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RUHR COAL, GERMANY, AND EUROPE

When I came back from Germany, about 3-1/2 months ago, I felt that the American public needed to be more fully informed of the crucial role to be played by the German economy in the reconstruction of Europe. In the meantime, the German question has become the center of attention. At present, Anglo-American discussions are taking place on the subject of German coal mining, and another conference, with the participation of French delegates, is going to tackle the over-all problem of the level of German industry. Thus the need for emphasizing the urgency of these subjects has lessened, but it still may be helpful to point out the essential questions involved in those discussions.

The main bottleneck of European rehabilitation is the scarcity of coal, caused mainly by the decline in British and in German coal production. In the Ruhr, where the most important German coal mines are located, daily output averaged some 430,000 metric tons before the war. In 1946, it stayed at less than 200,000 tons until late in the fall when an increase in food rations for miners raised it gradually to 238,000 tons in March 1947. Unfortunately, at that time growing unrest appeared in the Ruhr. The food situation deteriorated because of the unprecedented severity of the winter of 1946-47 that hampered transportation and production in all of Europe, and the uncertainties of international political developments made the outlook even more gloomy. Output dropped to an average of 212,000 tons. Only in recent weeks did production again approach the March figures, after the food situation had improved because of increased imports from the U. S. and after added incentives in the form of other consumer goods had been promised to the miners.

What did the drop in coal output mean to Germany? The four occupying powers, in the level-of-industry plan adopted in the spring of 1946, agreed that German steel production, which is the basis of Germany's heavy industry, was to be limited to 5.8 million metric tons annually, a figure corresponding to the depression level of 1932. Actually because of the lack of coal the Ruhr district, to which the great bulk of total German steel production was allocated, did not even produce half of the permitted amount. As the result of the lack of steel, heavy industrial production in the combined US-JK zones of Germany also has remained well below the limits of the level-of-industry plan. Moreover, the production of building materials (cement), urgently needed for rebuilding the shattered German cities, and of textiles (artificial fibers) also was decisively affected by the lack of coal. Total industrial production in the combined US-JK zones stood at 39 per cent of 1936 in May and June 1947, the best months of the period of occupation, as against a planned level of 55-60 per cent. In the field of agriculture, domestic production has declined to about 60 per cent of prewar. This decline is due largely to the lack of artificial fertilizer, and this in turn, to the lack of coal.

The scarcity of consumer goods leads to a vicious circle; the miners

won't produce more coal if they don't receive more food, better housing facilities, more clothing, and other consumer goods. In order to improve food production, housing conditions and the supply of other consumer goods, however, more coal must be mined.

We might say that this dilemma is the consequence of German aggression, and that it is historic justice that the German people suffer. But what are the consequences for the victims of German aggression? German coal always has been essential for the industries of most Central and Western European nations. The Ruhr alone used to export more than 30 million tons of coal per year. In 1946, for reasons of justice and diplomacy we forced the export of coal at the expense of German consumption. Even so, we were unable to export more than 11 million tons--less than one-third of prewar. And this smaller quantity had to be sufficient for countries which suffered from a decline in their own coal production and in British coal exports. Thus the lack of coal also prevented the French, Belgian, Netherlands, Italian, and Austrian industries from utilizing their full productive capacities. In the winter of 1946-47, the catastrophic situation of the German economy compelled us to curtail coal exports far below the level reached in previous months so that in February 1947, exports dropped below half of the 1946 average, and in the first five months of 1947 had reached an annual rate of only 8 million tons, less than one-fourth of the prewar level. This decline in Ruhr coal exports was one of the most important reasons for the deterioration in the European economic situation in the spring of 1947.

The drop in coal exports is not the only adverse effect of the lag in German coal production. Equally disastrous for Europe is the lack of exports of German industrial products. Before the war, the German industry was the source of supply for the great bulk of European machinery and precision instruments. For instance, half of the Netherlands industry is equipped with German machine tools. Some European countries had hoped that the limitations imposed upon German industry would enable them to capture German markets. But in many of these countries, the domestic industry cannot make use of that opportunity because it cannot work efficiently without German equipment and especially without German spare parts. Thus some countries, like the Low Countries, the Scandinavian countries, and Austria that would have most reason to see German heavy industry condemned to perpetual stagnation, today are among those that ask most loudly for the revival of German heavy industry which has to furnish them with urgently needed parts.

Finally, the lack of German coal production has made it necessary for the US and UK governments to come to the help of the German people in order to avoid wholesale starvation, disease, and unrest. Since Germany, largely because of the lack of coal, cannot produce the food and other subsistence goods which the German people need for survival, these commodities must be imported from the UK although other European countries, many of them our allies during the last war, also are in great need of these goods, and although such exports are a tremendous burden upon the UK and in a lesser degree a burden upon our own economy. To a certain extent, the present exchange difficulties of the British people are due to the exports to Germany. Moreover, these exports must be financed temporarily at least out of budgetary receipts, which means out of the taxes paid by the British and American public. We don't consider them to be

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gifts to the German people, and we hope to be repaid in future years. For the time being, however, the economic effect of these expenditures is not much different from that of unilateral contributions.

Thus the problem of increasing the coal production of the Ruhr is of the greatest interest not only to the Germans, but also to all European countries and to the British and American taxpayer. In fact, it is one of the few points on which all nations of the world are in complete agreement. The question is only, how increased production should be attained. The experiences in the fall of 1946 and the summer of 1947 have shown that an increase in goods made available to the miners, especially food, housing and other consumer goods, will bring about an increase in output. But such supplies have either to be taken away from the rest of the German people, whose meager rations do not leave room for such measures, or again, have to be financed by the occupation powers. The British obviously are unable to take over additional burdens, and so the expense of such an incentive program would have to be borne by the U. S. The cost certainly would be worthwhile, even in terms of dollars, since every increase in coal production lessens the strain on our own economy by the demands of other European nations for relief grants or credits with which to purchase our own scarce coal. However, it is hardly possible for us to pay for such a program without having a controlling influence upon its execution. The Ruhr is in the British zone, and British ideas of management and ownership are sometimes somewhat different from our own. It is incorrect to say that the British are bent on socializing the Ruhr mines, or to say that we are absolutely opposed to socialization, but it is true that there are some differences of opinion. The first question is whether or not we can expect the mines to be better managed by the occupation authorities or by the Germans themselves. Everybody acquainted with military government procedures will agree that German management would be more efficient. Then the question arises, who should do the managing. The old masters of the Ruhr coal cartel were among the major German war criminals, and we cannot think of restoring the crucial European industry to their control. Such a step would not only produce the danger of outright sabotage of our efforts toward European cooperation, but also arouse our most faithful friends in Western Europe against us. But where to find German managers not tainted by too close collaboration with the old Nazi gang? The British argue that only socialization can solve that dilemma, while we point out, first, that the Germans themselves are not too happy about that idea--the German bizonal economic council, elected by the legislatures of the German states, just has appointed a strictly anti-socialist directorate--and, secondly, that the inexperienced German democratic bureaucracy would be even less efficient than the experienced British administration. The present discussions certainly will lead to some compromise, but only the future can tell whether it will be practicable.

Another problem is, what to do with the increased coal output once it is mined. We cannot expect production to increase so much that the domestic as well as the export demand will be fully satisfied. A few days ago, the German bizonal economic council submitted an economic plan for 1947-48, based upon the production of 70 million tons of hard coal as against 54 million in 1946-47. At the present rate of output, this figure appears reasonable. The council, however, wishes to cut exports substantially below the 1946 level, and to devote not only a larger part of

the present output but also the entire increase to German consumption. This is understandable because the needs of the German economy are closer to the heart of the German people and its representatives than the need of the rest of Europe; moreover, it can be argued that German miners will be spurred by the knowledge that all increases will accrue to the German economy. But such a solution obviously would not be acceptable to Germany's neighbors that need German coal as urgently as Germany itself. In contrast, the coal distribution plan agreed between the US-UK zonal authorities and the French in the spring of 1947 would allocate to exports the present quota plus about one-fifth of the increase in output. Obviously, the French will not agree to the execution of the coal program to be turned over to German authorities, unless they are satisfied that their import requirements will receive due consideration.

Once the question of allocating coal is solved, the problem remains what to do with the coal reserved to the German economy. The German council proposes to allocate only 10 per cent of the German quota to household consumption despite the hardship which such a small allocation is bound to cause. The resumption of German industrial production is indeed more important than the comfort of the German population--although too much discomfort may force the population to spend a disproportionate amount of time on the search for other fuel (woodcutting) and induce pilferage and black market operations. Still, the problem remains whether to use the remaining 90 per cent of the German quota mainly for the production of export goods, or for the production of goods destined to German consumption. The diversion of too much coal to production for the German market will leave the needs of the victims of Germany unsatisfied--and indirectly force us to grant further aid to those victims--while a diversion of too much coal to the production of export goods will hurt German labor morale and efficiency, and in addition make necessary further relief imports into Germany, thus again in the last resort burdening the U. S. economy.

So you see how closely related the coal problem is with that of the level of the German industry, and with our own contributions to the recovery of Europe. We can only hope that the participants in the conferences will contribute to the solution of the over-all European problem by keeping in mind the broad implications of their decisions. Their main goal should be not just an increase of so much per cent in the production index of such or such country, but the reintegration of the entire European economy. That alone will bring about not only economic progress but also, more importantly, the prospects of permanent peace.