The Europeanization of the Ruhr - From Hitler to the Schumann Plan

John R. Gillingham
gillinghamj@umsl.edu

Follow this and additional works at: https://irl.umsl.edu/cis

Part of the International and Area Studies Commons

Recommended Citation
Available at: https://irl.umsl.edu/cis/10

This Article is brought to you for free and open access by IRL @ UMSL. It has been accepted for inclusion in UMSL Global by an authorized administrator of IRL @ UMSL. For more information, please contact marvinh@umsl.edu.
Occasional Papers

The Center for International Studies of the University of Missouri-St. Louis issues Occasional Papers at irregular intervals from ongoing research projects, thereby providing a viable means for communicating tentative results. Such "informal" publications reduce somewhat the delay between research and publication, offering an opportunity for the investigator to obtain reactions while still engaged in the research. Comments on these papers, therefore, are particularly welcome. Occasional Papers should not be reproduced or quoted at length without the consent of the author or of the Center for International Studies.

The Europeanization of the Ruhr:
From Hitler to the Schumann Plan

by

John R. Gillingham
The Europeanization of the Ruhr:
From Hitler to the Schumann Plan*

Entwurf/Draft

John Gillingham
Associate Professor
Department of History
University of Missouri-St. Louis

11 May 1982

*The author would like to thank Professor Karl-Qtmar Freiherr von Aretin and the Stiftung Volkswagenwerke for a grant to cover the expenses incurred in researching this paper.
Both at the time and since, the proposal of June 1950 by the French Foreign Minister Robert Schumann—that the coal and steel industries of Western Europe form a giant pool, under the supervision of their governments, with the authority to work out jointly matters of common concern—has been recognized as a master stroke in twentieth century European diplomacy. And indeed it was. The French Foreign Minister provided a bold, innovative, and, as events would prove, eminently workable solution to one of the most vexing problems with which the U.S. State Department, and Europe generally, struggled in the five years following the defeat and collapse of the Third Reich. This was to provide France and the other nations directly dependent on the Ruhr—all former victims of national socialist aggression—at least a measure of control over the industries of the region even after they had been restored to private control. Or, to state the matter another way: it was to supply an international solution to "The Ruhr Problem" on the basis of capitalism.

The striking originality of Schumann's proposal derived in good measure from the fact that it rested on traditions little understood in the United States and in more or less ill-repute in Western Europe and Great Britain. They grew out of over a generation's efforts on the part of the coal and steel producers of Germany, France, and the Benelux nations to work out privately, although often with the assent and cooperation of their governments, the various economic and political problems facing them as a whole.
This "business diplomacy," which was conducted both formally and informally, found institutional expression in, but also went far beyond, such arrangements as the International Steel Cartels of the late-1920s and 1930s, the bilateral agreements of the Depression for regulating coal markets in Western Europe, and the machinery of the European war economy that operated in the years from 1940 to 1944. What Schumann proposed, then, was to update such practices in the interests both of European prosperity and eventual Franco-German political reconciliation.

The Schumann Plan culminated five years of attempts to solve "The Ruhr Problem" in which the initiative shifted from the governments of the three Western World War II Allies, and the U.S. in particular, to the coal and steel industries of Western Europe. This transferance was partly intentional---occupation rule was always intended to be temporary---and partly due to new mood engendered by the Cold War. In the end, however, it was due to a lack of better alternatives. The U.S. had simply run out of ideas for The Ruhr Problem. A "European" solution had somehow therefore to be found.

U.S. policy towards the Ruhr during the years of Military Government aimed at both reform and recovery. The heavy industry of the region was to be purged of those persons and practices which (it was believed) had given rise to Hitlerism, restored to "normal" operation, and then integrated into the European economy. But while these objectives commanded universal agreement in principle, in practice they proved difficult to implement to the satisfaction of all parties concerned. This was true with regard both to the
reorganization of Ruhr industry and its reintegration into the European economy.

In the first case, the U.S. cannot blame the wartime Allies for failure; it "shot itself in the foot." The reform program of OMGUS* was that of "trust-busting." But as a result of a dispute of extraordinary bitterness, those representing this position were unceremoniously "sacked," leaving "practical" industrialists and financiers in exclusive charge of economic policy. Their sole aim was to restore conditions of "business as usual." The job of reforming Ruhr industry, then, would eventually fall to the Germans themselves. Within the management of the giant Ruhr Konzerne were, however, to be found men for whom defeat was an opportunity as well as a catastrophe, and they veritably seized upon the occasions it offered to introduce long overdue changes necessary to restore the competitiveness of industry. In short, they managed during the bleak years from 1945 to 1949 to achieve a "neo-capitalist restoration" which, if it in some ways broke from the past, still preserved the essential continuity of German business traditions.

As for the second objective of U.S. policy—the reintegration of the Ruhr into the European economy—it proved impossible diplomatically to enlist the governments of France and Britain, and eventually West Germany as well, into a workable scheme of international control. Indeed, the French Government remained insistent on displacing industrial power from the Ruhr, the British Government faced too many pressing problems elsewhere, and the

*Office of Military Government, U.S.
West Germans by mid-1948 had gained enough confidence to reject in principle the control of Ruhr industry by any foreign government. Instead, it fell to the leaders of Rhine and Ruhr to propose to their French counterparts a revival of the interwar schemes for international cooperation. And, in the end, political conditions being propitious, Foreign Minister Schumann took them up.

In the economic policy of OMGUS a vast gap separated word from deed. JCS 1067, issued in April 1945 but made public only in October, provided the initial "marching orders" for the American occupation authorities. Consistent with a commitment of President Truman's from Potsdam, it subordinated German economic recovery to the provision of reparations in kind from the Western Zones as compensation to the Russians, but also the French, for losses suffered during the war. The March 1946 Levels-of-Industry Agreement, which was to implement JCS 1067, set allowable output maxima industry-by-industry on the basis of both reparations requirements and Germany's presumed peacetime needs. Plants in the armaments sector were to be shut down, manufacture for civilian necessities permitted, and the output of raw material, coal in particular, encouraged to facilitate European recovery. Such restraints were never, however, allowed to interfere with German recovery. Indeed new reasons were consistently found to increase the limits on output to levels above Germany's capacity to produce, be they to prevent famine, cover the material requirements of the forces of occupation, lighten the burden on the U.S. taxpayer, promote economic reconstruction outside of Germany, or build dikes against the dreaded Red Tide.
Within OMGUS, however, the policy-making process resembled nothing more than a mighty tug-of-war between the advocates of "reform first" and "recovery first" in which the latter, overcoming an initial disadvantage, eventually put the former to rout. The struggle was fought over those provisions in JCS 1067 which, as a medium-term objective, called for the "deconcentration of German industry." This term was understood to mean the break up of the huge trusts and cartels dominating the German economy which were believed to have played a major role in bringing Hitler to power and in supporting his nefarious aims. Allied Control Council Law No. 9 was a first possible step in this direction. Acting under its authority, OMGUS seized the assets of I.G. Farben, ousted its management, and began the process of its organizational dismantlement—measures facilitated by the fact that the headquarters of the giant chemical complex were located in the American Zone. Indeed, they had been taken over as offices for the U.S. occupation government!

The Ruhr, however, was in the British Zone and therefore beyond immediate American reach until 1 January 1947, when the Fusion Agreement which created Bizonia took effect. The U.K. had its own policy priorities, which it intended to follow as long as its own strength vis-à-vis the Americans permitted. "Anti-trust" meant little in Britain. Opinion with regard to industrial organization in the Ruhr was in fact divided between advocates of nationalization (as a parallel to events at home) and a return to the status quo ante bellum. More important still, London subordinated Ruhr policy generally to a larger concern with the Dollar shortage.
It is in light of these considerations that one must view the actions taken by the British Military Government under Law No. 52, which provided the legal basis for parallel measures to those taken in the U.S. Zone with regard to I.G. Farben. It launched the process of industrial reorganization in the Ruhr. Law No. 3 pursuant to it put "under control" the assets of Friedrich Krupp—a special measure taken in anticipation of prosecution. Order No. 5 provided for the seizure of coal assets, and Order No. 7, those in the steel industry. To supervise the two industries the North German Coal Council (NGCC) and the North German Iron and Steel Authority were set up. Their actual management was, however, the job of two German-run executive arms, the Deutsche Kohlenbergbau Leitung (DKBL) for coal and the so-called Treuhandverwaltung or Steel Trusteeship as it was called in English. It was intended that these organizations would be temporary, eventual disposition of the assets in question to be determined by Germans themselves. At the same time, however, the first steps towards reorganization were taken. These were the "separation" of the coal mines from their parent Konzerne and "Operation Severance," which split up the former trusts and re-grouped their steel plants into twenty-eight new production units. British motivations behind the adoption of these measures, including that of appeasing the Americans, were practical in nature. One was to restore cost accountability—a matter of particular importance in coal, the main reparations good, whose exportation the British would be called upon to finance. A more important one, however, was to facilitate economic recovery. This
would require a massive effort at the top and the enlistment of all politically acceptable German leadership groups. In this connection must be mentioned the provisions made for the representation of labor in both German executive arms and of the introduction of Mitbestimmung in coal. Beyond these somewhat limited objectives, the British had no specific plans for industrial reorganization. The use of Law 52 as a means of decartelizing the Ruhr would, in particular, depend less on British policy than the outcome of the bitter factional dispute that raged in OMGUS during the first year and a half of its existence. 3

It provides an early instance of how the triumph of the Cold War mentality in U.S. policy-making circles paved the way for the eventual restoration of traditional interests in the Ruhr. The struggle centered on James Stewart Martin, Chief of the Decartelization Branch of the Economic Division of OMGUS. His office was set up under the provisions of JCS 1067 calling for "the dispersion of the ownership and control of German industry." Although he reported directly to Military Governor Clay, Martin had few specific powers. The authority to enact a decartelization law rested with the Military Governor who, in the meantime directed him to "...make a survey of combines and pools, mergers, holding companies and interlocking directorates" in the German economy. 4

Martin had been selected to run the anti-trust lobby in OMGUS through the influence of Senator Harley Kilgore of West Virginia and could count on support for his activities from a large segment of the American public. The Decartelization Branch Chief, who had been a lawyer on the staff of the great Thurman Arnold at
Justice, believed profoundly in the complicity of the German industrial leadership in having promoted Hitlerism and was also convinced that the big businessmen of other nations shared the burden of guilt. Martin had arrived as such a conviction as an investigator specializing in the study of the ways in which international cartel arrangements had interfered in the U.S. prosecution of the war. In short, he viewed his work as part of a larger effort to rid capitalism of its evils. His lodestar was not, however, socialism but the restoration of the market economy. Although he was a strenuous advocate of dismantling the war-making potential of Reich industry, and of course "detrustifying" the giant organizations, there was nothing in Martin's plans that called either for the confiscation of private property or the destruction of factories producing for the civilian market, let alone "pastoralization" à la Henry Morgenthau. As Decartelization Chief his main preoccupation was merely to prevent his neighbor in OMGUS, the Industrial Branch, from favoring (by means of production authorizations, raw materials allocations, and the issuance of foreign exchange permits) the integrated combines at the expense of independent producers.5

Such distinctions were, nonetheless, lost in the bitter feud waged over the proposed decartelization law in the months from August 1946 to February of the following year. Martin had become increasingly alarmed during the early months of occupation by numerous attempts on the part of officials in the Economic Divisions of the U.S. and British Military Governments, who were often prominent figures from the worlds of finance and industry, to restore
conditions of "business as usual" with their German counterparts. His suspicions in this respect were by no means unfounded. For example, the head of the Economics Division in the British Military Government was Sir Percy Mills. Mills had last visited Germany on 16 March 1939 when, as a member of the delegation representing the Federation of British Industry, he signed a pact of friendship, the famous Düsseldorf Agreement, with Reichsgruppe Industrie. The latter was the peak organization for business in the Third Reich. The Agreement called for an international division of influence, cooperation in joint ventures, and, in general, the perpetuation of the practices of "organized capitalism" developed during the Depression years. ⁶

Rather than permit officials like Mills to determine what constituted "excessive concentration" Martin proposed a decartelization law that would have mandated the Military Governments to require all German producers to demonstrate (with reference to firm size, market share, Konzern affiliation, cartel membership, etc.) that they were not "excessively concentrated." Martin's boss, a Wall Street lawyer in General's uniform named William Draper, while arguing privately that a so-called "mandatory law" was unnecessary because "the Germans are already on their backs," attempted to discredit the entire decartelization campaign publically. Through press leaks, German readers were lead to believe that anti-trust policies could be equated with Demontage, the destruction of the Verbundwirtschaft, and the wilder visions of a Morgenthau. At the same time American readers were persuaded that OMGUS housed dangerous radicals, possibly even Reds. Although Military Governor
Clay seems to have harbored a certain amount of sympathy for the antitrust approach and have held the brilliant and courageous young Martin in high personal esteem, the outcome of the dispute was never in serious doubt. U.S. Military Government Law 79 of February 1947 and its British equivalent Law No. 78, adopted the "voluntary principle" as advocated by Draper. Martin had no choice but to resign and in the following month was replaced by one Philips Hawkins. The new chief of the Decartelization Branch was Draper's son-in-law and happened, in addition, to be a relative of the Du Ponts of Delaware. They owned the chemical company of the same name, were the controlling shareholders of General Motors, in fact the richest family in the United States. Soon thereafter Draper, invoking the ominous accusation of "disloyalty" fired the 120 remaining members of Martin's staff. From this point on, the reorganization of industry would be, with unimportant exceptions, a matter for the Germans to handle largely on their own. 7

Past practices notwithstanding, such a possibility should by no means have been dismissed out of hand, as was apparently done by the Decartelization Branch under Martin. Defeat hardened the conviction of many Germans in "...the failure of the politico-economic models of the 1930s," and thus there was, according to a recent article by Henry Wallich, "...a readiness to adopt new forms (and) as regards policy style a clear turning away from the capriciousness of the prewar decade."8 Germany's new circumstances brought to the forefront within Ruhr management itself figures who, even during the 1930s, had argued untiringly for the long-run
necessity of restoring price competitiveness, if need be by sacrificing both cartels and vertical integration. As Hugo Stinnes put the matter to ECA Administrator Hoffmann in a letter of 22 July 1948, "...only fundamental changes will be able to solve the coal problem. The characteristic of Ruhr coal production in the past has been the existence of an economy of presence, whereas ...success is dependent on the reintroduction of an economy of efficiency." In a formidable personal lobbying effort, Stinnes took advantage of his American citizenship to ensure that such views as his gained a hearing from occupation administrators. On the steel side, Heinrich Dinkelbach, former member of the Vorstand of Vereinigte Stahlwerke held similar beliefs. He was of the opinion that the break up of his company (which controlled over 45 percent of the German steel market) was necessary, drafted a plan for splitting it up into components which would then be joined to complementary production units from other companies, and as Treuhandverwalter---steel trustee---put into practice what he had earlier preached.

Views such as Stinnes' and activities such as Dinkelbach's were by no means accepted universally. Certain traditional family interests of Rhine and Ruhr, in particular the Haniels, Klöckners, and Wolffs (Thyssens, Flicks, and Krupps being temporarily sidelined), exerted whatever pressure could be brought to bear on the Anglo-Saxons in an effort to restore the industrial status quo ante bellum. The main theme of their propaganda, which confused the functions of ownership and management, was that the seizure of assets under Law No. 52, and the ensuant elimination of
of Aufsichtsräte and reconstitution of Vorstände, hampered the effort to revive production. But this campaign was foolish and premature. The interests of the Ruhr were well-served by men such as Stinnes and Dinkelbach who directed their attention to clearing obstacles to coal production, reviving the economic health of steel, and, above all, avoiding all discussion of "political" issues until the Americans found it necessary to call upon German conservatives to protect their land from socialism.

The fact of the matter is that as a result of the collapse of the Third Reich Ruhr industrial assets had lost all value and it could not have been restored without the support of the occupation authorities. Physical damage aside, all firms were in fact bankrupt in every but the narrowest technical sense of the term. Inflation had eroded working capital to the point where liquidity was virtually nonexistent. Foreign assets had been seized as payment for reparations. Stocks were badly depleted, traditional domestic industrial markets drastically reduced, and foreign ones supplied mainly on the reparations account. But there were underlying problems in addition: the skewed price structures resulting from the complex of price controls and tariff and quota agreements of the 1930s and the secular trends affecting both coal and steel markets. Military Government administration of heavy industry was, in other words, essential for obvious reasons of finance, supply, and transportation, not to mention politics. Moreover, it offered certain distinct advantages, namely it would spare the traditional owners and managers the considerable political liabilities incumbent on readjusting to post-1945 conditions. One
of them of course was industrial demobilization—the Demontage actions that were the concomitant of the shift from war to peacetime conditions. Another was "detrustification"—the organizational dismantlement of the large, inefficient production units of the interwar period. Finally, there was the matter of the "socialization of losses." For it was abundantly clear that Ruhr industry could not expect to operate at a profit. Stinnes had a sound appreciation of these facts, for he said with regard to coal "The question of ownership can be postponed for years, as the present economic state of the mines is neither covering the creditors nor the shareholders and (is) resulting in subventions or uneconomically high coal prices." Capitalist restoration in the Ruhr, then, was a lengthy and complicated process involving both the reorganization of business institutions and the creation of a political environment both at home and abroad more receptive to the reintroduction of private German ownership than the continuation of public control in any form. It began with a kind of diplomatic victory over France in matters of coal and steel policy.

"Coal supply," according to the author of The French in Germany, 1945-1949, "was a major factor in every decision that France took with regard to Germany in the post-Liberation years." The dependence of the Lorraine steel industry on Ruhr coking coal was the immediate reason for this concern. But underlying it was a consideration of far greater importance. German defeat and collapse offered France a one-time opportunity to become the economic center of Europe. In the name of "economic security,"
the 1946 Plan provided in particular for the modernization and expansion of the Lorraine steel industry to the extent of raising raw steel capacity by 1950 to 15 million annual tons, and output level about 50 percent above that of 1929. The critical corollary of this policy was the curtailment of future Ruhr steel production. Control over the coal supply was to serve as the chief means to this end.

Not surprisingly, it provided the central feature in all French proposals for the solution of "the German question" during the long tenure of Georges Bidault. With the exception of the month from mid-December 1946 to mid-January 1947, he was French Foreign Minister from Spring 1945 to July 1948. Bidault's main theme---strange echo of the Reich's wartime policies towards the defeated French---was to advocate the economic exploitation of Germany for the benefit of her neighbors. The specific provisions of the many French proposals of these years included, in addition to foreign priority of access to Ruhr coal, the administration of the steel industry by a foreign trust, limits on output of the product, the creation of an international authority for the Ruhr and its political separation from Germany, French reoccupation of the Rhineland, French ownership of the Saar mines, and de-centralization of German political structures. A national consensus grounded in recent unpleasant memories of German occupation underpinned these proposals. With the partial exception of the socialists, who advocated a policy of reconciliation based on a more genuine "internationalization" of the Ruhr and the eventual nationalization of European industry, it extended from the Gaullists to the communists.
The sole aim of Anglo-American coal policy, as specified even in the otherwise restrictive March 1946 Levels-of-Industry agreement, was to step up output in the general interests of European recovery. The task facing North German Coal Council, in other words, was to take whatever measures were necessary towards this end. But if the British could count on the principled support of both the French and Americans they were not spared a good deal of criticism in practice. The former offered, on the basis of previous experience, to direct an international managerial cadre to run the mines. The Americans subjected the British to an annoying crossfire of complaint, accusations on the one hand of doing too little to "denazify" mine management and, on the other, not enough to raise output. State Department delegate Walt W. Rostow, who inspected Ruhr operations in May 1946, expressed the prevalent view that "The British are doing a very bad job...and no good purpose is likely to be served by not making this judgment clear to them." He recommended increasing the operational authority of German mine managers.

It is nonetheless important not to overlook the accomplishments of the first twenty months of the occupation. In the first quarter of 1945, coal output, previously in excess of 400,000 tons per day, had fallen to about 30,000. Ten percent of production capacity had been destroyed and another 25 percent presented serious problems of reconstruction or repair. The mine labor force, normally 400,000, had fallen to less than 100,000. Damage to miner housing was particularly extensive: of 250,000 dwelling units, some 66,000 were completely destroyed and another 130,000, severely damaged. Transport and industrial activity was at a near standstill.
Miner recruitment was the primary objective of recovery policy. The British released from POW camps some 35,000 miners, all available German labor was directed to the mines, and training programs were set up on an emergency basis. Thanks to such measures the labor force increased by 100,000 men by the end of the year. By mid-1946 some 95,000 buildings had been repaired. For reasons of morale as well as physical health, rations were increased substantially, indeed to above pre-1945 levels. After October 1946, 4000 calories a day was the norm. Labor relations also received careful attention. Control Council Law No. 22 authorized the set up of Works Councils, the miners' union was reorganized, and prewar social insurance schemes restored. Such reforms would prove to be enduring. Where possible, NGCC also promoted mine mechanization. Although American machinery proved to be ill-adapted to Ruhr geological conditions, progress was made in introducing both the "coal plough" and the German-developed cutter-loader. Although in the experimental stage at the time of German capitulation, some thirty machines were in use by the end of 1946 and another 23 on order. Finally, the supply situation at the mines was improved, although increases beyond the levels of late 1946 would require the stimulation of recovery in the manufacturing industry. These levels, some 180,000 daily tons (up from 60,000 tons in June 1945) represent an impressive achievement. Further improvements would depend on events outside the coal sector proper.15

The revival of Ruhr coal production put the issue of its supply-and distribution at the top of the diplomatic agenda. The
French effort to control it, however, encountered a succession of setbacks that more or less paralleled the eclipse of the reform element in OMGUS. The July 1945 coal directive of President Truman, the initial policy guideline, assigned priority to exports which, during the remainder of 1945 were to occur at the annual rate of 10,000,000 tons, then rise to 15,000,000 during the first quarter of 1946. These targets were never reached, in part because overall output did not rise rapidly as expected. But the larger part of the export shortfall of 1946 resulted from the exceptionally high "self-consumption" requirements of the mines. This was due to the existence of an open scandal, an understandable one under the circumstances. German supervisors, in short, tolerated on a large scale both organized and individual pilferage from stocks. Thanks to such practices, coal production for German use increased from approximately 1,750,000 tons in July 1945 to 3,750,000 tons in December of that year. At the same time, however, France (as of April 1946) was able to derive only 330,000 tons per month from Germany of total coal imports of 800,000 tons per month, and total import requirements based on the low operating levels of 1938 of 1,800,000 tons. To aggravate the French coal situation, it was impossible to increase imports from Britain, which was itself suffering from severe bottlenecks because of shortages, or from the United States because of both the high costs due to the distances involved and the general Dollar shortage.16

Until February 1947, France had far less difficulty in gaining U.S. and British commitments to the principle of export priority
with regard to coal deliveries than in securing the actual commodity. A State Department statement of 22 March 1946 reemphasized "the overriding obligation to export 18,000,000 tons of coal to the Western liberated countries in the last nine months of 1946," adding that "Any increase in the consumption of coal within Germany should be conditioned absolutely on the satisfaction of these export quotas." A joint statement of 23 May 1946 by Presidents Truman and Goiun fuzzed over the issue only ever so slightly. It noted that France's import requirements of 1,800,000 tons per month would increase to 2,500,000 by the end of the period contemplated by the Plan and that Germany must supply at least two-thirds of the total. Indirectly, however, the remark conceded Germany's claim to increase total tonnages for domestic consumption. Events would nonetheless prove such estimates of future export allocations to be wildly optimistic. Total Ruhr exports in 1946 amounted to 10 million tons and this figure slipped to 9.5 million tons the following year due to a transportation breakdown. At the same time, however, total output increased from 53.5 million tons to 71.1 million tons, the balance being consumed domestically.

But for the French worse was yet to come. At the Moscow Foreign Ministers Conference of March and April 1947, the Anglo-Saxons broke with the policy of assigning priority to exports, replacing it with the so-called sliding scale. It gave first claim to German requirements, increasing exports from 21 to 25 percent of total output as the daily rate rose from 280,000 tons to 370,000 tons. At the higher figure, the ratio between domestic
and foreign sales of coal was just about where it had been in the last year of comparable operating levels, 1932.\textsuperscript{18}

The French encountered similar frustrations with regard to steel issues. The slow recovery of the Ruhr industry postponed the confrontation between recovery and reform. In any case, Ruhr raw steel outputs in 1946 and 1947 (2.6 million tons and 2.9 million tons respectively) remained far below even the 5.8 million annual tons authorized by the March 1946 Levels-of-Industry agreement, not to mention the 10.7 million of its August 1947 revision. This rate of recovery actually fell below that for any other major industrial sector. It can be attributed most directly, as Abelshauser points out, to the shortage of ores, particularly of the high grade Swedish type, but also both to the low priority of the industry in Allied recovery policy and the availability of sufficient stocks of semi-finished steel products to permit manufacturing to take place at the actual low levels of activity. It would, in other words, have been still possible in Spring 1947 to reduce Ruhr steel making capacity in a significant way without interfering with the production process.\textsuperscript{15}

Circumstances should have been propitious, for the so-called Transfer Plan which Bidault proposed at the Moscow Foreign Minister's Conference in March 1947. Its main feature was a kind of one-sided Franco-Ruhr partnership hinging on the non-resumption of activity at the foundries of the region. Instead, Ruhr rolling mills would receive the 5 million annual tons of new French raw steel to be produced under the Plan in exchange for exports of coking coal to Lorraine. The Bidault
proposal would have entailed very heavy costs for the Ruhr. It would require railroad wagons and barges carrying coke to France to return empty. In addition, blast furnace gas and coking gas could not have been delivered to the Ruhrgas pipeline network---a loss of two-thirds of its total supply. Furthermore, new sources of gas would have to be found to supply the rolling mills to be put into operation under the proposal. And they would also require an additional 1.5 billion Kwh of electricity, which previously would have been generated on-site from surplus blast furnace gas. In the face of such objections, the Transfer Plan could not get a serious hearing from the Foreign Ministers. Indeed the increase in Ruhr steel output soon became a priority matter for the Anglo-Saxons.\textsuperscript{20} As for the French government, rejection of the Transfer Plan left it with no policy except, as Monnet put it, "to fight a rearguard action against Germany's inevitable rehabilitation."\textsuperscript{21}

The rising American fear of communism was the consideration most directly responsible for the restoration of Ruhr industry to private control. The events of the winter of 1946-1947 transformed what had up to then been merely one of the several OMGUS policy concerns into a virtual obsession. The frost came with exceptional harshness, causing severe and unexpected setbacks in the recovery process---indeed reopening prospects of revolution and chaos. It also brought into focus U.S. frustrations with French and British policy towards Germany and seemed to provide evidence that only Germans were able to manage their own economy properly. There is, in short, no mistaking the new tone in American policy. Where
previously the U.S. had attempted to achieve consensus with the
Allies in matters German, it now sought aggressively, while still
preserving the appearance of unity, to impose its own priorities.
And first among them was that there should be no socialism, not
to mention communism, in any future West German state. The SPD,
at the time committed to nationalizing industry, had, in short,
at all costs to be kept out of power. Two years of intense,
behind-the-scenes brow-beating of the British Labor Government
were required to bring about this result. The French were merely
ignored. The issue of public versus private ownership, first
broached in coal, was decided as a result of interventions at
the national level of West German policy.

Coal would provide both an early test of Bizonal cooperation
and a preview of the eventual Ruhr settlement. The harsh winter,
which created shortages of the commodity throughout the economy,
brought the mines to the forefront of Allied concerns. The
British agreed with the U.S. that to raise outputs the authority
of German management had to be increased. Discussions over how
best to do this, however, soon brought into the clear light of
day Anglo-American differences over the issue of property disposition,
HM Government insisting on eventual nationalization and the U.S.
seeking to block it by a deferral of the question. The matter
came up repeatedly at the "Anglo-American Conversations Regarding
German Coal Production" which were conducted through the summer
months of 1947, and whose immediate purpose was to fit the coal
organizations set up by the British into the Bizonal framework.22
The terms eventually arrived at favored the U.S. First, strong new German executive arm, called simply "German Coal Management," replaced DKBL. A new US/UK Control Group, a supervisory body, replaced the British-run North German Coal Council (NGCC). Significantly, however, the U.S. delegate to it was vested with a power to veto any measures tending towards the delegation of ownership to a public body. More important than the U.S. vote, however, was the fact that the new "German Coal Management" was so organized as to increase the already preponderant influence of the managerial element in the German executive arm. Of its six divisions, only two, welfare, and housing, were headed by representatives of labor; those from the old mining companies headed the ones for production, distribution, supply, and procurement as well as for accounting and statistics. The delegation of control powers from Bizonal authority to such a body would, in other words, be nearly tantamount to the restoration, in some form or other, of private control.

The de facto domination of the management element within the German executive arms, of steel as well as coal, did little, however, to calm the increasingly obsessive U.S. fears of communism in the Ruhr. The onsetting hysteria is, for instance, evident in the tone of the dispatches sent from the U.S. Counsel General in Bremen, whose responsibilities included reporting on events from the region. He warned repeatedly and with tiresome insistence that the Labor Government was actively conspiring with the union representatives at DKBL and the Treuhandverwaltung to bolshevize the coal and steel industries. On July 1948, for
instance, he reported that

"The separation action has taken a course which unmistakably turns from private economy to socialization. The originators of the separation action have grown up in the industrial bureaucracy, at the desks and in the statistical offices of the old concerns. This bureaucracy now abandons private economy and concluded a new pact with the labor union bureaucracy since it apparently sees the handwriting on the wall. The result is that private economy is deprived of another key position as the "Treuhandverwaltung" determinedly utilizes the power created by the occupation and, although lacking any legal basis for it, is effecting a "cold socialization."

The initiative for socializing the German iron industry runs parallel to the British domestic plans for the collectivization of industry and obviously originates in the ideology of the British Labor Party. It has developed many steps in advance of British socialization, in Germany at least, and seems already to have gone beyond the bounds of the law. . . . The introduction of bolshevist economic ideas (is) thus made easy and it is not accidental that, despite Communist press criticism of the Treuhandverwaltung, Communist representatives of the labor unions collaborate with the Treuhandverwaltung, exhorting labor in these enterprises in favor of separation." 24

Such concerns were behind the intervention that settled the issue of private versus public control in the Ruhr. It involved a deal between the U.S. and the U.K. concerning the terms of the restoration of political control to Germany. For the British, it meant the abandonment of any plans for nationalization in the Ruhr. In short, the U.K., in exchange for American assumption of an increased percentage of the occupation costs, allowed the U.S. to "pack" with conservatives the German organization which, it had been agreed, would take over responsibility for directing the economy. This organization was the Executive Committee (of Bizonia) which in Spring 1947 was appointed by a
52-member Economic Council elected, for its part, by the Landtage. The problem, from the U.S. standpoint, was that the SPD had a majority on the Committee and it was headed by Dr. Viktor Agartz, a Marxist. To get around this situation, OMGUS, having bought off British objections, changed the rules. The Council, which elected the Executive Committee, was enlarged to 104 members with the predictable results that in January 1948, when the matter again came up for a vote, the CDU/CSU had a majority and Dr. Puender of the CDU replaced Dr. Agartz as Chairman. The "new team" headed by Puender, then, could be counted on to manage correctly, at least from the U.S. point of view, the process of transferring the industries under custodianship to German control. 25

These arrangements were worked out under the terms of "Law No. 75: Reorganization of the German Iron and Steel Industries" enacted 10 November 1948. It provided for the transition to German control and sanctioned, indeed lent permanence, to the "neo capitalist" restoration already underway in Ruhr industry. The new law stipulated the transfer of ownership from the U.S./U.K. Control Group to the shareholders of new, independent coal and steel enterprises, and delegated the responsibility for reorganization to successor organizations of the German executive arms which had managed the two industries since 1946. 26 Puender's appointments to the New German Coal Mining Board and the German Steel Trustee Association insured that continuity would be preserved. Heinrich Kost, Director of the Rheinischwestfälischeskohlensyndikat (RWKS), became the new head of the new German Coal Mining Board. Of equal
importance, Dr. Helmut Vits, Director General of Vereinigte Glanzstofffabriken AG and a long-time advisor to NGCC was named chief of the Advisory Committee on the reorganization of the industry. The other members of this body included two representatives of the former companies, two managers from DKBL, a financial expert and member of the Aufsichstrat of Vereinigte Glanzstoff, a certified accountant but only one representative of the Federation of Trade Unions (DGB). The Coal Mining Trade Union protested bitterly its virtual exclusion from the work of Vits' committee, indeed "...found it intolerable that all basic (coal) questions are being handled in an obscure atmosphere and that the public and the workers involved are not sufficiently informed, let alone allowed to participate." 27

Dr. Pünder's nominations of January 1949 to the German Steel Trustee Association were similarly weighted in favor of business interests. Of seventeen candidates, only one had been a union official, and only two others, both accountants, had had union associations. The rest represented financial and industrial interests, and included Herman Abs of the Deutsche Bank, the Director of the Business Association for Iron and Steel, Dr. Guenter Henle (a manager at Kloeckner), Guenther Sohl (a Krupp Manager). Heinrich Dinkelbach was, predictably, appointed as Director of the new organization. Such appointments, then, assured eventual resumption of private control over Ruhr industry. 28 What remained to be worked out concerned the details of the restoration: the number of new coal and steel companies to be created; their
relationship to manufacturing, energy affiliates; and marketing organization; terms of compensation for former owners; subsidy and pricing matters, labor policy, and, of course, the relationships of the reorganized coal and steel companies to the rest of Europe.

Here there was less a shortage of ideas than viable solutions. Indeed public interest in political and economic problem-solving on a European scale was never greater than in the roughly two years that followed the announcement of the Marshall Plan. At the same time, actual progress towards European integration was often disappointingly slow. The Council of Europe was a "talk shop." OEEC was unable to coordinate national economic policies and had had only limited success in reducing quota agreements. Only the European Payments Union seemed able to make real gains towards the liberalization of international trade. In addition, much of the discussion concerning European industrial policy shaded off into the utopian. The political bases were lacking for the integration of European industry on a socialist basis as advocated at the Westminster Conference by figures such as André Philip and Barbara Ward, not least of all because the British Labor Government was fundamentally disinterested in such projects. 29

The U.S. Government was no less short on solutions, particularly with regard to The Ruhr Problem. Again, however, the problem was less one of ideas than of their implementation. As early as May 1946 Military Governor Clay suggested that to reconcile private
German ownership of Ruhr properties and international control that a two-tiered approach be adopted. It would involve the issuance of Class A Common Stock in Ruhr companies to German owners, and a Special Preferred Class B Stock, with overriding voting powers, to the representatives of the Allied as well as the restored German governments. The latter would together comprise a Ruhr Control Authority, with the power to establish production levels, control exports, etc. In June 1947 John J. McCloy, then President of the World Bank and subsequently Allied High Commissioner for Germany, proposed a massive loan, which his organization was prepared to underwrite, to finance a crash program of industrial modernization in the Ruhr undertaken for the general benefit of Europe. He believed that it would provide the necessary cement to bond together interests as diverse as those to be represented on Clay's Ruhr Control Authority. In a personal letter of 7 July 1947 to Under Secretary of State Robert Lovett, he emphasized that "Too many people look upon Ruhr coal merely as a reparations good and not as the necessary base for the whole European economy. If all the peripheral countries had a stake (in the Ruhr project) as they do in the World Bank it might tend to create the proper attitude. . . . Building strip mills or even road and transportation systems throughout Europe is just so much unrelated effort until we have the basic economy which, both in England and Europe, is coal. . . . I have (therefore) felt that all of the agencies available for the restoration and rehabilitation of international trade should be directed to the solution of this fundamental problem."
The International Ruhr Authority (IRA) was intended to provide the capstone of U.S. policy towards German coal and steel and the vehicle through which hopes such as those of McCloy were to be realized. Established in April 1949 after negotiations lasting for more than a year, it set up the machinery for joint Four Power-German direction of the region's industries. The new IRA was empowered specifically to set production levels, determine allocations for the domestic and foreign markets, and, in general supervise operations. In fact the organization never had more than a shadow existence, merely performing nominally the functions of various Trizonal coal agencies. It reflected the divisions that had plagued Allied policy from the first and, added to them, came new German objections. The French National Assembly, first of all, assented to the International Agreement on the Ruhr only with the qualification that the industries of the area eventually be transferred to international ownership. Moreover, six months before the IRA had actually begun operations, the Ministers-President of the various Landtage threatened to withhold their support unless, as seemed an impossibility, its authority were extended to cover Western Europe as a whole. The IRA was, in short, a dead letter and therewith American initiatives for the solution of the Ruhr question came to an end.31

The new beginnings towards one, coming as they did from the German side, were necessarily tentative. In the first week of November 1947, Dr. Robert Pferdmenges, member of the Finance Committee of the Executive Board, financial advisor and close
personal friend of Konrad Adenauer, and director of a private Cologne bank approached the Comité des Forges through the intermediation of the De Wendel Family and, apparently, Alois Meyer (the Director of ARBED) in order to make an astonishing offer. It was to cede, as an act of goodwill, a fifty percent share of Ruhr iron and steel to French industry. Pferdmenges, it was established, acted as a result of decisions arrived at an earlier meeting, which was attended by, among others, Dr. Hermann Reusch of GHH, Dr. Hermann Wenzel of Vesta, Dr. Karl Jarres of Kloeckner, and Johannes Semler, former director of the Bizonal Economic Administration. It must therefore be assumed that he acted on their behalf. He subsequently claimed to have also acted with the specific approval of Heinrich Kost, General Director of the German Coal Mining Management. The French, as it turns out, begged off entering negotiations on grounds of domestic political instability and from fear of being branded as collaborators. Still, there was apparently mutual agreement during the discussions on the need for a Franco-German "political solution" (politische Lösung).32

The U.S. State Department was both concerned and somewhat perplexed about the purpose of the Pferdmenges mission. The Counsel General in Bremen concluded that the banker was acting as an agent of Adenauer and in pursuit of a traditional Rhenish policy towards France. Noting Adenauer's recent remarks about the necessity of overcoming the French "security psychosis" stemming from the power of the Ruhr, the Counsel General cited two previous attempts to arrive at industrial agreements with which Adenauer had been associated. The first one concerned the initiatives of
the brown coal magnate Dr. Silverberg in 1925, the second, the 1932 effort by Chancellor Brüning to reach a coal-steel agreement—the latter incidentally also a part of the attempt to take over Vereinigte Stahlwerke, engineered by the steelman-turned-Ambassador-to-Berlin Francois-Ponçet. Hugo Stinnes Jr., who was not represented at the industrialists' get-together preceding the dispatch of the Pferdmenges mission, informed State that it amounted to merely another in Adenauer's many attempts to detach Rhine and Ruhr from the rest of Germany.

Pferdmenges in fact approached the French in pursuit of a traditional Ruhr policy. Appearances and certain public impressions to the contrary notwithstanding, relations between the industrialists of the Ruhr and the steel-producing regions of Eastern France were astonishingly solid. They were built on a succession of successful attempts to overcome the vicissitudes of both politics and international coal and steel markets, the end result of which was that, in many respects, the heavy industrialists of the two regions had learned to function, in many respects, as a single unit. If this fact was not well known, it is because the political risks of admitting it openly were normally considerable. Concealment from public view was, in other words, necessary for the conduct of business under conditions of political conflict, war, and occupation. On the other hand, eventual Franco-German political reconciliation would eliminate much of the need to operate in secret, indeed would make it possible for the heavy industry of Western Europe to draw more effectively and extensively on the powers of state in dealing with its common problems.
Even a brief outline of the history of producer agreements in West European heavy industry during the late-1920s, 1930s, and during World War II should indicate how, in fact, they provided the building blocks upon which was built the European Coal and Steel Community. Here one must describe a record of accomplishment, at the same time remembering, however, that the historical process itself was extremely complicated and outcomes were never a certainty. The first International Steel Cartel (IRG)* was set up by French and German producers, (with those of Belgium and Luxemburg in supporting roles) in an attempt to overcome the problems arising from the excess raw steel capacity in Western Europe. Welcomed by Stresemann and Briand as opening the way to the federalization of Europe, the IRG collapsed in 1931 as a result of the shrinkage of international markets caused by the Depression but not, however, without having worked well enough to be considered worth reviving by the industrialists of the various Western European districts.35

International heavy industry cartels, still dominated by the producers of Western Europe, were a permanent and significant feature of the economic life of the 1930s. This fact is traceable in part to the adoption in France and Belgium and, to the extent applicable, in Luxemburg and the Netherlands, of German organizational models in both the coal and steel industries. Great Britain should be added to the list as well, thus making her eligible for the first time to affiliate with the Western-European-dominated associations. Strong Ruhr-like producer associations and national cartels and new commitments of the state to the welfare of national

*Internationale Rohstahlgemeinschaft
industry—these characteristics of "organized capitalism" on
the German model—made possible in the Western Europe and Britain
of the 1930s the regulation of domestic markets and enforcement
of pricing agreements, planning of investments, coordination of
transport and tax policy, establishment of common policies in
wage matters, and coordination of exports with sales on the domestic
markets. The second reason behind the strength of international
heavy industry cartels during the 1930s was the combination of
tariff barriers and illiquidity, or put another way, the perceived
need to regulate international trade and payments by means of
bilateral quotas. Industrial associations had an indispensable
role in determining what could or should be either exported or
allowed to enter the country. International cartels and bilateral
trade agreements were thus interwoven in a most complex way
determined jointly by governments and producers. While the
demarkation of authority between the two was never clear, it is
apparent that the close interpenetration of public and private
spheres made it possible, first, for industry to influence national
trade policy to a substantial degree and, second, to rely more
heavily on the state in enforcing private agreements among producers.
It is also clear that because of the severe political and economic
problems of Depression Europe, not to mention the cumbersomeness
of the economic regulatory machinery, the prevailing methods
could work to the full satisfaction of no one.

The tradition of cooperation in Western European heavy
industry advanced in two significant particulars during the 1930s.
First, the International Steel Cartel, while remaining essentially
a joint enterprise of the German, French, and Benelux "founder-members," did effectively succeed in controlling international markets in the product. Of equal importance, it also managed to find satisfactory solutions to the various political crises of the late-1930s. One indication of the growth in IRG's power was the steady increase in its membership. In 1935 and 1936 the producers of Czechoslovakia, Hungary, and Poland joined, comprising the so-called "Central European Group." They were, however, never more than a minor faction in the overall politics of the cartel. On 30 April 1935 British producers became associates rather than full members of IRG, the distinction being due in good measure to the United Kingdom's greater importance as a steel market for Continental products than as an international competitor. Finally, in November 1937 the four largest American steel producers, represented by the Steel Export Association of the United States, affiliated with the Europeans and the British, antitrust laws presenting a barrier to full membership in international cartels. Among major steel exporters, only Sweden and Japan remained formally outside IRG. By 1938, it controlled over 85 percent of international steel exports. The steel cartel in fact succeeded both in maintaining a high steady price level and in frustrating attempts in several countries to build foundries and rolling mills. 36

German expansionism, which poisoned the diplomatic atmosphere and eventually led to war, actually proved a boon to the IRG. It put Ruhr steel---then producing at full tilt for a domestic market facing production bottlenecks due to shortages of the product---in the enviable position of being able to bestow large export
quotas from areas bought into the German customs zone (Austria, Sudentenland, and Resttscheckai) on their order-starved counterparts in France, Belgium, Luxemburg, and the Netherlands. This fact, then, provides an important part of the background both to the diplomacy of Economic Appeasement and to the events of the occupation period.37

The second accomplishment of the 1930s in connection with the eventual formation of the European Coal and Steel Community concerned the combustible. Franco-German coal-steel problems were in fact much less tractible than steel-steel. This was less the fault of producers, however, than governments. The Ruhr normally disposed of large surplusses of coking coal which because of high transportation costs could only be sold nearby—that is, in effect, to the steel producing districts of Western Europe. It probably need not be heavily underscored that one reason for Ruhr solicitousness with regard to the foundrymen of France (not to mention Belgium and Luxemburg) was precisely their vital importance as purchasers of coking coal. For the governments concerned, however, the combustible was a potential diplomatic and military weapon, and it was also in this light that Ruhr coal-Lorraine steel issues were presented to the publics of the two nations. Political rhetoric aside, international payments problems, especially German shortages of foreign exchange, governed the coal traffic between France and Germany during the 1930s and are at the bottom responsible both for the accomplishments and shortcomings in respect to it.38
The problem, briefly stated, was that while France depended on Ruhr coal, its government assigned priority to creditor-over export interests. German trade balances thus could not be used to finance a corresponding amount of French exports to the Reich. (For understandable reasons, the French were also unwilling to accept as payment the overvalued RM.) This situation gave rise to what Pierre Mendès-France termed "L'équilibre par les bas," an incessant racheting downwards of bilateral trade between the two countries. It reached the point at which in 1936 coal was virtually the only good passing through the Franco-German border. A significant attempt was made to solve this problem in early 1937, one brought about by a French decision to step up coal stocks as a rearmament measure. It featured the conclusion of a new Franco-German trade agreement. Its most important provision called for the increase in German coke deliveries from 116,000 tons per month to 275,000 tons per month. It stipulated as well that "The French have agreed to fill all of their coke import requirements from Germany." Reichsbankpräsident Schacht, in the first German ministerial visit to France since the Machtergreifung, signed the trade agreement on 10 July 1937 at the occasion of the opening of the Paris World's Fair. As was the case with the founding of the IRG in 1926, it was heralded as the opening of a new era in Franco-German relations. And even though the results of the new deal were disappointing, again because of payments problems, the hope born with it remained alive---something which, to be sure, presupposes a strong willingness on the French part, to suspend disbelief.
In the months between the 15 September 1938 Munich Conference and the 15 March 1939 German March on Prague, the Government of France, simultaneously with Great Britain, made significant overtures towards the conclusion of pacts between their businessmen and those of the Reich which, essentially, grew out of the strong international relationships built up in coal and steel during the 1930s. As war approached they were, indeed one of the few remaining touchstones of "Economic Appeasement." Apart from obvious political disagreements, trade between the Reich and Britain, as well as with France, had broken down as a result of the Depression except, by and large, in coal. Moreover, steel provided one of the rare international forums in which international problems were actually being solved to the satisfaction of French and British interests. These considerations are what, then, led to the French proposals of 7 December 1938. They included, first, an increase in Franco-German trade and, second, the formation of joint ventures by the businessmen of the two nations in the French Empire, in Latin America, the Balkans, and Africa. The French delegate also proposed the establishment of a binational consortium to rebuild the industry and "infrastructures" of Franco Spain. While these plans did not, because of general German disinterest, get beyond the organization in February 1939 of a "Centre Economique Franco-Allemande." British efforts at "Economic Appeasement" were somewhat more successful. They resulted in the signing of the Düsseldorf Agreement of 16 March 1939. This pact, which came at the conclusion of successful Anglo-German coal talks, called specifically for forming bilateral cartels in every branch of
industry, and, in general, a kind of world economic partnership based on the existence of common approaches to doing business on a basis of "organized capitalism." 42

German occupation after May 1940 would provide significant practical experience in this regard, not for the British, as fate would have it, but for the French, Belgians, Luxemburgers, and Dutch. During the occupation, the industrialists of the Western European coal and steel districts entered a kind of unspoken survival pact premised on economic collaboration. Nazi rule was not in fact popular in the Ruhr, which is, however, hardly to say that the coal operators and foundrymen were prepared to block Hitler's designs. Indeed, in order to gain a measure of protection, industry became his instrument. "Industrial self-administration" (industrieller Selbstverwaltung)—the name attached to the economic management approach adopted during the Third Reich—meant, in effect, that business ran the war economy for the regime. With the onset of occupation rule in France and the Benelux nations it therefore also took over the responsibility for managing the industry of the so-called Occupied Western Area consistent with requirements of the war effort. 44

The industrialists of France and the Benelux nations had not asked to be invaded by the Wehrmacht, nor were they likely to be reconciled to the prospect of long-run German domination. But they too were unwilling to resist Hitler, indeed preferred cooperation in the New Order so long as their interests were, at least to some extent, respected. Such facts as the territorial dismemberment of France, the annexation of Luxemburg, and racialism
in the Reichskomissariat Niederlande, to be sure, subjected to great strains any willingness to collaborate. Such political threats added, however, to the importance of the Ruhr as Schutz herr.

The fate of the coal and steel industries of occupied Western Europe was not a happy one. They operated at huge losses, were not modernized, indeed in the case of coal allowed to get badly run down. Thanks in good measure to support of the Ruhr, however, the worst was avoided. There was no wholesale expropriation of assets, significant dismantlement of plant, or deliberate financial exploitation. It is perhaps for such reasons that the coal and steel industrialists of occupied Western Europe provided so little in the way of damaging evidence at either the "Flick" or the "Roechling" prosecutions after the war. It is in fact evident in retrospect that in various ways German rule in Western Europe even advanced somewhat the process of economic integration: common institutions were set up for the allocation of raw materials, organizational structures were further "harmonized," financial "communities of interest" came into being, and "Eurovisionaries" in both the occupied countries and the Reich had the opportunity to bruit plans for future joint undertakings and amalgamations.44

The political realities of the war's aftermath obscured these facts. Although the Dutch and Luxemburgers at times lobbied vigorously for what amounted to the restoration of the traditional economic role of the Ruhr, French foundrymen were obviously not in a position to contravene the official policy of their own government, least of all considering that the expansion of the steel industry figured so large in its plans.45 All this changed,
however, once Ruhr steel's recovery to pre-war output levels had come to be recognized as inevitable, for it would open up the old problems of coal supply to Lorraine and of excess capacity in the West European foundries. This fact should have registered in when the ECA targeted its output at.

It did so, however, only in Spring 1949, as it became increasingly evident that IRA could not work and that the Anglo-Americans were intent on relinquishing power to the Federal Republic as soon as possible.

The appointment of Puender's slate of Steel Trustees provided the necessary cue for the resumption of negotiations toward some sort of restored International Steel Cartel. On 15 March 1949 the U.S. Counsel General in Bremen reported that "Rumors abound, and much significance is read into the activities of such officials as the French Ambassador, Francois Ponçet, who is reported to have had recent discussions with Dr. Hermann Reusch, Managing Director of Gutehoffnungshütte... and a leading spokesman for the iron and steel industry. Reusch is likewise reported to have recently been in Paris, presumably to discuss with French officials the organization of the Ruhr industry." By summer, European foundrymen were reported by André Philip to be taking tea together suspiciously often. Something important was clearly in the works.

Simultaneously, the experts of the French Plan, under the direction of Jean Monnet, began the draft of the blueprint whose outlines were revealed in Schumann's proposal and whose details were filled in during the organizational conferences for the ECSC which met in the months from June 1950 to July 1952. Monnet's
document represented less an alternative to a new International Steel Cartel than an extension of it. Planning of investment and production, coordination of sales, standardization of product, price compensation, encouragement of rationalization, joint exporting---these functions which the proposed High Authority was to carry out with the cooperation of producer associations dealt with matters long familiar to them. What was new about the proposal for the ECSC was that now the members of the coal and steel club could count on the support of their governments through the High Authority in eliminating impediments to producer control of markets, and, in particular, the smoothing out of transportation rates, the elimination of tariffs based on the needs for foreign exchange and of other economic interest groups, and the regulation of subsidies on a predictable basis. These results were welcomed by the industries involved, openly outside of France and secretly within it. As Monnet points out in his Memoirs the public opposition of the French steel producers was a tactical ploy that stemmed from resentment at not being consulted during the negotiations that led to the formation of the ECSC. Privately, the men of the Plan received assurances of support all along.

In 1950 there was in fact no alternative to Monnet's "functionalist" approach to solving the Ruhr Problem. The U.S., whose influence in Europe was then at an all-time peak, had tried and definitively failed to provide a solution. Proposals to solve it based on international public control of industry, although laudatory in principle, had not the faintest chance of realization.
and were also open to the objection that in the past similar approaches had not worked. Given the legacy of the recent war—
to put the matter bluntly, the popular hostility in France to most things German—the joint operation of a reformed IRA, with or without the nationalization of industry, would have been a chimera.

But the heavy industry cartels of Western Europe during the interwar years, as well as their wartime extensions, represent a rare Franco-German success story. They helped make it possible for the mines and foundries of the region to survive the Depression, even endure the general organized insanity of the war years. Understandings between industrialists concerning coal and steel indeed provided one of the few "contact points" between the Reich and the Western Democracies in the months prior to the war, were an important source for mutual cooperation during it, and left a legacy of goodwill which the German side proved able to draw on after it. They offered one of the few bases for a man of Schumann's convictions to build on.

At the same time, the complicity of the Ruhr in Hitler's deeds and the collaboration of heavy industry in occupied Western Europe during the war must give one pause. They underscore the necessity in our own time of maintaining, at the very least, effective public supervision of such organizations as the ECSC.
Notes


5. Ibid., p. 177.


11. (Stinnes to Hoffman, 22 July 1948), op.cit.


13. In passim.

14. U.S. Dept. of State 862.6362/6-1046 (Rostow to Kindleberger, 10 June 1946).


16. U.S. Dept. of State 862.6362/4-2446 "Memorandum on French Import Coal Requirements from Germany."

17. U.S. Dept. of State 862.6362/5-2346 (Ball to Jacobi, 23 May 1946 - Attachment).

23. U.S. Dept. of State 862.6362/12-447 "German Press Reaction to Creation of German Coal Mining Management, 4 Dec. 1947."
24. U.S. Dept. of State 862.6511/7-2948 "'Cold' Socialization of the Iron and Steel Industry in the British Zone of Occupation, 29 July 1948."
27. U.S. Dept. of State 862.6362/5-349 "Comments of the Coal Mining Trade Union...on the Reorganization of the Coal Industry, 1 April 1949."
28. U.S. Dept. of State 862.651/3-249 "No. 166...Bizonal Executive Committee Nominations to German Steel Trustee Association, 2 March 1949."
30. Clay, op. cit., p. 776; U.S. Dept. of State 862.6362/7-747 McCloy to Lovett, 7 July 1947; also McCloy to Douglas, 10 June 1947.


34. See Ervin Hexner, The International Steel Cartel (Chapel Hill, 1943) in passim.


36. See John Gillingham "Business Diplomacy in the 1930s: West European Heavy Industry Cartels, Hitler's Foreign Policy, and Economic Appeasement."

37. Ibid.


41. Documents on German Foreign Policy C Series (v. IV) #371. "The Franco-German Economic Discussions in Paris on December 7, 1938."


44. See John Gillingham, "A Case of Continuity: The Cartelization of the Western European Montanindustrie, . . . op.cit.

45. U.S. Dept. of State 862.6362/8-2847 (Minister of Luxemburg to U.S. Secretary of State, 28 August 1947).


47. F. Roy Willis, "Schumann Breaks the Deadlock," (pp. 19-38) in F. Roy Willis (ed.) European Integration (New York, 1975); See also Dietmar Petzina, "The Origin of the European Coal and Steel Community: Economic Forces and Political Interests," pp. 450-468 in [Zgs - "Reconstruction Symposium."