

Statement by James F. Byrnes (12 December 1945)

Caption: On 12 December 1945, James F. Byrnes, US Secretary of State, outlines the various measures designed to assist the recovery of the German economy and raises the issue of German war reparations.

Source: The Department of State. Occupation of Germany, Policy and Progress 1945-46. 1 éd. European Series 23. Washington: U.S. Government Printing Office, August 1947. 241 p. (The Department of State-United States of America Publications 2783). p. 162-165.

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URL: http://www.cvce.eu/obj/statement_by_james_f_byrnes_12_december_1945-en-8b1bccfe-2369-4c07-bea6-6883a88fe6a5.html

Last updated: 03/07/2015

Statement by the Secretary of State, December 12, 1945

The Department of State has formulated a statement of its economic policy toward Germany for the guidance of the United States occupying authorities and has transmitted that statement to the War Department and to the governments of the other occupying powers. The fundamental policy was, of course, laid down at Potsdam. The purpose of this statement is to make clear the American conception of the meaning of the Potsdam Declaration as it bears on present and impending economic issues in Germany.

The position of Germany in the present world picture must be looked at broadly against the whole background of recent history. For six years Germany has ruthlessly imposed war and destruction on Europe and the world. The Nazis who ruled there for more than a decade are now defeated, discredited, and have been or are being rooted from positions of power. The final stages of war caused vast movements of Germans within their own country, and peace has permitted the return to their homes of millions of foreign laborers who had been enslaved in German mines and factories. The insistence of the Nazis on continuing the war to the bitter end caused enormous destruction to German cities, transport facilities, and other capital of the country. These are the basic reasons for the present position of Germany, a position for which the Germans themselves are primarily responsible. German industrial production will for some time be low and her people ill-fed even if there were no occupation and no reparations program.

The Potsdam Declaration involves three stages in the return of Germany to normal economic conditions. The first covers the German economy from the surrender of the armed forces last May to at least the end of the present winter. In this interval our broad purposes are to insure that our policy in Germany makes the maximum possible contribution to recovery in areas recently liberated from Germany and, positively, to set up a structure that will provide for the future recovery of Germany in conformity with the principles agreed at Potsdam.

Within these broad objectives four principal immediate aims are these:

First, to increase to the greatest possible extent the export of coal from Germany to liberated areas. The rate of economic recovery in Europe depends upon the coal supplies available over this winter; and it is our intention to maintain the policy of hastening the recovery of liberated areas, even at the cost of delaying recovery in Germany.

Second, to use the months before spring to set up and to set into motion, in conjunction with our Allies, the machinery necessary to execute the reparations and disarmament programs laid down and agreed at Potsdam. A considerable part of the statement just issued is directed to making clear the technical basis on which we believe the reparations calculation should be made. This calculation, which requires definition of the initial post-war German economy, must be completed before February 2, 1946.

Third, to set up German administrative agencies which would operate under close policy control of the occupying authorities in the fields of finance, transport, communications, foreign trade, and industry. Such agencies, explicitly required by the terms of the Potsdam agreement, must operate if Germany is to be treated as an economic unit, and if we are to move forward to German recovery and to the eventual termination of military occupation.

Fourth, to prevent mass starvation in Germany. Throughout Europe there are many areas where the level of diet is at or close to starvation. In terms of world supply and of food shipments from the United States, liberated areas must enjoy a higher priority than Germany throughout this first post-war winter. The United States policy, in collaboration with its Allies, is to see that sufficient food is available in Germany to avoid mass starvation. At the moment the calory level for the normal German consumer has been established at 1,550 per day. This requires substantial imports of foodstuffs into Germany, especially of wheat; and for its own zones of Germany and Berlin the United States is now importing wheat to achieve this level. The bulk of the German population has been eating more than 1,550 calories daily, either because they can supplement the ration from foodstuffs available in the countryside, or because their work justifies a ration level higher than that of the normal consumer, as in the case of coal miners. In the major cities, and

especially Berlin, however, a food problem exists and is particularly severe during the winter months. One thousand, five hundred and fifty calories is not sufficient to sustain in health a population over a long period of time, but as a basic level for the normal consumer it should prevent mass starvation in Germany this winter. If a higher level for the normal consumer is judged to be required and if it is justified by food standards in liberated areas, the ration level in Germany may be raised by agreement among the four occupying powers.

In short, this will be an exceedingly hard winter for Germany, although only slightly more difficult than for certain of the liberated areas. A softening of American policy toward the feeding of German civilians and toward the allocation of coal exports from Germany, while it would ease the difficult task of the four occupying authorities, could largely be at the expense of the liberated areas. We are, however, constructively preparing for the second stage in German economic policy, which should begin some time next spring.

In this second stage it is envisaged that Germany will gradually recover. Simultaneously with the removal of plants under reparation, plants will be earmarked for retention; and, as fuel and raw materials become available, German industry which is permitted to remain will be gradually reactivated and the broken transport system revived. Although coal exports from Germany will continue, the probable expansion in coal output should permit larger allocations in coal to the German economy, after the end of the winter. German industrial production will then increase and German exports should begin to approach a level where they can finance necessary imports and gradually to repay the occupying powers for their outlays in the present emergency period.

The third stage of economic development will follow after the period of reparation removals which under the terms of the Potsdam Declaration must be completed by February 2, 1948. The resources left to Germany at that time will be available to promote improvement of the German standard of living to a level equal to that of the rest of continental Europe other than the Soviet Union and the United Kingdom. Housing and transport will recover more rapidly than in the previous stages of economic development. In general, the German people will during this period recover control over their economy subject to such residual limitations as the occupying powers decide to impose. These limitations, which will be determined by agreement among the occupying powers, should, in the opinion of this Government, be designed solely to prevent German rearmament and not to restrict or reduce the German standard of living.

In all these stages it must be borne in mind that the present occupying powers, as well as many other nations, have suffered severely from German aggression, have played a large role in the German defeat, and have an enduring interest in the post-war settlement of Germany. The settlement agreed at Potsdam requires the shifting of boundaries in the East, and the movement of several million Germans from other countries. That settlement also requires, in the interests of European rehabilitation and security, the removal from Germany of a large part of the industrial war-making capacity, which never served the German civilian but which, from 1933 on, served to prepare for war and to make war. In the words of the Potsdam Declaration:

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