

Excerpts from MEMORANDUM re: OBSERVATIONS ON TRIP THROUGH GERMANY,
2 May - 10 May, 1945. To: I.N.Pincus and H.J.Barnett,
From: Carl Kaysen

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2. How severe was bomb damage in relation to the target problem and the reparations problem?

The factory visits confirmed strongly our previously held view that the bombing of Germany had not so severely damaged German industry as to render the whole reparations discussion meaningless, because there was no plant left to give away, or to produce output which could be given away. In quantitative terms, it caused us to raise our estimate of the amount of industrial equipment and capacity remaining to German, rather than lower it; with the caveat always that its capacity to produce depended on the solution of the problem of organization. Our previous view, as it was stated in the summary paper produced for Mr. Baruch, was based largely on the appreciation that the majority of industrial establishments escaped anything more serious than minor damage; effective bombing, with repeated heavy attacks, had touched only a few selected industries. In the course of our trip we made a point of visiting plants which had been badly damaged judged from intelligence and photo cover in fairly recent attacks (since Sept. 1944) directed against the specific factories. Therefore we were viewing the state of that part of the industrial system which we had more or less written off in arriving at estimates such as we gave Baruch. We all came to the conclusion that the amount of salvageable equipment in such plants was very considerable; and the amount of more or less immediately useable equipment, which could be put to work in situ after minor repairs and roofing was also great. This observation held good for all the engineering plants we saw. In the case of the one synthetic oil plant, it was not valid; here damage had been widespread and serious.

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(Cont'd)

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All the plant managers and technicians to whom we spoke were clearly and strongly interested in as speedy a return to business as possible; as they naturally would. It seemed, from all the cases except MIAG (where what brief conversation we had with a manager did not touch on the problem) that a return to business meant a return to business as usual in the sense of continuance of the same corporate relationships, dealing with the same suppliers, customers, banks; again a fairly natural reaction. In those cases in which the subject arose, (four) all expressed a great fear of the Russians. This ranged from an expression of apprehension relative to the personal treatment they would receive at their hands (Krupps, Magdeburg) to a fear that the Russians are inspiring a communist political movement to take over all Germany (Gelsenberg coking, Gelsenkirchen). In this latter connection, anxiety was expressed over the encouragement given to trade union organization by MG (same plant), and the statement was made that the unions are a cloak for this communist activity. In general, Managers talk of the "menace" of Communism, and look for Anglo-American protection from the "menace". There is apparently great belief in the essential antagonism of interest between Communism and Western capitalism, and this group would most willingly join us in an alliance in the struggle which they hope and believe will necessarily arise. ***

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Was there any visible sign of policy difference between the American and British zones of occupation?

Industrial activity both in terms of repair at damaged plants

and actual operation was much more evident in the Ruhr area - a zone of British occupation (but still largely policed by American forces) than in the south Rhineland area which the Americans are now occupying. The existence of this difference was patent. It is exemplified by the fact that Frankfurt looked completely dead, plants such as Adler and Teves were not being repaired at all, nor was there even any evacuation activity or guarding of the premises by company officials while in the Ruhr, coal mines, power stations, cokeries were in operation, and other plants, which had been badly damaged were being repaired. Even further east in the British area - Brunswick say, plants such as MIAG were doing some work and undertaking clearance and repair.