisely was it to be determined. The statement was fairly precise about measurement, but it made three points about how the measurement was to be used which were in conflict: (1) The depression of the productive capacity of the economy to the living standard ceiling would not be necessary except to meet Germany's reparation payments. (2) At the end of the two-year reparations period, the German industrial capacity ought to be capable of producing enough to meet the standard-of-living ceiling. And (3), given the reparations program, and the problems of industrial organization, the German economy would not be able to reach the standard-of-living ceiling "for some time" after the end of the reparations period.

What could these propositions mean, taken together? Was the maximum living standard provided for at Potsdam to be a guaranteed minimum instead? The statement implied that it might. Was it intended that the ceiling be enforced if, after reparations had been completed, the German economy could produce a higher living standard for its people than the ceiling? A careful analysis of the statement could only show that it was not. The statement was so preoccupied with the immediate problems of economic breakdown, and so gloomy about the future, that it was careless (or clever) in dealing with what seemed to be the extreme upper limits of possibility. The net effect of the State Department's policy statement was, if not to repeal, at least to render irrelevant the standard-of-living ceiling as a measure by which to set the level of the German economy.

The second general question raised by the War Department, how much the German economy should be maintained or reconstructed by military government, was dealt with in the same manner. Reconstruction was not to be limited to any specified list of economic sectors: nothing important in a peacetime economy was barred from aid. And no ceiling was set above which military government authorities should not assist the German economy.

The edifice of military government economic policy for Germany was thus reduced to industrial disarmament through destruction and reparation. Necessarily, this would be somewhat flexible, but certainly not severe. The statement indicated that German reparations obligations would be observed strictly, but that it was not intended to destroy industry "which can readily be used for permitted peacetime industrial activities."[438]

Finally, the State Department's policy statement delayed the applicability of these policy standards until 1948 when the two-year reparations period would come to an end. Until then, the prevention of "disease and unrest," an even more flexible standard, would be the basis for economic policy, including a German standard of living. As for the long term, the State Department position was familiar: Germany was to be reconstructed along democratic lines and treated without vengeance. To emphasize its

position the State Department was now able to draw upon a residue from the Treasury Department's contribution to German economic policy. In order to minimize the possibility that the occupying forces would reconstruct the German economy, the Treasury, throughout its year of substantial influence on that policy, had chiseled away at the authority of the occupying forces to control the German economy. The State Department now used these limitations to its own advantage:

> In planning the peacetime German economy, the interests of the United States are confined to the industrial disarmament of Germany and to the provision of a balanced economic position at the standard of living indicated. The United States does not seek to eliminate or weaken German industries of a peaceful character, in which Germany has produced effectively for world markets.[439]

E. THE FINAL REVISION

1. The 1946 Attempt

Clay made no effort to get JCS 1067 revised again until July 1946. On July 10, in the Council of Foreign Ministers, Molotov made an open appeal for German favor in a statement of Soviet policy on the future of Germany by attacking the sterner aspects of occupation policy, and referring by implication to the Morgenthau Plan.[440] The following day Secretary of State Byrnes announced that the United States was ready to fuse the U. S. zone of Germany economically with others as a step toward German economic unity. A week later, Clay suggested to the Civil Affairs Division in Washington the need for a summary statement of U. S. policy for Germany as a counter-propaganda weapon. While Germany was discussing the Molotov statement, he pointed out, our military government officials had no summarized, up-to-date statement of policy or objectives which could be used in discussions with the German people. He enclosed with his message a draft of a summary of United States policy and objectives in Germany. A general statement of objectives listed the destruction of war potential, re-education to a liberal philosophy of life and government, the establishment of democratic procedures, and acceptance on terms of equality into the United Nations. It supported German unity with respect to economic and financial policy and the provision of essential services, and in its political structure. The Rhineland and the Ruhr would remain a part of Germany, since they were essential to the German economy. There was to be no limit in peaceful light industrial expansion or any permanent limit to industrial growth.[441]

Clay's message remained unanswered for over a month. Byrnes wanted to hold off any public pronouncement on Germany until the Council of Foreign Ministers took up the problem. He changed his mind, however, and, with Clay's encouragement, made a major speech on Germany (arranged for by Clay) at Stuttgart on September 6. In it he indicated that, in the absence of Soviet cooperation, American policy would be to strive for what German unity could be achieved in the West, and in the absence of a peace settlement, for the re-establishment of German responsibility for German affairs. Moreover, since U. S. economic policy for Germany, including the Level of Industry plan, had been erroneous in its expectation of German unity, it would have to be liberalized.[442]

Following the Stuttgart speech, CAD finally answered Clay's proposal. It informed him that SWNCC was considering the revision of JCS 1067 with the object of combining in one document the changes made by Potsdam, subsequent amendments, Byrnes's Stuttgart speech, and current proposals. Clay's views, it indicated, would be appreciated.[443] He responded immediately, suggesting that the Stuttgart speech be taken as the basis for a positive statement which should be short and concise and general enough so that it would not have to be changed soon or often. Implementing directives, he proposed, could then fill in details. They could be changed, but basic policy would stand. Clay's message was dated September 16.[444]

The following day SWNCC referred JCS 1067, together with Clay's two messages to CAD, to its European subcommittee for revision in the light of the later documents.[445] Nothing happened there for seven months.

The wide divergencies of view in the State Department, for the most part between the "desk officers" and the economists, over how to adapt to the diplomatic tactics and rising threat of the Soviet Union may have prevented action, as they apparently had a year earlier in

the fall of 1945. But there were also the same external reasons for inaction. Throughout the summer and fall of 1946 Congressional hearings had tended to emphasize how much military government had departed from the "spirit" of Potsdam, and at the time of this referral to the SWNCC subcommittee rumors were rife of a possible Senate investigation of military government. After the November elections, with the first Congress organized by the Republicans in sixteen years imminent, the victorious party talked enthusiastically of investigations of Democratic misrule. The issuance of a revision of JCS 1067 might well have drawn the fire of Congress to occupation policies, although, at the end of December 1946, the Colmer Committee issued another report in which it again recommended a more affirmative policy for Germany.

2. *The Change of Climate*

By the following April, however, the situation had changed radically. When the Senate War Investigating Committee fell into Republican hands in January 1947, Administration pressure had helped forestall it from investigating military government.[446] And, determined to cut what it regarded as profligate Democratic spending, the new Congress was soon intent upon budget cutting. The State Department had asserted, in trying to fend off the proposed investigation of military government, that it would interfere with efforts being made at that time to consolidate three of the occupation zones of Germany into an economic unit.[447] The reduction which this would make possible in U. S. expenditures for its zone in Germany had already been made clear in connection with the merger of the British and American zones, then underway.[448] And the connection between economy in the budget and the German economy was underlined in the President's budget message,[449] in the reports of Herbert Hoover on his economic mission to Germany and Austria for the President,[450] and in General McNarney's report at the time of his retirement in March as Military Governor of the U. S. zone.[451] The obstacles in domestic politics to a more constructive policy directive for Germany were thus being cleared away in the spring of 1947.

At the same time, the Moscow Foreign Ministers' Conference of March 1947 helped to make perfectly clear the status of quadripartite cooperation in the administration of occupied Germany. The American officials attending the conference hoped to settle the vexing issues concerning the treatment of Germany. Some of these issues, such as reparations, had been postponed intentionally when they had been raised during the war; some of them, such as demilitarization and denazification, were thought to have been settled by earlier agreement; and others, such as the economic unity of Germany, were new problems based on unanticipated circumstances. None of them proved soluble at Moscow. When the conference ended in complete failure, demonstrating that the East-West split over Germany was likely to be permanent, the Western powers felt free to make more positive decisions.[452]

On their way back from the Moscow Conference, Clay, Murphy, and Riddleberger prepared a revision of the occupation directive. Clay had succeeded McNarney as Commander in Chief of the U. S. Forces and Military Governor of the U. S. zone on the eve of the Moscow Conference, and apparently he was determined to achieve now the revision he had so long advocated. Upon his return to Washington, Riddleberger pressed for a change in the directive. On April 11, 1947, Hilldring, who had become an Assistant Secretary of State in charge of occupation matters in 1946, moved to re-activate SWNCC deliberations. Undoubtedly, Riddleberger was the immediate moving force behind this exhumation.

Once the revision was resumed in April, it proceeded steadily, though not rapidly. On May 1, Clay issued a directive outlining the basic principles and concepts of the U. S. military government. It was his version of the revision Riddleberger had taken on to Washington. In both form and substance it satisfied his request of the previous July for a short, positively phrased document, which could be used for propaganda as well as policy guidance.[453]

SWNCC completed a draft of the revision by mid-May. Most of the changes involved no substantive amendments. The relations between the Control Council and the military government in the U. S. zone were given diminished attention, and the provisions for German self-government were made more general and more reassuring, leaving out specific

differences to the extent of decentralization and self-government. After clearing the new version with the Joint Chiefs of Staff and the Secretaries of State, War, and Treasury, and then laboriously re-examining it again for points of difference, at the July 10 meeting of SWNCC, with the Navy representative absent, the revision of the directive was finally approved.[454]

The following day, JCS dispatched the substance of the revision to General Clay as the Commander in Chief, European Command. In this, its final form, the directive was purged of the most important elements of the Morgenthau Plan.