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MR. LOVETT: Yes, he should be given a fair look at both sides.

GEN. HILLDRING: That's right.

MR. LOVETT: But as to the question of any language or anything hidden in this Presidential Directive of the 23rd of March, at the bottom of the first page it says, "Controls may be imposed on the German economy only as may be necessary, (a) to carry out the programs of disarmament and denazification and reparations and relieve liberated areas to be prescribed by appropriate higher authority, and (b) to ensure the production and maintenance--" and here we get right into this language, "ensure the production and maintenance of goods and services required to meet the needs of occupying forces and displaced persons in Germany and essentially to prevent starvation or such disease or civil unrest as to endanger the occupying forces." That's identical, isn't it?

MR. DuBOIS: I would say in view of the fact that reparations comes first, it take precedence over the--

MR. LOVETT: Reparations comes before maintenance of our own troops over there?

MR. FOWLER: I am leaving your reparations for a minute to refer to something previous to that where you mentioned industrial disarmament except for those measures that are necessary to effect industrial disarmament and demilitarization. It's our contention that the removal of certain facilities that might be useful for supplying the occupying forces and the civilian population might also be necessary as a measure of industrial disarmament and that the second, the industrial disarmament, takes precedence, and I think that's the--

MR. LUBIN: I think Mr. Pauley is right. This is going to have to be settled by the President and we ought to point out that there is nobody here who would put reparations over the welfare of the Army. I hope nobody is giving that impression, but I do feel that we have got to be realistic about this thing, that if I were a commanding officer, I

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would want everything around me maintained that is going to make my job easier and rightfully so. If my troops can be better serviced by getting the oil out of a plant five miles away rather than to have to send a cable to Washington to get a tanker to deliver that oil, I would like that plant nearby, and everybody else would, and it's to prevent just such a thing, I think, that some definite statement should be made as to what is required to maintain the Army. Is it everything they can get there, or only those things they can't get from the United States?

GEN. HILLDRING: That's not the argument as I understand it. As I say, I think the issue will soon be resolved. I don't think it's a question of utilizing plants in Germany for the needs of the armed forces to make it unnecessary to haul oil from Oklahoma to Germany. That has never been our view at all. Our view is to begin with we don't say these plants shouldn't be taken out. We agree with the policy that the Joint Chiefs will agree that these synthetic oil and rubber plants should be taken out of Germany, and that's not going to be up to Eisenhower. He is going to be told that. The only question involved is one of timing, and that's the only argument in this thing. It isn't a question of reparations policy at all. It's at a time when Eisenhower can't get into Germany enough oil to run his locomotives or do the other things he needs to supply his troops. Must he, in spite of the fact that he can't run this locomotive and can't get the oil from Oklahoma, at that time he must shut off the supply despite the fact that his troops will suffer as a result of it. That's the only argument.

MR. LUBIN: I think you have answered in your last sentence, "despite the fact that his troops will suffer." In other words, you are assuming that the oil is not available in the United States.

GEN. HILLDRING: I am assuming it's not available, Doctor. It isn't available today in France, and it won't be available next month.

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MR. PAULEY: I have to be at the White House at twelve-thirty and I'll be glad to continue these discussions, but in the meantime Mr. Lubin will stay. I do have this one thought that has not been mentioned here and that is with respect to all agencies of the Government who are giving benefits, either by outright gifts, lend-lease, loans, or however it might be, that remember, when this mission goes to Moscow and is negotiated, our job is going to be difficult enough, and we want to maintain a very close liaison and at least be notified in advance of any contemplated benefits that any of these countries concerned are going to get in order that we might submit to the interest of the agencies our views as to how it might effect our negotiations. In other words, we wouldn't want to be sitting with tough problems and inclined that some agency was giving away something that would materially affect our ability so as to negotiate properly for our country, and I hope we can all agree on that.

MR. CLAYTON: Do I understand you, Mr. Pauley, what you have in mind is that we might here take certain action with respect to certain lend-lease aid, other benefits or credits or something that would assist you in your work in Moscow? Is that what you have in mind?

MR. PAULEY: It works both ways, it might assist and it might hurt, and therefore we would like to be notified and informed beforehand of what is contemplated.

MR. CLAYTON: Well, of course, when you go you will know what the lend-lease situation is, and I would think that probably the only other question might arise with respect to contemplated credits maybe to these countries, and certainly you would be kept informed of anything of that kind.

MR. PAULEY: And action on the part of FEA and things of that kind, either by purchase or--

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MR. FOWLER: That's very important, and I'll bring it to Mr. Crowley's attention. I think it would be worthy of considerable discussion.

MR. PAULEY: I don't think it's a proper matter that should go into this memo, but I think there should be another memo that we would all agree on that would set forth those views.

MR. CLAYTON: I think there's no question but you should be kept fully informed of all such actions of that kind, and I am sure there will be no difficulty to arrange that through the State Department.

MR. PAULEY: Thank you, gentlemen.

MR. BARD: Why don't you just drop number one out entirely?

(Mr. Pauley leaves the conference.)

MR. LUBIN: It was our suggestion.

GEN. HILLDRING: I think the thing that troubles some of these gentlemen that have spoken is that it means more than it says, and it is paragraph 30 and 32 that you are worrying about.

MR. LUBIN: Somebody suggested, for example, that we say, "Those plants shall be maintained for production and maintenance of only those goods and services required to meet allthe needs of the occupying forces--"

MR. GLASSER: "...which can only be acquired in Germany," and the War Department rejected that phrase. Now I think, General Hilldring, that your formulation would be an easy basis for reaching an agreement in the working group, as you formulated in the question of time and the question of where it is clear that can only be obtained in Germany.

MR. LOVETT: Why don't we try to force that out?

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MR. DuBOIS: All you are really talking about is the immediate withdrawal, isn't that right?

GEN. HILLDRING: We are only talking about these items on the death list, and that's what we mean.

MR. BARD: It seems to me the paragraph on page nine, the second paragraph, gives you all the power you need right there.

MR. DuBOIS: Yes.

MR. CLAYTON: Well, shall we drop it out and let you study it further, Bob? Is that agreeable?

H.M.JR: I would like to say this before you do that. I mean, it might perfectly well be if the American Army was in there for two years, the commanding general might maintain the position for the whole two years that he was there that he was going to need these supplies, and these plants might not be destroyed during the whole two years or removed.

GEN. HILLDRING: There are soldiers, I am sure, Mr. Secretary, that are capable of doing that, but I would consider such an eventuality a breach of trust on the part of the soldiers, and I doubt if it can survive. Everybody is going to watch what he is doing, and you are going over, and all of us are going over, and we are not going to tolerate it.

H.M.JR: That's perfectly true, but I maintained right along that it's just human nature, while the American public is excited about what is going on today they will do a lot of these things, and once the war is over and the Army's appropriations are cut, and they figure they can get something there and won't have to draw it out of their general appropriated funds, and somebody can save money that way, he'd be doing something great. Now, if these important plants which would be used again to make war are eliminated the first six months, I don't believe there would ever be another war, and I think that the Army, and I say so in all seriousness, has been

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advocating that these important plants be maintained. I think they have got a very, very grave responsibility as far as future wars are concerned. I have listened to this thing a long time, and the delay in getting the supplies is not comparable to the danger of leaving these from which they might again be made into munitions plants. I am very much worried about it and I wish the Army would give it another look.

MR. CLAYTON: Just for your information, I may say, Mr. Secretary, that Secretary Ickes made a very vigorous protest to Mr. McCloy and later to me about sections 30 and 32 of the other document which we presented to the President on Friday, in respect to it, and only to the clause which provides for the removal or destruction of these synthetic oil plants.

H.M.JR: Which way is he protesting?

MR. CLAYTON: Protesting we should do it without taking into account that he had some interest in the matter and without consulting him, because his Department was charged with the responsibility of finding oil for pretty nearly the world, and we were providing oil producing facilities should be destroyed without discussing the matter with him. He said he was going to take it up with the President. I mentioned that for your information.

MR. LUBIN: Destroyed or moved. They could be moved here as far as that goes.

MR. CLAYTON: That's clear in the document.

MR. LUBIN: General, there is only one thing after what the Secretary said. I mean, if it is important that a given facility be maintained in order to protect the welfare of our troops, shouldn't that decision be really made in Washington?

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GEN. HILLDRING: Well, I think the decision will be made in Washington.

MR. CLAYTON: The other document--

MR. LUBIN: Then isn't it taken care of on page 9 where we say if the zone commander--if he wants to take it out, if he wants it, with the specific authority of his Government he can keep it, but he has got to go back to his Government.

MR. CLAYTON: The other document which we presented to the President on Friday so provides. Have you a copy?

GEN. HILLDRING: The only thing we are trying to do, Doctor, in the JCS is trying to--I am just an agent--to make it unnecessary for Eisenhower to turn over the supply while he is getting the decision.

MR. LUBIN: That's taken care of in nine, absolutely. Nine specifically says--

GEN. HILLDRING: In thirty it says he will immediately cease production whenever he finds one of these plants.

MR. CLAYTON: The General--

MR. LUBIN: The General is referring--

GEN. HILLDRING: I am not talking about this document.

MR. CLAYTON: He is referring to the document called "Directive to the Commander-in-Chief of the United States Forces of Occupation" regarding military Government of Germany and paragraph 30.

GEN. HILLDRING: He can't even use the product while the Reparations Commission is deciding what to do with it, Doctor, no matter what dire need he may have of the supply. That seems to us to not challenge the policy at all.

H.M.JR: I thought we cleared that the other day.

MR. CLAYTON: We did. We agreed on that, and the paragraph 30.

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MR. LOVETT: What do you mean, you agreed on it?

H.M.JR: Pending a decision in Washington, he could use his own judgment.

MR. LOVETT: He can use his own judgment pending decision.

MR. CLAYTON: It says, "You will not postpone enforcement of the prohibitions contained in subparagraphs a and b," which relates to synthetic oil, "and the instructions in subparagraph c without specific approval of your Government through the Joint Chiefs of Staff." He can refer the matter here and get approval to postpone taking this action.

GEN. HILLDRING: But in the meantime he has to shut off the supply.

H.M.JR: That wasn't my understanding.

MR. LOVETT: I don't think it was intended, but that's the way the language came out.

H.M.JR: As far as I am concerned, pending the decision means he certainly should have the latitude.

MR. LOVETT: That's what we ask.

GEN. HILLDRING: That's all we ask for.

MR. LUBIN: Eliminate that word, "not" and you've got it.

GEN. HILLDRING: That's all we asked for the other day.

H.M.JR: I thought I agreed to it the other day.

GEN. HILLDRING: When the paper came out he still has to shut off the faucet. It looks absurd to a fellow who is struggling with his might to get petroleum for us on the other hand to tell Eisenhower, "while we are deciding what to do with this plant you can't use it." That's all we object to.

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MR. LOVETT: I think this is an error.

MR. LUBIN: Did you agree that we omit "1?"

MR. LOVETT: Yes, we can. Now this "1" business here is a basic principle. It involves a basic principle we are trying to get clear in our minds. Does the Directive of March 23rd with respect to the maintenance of troops and care of displaced persons and maintenance of essential services to prevent starvation, is that--do we really mean what we say and tell this fellow to go ahead and do that, because we can't give him the responsibility in this directive and at the same time not give him the authority that runs with it?

MR. LUBIN: I think the answer is, one, if General Hilldring would agree to what he suggested himself, that this would apply to those things that could be secured only in Germany, that he would have no objection.

MR. CLAYTON: I don't understand, apply only to what?

H.M.JR: I don't either.

MR. LUBIN: Any plant that produces goods that the Army needs that could not be secured in the United States, he could retain in operation temporarily.

H.M.JR: No, no! The thing that I am in agreement with--I thought that was in there, and I think Mr. Clayton thought that, and that was if the Army feels that they want to maintain the proudction of certain commodities they would send in word to the Combined Chiefs of Staff, who in turn refer it to somebody else pending that decision. The faucet continues to stay open.

GEN. HILLDRING: That's all we were trying to do the other day. That's all I was trying to achieve the other day.

MR. DESPRES: Exclude the word "not", Mr. Clayton.

MR. CLAYTON: See if this will cover it.

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GEN. HILLDRING: It didn't come out that way.

H.M.JR: Well, that happens.

GEN. HILLDRING: That's all we were trying to do.

H.M.JR: Where is the word "not?"

MR. CLAYTON: I'll read it to you. "You may postpone enforcement of the prohibitions contained in subparagraphs a and b and instructions in subparagraph c only if you promptly request specific approval of your Government through the Joint Chiefs of Staff."

All he has to do is request it and in the meantime he can continue--

MR. BELL: It doesn't say he can continue.

MR. CLAYTON: "You may postpone enforcement of the prohibitions contained--

MR. LOVETT: This is a rewrite.

H.M.JR: "You may postpone--" you just put in the word "may" in place of "not."

MR. DuBOIS: And change the rest of it.

MR. CLAYTON: "You may postpone enforcement of the prohibitions contained in subparagraphs a and b and sub-paragraph c only if you promptly request specific approval from your Government through the Joint Chiefs of Staff or for such postponement." He can postpone it and cable.

H.M.JR: If I can put it in my own language, I'll repeat myself. It makes sense to me that they can continue to produce a commodity which he thinks is necessary pending a request to Washington for ruling.

MR. LUBIN: That's what you want.

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MR. LOVETT: Pending a decision is what you mean. That's put into legal language.

GEN. HILLDRING: That's the only issue, Mr. Secretary.

MR. FOWLER: We would accept that language as well.

MR. CLAYTON: We all agree we will modify paragraph 30 of the document which was agreed upon Friday to cover the point.

GEN. HILLDRING: Since that day it has gone through the Five-Star Generals and Admirals. They didn't like that paragraph and they have got some other words in here, so we'll have to sit down and compose this language that they have suggested.

MR. LOVETT: That's their basic objection.

MR. DESPRES: I would like to suggest that if before we adjourn today a substitute sentence could be drafted and approved by this group; it probably would be a useful thing to have actual language, wouldn't it?

MR. LOVETT: You just got it.

MR. CLAYTON: Is this agreeable, this language?

MR. DESPRES: I thought this wasn't acceptable?

MR. LUBIN: The one the Secretary dictated is the one we all agreed on.

MR. DESPRES: I didn't get that.

MR. CLAYTON: It says, "pending approval by the zone commander's government through the Joint Chiefs of Staff that zone commander may postpone the prohibitions in a and b," isn't that right, Mr. Secretary?

H.M.JR: Yes.

MR. GLASSER: That's good enough.

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MR. DuBOIS: As long as you make it clear that what you have in your language is to promptly notify us, it's correct.

MR. DESPRES: You would say, "pending approval."

MR. BARD: The words, "of the Joint Chiefs of Staff" mean the same thing. We'll use their words.

GEN. HILLDRING: We'll have those this afternoon. That step could have been avoided, if I can make myself clear, the other day.

MR. CLAYTON: General, would you please send the memo on from the Joint Chiefs of Staff to the working committee?

GEN. HILLDRING: Yes, as soon as I get it.

H.M.JR: If that's the only objection, may I suggest to Mr. Clayton that we could notify the Five-Star Generals we are in agreement? Then it would go to the President from the Combined Chiefs of Staff that they and this committee are in agreement, which would make it much easier for the President.

MR. CLAYTON: Yes, but we would then have to give the President a little memo pointing out the change that we made in 30.

GEN. HILLDRING: I am in a bad position now, Mr. Secretary, to come to any final conclusion, because, whereas before our last meeting I was keeping them in tow, they have now taken official action on their own hook which involves the Navy Department and all agencies of the War Department and--

H.M.JR: I think there was a misunderstanding. There wasn't in my mind because you made the same point the other day, and I think the record will show I agreed to it the other day. I think that the record will show that.

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MR. CLAYTON: Perhaps the easiest way and quickest way would be to use their language when it means the same as this.

GEN. HILLDRING: When you get the two together, then we will--

MR. CLAYTON: Bob, is that understood?

MR. LOVETT: Yes. General Hilldring, we'll talk it over as Mr. Pauley suggested.

GEN. HILLDRING: L is all right.

MR. LUBIN: May I suggest that if the question of 1 is ever raised that we refer to the last paragraph, paragraph 10 on page nine which covers that item?

MR. CLAYTON: Yes, all right. Is there anything on m?

H.M.JR: Pardon me, just so we don't misunderstand, so we can decide agreements. Mr. Hilldring and Mr. Pauley meant certain things can be ironed out if they just effect me. Pauley and the Army, so long as the committee passes on everything that is to go, and I think it would be better in the long run, and if something comes up, we can't say, "I didn't know about that."

MR. CLAYTON: I take it that this document should cover all agreement that is reached about reparations.

MR. LOVETT: Thirty and thirty-two, Will, and a final determination on them will remove the need for their--

MR. CLAYTON: I think so.

MR. LOVETT: But until the Joint Chiefs of Staff come in with their paper, which I am not familiar with, I suggest they hold that in abeyance.

MR. CLAYTON: Is there anything on m? I take it not. Is there anything on paragraph 4?

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MR. BARD: What page?

MR. CLAYTON: Page five. Paragraph five, that's okay. Paragraph six, I take it that's all right. Paragraph seven.

MR. LOVETT: On paragraph six, Will, it has nothing to do with the War Department, but merely a query. That last sentence, "Agreement should also be sought on the scope of restitution in relation to reparation." The query I raise is whether what that means if a textile mill in Laon can present evidence of the fact that certain types of machinery have been taken from their own textile mills by the Germans and has been set up in Germany, do we contend that that specifically identifiable machinery shall be returned to the owner?

MR. LUBIN: I think the purpose of this clause is that we try to get some basis of agreement on what the relationship is between restitution and reparations. Should it be an entirely separate thing from reparations, or shall we work it together and have a subcommittee of our Reparations Committee work on it. There are various points of view. The Government and Laon may want separate restitution, and you run smack into each other. You find the plant half stolen.

MR. LOVETT: It's a problem you fellows will face, but it's a question of whether you would benefit by any support from this country to the theory that where the object is immediately identifiable, it should be restored to owner.

MR. CLAYTON: I didn't think there was any difference on that at all.

MR. LOVETT: It's just that that point isn't covered in here.

MR. COE: I think, sir, on the question of gold we certainly want to hold that point open and not agree that gold and certain articles which are identifiable are to go necessarily to the people that they are identified by.

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In other words, if you find two hundred million dollars worth of gold and all you find is Belgian gold, you don't want to put out all the other claimants. We would rather take the point of view that that is a liquid, uniform mass of purchasing power which is to be dealt with in the best way it seems at the time.

MR. LOVETT: Aren't you going to distinguish between productive machinery and purchasing power?

MR. COE: No, I was just indicating one particular case where the proposition that this Government subscribe to identifiable stuff going back to the country it is identified as being from is maybe not a good one.

MR. DuBOIS: It's not clear here and it's not clear from what EAC wants to do on restitution, whether it covers all classes of property or not. Shall we debate that?

MR. LUTHRINGER: That's exactly what we will debate. I think so far we have taken the point of view that right of restitution is not an absolute and unqualified right, and we have also argued for a narrow concept which includes replacement by similar goods and that sort of thing, and what this particular sentence means here is that we want to work out some of these questions together with the relationship between reparations and restitution and in some agreeable fashion. I mean, the two get associated.

MR. LOVETT: As I said, it's no direct concern to the War Department, but in reading it it comes up as something that seems a little fuzzy.

MR. LUBIN: It deliberately was because no policy had been definitely accepted.

MR. DESPRES: I think the difficulty in this arises from the conception of restitution or the restitution of looted property that we are bound to work under. In the case of the Belgian owned textile machinery in Germany, that appears to be very clear-cut that we have adopted

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the principles that any textile machinery that has moved from Belgium to Germany with or without compensation of the Belgian owner shall be regarded as having been moved under duress and therefore looted, so that principle which is embodied in a united nations declaration means that we are going to freeze this Belgian owned property, a very broad category of property.

MR. BARD: What's all the talk about this sentence? This sentence doesn't say anything at all. Why do we waste our time on it? It just puts it up.

MR. CLAYTON: It's ten minutes to one almost. Suppose we adjourn now after deciding when we meet again.

MR. LUBIN: Are there any other questions? Maybe there are other questions?

MR. CLAYTON: There are lots of other questions. I don't think we can get through, and we'll have to see this new draft with the "1" left out and with the labor clause separately, and so we'll have to meet again, and this is Tuesday. When would it suit you to meet again?

H.M.JR: Tomorrow morning.

MR. CLAYTON: I wonder if we can get through with that quickly.

MR. DuBOIS: There is nothing we can do except leave "1" out and put the labor thing in a separate document.

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MR. CLAYTON: They ought to draw the document. We don't get through until we pass on it.

H.M.JR: They have got nothing to do tonight.

MR. LUBIN: Tomorrow morning is going to be almost impossible for me between ten and eleven.

H.M.JR: What have you got that is more important?

(Discussion off the record.)

MR. LOVETT: Make it Thursday morning.

MR. LUBIN: At eleven o'clock. I can make it.

MR. CLAYTON: I think it might take a little time. Mr. Crowley has to be consulted on the labor matter.

MR. FOWLER: I was thinking you might finish this document tomorrow.

MR. BARD: Let's wait until we can all meet together.

MR. CLAYTON: How about Thursday morning?

H.M.JR: Nine o'clock Thursday morning.

MR. CLAYTON: All right?

MR. BARD: I have got to go over to the War Department and talk to a lot of Ministers Thursday morning. I think Thursday is all right.

MR. CLAYTON: Nine o'clock. All right.

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April 27, 1945
9:00 a.m.

1067--REVISED-MEMO FOR THE PRESIDENT

Present: Mr. D. W. Bell
Mr. Crowley
Mr. Downey
Colonel McCarthy
Mr. Coe
Mr. Friedman
Mr. Glasser
Commander Richardson
Mr. Fowler
Mr. Clayton
Mr. Despres
Mr. Riddleberger
Mr. McCloy
Lieutenant Bancroft
Mr. Bard

DECLASSIFIED BY: JCS DECLASSIFICATION BRANCH
DATE 12-23

CLASSIFICATION CHANGED
To SECRET Authority: Ltr of 5-19-61
from James B. Burke, State Dept.
Name Rachel Owen
Date 2-11-66

MR. CLAYTON: Could we have a return of the documents that were used yesterday and which were corrected? They have been replaced by a final and correct document and we would like to have the old ones returned to the Secretariat.

MR. FOWLER: We returned one and Mr. Crowley has the other one.

MR. CLAYTON: Now, Mr. Secretary, as we agreed yesterday, we have prepared a memo to the President. The working group decided after considerable thought on the matter that a digest was not called for because the memo of March 23rd was the best digest that could be made, because it gives in general outline the principles and policies we had governing us in writing this detailed directive.

(Lieutenant Bancroft enters the conference.)

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MR. CLAYTON: I believe they spoke to you about that matter and you are in agreement--

H.M.JR: What?

MR. CLAYTON: ...that we shouldn't attempt to prepare a digest of this detailed directive because the memo of March 23rd was deemed to be the best digest that could be prepared, and it is only four pages long, full spaced, and sets out fully the principles and the policies that have governed us in drafting this detailed directive, so that we thought we would just make that statement to the President.

H.M.JR: Do we have a copy of the March 23rd memo?

MR. CLAYTON: Yes, sir. We are sending this to him along with the document we finished yesterday. This memo which we have prepared for him, which has already been signed by Acting Secretary Grew, and which I believe that the rest of the Committee would sign reads as follows:

"Memorandum for the President. The Informal Policy Committee on Germany is presenting to you, for your approval, a revised directive for the military government of Germany prepared on the basis of the policy memorandum of March 23, which was approved by President Roosevelt. The memorandum of March 23 has been introduced into the European Advisory Commission by Ambassador Winant for negotiation as a protocol of agreement with the U.K., the U.S.S.R. and France. Copies of the memorandum of March 23 and the revised directive are attached.

"In the opinion of the committee the revised directive embodies policies and measures which faithfully carry out the principles set forth in the memorandum of March 23. The committee believes that this directive furnishes the basis for effective initial action to prevent Germany from again becoming a threat to world peace.

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"The revised directive is being submitted to the Joint Chiefs of Staff for consideration from the military point of view. Thereafter it will be transmitted to General Eisenhower as the basic instrument for the initial post-defeat period in Germany. The directive is designed to serve a dual purpose in that it will give him this Government's policy as formulated to date for his guidance as American member of the Control Council in Germany and will likewise guide him in the administration of the U.S. zone.

"If you approve, the Informal Policy Committee on Germany will continue, under your direction, to develop basic policies of this Government for the treatment of Germany, including the pending matter of reparation."

H.M.JR: I think it is very good, except it doesn't do what Mr. Crowley and I wanted it to do. I don't know why that part was dropped out, what Crowley thought. That was that four-A business to point out to the President that this, so to speak, would determine that they brought this thing on their own heads, and that was what--I mean, I just want to point out that I thought that was going to be a sort of preamble, "whereas, the Germans so and so and so and so; therefore," and the rest would follow.

MR. CLAYTON: I didn't realize that we were to incorporate that in the memo.

H.M.JR: I am correct, Mr. Crowley, am I not?

MR. CROWLEY: Yes. I am sorry I didn't see that. I was reading something else.

MR. CLAYTON: Of course,that is in this March 23rd memo which we substituted for the digest which we discussed, and we would expect to say to the President verbally that we think that if he shouldn't have time to read the whole detailed memo that he would find that this March 23rd document is a faithful digest of what is in the other.

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MR. McCLOY: He has that document.

MR. CLAYTON: I know.

MR. McCLOY: It won't do any harm.

MR. CLAYTON: It would make the file complete by sending it.

H.M.JR: While Mr. Crowley is reading it, on page two at the top of the page where it says, "The revised directive is being submitted to the Joint Chiefs of Staff for consideration from the military point of view," somehow or other if you could get in before the next sentence "Thereafter it will be transferred," meaning it will only be transferred to General Eisenhower if the President approves--

MR. CLAYTON: In the first part we say, "The Informal Policy Committee on Germany is presenting to you, for your approval--" say, the very first line, and if he shouldn't approve, of course--

H.M.JR: Yes.

MR. BELL: Isn't it the one at the end?

MR. CROWLEY: Well, as I see this thing, in order to get any thought like that in it will have to be rewritten.

MR. CLAYTON: You would have to rewrite it.

MR. CROWLEY: The thing I had back in my mind, maybe you can just carry it out in your analysis and things like that. But I think the one concern I have is that these Germans brought this on themselves and now, for instance, they are fighting in Berlin and they are going to have wholesale destruction of Berlin. Now, in this program that you have here is rather something to try to untangle or rehabilitate something that they did themselves, Jack. Now, of course, you do bring that out in 4a there.

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MR. McCLOY: It would do no harm, would it, Will, to just stick in somewhere in this thing that we have proceeded on the basis of that and put in the 4a language?

MR. CLAYTON: We can do it without rewriting the memo.

MR. McCLOY: Suppose you just add a paragraph.

MR. CLAYTON: It has already been signed by Mr. Grew.

MR. McCLOY: I didn't realize that.

MR. CROWLEY: Well, I withdraw that, then. The only thing I feel is that this committee ought to very definitely get themselves on record in this whole country that this isn't anything we did.

MR. McCLOY: It should be a part of our propaganda that the Germans--brought this on themselves.

MR. CLAYTON: I can see that there may be some advantage in saying that to the President, but of course it is all through the document.

H.M.JR: What Mr. Crowley said about Wisconsin politics--but if he's satisfied, I am.

MR. CROWLEY: At least that qualifies Wisconsin politics, doesn't it?

H.M.JR: That does it pretty good.

"Germany's ruthless warfare and the fanatical Nazi resistance have destroyed the German economy and made chaos and suffering inevitable and that the Germans cannot escape responsibility for what they have brought upon themselves."

MR. CLAYTON: That's in the March 23rd document, and it is copied verbatim in the document we finished and approved yesterday.

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MR. BELL: As a part of this document.

H.M.JR: If Mr. Crowley is satisfied, I am.

MR. CROWLEY: It's all right with me.

MR. CLAYTON: I would like the steno in your office to add "Acting Secretary" under Mr. Grew's name.

MR. CROWLEY: Does that take care of everything, Will?

MR. McCLOY: We have copies of that, don't we?

H.M.JR: I'll have that photostated while we wait.

MR. CLAYTON: Don't you want us all to sign it? We should sign it as a Committee. I didn't know if you wanted the title of each one or not. I have no opinion one way or another.

H.M.JR: No. The other one we did, the March 23rd one, we just signed.

MR. CLAYTON: That's right, no titles of any kind.

H.M.JR: We just signed it.

MR. CROWLEY: Will thinks we go along very peacefully this morning.

Joe has given me a memo here. I don't know very much about it. It might start an argument. (Laughter)

MR. FOWLER: You sign this first, Mr. Crowley. (Laughter)

MR. CROWLEY: I won't go into it in regard--

MR. FOWLER: We are not going to have any arguments this morning. I can see that we don't intend to, but Mr. Crowley is certainly going to sign the memo, but in signing this transmittal memo I thought it only fair and appropriate

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that the members of the Committee understand our position on the March 23rd memo, which we think is fine so far as it goes, but we think it could be usefully supplemented particularly spelling out the last paragraph in a little more detail. Now, this memo is not for action by the Committee this morning but it is to place on the agenda of the Committee for its deliberation at your convenience, Mr. Clayton, a proposal to bear out, not the memo itself, but by an interpretive supplement, some of the points I think we have taken care of in this military directive, but which the EAC might miss out on if it is going to negotiate the document as a protocol, and I just wanted to get that on the agenda of the Committee for its meeting next week.

H.M.JR: Let's sign this and get it photostated.

This has to do with what?

MR. FOWLER: The business next week.

MR. McCLOY: I can't get my name under you fellows; you have been too modest.

MR. CLAYTON: We will discuss this when we meet Tuesday morning.

H.M.JR: Somebody has to sign for Navy.

MR. DOWNEY: Mr. Bard will be here in a very few minutes, Mr. Secretary.

MR. CLAYTON: Do you think we should sign the big document?

H.M.JR: No.

MR. CLAYTON: I don't know anything about protocol.

MR. BELL: The Joint Chiefs of Staff document, isn't it?

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MR. CLAYTON: The Navy has to sign this.

(Mr. Bard enters the conference.)

MR. McCLOY: You shouldn't sign the Joint Chiefs of Staff document.

MR. CLAYTON: No.

H.M.JR: How many copies would State like? I'll have a photostat made and have as many copies as you want. A couple of dozen?

MR. CLAYTON: Yes, I would like to send one to each member of the Staff Committee, about six or seven. We better have a dozen.

MR. CROWLEY: How many do we want, Joe?

MR. FOWLER: Three of four.

MR. McCLOY: Half a dozen.

H.M.JR: Navy?

LT. BANCROFT: About three or four, I think.

(The Secretary leaves the conference temporarily.)

MR. CLAYTON: Would it be the pleasure of the Committee that we continue in force the same working group that we have had and which group did such excellent service in the preparation of this document? They will have, presumably pretty soon, a lot of work to do, probably telegrams and cables coming in and daily matters that may arise in connection with interpreted and suggested changes, and so forth, in the document and I would suggest that we

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Pages 9 to 13 inclusive, deleted because discussion was not germane to the work of the Committee.

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continue with that same group.

MR. McCLOY: Where does that fit in with the arrangements we had with the secretariat?

MR. CLAYTON: I should have mentioned that first, Jack. It was agreed, Mr. Secretary, some time ago that in order to avoid any overlapping or duplication of the work between this Committee and the SWNC Committee, State, War, Navy Coordinating Committee, that the SWNC Committee's secretariat would be the secretariat for this committee, and that I assume there will be no objection.

H.M.JR: Swing, swang--

MR. CLAYTON: SWNCC.

H.M.JR: What does SWNCC do? Treasury is not on that.

MR. McCLOY: Treasury is not in on that. That's one of the few things Treasury is not in on. That's a political, military group that--

H.M.JR: I'll let that one pass.

MR. McCLOY: ...that deals with problems all over the world that affect the military and political policy. It has dealt with all manner of subjects. There was a committee on Germany in SWNCC on which it was proposed to put in Treasury and FEA which met with some objection, and in the fact of that Mr. Clayton thought it would be wiser to have a separate committee for Germany. We wanted to be sure that we didn't have another committee on Germany that would be dealing with the Joint Chiefs of Staff through a different secretariat, so the arrangement was we should have a separate committee, which is this one, but use the SWNCC secretariat in its relations with the military.

H.M.JR: Let me just say, for myself, I think the working staff of this--I would like to personally compliment all of

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them. I think they did a magnificent job. I don't give a damm how it is formed, if the President of the United States says for us to go ahead, the same people in this room. Call it anything you want to, but if the same group can continue, I would be delighted to have them participate on any basis. That's the way I feel. I have seen committees rise and fall. President Roosevelt appointed the Secretary of State, War, and Treasury to deal with Germany. He appointed that at Cabinet. I don't know what the standing of that Committee is. That was done last September, I think, before Quebec.

MR. McCLOY: This supersedes that.

H.M.JR: It was Mr. Stimson's suggestion.

MR. McCLOY: Was it?

H.M.JR: Yes, he suggested it at Cabinet. Do you recall that, Mr. Crowley?

MR. CROWLEY: I remember that.

H.M.JR: I don't know what the status is, but is this secretariat all right as far as you are concerned?

MR. COE: The SWNCC secretariat is excellent. And as you see, this enormous document is turned over to them.

H.M.JR: As far as I am concerned, if the President wants it, and would like us to continue asking him, I don't care what the form is or what, but we are delighted to participate because it gets results.

MR. CLAYTON: In other words, we go on as is. Is that satisfactory with everybody?

MR. CROWLEY: Yes.

H.M.JR: May I just point out that it's a little bit different? I don't know where that would fit in, but this thing President Truman asked me to do--China--and in that case the only difference is that we arranged with Messrs. Stimson

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and Patterson to do that. I spoke to Mr. Crowley and he said he didn't think he was particularly interested.

MR. CROWLEY: I would like to say this, Mr. Secretary, that we don't on all these things like China and Germany-- FEA does have an interest, and I don't want to unnecessarily put FEA on things like gold into China, because I feel that's Treasury's business. On the other hand, in assuming the responsibility that we assume we have to know what is going on and participate in these things. I don't mean by that that we wouldn't follow the Treasury or anything on the gold in China.

H.M.JR: Why not say for the time being that we would take up the reparation thing next, because I suppose some day we will have to take up Japan?

MR. CLAYTON: I don't know. I was fixing to raise that question with regard to Austria, for example. That, of course, would fit in a good deal easier than Japan because for sometime now it has been a part of Germany. Of course, if they are going to be separate, there is going to have to be some policy agreed upon with respect to the treatment of Austria, and I think we should consider whether that would come in this committee. (Discussion off the record.) Have you any views on that, Jack?

MR. McCLOY: It seems we should do Austria.

MR. CROWLEY: We have some--

MR. CLAYTON: We have considerable information and data already on those.

MR. DESPRES: That's really pretty far advanced, I believe.

MR. CLAYTON: I don't know whether that is a question we should raise with the President. We have said in the last paragraph, "If you approve, the Informal Policy Committee on Germany will continue, under your direction, to develop basic policies of this Government for the treatment of Germany, including the pending matter of reparation."

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I suppose we should raise it with him since we put it in that form. This committee was appointed by the Secretary of State and not by the President, and it was appointed by the general authority and direction which President Roosevelt gave to the Secretary of State to see that the policies agreed upon, the objectives agreed upon at the outset were carried out by different departments of the Government.

H.M.JR: May I excuse myself? I'll say as far as I am concerned, you can call this committee by any name you want, see? I am delighted to participate in reparations and in Austria if you want it.

MR. CLAYTON: Even Japan.

H.M.JR: Or Japan, but I have to excuse myself now. I think it is informal--you call it informal--but it gets results, so what the hell!

MR. McCLOY: When are we to be there?

H.M.JR: Ten-ten.

MR. CLAYTON: I suppose we'll have the photostats?

H.M.JR: Yes.

MR. CROWLEY: Do you want to leave your proxy with anyone while you're gone?

H.M.JR: Mr. Bell is accustomed to acting for me.

MR. CROWLEY: I thought maybe you would give it to one of us.

H.M.JR: I'll even do that. But again I want--I think the working committee did a beautiful job and I am very much pleased.

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TOP SECRET

April 26, 1945
9:30 a.m.

DECLASSIFIED BY: JCS DECLASSIFICATION BRANCH
DATE 1973

1067 REVISED

Present: Mr. Bard
Mr. Downey
Mr. Crowley
Commander Richardson
Lt. Gilfuss
Lt. Bancroft
Mr. Clayton
Mr. Despres
Mr. Riddleberger
Mr. Cox
Gen. Hilldring
Major Blewer
Col. McCarthy
Mr. Fowler
Mr. Coe
Mr. Glasser
D. W. Bell
Mr. Friedman

CLASSIFICATION CHANGED
To SECRET Authority: Ltr of 5-19-61
from James P. Burke, State Dept.
Name Kathie Owen
Date 2-11-66

MR. CLAYTON: Well, Mr. Secretary, we have the mimeographed copies now of the documents that we passed on yesterday and the day before. We have a few and there will be some more over shortly. Do you think that we should go over those documents, or should we go immediately to the financial? I really think that we ought to take time sometime this morning to read these two documents. It won't take very long if we do it rather hurriedly, and if we all understand that nobody will make any suggestions of any change unless it's something really of substance. I don't think it would take too much time, and I think we'd all be a little happier about it if we did that than if we didn't.

MR. BARD: Is the financial thing part of this?

MR. CLAYTON: No, the financial isn't part of this because we haven't passed on that. This is what we have passed on, but there are several changes, as you recall.

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GEN. HILLDRING: Which will be added to that.

MR. CLAYTON: We will have that mimeographed as soon as we agree upon it.

MR. BARD: We've got to do this.

H.M.JR: We'll do the financial first.

MR. CLAYTON: That's quite all right. Shall we read it paragraph by paragraph?

H.M.JR: I just want to explain that I'll have to excuse myself at ten-thirty to eleven. I have a regular press conference.

MR. CLAYTON: (Reading attachment A) You will make full application in the financial field of the principles stated elsewhere in this directive and you will endeavor to have the Control Council adopt uniform financial policies necessary to carry out the purposes stated in paragraphs 4 and 5 of this directive. You will take no steps designed to maintain, strengthen or operate the German financial structure except insofar as may be necessary for the purposes specified in this directive."

I'll go right on unless somebody stops me.

"2. The Control Council should regulate and control to the extent required for the purposes set forth in paragraphs 4 and 5 the issue and volume of currency and the extension of credit in Germany and in accordance with the following principles:

"a. United States forces and other Allied forces will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at the rate of 1 Allied Military mark for 1 Reichsmark. Reichskreditkassenscheine and other German

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military currency will not be legal tender in Germany.

"b. The Reichsbank, the Rentenbank or any other bank or agency may be permitted or required to issue bank notes and currency which will be legal tender; without such authorization no German governmental or private bank or agency will be permitted to issue bank notes or currency."

H.M.JR: Just one moment. This thing--one Allied Military mark being exchangeable for one Reichsmark, do you Treasury people feel that is all right? I mean, do we want to absorb all that, huh?

MR. COE: Yes, that has been the arrangement right straight through. It is just the way we want it.

MR. BELL: It is what we've done in all the other countries.

MR. CLAYTON: (Reading) "c. The German authorities may be required to make available Reichsmark currency or credits free of cost and in amounts sufficient to meet all the expenses of the forces of occupation, including the cost of Allied Military Government and including to the extent that compensation is made therefor, the cost of such private property as may be requisitioned, seized, or otherwise acquired, by Allied authorities for reparations or restitution purposes.

"Pending agreement in the Control Council you will follow these policies in your own zone.

"You will receive separate instructions relative to the currency which you will use in the event that for any reason adequate supplies of Allied Military marks and Reichsmarks are not available, or if the use of such currency is found undesirable.

"You will not announce or establish in your zone, until receipt of further instructions, any general rate of exchange between the Reichsmark on the one hand and the U.S. dollar and other currencies on the other. However,

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a rate of exchange to be used exclusively for pay of troops and military accounting purposes in your zone will be communicated separately to you.

"3. Subject to any agreed policies of the Control Council, you are authorized to take the following steps and to put into effect such further financial measures as you may deem necessary to accomplish the purposes of your occupation:

"a. To prohibit, or to prescribe regulations regarding, transfer or other dealings in private or public securities or real estate or other property.

MR. BARD: What do they do if for several months the Control Council doesn't agree on that?

MR. CLAYTON: Then the commander in our zone carries out these instructions in his zone. That is stated all the way through.

MR. BARD: I see.

MR. CLAYTON: Yes, he has complete authority in his own zone and carried out these instructions there pending such time as the Control Council may agree upon it for the whole area.

"b. To close banks, but only for a period long enough for you to introduce satisfactory control, to remove Nazi and other undesirable personnel, and to issue instructions for the determination of accounts to be blocked under sub-paragraph 6d below.

"c. To close stock exchanges, insurance companies, and similar financial institutions for such periods as you deem appropriate.

"d. To establish a general or limited moratorium or moratoria only to the extent clearly necessary to carry out the objectives stated in paragraphs 4 and 5 of this directive.

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"4. Resumption of partial or complete service on the internal public debt at the earliest feasible date is deemed desirable. The Control Council should decide the time and manner of such resumption.

"5. Subject to any agreed policies of the Control Council,

"a. You will prohibit:

"(1) the payment of all military pensions, or other emoluments or benefits, except compensation for physical disability limiting the recipient's ability to work, at rates which are no higher than the lowest of those for comparable physical disability arising from non-military causes.

"(2) the payment of all public or private pensions or other emoluments or benefits granted or conferred:

"(i) by reason of membership in or services to the former Nazi party, its formations, affiliated associations or supervised organizations.

"(ii) to any person who has been removed from an office or position in accordance with paragraph 6 of part 1 or paragraph 10 of this part, and

"(iii) to any person arrested and detained in accordance with paragraph 8 of part 1 during the term of his arrest, or permanently, in case of his subsequent conviction.

"b. You will take such action as may be necessary to insure that all laws and practices relating to taxation or other fields of finance, which discriminate for or against any persons because of race, nationality, creed or political opinion, will be amended, suspended, or abrogated to the extent necessary to eliminate such discrimination.

"c. You will hold the German authorities responsible for taking such measures in the field of taxation and other fields of public finance, including restoration of the tax

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system and maintenance of tax revenues, as will further the accomplishment of the objectives stated in paragraphs 4 and 5.

H.M.JR: I want to raise a point. Does this speak of restitution of property?

MR. CLAYTON: No. That is covered. Where did we cover that point? We cover that in reparations.

MR. COE: That is one of the general objectives that is in the preamble of the committee in the initial section of the document.

H.M.JR: The reason I raised it is because the French have been in North Africa now for several months, and it was said that the people who had property taken away from them would have it given back to them. I don't know whether it has ever been given back yet, but certainly it is six months or so after the French government took over, and there is great difficulty. Just seeing this, I wondered if we couldn't learn something from what took place in North Africa and see about restitution of property that was seized. Couldn't it be turned over to them more promptly?

MR. COE: There is a later provision in here which establishes a blocking procedure for internal restitution, and that is designed to speed up that very process of getting it back.

GEN. HILLDRING: I think we did much better in Italy where we had a free hand. We had difficulty with the French themselves in North Africa.

H.M.JR: I know.

GEN. HILLDRING: They were very cautious and slow. We ought to cover it in here.

H.M.JR: I don't think it is enough, though. These poor people that had stuff taken away from them should get it back into their hands, and it should be decided what

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they should pay for it and what it is worth, and so forth.

MR. CLAYTON: It should be covered, and we will see what is said here later, and then take a look at it.

MR. FOWLER: It is covered in paragraph 43. It is mentioned in a very general way.

MR. CROWLEY: I think it is fundamental.

H.M.JR: Church property.

MR. CROWLEY: And individuals' property too.

MR. CLAYTON: We will come to that in just a minute, Mr. Secretary, in this document, and we'll look at references to it elsewhere.

(Mr. Clayton completes reading document.)

I don't see a direct reference to restitution.

MR. DESPRES: It only calls for the impounding of this type of property. Now, the disposition of it, finding of the former owners, etc., isn't dealt with in this directive at all because this is just the initial step to see that you bring the property under control.

MR. CLAYTON: Where do we refer to restitution?

MR. FOWLER: Paragraph 43.

MR. BELL: It is in this other document we took up yesterday.

MR. FOWLER: "You will carry out in your zone such programs of reparation and restitution as are embodied in Allied agreements and you will seek agreement in the Control Council on any policies and measures which it may be necessary to apply throughout Germany in order to ensure the execution of such programs."

I am not personally familiar with the background of

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that. I think Emile is much more familiar with it. I understand that there have been a series of negotiations at one time or another on restitution, but I am not familiar with their nature or progress.

MR. FRIEDMAN: General Hilldring, isn't it true that under this blocking provision, paragraph 8, that your people in the field are working out a system of regulations and planning for seizure?

GEN. HILLDRING: For restitution? I think the point the Secretary makes is that we should tell him to do that, and I think that is a good suggestion. I think it is so important that we shouldn't leave it to the discretion of the Control Council, but should tell him he will institute plans for the prompt restitution of confiscated property, or--

MR. CROWLEY: General, I think with the kind of government they have had there that I might own property, and Goebbels or somebody might force me to sell it to them for ten cents on the dollar, and I think your commissioner ought to have the right to take whatever evidence he has in the sale of property where they have been sold under duress.

H.M.JR: In Algiers they took a chain of moving picture theaters away from a fellow for thirty million francs, and when he wanted to come and get them back he said they were worth seventy-five million francs. I'll bet that fellow hasn't his chain of theaters back yet, and the point is they should do something. Give him the theaters back and let them fix the price afterwards. They should do something like that. He could get the benefit of it in the meantime.

MR. CROWLEY: If you got possession back, you could adjust the difference afterwards.

GENERAL HILLDRING: As your people say, Mr. Secretary, I know--I talked to Bernie when he was back here, and I know he has a lot of people working on this very thing. They are working on very detailed plans, but in spite of that, I think to support Eisenhower particularly with these

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other partners there we should tell him to do this.

H.M.JR: That would be just.

MR. COE: If you turn to page five, on the top of the page, I think number (2) there is the category that refers to this type of property. I would propose that at the end of the paragraph, the whole thing, we add, "In the case of property covered by (2) above, you will institute measures for prompt restitution." I think that would meet the Secretary's point.

MR. CLAYTON: Why not just put it in paragraph (2) and say, "In the case of such properties you will institute measures for prompt restitution?"

MR. COE: That will be all right. I thought otherwise, because below we have, "In the case particularly of property blocked under (1) (a) above."

MR. CLAYTON: Put it at the end of paragraph five.

MR. COE: Yes, sir.

MR. CLAYTON: Yes, put it down.

MR. DESPRES: Read it again.

MR. COE: "As in the case of property blocked under (2) above, you will institute measures for prompt restitution."

MR. CLAYTON: Now, with that change is this document satisfactory?

GEN. HILLDRING: I have just one comment, Mr. Secretary. It hasn't anything to do with this. It is just a protocol thing, really. It is in regard to paragraph eight, and I noticed it also in reading this thing. It says, "You will take such measures, but in any event you will report the facts back to the Control Council." Now, that is all right after they have an agreed policy in

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the Control Council, but prior to that time he should, if he does this, report back to the Joint Chiefs of Staff. What we are trying to tell him is to report back to his next highest authority. I think the Secretary ought to go through the whole document and see that it is the Control Council or, prior to an agreement in the Control Council on any policy, the Joint Chiefs of Staff, so that he would know we want him to report either to the Control Council or, prior to the adoption of the policy, to the JCS.

MR. DESPRES: Do you think it ought to be "higher authority," or should we spell it out?

GEN. HILLDRING: I think if we said "higher authority," he might not look upon the Control Council as such. I don't know whether Eisenhower would look to that as higher authority. I think he would look to the Joint Chiefs of Staff.

MR. BARD: Wouldn't one reason for that clause be so that the Control Council will accumulate a lot of information?

GEN. HILLDRING: That is the reason there, I think, yes. But whether it is for information, guidance, or appeal, we want to get it--I think we want to get back to this Committee. That is what you want, isn't it?

MR. CLAYTON: Gentlemen, why not have him report to both the Control Council and the Joint Chiefs of Staff? Wouldn't you think perhaps that would be advisable even if you had agreement in the Control Council?

GEN. HILLDRING: I think that is the right formula, having him report to the Control Council and JCS--

MR. COE: When he reports to the Control Council--

GEN. HILLDRING: Through the whole document, wherever he is to report--

MR. CLAYTON: Wherever he is to report to the Control Council, he reports also to the Joint Chiefs of Staff.

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MR. COE: On this last suggestion which I made, we may want a safeguarding clause in there. We are trying to draft one up here informally because, though we want prompt restitution, we also don't want them to be told to do something where they are really dealing with clocks and what not, so we are trying to devise something.

GEN. HILLDRING: In other words, Mr. Secretary, this is agreeable to the War Department otherwise.

H.M.JR: It is all right with Treasury.

MR. BELL: I have two little questions on page three. What does it mean, or is it proper to say that you will exercise general supervision over German public expenditures in order to ensure that they conform to the interests and purposes of the occupying forces? Isn't it something else besides the interest and purposes of the occupying forces?

MR. CLAYTON: Where are you reading from?

MR. BELL: Page three, (D), at the bottom.

GEN. HILLDRING: It would be better if you said, "The purposes of the occupation," leaving the forces out.

MR. BELL: It seems to me it is the objectives rather than the forces.

MR. GLASSER: We should use the standard language. It should be "objectives stated in paragraphs four and five."

MR. CLAYTON: I think that is right. It is just a standard way, yes.

MR. BELL: On page five, (B) at the bottom says, "Other appropriate authority." What do you mean by that other than the Control Council?

MR. CLAYTON: What is the answer to that?

MR. GLASSER: That would be the Reparations Commission, Control Council, or in the case of the zone, perhaps the JCS. It depends on whatever is the appropriate authority.

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MR. BELL: That is understood, is it, that--

MR. CLAYTON: Well, the commander would be the judge as to what authority he thinks would be appropriate. He would know what bodies had authority with respect to a matter of this kind. It might be, of course, as Harold says, the Joint Chiefs of Staff in his own zone.

MR. BELL: Even if the Control Council is established, something else might be appropriate authority other than the Control Council.

MR. CLAYTON: The Control Council will be established, but it doesn't follow that they will agree, and they will have to unanimously agree in order to make any of their directives or regulations effective, so that--

MR. BELL: In the absence of that agreement he can go ahead or go some place else.

MR. CLAYTON: Yes, in the absence of that agreement he is his own boss in these directives in his own zone and would report to the JCS.

MR. BELL: I see.

MR. CLAYTON: The question has been raised here by paragraph nine on page seven which reads, "In addition to the provisions of paragraph 6c of this Directive, you will eliminate other undesirable personnel and influences from the Reich Ministry of Finance and from all public and private financial institutions, agencies and organizations." What was your point, Emile?

MR. DESPRES: The reference to 6c is denazification of the political directive. In the redraft of this an attempt was made to get all those things together in one place in the directive, and it is our view that the categories that are covered there are sufficiently comprehensive to include anybody you might want to eliminate.

MR. FRIEDMAN: It is not entirely clear that it is. There might be certain reasons for moving financial people

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who are not covered by that provision. What is your objection to the provision? Is it an editorial change?

MR. RIDDLEBERGER: Confine the denazification provision to one place in the directive. If you want to enlarge it--we might want to go to the foreign office for the same thing--you indicate special reasons, and I think in the form of composition it would be well to put all denazification provisions in one place.

MR. DESPRES: In the political directive it says, "All other persons hostile to Allied purposes," and so forth, and it includes the category of finance.

MR. FRIEDMAN: I think in the financial field, perhaps more than any other, you are going to have a difficult time saying that somebody who is clearly undesirable is a Nazi or militarist, particularly in the financial field. It seems to me a very wise precaution, and if the only objection is the form of composition of the document, it seems very wise to have a provision in here to deal with people that are not going to be necessarily Nazis or militarists. There are going to be more borderline cases of whether a person is a Nazi or not a Nazi in the financial field than otherwise, and there are going to be more undesirable people.

MR. RIDDLEBERGER: I don't agree with that. I can give you a good list in the political field that would be very comprehensive.

MR. DESPRES: I think establishing in the criteria just "undesirable personnel" without any kind of a limitation is an example of the kind of thing Mr. Crowley was talking about yesterday. It is the only one I can think of, actually, in the directive.

MR. FRIEDMAN: Are you afraid of taking out too many people, or what?

MR. DESPRES: There is no kind of criteria given here. It deals with people in very broad categories that are covered in the political directive. Anybody else you want can go. Now, actually, I--

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MR. FRIEDMAN: I take it the military people, when you say "other undesirable personnel," will understand it is undesirable from the point of military government to have them there. I take it you don't want just removing--

MR. CROWLEY: Start from the top and work down. Start right up at the top and work down.

MR. CLAYTON: Yes, I am in favor of that, too. The aspect of this that gives me a little concern is that it probably puts on the zone commander a higher degree of responsibility with respect to detailed management of German institutions than perhaps the Secretary had in mind, because we have discussed a good deal of the desirability, with which I agree, of making the Germans themselves to the greatest degree consistent with our purposes here responsible for the administration of their own institutions.

H.M.JR: When you say the Secretary--

MR. CLAYTON: I am referring to you. I think we have all agreed that what we want to do is to make the Germans themselves as much responsible as we possibly can for the administration of their own institutions consistent with the purposes of the occupation and of the reparations, and so on.

Now, if we in addition to the very broad, sweeping directive here about the removal of personnel--if we just say in addition to all of that, "You can remove anybody else that you don't like," why, I think that it may put so much responsibility on him that you endanger your fundamental objective of trying to make the Germans themselves run their own institutions.

MR. FRIEDMAN: I think that if I may--

H.M.JR: Sure.

MR. FRIEDMAN: I think that no one has ever been troubled about the controls you have to impose to kick out undesirable

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personnel. I don't think that is the kind of control the discussions have been about. It seems to me that the other kind of controls where you run the German economy, that is one thing--but to get rid of the undesirable personnel, it seems to me no one has ever had any dispute or discussion about that. I don't see quite what additional responsibility is put on the zone commander.

MR. CROWLEY: Doesn't that come under the administrative thing, anyhow, if a man is going to run that for the Allied Commission, that he himself is going to have to get rid of the undesirable personnel? It is part of his administrative responsibility, isn't it?

MR. FRIEDMAN: That is correct, but my point is that in the field it is important that it be understood, particularly in the financial field, that you don't let people remain simply because they didn't belong to the Nazi Party or weren't members of an Officers Reserve Corps, and in the financial field it is particularly important that we get people out, and the people in the field have the broadest authority. I just don't see any objection to it.

MR. CLAYTON: Maybe I have some defect in expression, but my point is this, that if in addition to the very broad authority which is given here in the directive, rather to the zone commander, that he must remove this and that and the other--and if you look at that again, it is extremely broad and would presumably cover all undesirable persons that may be in these institutions. If in addition to that you say, "Remove anybody else that you don't like," why the fellow who is running the institution, the German, will probably say, "All right, if you are going to do that, come and run it yourself." It is very difficult for a manager to manage any kind of institution if somebody is going to say, "I don't like the color of this fellow's eyes, or this or that or the other," and you kick him out. That is just about what this gets down to. Let's read it again.

MR. [illegible]ARD: There is one thing. Suppose a man has to do with just the financial elements and turns over just this piece of paper to the one man who is doing the job. It

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doesn't say anything about that in this financial setup. There is no harm in repeating it so you have got it in various elements of the same document.

MR. CLAYTON: That is part of the same document. This is just a section of a big document.

MR. FOWLER: I wonder if I could make a point. If I understand Mr. Bard's suggestion, what he would say in paragraph nine is, "You will take special care to see to it that the provisions of paragraph six of this directive are applied to the Reich Ministry of Finance."

MR. BARD: He would refer back to the military paragraph and see that he had the authority.

MR. FOWLER: I think there is another point here, though, saving that--there is still a point of difference apart from that emphasis here.

MR. CLAYTON: May I just, in order to make--

MR. BARD: As you say, military authority has to be given to him, anyway, but this just says, throw out anybody you feel like throwing out.

MR. CLAYTON: May I just, in order to get it in the record, read it again--number nine? "In addition to the provisions of paragraph 6 c. of this Directive, you will eliminate other undesirable personnel and influences from the Reich Ministry of Finance and from all public and private financial institutions, agencies and organizations." Now, we need to read paragraph 6 c., which reads as follows: "All members of the Nazi party who have been more than nominal particpatns in its activities, all active supporters of Nazism or militarism and all other persons hostile to Allied purposes will be removed and excluded from public office and from positions of importance in quasi-public and private enterprises such as (1) civic, economic and labor organizations, (2) corporations and other organizations in which the German government or subdivisions, (3) industry, commerce, agriculture, and finance, (4) education, and (5) the press, publishing houses and other agencies disseminating

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news and propaganda. Persons are to be treated as more than nominal participants in Party activities and as active supporters of Nazism or militarism when they have (1) held office or otherwise been active at any level from local to national in the Party and its subordinate organizations, or in organizations which further militaristic doctrines, (2) authorized or participated affirmatively in any Nazi crimes, racial persecutions or discriminations, (3) been avowed believers in Nazism or racial and militaristic creeds, or (4) voluntarily given substantial moral or material support or political assistance of any kind to the Nazi Party or Nazi officials and leaders. No such persons shall be retained in any of the categories of employment listed above because of administrative necessity, convenience or expediency."

It just seems to me that that is so broad that it is going to cover everybody that is hostile to Allied purposes as well as Nazi supporters or militaristic believers or supporters, and that if you go beyond that and remove people from an organization, you are going to take such an intimate and detailed control of the administration of that organization that if I were the manager of it, I would just tell you to come and run it.

H.M.JR: I feel all these documents are so far better than I had any hope for that I am perfectly willing to sit tight. I mean, they are so much better than I had hoped for, and I would almost say so completely satisfactory to me that I am not going to argue.

MR. CLAYTON: Is there any objection to the deletion of nine? If not, we will just delete it.

H.M.JR: I am delighted.

MR. COE: Do you want to consider Mr. Bard's suggestion there?

MR. FRIEDMAN: Of referring back?

MR. FOWLER: "You will make sure that you will take special care to see to it that the provisions of paragrach 6c of this directive are vigorously applied."

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MR. FRIEDMAN: "In the financial field."

MR. BARD: I didn't make any particular point of it; I just thought that if you had this and didn't have the other, why, I think it would be altogether--

H.M.JR: As a matter of fact, General Hilldring, when you get this thing up in book form and various field offices get the book--

GEN. HILLDRING: Yes, the directive goes out from the JCS--this will be all one document, but as Mr. Bard said, it is likely that the fellow that deals with finance would fold the other section under and work on the finance.

H.M.JR: You will have to run another school somewhere.

GEN. HILLDRING: We will have to police Bernie to see that he reads the other two sections.

MR. CLAYTON: Mr. Secretary, I have the time if the rest of you have, and I think that we ought to reread this document, the two sections of this document that were passed yesterday, because there were quite a few changes that were made, and I think we should go through the whole business right here now with the understanding that nobody will suggest changes unless they are of real substance.

H.M.JR: Well, with that understanding I will slip out, but there are four Treasury Representatives. Mr. Bell is here, and if you will just go right ahead, I am well represented here, so I can do my regular press, but I will stay until then. But when I slip out, you just go right ahead.

MR. RIDDLEBERGER: Mr. Secretary, there is one point you might like to hear. I would like to refer to the use of the word"diplomatic"in paragraph eight.

H.M.JR: You fellows do look after your own kind.

MR. RIDDLEBERGER: Yes. May I give some explanation? This is not on our part, anyway.

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H.M.JR: How about the rural buergermeister?

MR. RIDDLEBERGER: I will let Mr. McCloy carry that torch.

H.M.JR: What page?

MR. RIDDLEBERGER: Page ten of the copy you have.

MR. CLAYTON: Nine, isn't it?

MR. BELL: Nine.

MR. RIDDLEBERGER: Page ten.

MR. CLAYTON: Nine on mine.

MR. RIDDLEBERGER: I beg your pardon. It is the end of eight-A, next to the last sentence, "In no event shall any differentiation be made--"

MR. GLASSER: It is eight-B, really, Jimmy.

MR. RIDDLEBERGER: I am talking about this new eight-B. The sentence reads, "In no event shall any differentiation be made between or special consideration be accorded to persons arrested, either as to manner of arrest or conditions of detention, upon the basis of wealth or political, diplomatic, industrial, or other rank or position." We have no objection to that, except the word diplomatic, and this is the point which I think I have been asked to make: We are very dubious about inserting any provisions in this directive that will in any way affect the theory of diplomatic immunity. I understand you can arrest persons like Von Papen--in our opinion you can arrest him and keep him arrested forever more. There is a point when you commence to use the word diplomatic. The theory of immunity has been established over many years, and we are most anxious to maintain it. I think there are very good reasons for that, and I think, Mr. Secretary, if I gave you one or two concrete examples of what it means, I think I could explain it better. For example, in 1939 and '40 we insisted on keeping our Consulate in Warsaw open

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all through the siege. The result of that was we were able to make contact with any number of persons who were of British or French nationality. A large number of Palestinian women, for example, got in touch with us. We were subsequently able to arrange for their transfer to Berlin. Immunity gives you certain rights. I found out in 1940 that the Germans had transferred a number of these Palestinian women into the Gestapo prison on the Alexandria plots. The Foreign Office denied that they were there, so we put on our hats and went down there and demanded to be admitted, and we were. We found them, talked to them, and went straight back to the Foreign Office and said, "Now we know. We have seen these people there, and under the general right of protection for British subjects, these persons who are of the Jewish race have got British passports, and we demand they be accorded some protection the same as the British subjects," and we insisted that they be taken to an internment camp where we could inspect conditions of their living.

We had a number of cases like that of other arrests whereby we learned through the grapevine that persons were held, and we saw them, and then we demanded that they have the rights of protection. Now, it is for cases like that so that we can move around and be certain that we can go places that we want to maintain this whole theory of diplomatic immunity.

H.M.JR: I compliment you on your case.

MR. RIDDLEBERGER: It is an actual case. We had another case.

H.M.JR: I was with my father in Turkey for three years, and he was representing these other countries--the Americans in Bulgaria. I remember a famous case there where a British bookkeeper, they claimed, was a spy, and they held special sessions of Parliament to have him expelled from the country.

MR. RIDDLEBERGER: Yes.

H.M.JR: I don't know whether you remember that, but it was very interesting.

(Discussion off the record.)

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H.M.JR: Let me just ask you this. If you leave that word out specifically referring to them, does that mean that all diplomats will not be tried for war guilt?

MR. RIDDLEBERGER: It does not. They are still included.

H.M.JR: Von Papen or anybody else?

MR. RIDDLEBERGER: Any diplomat.

H.M.JR: The Minister of Foreign Affairs?

MR. CLAYTON: Ribbentrop?

H.M.JR: Any of those people, and you just want this as a matter of precedent.

MR. CLAYTON: If there is no objection, we will eliminate the word "diplomatic."

MR. FRIEDMAN: The other range of positions covers everybody.

H.M.JR: As long as it means Ribbentrop and Von Papen will be tried for war guilt, I am satisfied.

Is there anything else?

MR. RIDDLEBERGER: I have nothing.

(Secretary leaves the conference temporarily.)

MR. CLAYTON: Now shall we go ahead?

(Reading "Directive to Commander-in-Chief of U. S. Forces of Occupation Regarding the Military Government of Germany," attachment B)

"1. The Purpose and Scope of this Directive?

"This directive rescinds JCS 1067 and is issued to you as Commanding General of the United States forces of occupation in Germany. As such you will serve as United States member of the Control Council and will also be responsible for the administration of military government in the zone or zones assigned to the United States for -

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of occupation and administration. It outlines the basic policies which will guide you in those two capacities after the termination of the combined command of the Supreme Commander, Allied Expeditionary Force. Supplemental directives will be issued to you by the Joint Chiefs of Staff as may be required.

"As a member of the Control Council you will urge the adoption by the other occupying powers of the principles and policies set forth in this directive and, pending Control Council agreement, you will follow them in your zone."

That really ties the whole business to him as Supreme Commander in his own zone under this directive if he hasn't got the general agreement.

"It is anticipated that substantially similar directives will be issued to the Commanders in Chief of the U.K., USSR and French forces of occupation.

"2. The Basis of Military Government:

"a. The rights, power and status of the military government in Germany are based upon the unconditional surrender or total defeat of Germany. The Text of the Instrument of Unconditional Surrender is at Appendix 'A'. You will assure that the policies set forth in that Instrument are carried out in your zone of occupation even though the defeat of Germany is not followed by a formal signing of the Instrument.

"b. Subject to the provisions of paragraph 3 below, you are, by virtue of your position, clothed with supreme legislative, executive, and judicial authority in the areas occupied by forces under your command. This authority will be broadly construed and includes authority to take all measures deemed by you necessary, appropriate or desirable in relation to military exigencies and the objectives of a firm military government.

"c. You will issue a proclamation continuing in force such proclamations, orders and instructions as may heretofore been issued by Allied Commanders in your zone, subject

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to such changes as you may determine. Authorizations of action by the Supreme Commander, Allied Expeditionary Force, may be considered as applicable to you unless inconsistent with this or later directives.

"3. The Control Council and Zones of Occupation:

"a. The four Commanders-in-Chief, acting jointly, will constitute the Control Council in Germany which will be the supreme organ of control over Germany in accordance with the agreement on Control Machinery in Germany at Appendix 'B.' For purposes of administration of military government, Germany has been divided into four zones of occupation. The agreed protocols on zones are at Appendix 'C.'

"b. The authority of the Control Council to formulate policy and procedures and administrative relationships with respect to matters affecting Germany as a whole will be paramount throughout Germany. You will carry out and support in your zone the policies agreed upon in the Control Council. In the absence of such agreed policies you will act in accordance with this and other directives of the Joint Chiefs of Staff."

GEN. HILLDRING: May I interrupt? With respect to clauses "B" and "C," are they ready to attach to this?

MR. RIDDLEBERGER: They are all ready, with the exception, of course, of the protocol on zones of occupation, which has now been subject to modification as a result of the French request for participation. I understand we are expecting daily the views of the JCS on the French zone. We cannot complete the negotiations until that is done.

GEN. HILLDRING: The reason I asked the question is we are very anxious to get the thing processed. Therefore, the moment this is submitted to the JCS, which is supposed to be right now, can't we amend this and say, "With respect to these sections, the agreed protocols on zones will be forwarded to you."

MR. RIDDLEBERGER: You don't have to do that, because there is a protocol on zones already adopted and agreed upon and approved by the three heads of State. However, the one on zones will have to be modified.

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GEN. HILLDRING: As long as you have got an Appendix "C" to fit in here today--

MR. RIDDLEBERGER: We have an Appendix today, and it will hold until it is amended by French participation.

MR. CLAYTON: "c. The administration of affairs in Germany shall be directed towards the decentralization of the political and administrative structure and the development of local responsibility. To this end you will encourage autonomy in regional, local and municipal agencies of German administration. The German economic structure shall also be decentralized. The Control Council may, however, to the minimum extent required for the fulfillment of purposes set forth herein, permit centralized administration or established central control of (a) essential national public services such as railroads, communications and power, (b) finance and foreign affairs, and (c) production and distribution of essential commodities.

"d. The Control Council should adopt procedures to effectuate, and you will facilitate in your zone, the equitable distribution of essential commodities between the zones. In the absence of a conflicting policy of the Control Council, you may deal directly with one or more zone commanders on matters of special concern to such zones.

"e. Pending the formulation in the Control Council of uniform policies and procedures with respect to inter-zonal travel and movement of civilians, no civilians shall be permitted to leave or enter your zone without your authority, and no Germans within your zone shall be permitted to leave Germany except for specific purposes approved by you.

"f. The military government personnel in each zone, including those dealing with regional and local branches of the departments of any central German administrative machinery, shall be selected by authority of the Commander of that zone except that liaison officers may be furnished by the Commanders of the other three zones. The respective Commanders-in-Chief shall have exclusive jurisdiction throughout the whole of Germany over the members of the armed forces under their command and over the civilians who accompany them.

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"g. The Control Council should be responsible for facilitating the severance of all governmental and administrative connections between Austria and Germany and the elimination of German economic influences in Austria. Every assistance should be given to the Allied Administration in Austria in its efforts to effectuate these purposes.

"4. Basic Objectives of Military Government in Germany:

"a. It should be brought home to the Germans that Germany's ruthless warfare and the fanatical Nazi resistance have destroyed the German economy and made chaos and suffering inevitable and that the Germans cannot escape responsibility for what they have brought upon themselves.

"b. Germany will not be occupied for the purpose of liberation but as a defeated enemy nation. Your aim is not oppression but to occupy Germany for the purpose of realizing certain important Allied objectives. In the conduct of your occupation and administration you should be just but firm and aloof. You will strongly discourage fraternization with the German officials and population.

"c. The principal Allied objective is to prevent Germany from ever again becoming a threat to the peace of the world. Essential steps in the accomplisment of this objective are the elimination of Nazism and militarism in all their forms, the immediate apprehension of war criminals for punishment, the industrial disarmament and demilitarization of Germany, with continuing control over Germany's capacity to make war, and the preparation for an eventual reconstruction of German political life on a democratic basis.

"d. Other Allied objectives are to enforce the program of reparations and restitution, to provide relief for the benefit of countries devastated by Nazi aggression, and to ensure that prisoners of war and displaced persons of the United Nations are cared for and repatriated.

"5. Economic Controls:

"a. As a member of the Control Council and as zone commander, you will be guided by the principle that controls

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upon the German economy may be imposed to the extent that such controls may be necessary to achieve the objectives enumerated in paragraph 4 above and also as they may be essential to protect the safety and meet the needs of the occupying forces and assure the production and maintenance of goods and services required to prevent starvation or such disease and unrest as would endanger these forces. No action will be taken in execution of the reparations program or otherwise which would tend to support basic living conditions in Germany or in your zone on a higher level than that existing in any one of the neighboring United Nations.

"b. In the imposition and maintenance of such controls as may be prescribed by you or the Control Council, German authorities will to the fullest extent practicable be ordered to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and for any breakdowns in those controls will rest with themselves and German authorities.

"6. Denazification:

"a. A Proclamation dissolving the Nazi Party, its formations, affiliated associations and supervised organizations, and all Nazi public institutions which were set up as instruments of Party domination, and prohibiting their revival in any form, should be promulgated by the Control Council. You will assure the prompt effectuation of that policy in your zone and will make every effort to prevent the reconstitution of any such organization in underground, disguised or secret form. Responsibility for continuing desirable non-political social services of dissolved Party organizations may be transferred by the Control Council to appropriate central agencies and by you to appropriate local agencies.

"b. The laws purporting to establish the political structure of National Socialism and the basis of the Hitler regime and all laws, decrees and regulations which establish discriminations on grounds of race, nationality, creed or political opinions should be abrogated by the Control Council. You will render them inoperative in your zone.

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"c. All members of the Nazi party who have been more than nominal participants in its activities, all active supporters of Nazism or militarism and all other persons hostile to Allied purposes will be removed and excluded from public office and from positions of importance in quasi-public and private enterprises such as (1) civic, economic and labor organizations, (2) corporations and other organizations in which the German government or subdivisions have a major financial interest, (3) industry, commerce, agriculture, and finance, (4) education, and (5) the press, publishing houses and other agencies disseminating news and propaganda. Persons are to be treated as more than nominal participants in Party activities and as active supporters of Nazism or militarism when they have (1) held office or otherwise been active at any level from local to national in the party and its subordinate organizations, or in organizations which further militaristic doctrines, (2) authorized or participated affirmatively in any Nazi crimes, racial persecutions or discriminations, (3) been avowed believers in Nazism or racial and militaristic creeds, or (4) voluntarily given substantial moral or material support or political assistance of any kind to the Nazi Party or Nazi officials and leaders. No such persons shall be retained in any of the categories of employment listed above because of administrative necessity, convenience or expediency."

MR. BARD: That begins by saying that any man that served with the German Army can't hold office or can't participate in any of these--that means everybody, practically.

MR. CLAYTON: I don't so understand it, Ralph.

MR. BARD: It says, "All active supporters of Nazism or militarism." A soldier is a supporter.

GEN. HILLDRING: That is a stricter interpretation than we have put on it, Mr. Bard.

MR. BELL: Everybody above the age of six.

MR. CLAYTON: Of course, those soldiers--just an ordinary private has no other choice; he has to serve. Many of them, I dare say, have served that would have liked very well not to.

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MR. FOWLER: What you really mean are Fascists and supporters of Nazism.

MR. BELL: You certainly mean the SS Troops.

MR. BARD: I could interpret it that a soldier carrying a gun was a supporter of Nazism.

MR. CLAYTON: You could so construe it. That may be, General, something that will come up early in its application.

GEN. HILLDRING: Yes. This formula isn't much different from what his present denazification policy is, and I don't think he will apply it that rigidly.

MR. CROWLEY: You'd think he is going to have so damn much business he isn't going to get down to that right away.

GEN. HILLDRING: Not right away, but what Mr. Bard says is true.

MR. CROWLEY: It will be back for revision before he gets down that far.

MR. CLAYTON: You will have to cable right away.

MR. BELL: Just about the same as you had in Italy.

GEN. HILLDRING: Not as tight as that.

MR. FRIEDMAN: They will do it, anyway, if they want to.

MR. GLASSER: Militarism in that sense is really an ism, more of the doctrine of military organization. That is what is intended here, and that is the way the ism is usually interpreted. I think a soldier in the Army is part of a military organization, is really a puppet of whatever militarism there may be in the community.

GEN. HILLDRING: I think he will interpret this as saying he won't use Army officers or SS Troops. But I think we could assume that under this language he could use others.

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MR. CLAYTON: You will recall, General, if you get anything out of the discussion here as to what the intent is, and instruct him accordingly.

GEN. HILLDRING: If it is a question like that, cables will be coming back in the weeks and months ahead when he gets down to it.

(Mr. Clayton continues reading to the bottom of page twelve.)

MR. CROWLEY: How far down do you go on that now?

MR. RIDDLEBERGER: They are the special party schools.

MR. CROWLEY: You are going to leave the primary schools open?

MR. RIDDLEBERGER: That follows next.

MR. CROWLEY: Pardon me.

MR. CLAYTON: "b. A coordinated system of control over German education and an affirmative program of reorientation will be established designed completely to eliminate Nazi and militaristic doctrines and to encourage the development of democratic ideas.

"c. You will permit the reopening of elementary (Volksschulen), middle (Mittelschulen) and vocational (Berufsschulen) schools at the earliest possible date after Nazi personnel has been eliminated and textbooks and curricula have been provided which are free of Nazi and militaristic doctrine."

MR. CROWLEY: But you wouldn't keep your primary schools closed until you get all your new textbooks written. You wouldn't let those kids all roam the streets over there without some form of educational supervision.

MR. CLAYTON: That is a good point.

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GEN. HILLDRING: I think the texts are already ready, Mr. Crowley. They have been working on them with the help of your agency for over a year now, and I think--I would like to check on this, but if they are not ready now, they are practically ready. There will be very little delay.

MR. CROWLEY: You will have a lot of bandits, letting them run around.

GEN. HILLDRING: We learned that in Italy, and we have been pushing to get the public schools opened rapidly in Germany. We were a little slow in getting the textbooks in Italy.

MR. CROWLEY: That is all I had.

MR. CLAYTON: I hate to suggest a change, but how about putting a period after eliminated and say, "Textbooks and curricula which are free from Nazism and military doctrines shall be provided as soon as possible?"

MR. CROWLEY: I can see where you couldn't use the German textbooks at all, but operate your schools in order to keep children off the streets. I don't mean use the German textbooks, but that children off the streets.

MR. RIDDLEBERGER: You can have instruction without textbooks. Didn't they do that in Italy, General, reopen schools and forbid the use of certain texts?

GEN. HILLDRING: They did get four or five schools open, I think, without any textbooks.

MR. CLAYTON: How would this be, have a period after "eliminated," and then say, "Textbooks and curricula teaching Nazi and militaristic doctrines must not be used?"

MR. CROWLEY: I think that is all right.

MR. CLAYTON: "Textbooks free from such doctrines will be provided as soon as possible."

(General agreement.)

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MR. RIDDLEBERGER: Does that put an obligation on us to provide textbooks in that case?

GEN. HILLDRING: We are doing it now.

MR. RIDDLEBERGER: We are providing all the textbooks for all the German schools?

GEN. HILLDRING: No, we find we don't need to change the algebra book, but on others we do have to say--for instance on history books--"Here is a book now that you use to teach history," and then they grind out a million copies.

MR. CROWLEY: The only way to get them is by free textbooks.

MR. CLAYTON: We are going to provide them.

GEN. HILLDRING: We are going to provide the basic texts. Now, whether we are in this country going to print them all, I don't know. We have printed a lot of them. We did print millions of textbooks for Italy, but that was simply because there weren't any facilities in Italy for doing it. I think if it came to a question of our providing them or not and the Germans couldn't, we would do it to get their educational program started.

MR. GLASSER: Mr. Clayton's suggestion is that it wouldn't be necessary to wait for textbooks. You simply say, "Textbooks and curricula which are not free from Nazi and militaristic doctrines are not to be used," and leave the provision of the textbooks to some other--

MR. CLAYTON: If that is satisfactory, we will change it and put a period after "eliminated," and then say, "Textbooks and curricula--"

MR. GLASSER: "...which are not free--"

MR. CLAYTON: "...which are not free from Nazi and militaristic doctrines should not be used."

MR. GLASSER: That leaves the question open.

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MR. CLAYTON: All right. That is a good point, Leo.

"The Control Council should devise programs looking toward the reopening of secondary schools, universities, and other institutions of higher learning. After Nazi features and personnel have been eliminated and pending the formulation of such programs by the Control Council, you may formulate and put into effect an interim program within your zone and in any case may permit the reopening of such institutions and departments which offer training which you consider immediately essential or useful in the administration of military government and the purposes of the occupation.

"d. It is not intended that the military government will intervene in questions concerning denominational control of German schools, or in religious instruction in German schools, except insofar as may be necessary to insure that religious instruction and administration of such schools conform to such Allied regulations as are or may be established to purging of personnel and curricula."

(Secretary re-enters the conference.)

H.M.JR: Could I have one second?

(Discussion off the record.)

H.M.JR: All right.

MR. CLAYTON: "15. Arts and Archives:

"Subject to the provisions of paragraph 6 above, you will make all reasonable efforts to preserve historical archives, museums, libraries and works of art."

(Mr. Bard leaves the conference.)

(Mr. Clayton continues reading, pages 14 and 15.)

MR. FOWLER: Mr. Clayton, there is one little point there in regard to instituting and maintaining a reporting

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system. That may have in some cases a fairly important relationship to your disarmament control, and I wonder if we couldn't include in seventeen, the third paragraph, the second line from the bottom, paragraph 19. Insert "19" just before "20."

MR. CLAYTON: I see no objection.

MR. COE: No, that is all right.

MR. CLAYTON: I think that is good.

MR. FOWLER: Nineteen and twenty hang together.

MR. CLAYTON: That is at the bottom of page fourteen.

MR. FOWLER: Yes.

MR. CLAYTON: "German Standard of Living:

"21. You will estimate requirements of supplies necessary to prevent starvation or widespread disease or such civil unrest as would endanger the occupying forces. Such estimates will be based upon a program whereby the Germans are made responsible for providing for themselves, out of their own work and resources. You will take all practicable economic and police measures to assure that German resources are fully utilized and consumption held to the minimum in order that imports may be strictly limited and that surpluses may be made available for the occupying force and displaced persons and United Nations prisoners of war, and for reparation. You will take no action that would tend to support basic living standards in Germany on a higher level than that existing in any one of the neighboring United Nations and you will take appropriate measures to ensure that basic living standards of the German people are not higher than those existing in any one of the neighboring United Nations when such measures will contribute to raising the standards of any such nation."

I would like to say that this morning I made a report to the staff committee in the State Department on our work here. I read certain significant paragraphs, this being one of them, and it seemed to meet their complete approval. I just read certain ones.

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"22. You will urge upon the Control Council that uniform ration scales be applied throughout Germany, that essential items be distributed equitably among the zones, that net surpluses be made available for export to Allied countries, and that imports be limited to the net deficits of Germany as a whole.

"Labor, Health, and Social Insurance:

"23. You will permit the self-organization of employees along democratic lines, subject to such safeguards as may be necessary to prevent the perpetuation of Nazi or militarist influence under any guise or the continuation of any group hostile to the objectives and operations of the occupying forces.

"24. You will permit free collective bargaining between employees and employers regarding wages, hours and working conditions and the establishment of machinery for the settlement of industrial disputes. Collective bargaining shall be subject to such wage and hour controls, if any, as may be instituted or revived by your direction.

"25. You are authorized to direct the German authorities to maintain or re-establish such health services and facilities as may be available to them."

MR. BELL: Weren't there some other words in twenty-four yesterday,"Wage, hour, and other controls?"

MR. CLAYTON: Yes.

MR. FOWLER: That was the way it was drafted.

MR. DESPRES: I am afraid I am guilty, not the official secretary.

MR. CLAYTON: I thought we agreed on "Wage, hour, and other controls."

MR. DESPRES: I am afraid I missed that. I am sorry.

MR. CLAYTON: We are just putting that in. I am glad you brought that up, Dan.

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"26. You are authorized to direct the German authorities to maintain or re-establish such health services and facilities as may be available to them.

"Agriculture, Industry and Internal Commerce:

"27. You will require the Germans to use all means at their disposal to maximize agricultural output and to establish as rapidly as possible effective machinery for the collection and distribution of agricultural output.

"28. You will direct the German authorities to utilize large-landed estates--" we had in there "Public lands" right after "estates"--"and public lands in a manner which will facilitate the accomodation and settlement of Germans and others or increase the acreage under cultivation."

MR. DESPRES: I think that may be wrong, "Acreage under cultivation," not to change the subject, but I think we said "Agricultural output."

MR. CLAYTON: That is right, we said, "Agricultural output," and I think, "Agricultural output" is perhaps better, Emile, because it involves not only acreage, but intensity of cultivation, or increased agricultural output.

"29. You will protect from destruction by the Germans, and maintain for such disposition as is determined by this and other directives or by the Control Council, all large plants, equipment, patents and other property, and all books and records of large German industrial companies and trade and research associations that have been essential to the German war effort or the German economy. You will pay particular attention to research and experimental establishments of such concerns."

H.M.JR: Excuse me just a minute. After "Control Council" in paragraph twenty-nine you said, "All large plants." Mine reads "All plants." It is line three.

MR. CLAYTON: Did I say large? It should be "All plants."

"30. In order to disarm Germany, the Control Council should:

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"a. prevent the production, acquisition by importation or otherwise, and development of all arms, ammunition and implements of war, as well as all types of aircraft, and all parts, components and ingredients specially designed or produced for incorporation therein;

"b. prevent the production of merchant ships, synthetic rubber and oil, aluminum and magnesium and any other products and equipment on which you will subsequently receive instructions;

"c. seize and safeguard all facilities used in the production of any of the items mentioned in this paragraph and dispose of them as follows:

"(1) remove all those required for reparation;

"(2) destroy all those not transferred for reparation if they are especially adapted to the production of the items specified in this paragraph and are not of a type generally used in industries permitted to the Germans (cases of doubt to be resolved in favor of destruction);

"(3) hold the balance for disposal in accordance with instructions which will be sent to you.

"Pending agreement in the Control Council you will take these measures in your own zone. You will not postpone enforcement of the prohibitions contained in subparagraphs a and b and the instructions in subparagraph c without specific approval of your government through the Joint Chiefs of Staff.

"31. As an additional measure of disarmament, the Control Council should:

"a. prohibit initially all research activities and close all laboratories, research institutions and similar technical organizations except those considered necessary to the protection of public health;

"b. abolish all those laboratories and related institutions whose work has been connected with the building of the

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German war machine, safeguard initially such laboratories and detain such personnel as are of interest to your technological investigations, and thereafter remove or destroy their equipment;

"c. permit the resumption of scientific research in specific cases, only after careful investigation has established that the contemplated research will in no way contribute to Germany's future war potential and only under appropriate regulations which (1) define the specific types of research permitted, (2) exclude from further research activity any persons who previously held key positions in German war research, (3) provide for frequent inspection, (4) require free disclosure of the results of the research and (5) impose severe penalties, including permanent closing of the offending institution, whenever the regulations are violated.

"Pending agreement in the Control Council you will adopt such measures in your own zone."

H.M.JR: Mr. Clayton, may I interrupt you a minute? Early this morning I asked whether there was a letter of transmittal to take over to the President. Couldn't one of the State Department gentlemen sort of go somewhere in a corner and draft such a letter so when you are through reading we will have it?

GEN. HILLDRING: Mr. Secretary, as the next step, I would like to suggest that before you take this to the President you give the Joint Chiefs of Staff an opportunity to comment on it from a military point of view so that we don t give to them something that bears the approval of the President and is, therefore, concrete. It certainly would make my life much easier.

H.M.JR: I am sorry I interrupted. Mr. Clayton will proceed, and then we will discuss this.

MR. CLAYTON: I don't know, Mr. Secretary, whether you want a letter or merely a short digest of what this document contains. I thought we might have a short digest, say, of

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not over three pages, one on military and political, one on economics, and one on finance, which would just give the salient and significant parts of the document so that we can read it to the President or hand it to him.

MR. CROWLEY: I thought yesterday we kind of agreed that there would be something given to him. As I see this thing, this is an occupational document that not only sets out the occupational philosophy, but rather the primary or educational philosophy of Germany over a long period of time, and I thought yesterday we talked in terms of a memo or letter of transmittal, whatever you want to call it, and that you are going to say that this is a draft that has been recommended, and, of course, it would be subject to change by whatever body he would determine to have the right to review this. I thought we were going to do that.

MR. CLAYTON: Well, that would be agreeable.

MR. CROWLEY: I think this is an excellent document, but you wouldn't want to say--go on record that it was final and complete, never to be changed.

MR. CLAYTON: No.

MR. CROWLEY: Or never to be reviewed. Put it that way.

MR. CLAYTON: I think we have to submit later when we get this a draft of a general clause. Have you got that, Emile, one that would cover those points?

MR. DESPRES: I have part of it. Perhaps I might best go in a corner and do that.

MR. CLAYTON: I think if I were you I would.

H.M.JR: You were down to thirty-two.

MR. CLAYTON: "32. Pending final Allied agreements on reparation and on control or elimination of German industries that can be utilized for war production, the Control Council should:

(Mr. Despres leaves the conference temporarily.)

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"a. prohibit and prevent production of iron and steel, chemical, non-ferrous metals (excluding aluminum and magnesium), machine tools, radio and electrical equipment, automotive vehicles, heavy machinery and important parts thereof, except for the purposes stated in paragraphs 4 and 5 of this directive;

"b. prohibit and prevent rehabilitation of plant and equipment in such industries except for the purposes stated in paragraphs 4 and 5 of this directive; and

"c. safeguard plant and equipment in such industries for transfer on reparation account.

"Pending agreement in the Control Council, you will put such measures into effect in your own zone.

"33. The Control Council should adopt a policy permitting the conversion of facilities other than those mentioned in paragraphs 30 and 32 to the production of light consumer goods, provided that such conversion does not prejudice the subsequent removal of plant and equipment on reparation account and does not require any imports beyond those necessary for the purposes specified in paragraphs 4 and 5 of this directive. Pending agreement in the Control Council, you may permit such conversion in your zone.

"34. Subject to the provisions of paragraphs 30 and 32, the Control Council should assure that all feasible measures are taken to facilitate, to the minimum extent necessary for the purposes outlined in paragraphs 4 and 5 of this directive

"a. repairs to and restoration of essential transportation services and public utilities;"

I don't quite get that, "...for the purposes outlined in paragraphs 4 and 5 of this directive repairs to and restoration of essential transportation services and public utilities."

MR. FOWLER: I think what is meant is that you do everything that is necessary to get up to the level of repair of transportation equipment or of a public utility. It is

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necessary to take care of your purposes of occupation, which include the minimum standard of living, and so forth. But you don't, for example, rehabilitate or repair a power plant beyond--if twenty thousand kilowatts are enough to take care of those services, you don't try to restore it to fifty thousand or one hundred thousand kilowatts, and similar analogies. You do everything that is necessary to get up to the minimum, but you don't go past the minimum.

MR. CROWLEY: You did that in Italy, General?

GEN. HILLDRING: We haven't quite hit the minimum there, as a matter of fact, sir.

MR. CLAYTON: "b. emergency repair and construction of the minimum shelter required for the civilian population;" I can see that with regard to shelter, but transporation services--

MR. CROWLEY: Would the military have to have transportation for their own selfish reasons? Your objection is that word minimum in there?

MR. CLAYTON: Yes. It seems to put the emphasis in connection with the reconstruction of the transportation system on making it just as poor as you can.

MR. DOWNEY: Minimum is a bad word so far as it is applicable to reparations, and that is one of the objectives in four and five.

MR. CLAYTON: I think it would be a better document if you left minimum out.

MR. FOWLER: I think you ought to say "only to the extent."

MR. BELL: You have got to have only if you leave out minimum.

MR. FOWLER: The German transportation system, for example, before the war was just a huge and highly overdeveloped institution. They had a carrying capacity developed for

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military purposes, and you don't want to restore that.

MR. CLAYTON: I won't press the point; we will just leave it as it is.

(Mr. Clayton finishes reading the draft.)

MR. CLAYTON: Now, Mr. Secretary, would you like to take up the--

MR. FOWLER: I would like to raise one general question here and get the opinion of the group on it. It is not a matter of difference, just a question of interpretation. All through this directive we have this reference to paragraphs four and five, either that you shouldn't do anything, except to obtain those objectives, or that what you do is limited to the minimum necessary, for example, in thirty-four, "...to the minimum extent necessary for the purposes outlined in paragraphs 4 and 5 of this directive."

Now, looking back in paragraphs 4 and 5, the question I wanted to ask is--

GEN. HILLDRING: I think this bears on your problem: Would the commander in the field feel that he was authorized to report the essential transportation services necessary to keep the German standard--minimum standard of living in operation? The objectives we have listed in 4 and 5 are, one, to prevent Germany from ever again becoming a threat to the peace of the world, obtain and enforce the program of reparations and restitution, to provide relief for the benefit of countries devastated by Nazi aggression, and to ensure that prisoners of war and displaced persons of the United Nations are cared for and repatriated.

There is a reference down in paragraph 5 to the effect that you will use controls only to the extent that they are necessary to meet the needs of the occupying forces and assure the production and maintenance of goods and services required to prevent starvation or such disease and unrest as would endanger these forces.

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But there is nowhere a statement as one of the objectives to give to the German people an opportunity to achieve a minimum subsistent standard of living. I don't know if that is properly stated as an objective, but with these broad references to paragraphs 4 and 5 all the way through, and with paragraphs 4 and 5 being blank on that point, I think it would be a matter of some confusion in the field if we were implementing, for example, this section that we just discussed, paragraph 34.

GEN. HILLDRING: I see your point. It seems to me that with the omission in paragraph 21 of these references--

MR. FOWLER: That is right, we have inadvertently, all through the drafting here--

MR. FRIEDMAN: Five covers it. The reason for putting five in here--in the discussion of the subject, you see, that wasn't technically an objective, but the same result is achieved by putting in five, and you are not going to say anything broader than what is in five, anyway.

MR. FOWLER: Let's read 5a. I think that was the object of the discussion, but I wonder--

GEN. HILLDRING: It refers to controls, primarily.

MR. FOWLER: I think if you added after that, "You will be guided by the principle that controls upon the German economy may be imposed to the extent that such controls may be necessary to achieve the objectives enumerated in paragraph 4 above and also as they may be essential to protect the safety and meet the needs of the occupying forces and [illegible] production and maintenance of goods and servi[illegible] prevent starvation--"

MR. FRIEDM[illegible] you reading?

MR. FOWL[illegible]

GEN. HILLDRI[illegible] backhand way,

[illegible] cause confusion.

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MR. FRIEDMAN: Where are you reading?

MR. FOWLER: Paragraph 5a.

MR. RIDDLEBERGER: It is stated in a backhand way.

MR. FOWLER: I think it is going to cause confusion.

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MR. GLASSER: May I suggest the language under 5 a, making a minimum change? "To achieve the objectives enumerated in 4 above and also as they may be essential to the accomplishment of your objective, to protect the safety and meet the needs of the occupying forces and assure the production and maintenance of goods and services required to prevent starvation or such disease and unrest as would enganger these forces." Now, there you clearly state that this is an objective. It is not tied up with the controls. I think that would do it.

MR. COE: How would it be now?

MR. GLASSER: "As a member of the Control Council and as zone commander, you will be guided by the principle that controls upon the German economy may be imposed to the extent that such controls may be necessary to achieve the objectives enumerated in paragraph 4 above and also as they may be essential to accomplish the further objective of protecting the safety and meeting the needs of the occupying forces and assure the production and maintenance of goods and services required to prevent," and so forth. We are just inserting the words, "...to accomplish the further objective of," and that clearly specifies the objectives.

MR. FOWLER: Now I understand that if--

MR. CLAYTON: Does that meet your point?

MR. FOWLER: Well, I am looking now particularly at paragraphs 32 and 34. The intention was, I think, in both of those cases to prohibit, for example, "...the production of iron and steel...except for purposes stated in paragraphs 4 and 5 of this directive." And what we had in mind there, as I remember it, was to not prohibit completely, as we did in the case of synthetic oil and rubber, but in this period ahead to say that they can go ahead and produce iron and steel, but only to the extent necessary to achieve--

MR. COE: I think that is the way it reads. It is clearly covered, I think.

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MR. CLAYTON: That is the way it reads.

MR. FOWLER: Just as long as we are--I don't want the intent of this paragraph 32 to break down on some notion that it is a thoroughly impractical suggestion of not allowing the boys to make steel rails over there, as it might be necessary to restore the German transportation system to the extent that it is necessary. I am interested in protecting that provision so that it appears and is susceptible of practical operation.

If it is the opinion of General Hilldring that that is the way it will be understood, I think we are O.K.

GEN. HILLDRING: I have read that many times, and I think he will read into it the fact that he is to do these things and also to bring about this minimum standard. However, he does have to infer, I think--

MR. CROWLEY: We have got to get to work. I have got some food fellows to talk to. Are we through with this?

GEN. HILLDRING: With the exception of one paragraph which originated in your section, yes, sir.

MR. CROWLEY: That is the one the man is working on, but outside of that, we are all through with this. And don't let anyone open it up again. Let's close it up.

MR. CLAYTON: That is O.K. with me.

MR. CROWLEY: Joe, if you bring anything else up, you are going out that window. (Laughter)

MR. CLAYTON: All right.

MR. RIDDLEBERGER: We won't change this.

MR. FOWLER: I thoroughly second those sentiments.

MR. CLAYTON: It will be corrected accordingly.

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MR. CROWLEY: Now, what else have we got? We have got to wait for this gentleman here?

MR. CLAYTON: The General raised a point which seems to me to be very highly important, and I would think it wouldn't be very proper for us to write this document and have the approval of the document until the Joint Chiefs of Staff have had a chance to look at it.

MR. CROWLEY: Having been brought up in Madison politics, I think we have got that all fixed up. The General won't press that, I don't think, and I think if we get this to the President, he will do as he pleases with it after he gets it.

MR. CLAYTON: Perhaps it should be made clear to him that it has not been submitted to the Joint Chiefs of Staff, but General Hilldring has passed on it.

MR. COE: And the Navy.

MR. CLAYTON: Yes, yes.

H.M.JR: He can refer it to the Joint Chiefs of Staff for their pleasure.

GEN. HILLDRING: Mr. Crowley recited a formula, Mr. Secretary, which is quite agreeable to me, and--

MR. CROWLEY: I would think he would, after he gets through, send it to his Chiefs of Staff and have them look it over.

GEN. HILLDRING: There is no objection to submitting this document right now to the JCS. There is no objection to that, sir, is there?

H.M.JR: It would save time.

MR. RIDDLEBERGER: It comes out eventually from the Joint Chiefs of Staff.

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MR. CROWLEY: But tomorrow morning it will be nice to say they have looked it over.

GEN. HILLDRING: Of course, Mr. McCloy and I will go to work on General Marshall, and Bard will on Admiral King, but this a very important document, and General Marshall will want to put it in his briefcase and study it, and they are going to impose quite a burden on Eisenhower, but I don't think they will change it. They didn't change 1067. They passed it just as it came out of the State Department, but they feel an obligation towards Eisenhower that they should have an opportunity to examine what it is that they are shoving over on him.

MR. CROWLEY: That is right.

GEN. HILLDRING: And until these five-star fellows have had a chance to read it, neither McCloy nor I are going to get General Marshall to vote on it until he is ready.

H.M.JR: That doesn't mean--we have got this appointment to walk across the street to see the President of the U.S. with this document, and I still think we should have a letter of transmittal from this committee saying that the committee has been sitting. We'll give this to him for his consideration and then explain to him a little bit what this group is. What I want to ask him is, does he want this group, as far as I am concerned, to continue next week on reparations? I would like to get a little directive, myself.

GEN. HILLDRING: That is quite all right, Mr. Secretary.

H.M.JR: That is the principal thing I am after, to go over and inform the new President of the U.S. what I am doing, and ask if it is agreeable to him, and ask if he wants me to continue to do this kind of work. That is why I am so anxious to get over there. He may say yes or no, but I would like to get an answer from him. I would like to work on the reparations thing, but I want him to say so. That doesn't hold you up?

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GEN. HILLDRING: No.

MR. BELL: You can say it has been approved by this committee, but not by the Chiefs of Staff.

GEN. HILLDRING: That is fine, Mr. Secretary.

MR. CLAYTON: I am sorry, but I didn't get the last part.

H.M.JR: I think the committee should walk in and call on him and inform him that all of the signatures are on it.

Now, I have worked with them twice. I would send him a written memo, address it to President Truman and say, "Do you like to work this way?" He does. He likes to have something to see.

MR. CLAYTON: Now, the letter, I take it, should give a digest of the document.

H.M.JR: Yes.

MR. CLAYTON: Do you think that it should go to the extent, say, of three double-spaced pages like this, that would be divided into three parts--three sections like the document is, first, military and political, second, economic, and third, finance?

MR. CROWLEY: I think you certainly ought to give him enough of a digest so he would get--maybe not tomorrow morning--but so he would get the gist of this whole thing.

H.M.JR: And with that letter should be a copy, a photostat copy of the March 23 draft so he will know that that was the springboard.

MR. CLAYTON: Send that with it.

H.M.JR: And I think we ought to put our signatures on it and then say, "Here it is. The Chiefs of Staff have not seen it, but--" and then ask him--I am going to ask him, anyway, if he wants me to continue.

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MR. CLAYTON: We will prepare a letter this afternoon, and I suppose the best we could do would be to meet here in the morning fairly early and go over it and sign it here.

H.M.JR: All right. Any time is all right.

MR. CLAYTON: Of course, if we take it over there, there wouldn't be any chance for a change. We would get it up the best way we can.

H.M.JR: What time do you think we ought to meet?

MR. CLAYTON: I would think nine o'clock if you are going over there at ten.

H.M.JR: I am not sleeping very well these nights, so nine o'clock is late.

MR. CLAYTON: I can do an hour's work in the office before I come.

H.M.JR: You win.

MR. CLAYTON: I think we ought to start by nine o'clock if that is agreeable.

Emile is out there. You might tell him we are waiting on him.

(Mr. Glasser leaves conference temporarily.)

MR. CROWLEY: Could we let him work on that with the fellows in the subcommittee? Maybe if they can agree on it, if the subcommittee agrees, why don't we let them put it in?

MR. CLAYTON: It is a very important paragraph. I think we would all like to read it before it is made absolutely final, and he may be nearly ready.

H.M.JR: General, will you deliver McCloy tomorrow morning?

GEN. HILLDRING: Yes, I will deliver him at nine o'clock, Mr. Secretary, or thereabouts.

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MR. CLAYTON: While we are waiting, would you like to hear the document on reparations? It is just about agreed on. Oh, here he is now.

(Mr. Despres and Mr. Glasser enter the conference.)

H.M.JR: I promised Mr. Lubin that if we went into that, I would phone him.

GEN. HILLDRING: Mr. McCloy, with respect to that, hasn't read it at all, and he would like a chance to look it over. Has the subcommittee passed on it?

MR. CLAYTON: The working committee has agreed--have you not agreed on the reparations document?

MR. DESPRES: I don't think you can quite say that now.

H.M.JR: But if you are going to go into that, shall we phone Lubin to come on over?

MR. CLAYTON: Is it your idea that along with this other document we should present the one on reparations to him? I think it might be taking on a little more than we would be able to get through with.

H.M.JR: My thought was that without talking to anybody we would just do 1067 revised, because I haven't studied the reparations document.

MR. CLAYTON: Suppose we postpone until--tomorrow is Friday--postpone until one day next week the reparations document, and in the meantime have it mimeographed and circulated?

H.M.JR: If you want to start Tuesday, I will be glad to. Do you want to set a time?

MR. CLAYTON: Tuesday?

H.M.JR: How about ten-thirty?

MR. CLAYTON: All right, make it ten-thirty Tuesday on reparations.

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MR. COE: That is agreeable to me.

H.M.JR: That will mean that we will have to get McCloy back from San Francisco.

GEN. HILLDRING: I don't think he will be there very long, Mr. Secretary. I don't think Mr. Stimson will let him right now.

MR. FOWLER: If you have got a mandate to go ahead on the reparations document, you might go ahead.

MR. DESPRES: I have three separate items here. (Passes around copies of attachments C, D, and E.) This is the first one (indicating attachment C).

H.M.JR: Could you tell Lubin we are going to start that?

MR. DESPRES: I took the liberty of crossing out the word "interim" in the fifth line. And this proposal, as I understand it, is to go at the end of paragraph 1 as b. It would be the third paragraph I thought.

MR. COE: I should think it would be the second paragraph. It would go along with the rest of it, telling him what to do.

MR. CLAYTON: That is the second paragraph.

MR. DESPRES: That is better.

MR. CLAYTON: (Reading attachment C) "This directive sets forth policies relating to Germany in the initial post-defeat period. As such it is not intended to be an ultimate statement of policies of this Government concerning the treatment of Germany in the post-war world. It is therefore essential that during the period covered by this Directive you assure that surveys are constantly maintained of conditions within your zone and that the results of such surveys are made available through the Joint Chiefs of Staff.

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The facts thus disclosed will serve as a basis for determining changes in the measures of control set forth herein as well as for the progressive formulation and development of policies to promote the basic objectives of the United States. Supplemental directives will be issued to you by the Joint Chiefs of Staff as may be required."

GEN. HILLDRING: There is one suggestion I have there. It is attributable to my own draftsmen because--this is what that one said that I read on the way over here, but I don't think we are only interested in the surveys of conditions in our zone, but in the whole of Germany.

MR. FOWLER: That is right.

GEN. HILLDRING: And I think it should be amended to include the whole of Germany.

MR. COE: Conditions within Germany.

H.M.JR: What are you going to survey? You don't say.

MR. COE: Conditions.

MR. DESPRES: There is a more detailed paragraph on this survey matter later in the directive.

H.M.JR: Surveys of what?

MR. BELL: He has specific reference to it in the document in the general over-all--

MR. FOWLER: I would say, "...surveys are constantly maintained of conditions within your zone that may suggest amendments--changes, amendments, or new policy."

MR. CLAYTON: May I suggest, Joe--excuse me for interrupting--that we just say that "surveys as outlined in paragraph twenty below."

MR. FOWLER: If you will read paragraph twenty, I think you will find that. I am familiar with paragraph twenty, but

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I think what you are really after is something different from what you are asking in paragraph twenty. Your inventory--you are going to get that anyway. You are asking for something different in this paragraph, and that is surveys and reports in the judgment of a manner which would suggest a change in the document back here or that consideration be given to a change in the document.

In other words, I think you are really asking him to send back to you the information which may have a bearing on what you have told him to do before or haven't told him to do before, which requires change in policy or a new policy.

MR. CLAYTON: Isn't that pretty well covered in this sentence, "The facts thus disclosed will serve as a basis for determining changes in the measures of control set forth herein as well as for the progressive formulation and development of policies to promote the basic objectives of the United States?"

MR. CROWLEY: That is what I was getting at, just what he has there, that this is the recommendation we have in the light of information you have now, and as you study your problems, they will be subject to your review, and that is what it says.

MR. FOWLER: Instead of saying, "facts just disclosed," why don't you say, "These surveys should be developed in such a manner as to serve as a basis for determining"--this defines surveys a little bit.

MR. CLAYTON: "These surveys should be developed in such a manner--"

MR. FOWLER: "...as to serve as a basis--"

MR. CLAYTON: That is fine.

MR. FOWLER: Now, to take care of General Hilldring's point, in the preceding sentence couldn't we say after this, "...and that the results of such surveys and such other

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surveys as may be made in other zones, or under the direction of the Control Council?"

GEN. HILLDRING: Yes, so it becomes countrywide--Germanwide.

MR. DESPRES: I think that finishes that.

MR. GLASSER: I have another suggestion on conditions. It seemed to me that we could spell it out by simply listing "economic, financial, industrial, social, and political conditions," in order that the surveys should be as broad as possible.

H.M.JR: I kind of like that.

MR. CROWLEY: There certainly would be no objection.

MR. RIDDLEBERGER: What have you got?

MR. GLASSER: "Economic, financial, industrial, social, and political."

GEN. HILLDRING Before conditions?

MR. RIDDLEBERGER: "Economic--"

MR. GLASSER: "Economic, financial, industrial, social, and political."

MR. FOWLER: "...surveys in other zones under the direction of the Control Council"-- "made in other zones," or "of other zones made under the direction of the Control Council?"

MR. CLAYTON: Wouldn't you want any kind? Let's see if this doesn't meet it, "It is therefore essential that during the period covered by this Directive you are assured of surveys constantly maintained of economic, industrial, financial, social, and political conditions within your zone, and that the results of such surveys and such other surveys as may be made in other zones are made available through the Joint Chiefs of Staff. These surveys should be developed in such a manner as to serve as a basis of such--" is that agreeable all the way around?

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(General agreement)

MR. CLAYTON: This would be inserted before the last sentence of paragraph sixteen, so let's turn to that. The last sentence reads, "Except as may be necessary to carry out these objectives," and so forth. And just before that we would insert, "Such industrial disarmament is an essential security objective of the United States, and it is also just that Germany be required to make reparation for the losses which she has caused to Allied Nations. The measures required to fulfill these objectives will impose a heavy burden on the German people, but these measures rest upon considerations of security and justice, not oppression.

"Moreover, measures of industrial disarmament and reparation will be held within such limits as to allow the German people eventually to reconstruct a tolerable basis of livelihood."

H.M.JR: What is behind this?

MR. CLAYTON: This is carrying out the thought that was expressed yesterday when it was agreed we would try to formulate a paragraph to put in here. I think the thought was expressed by Mr. McCloy, wasn't it?

GEN. HILLDRING: Mr. Crowley.

MR. DESPRES: I don't know whether that meets the point.

H.M.JR: I don't get that. I thought Mr. Crowley and I were satisfied with that 4 a., that the Germans brought this stuff on themselves, and this is something different.

MR. CLAYTON: Well, this was just drafted in accordance with our understanding yesterday. If you don't like it, why, we'll leave it out.

H.M.JR: I don't like it.

MR. CROWLEY: What do we say in 4 a., Joe?

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MR. FOWLER: "It should be brought home to the Germans that Germany's ruthless warfare and the fanatical Nazi resistance have destroyed the German economy and made chaos and suffering inevitable and that the Germans cannot escape responsibility for what they have brought upon themselves."

MR. CLAYTON: I think that is really sufficient.

MR. CROWLEY: Sure.

H.M.JR: That insert before the last sentence--cut that out.

MR. DESPRES: This is to press Mr. Fowler's point about lasting controls, "You will study and make recommendations to your Governments through the Joint Chiefs of Staff on the most effective and economical methods of maintaining international controls to prevent future German rearmament which will be continued after military occupation of Germany has ended." It is premature at this stage.

MR. CLAYTON: That is to be added at the end of paragraph thirty. You might turn to that; it is on page eighteen.

MR. DESPRES: It is not English as it stands now.

MR. CLAYTON: That paragraph deals with the disarmament of Germany, "You will study and make recommendations to your Governments through the Joint Chiefs of Staff on the most effective and economical methods of maintaining international controls to prevent future German rearmament which will be continued after military occupation of Germany has ended."

MR. GLASSER: Isn't that really covered by our new first paragraph--the addition to the first paragraph where we require surveys to be made, and that we will then send out--

MR. FOWLER: I think with the adoption of the change yesterday in paragraph--this first introductory paragraph--if we had that, it would be satisfactory without this.

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MR. CLAYTON: Is that agreeable all the way around?

H.M.JR: Yes. May I go back to that first one where you said this directive set the policy relating to Germany? Where you say "...make such surveys available only to the Joint Chiefs of Staff," would you mind including the words, "...to your Government?"

MR. CLAYTON: No, I think that is all right.

GEN. HILLDRING: I have no objection.

MR. CLAYTON: That is in the first one that we make available to the Joint Chiefs of Staff and to your Government, "...to your Government and Joint Chiefs of Staff."

H.M.JR: How is that?

MR. CLAYTON: We salvaged one of the three. We will put that between paragraphs one and two. We salvaged the long one, and the two short ones don't go. That goes in the first clause of the document?

MR. DESPRES: After paragraph two.

MR. CLAYTON: Between one and two. I will concede to make it paragraph two.

MR. DESPRES: That is right.

H.M.JR: Mr. Clayton, is it the understanding that this very excellent working committee will do the drafting of the condensation of this thing and have it ready?

MR. CLAYTON: They will have to do it this afternoon.

H.M.JR: And they will have to have it ready by nine o'clock tomorrow morning.

MR. CLAYTON: Yes, in the form of a letter directed to the President, which the representative of each Department on this committee will sign, as I understand it.

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MR. RIDDLEBERGER: How about having a short memo plus a digest of the document?

MR. CLAYTON: I think that is better, don't you, Mr. Secretary, just a little short letter to the President saying, "We enclose documents and a digest?"

MR. RIDDLEBERGER: And a digest.

MR. CLAYTON: I think that is probably better.

MR. DESPRES: May I go back to this addition to paragraph one? Do we leave the words, "...within your zone" unchanged, or was that going to be, "...in Germany?"

MR. CLAYTON: Leave that unchanged and say here, "The results of such surveys and such other surveys as may be made in other zones--"

Now, what else is there to come before the committee?

(No response.)

MR. CLAYTON: No further business? We will adjourn until nine o'clock tomorrow morning.

We will have in the morning a fresh draft of this document with all corrections in it, and have them over in the morning so each of you can have the advantage of that.

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LIST OF PAPERS

FILE UNDER NO. _____

Serial No.	From	Date	To	Synopsis

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TOP SECRET

April 25, 1945
8:55 a.m.

1067-REVISED

Present: Mr. D. W. Bell
Mr. Coe
Mr. Glasser
Mr. Clayton
Mr. Despres
Mr. Riddleberger
Mr. Bard
Mr. Downey
Lt. Bancroft
Gen. Hilldring
Major Gross
Colonel Brownell
Mr. McCloy
Mr. Crowley
Mr. Fowler
Mrs. Klotz

CLASSIFICATION CHANGED
To SECRET Authority: Ltr of 5-19-61
from James P. Burke, State Dept.
Name Kathie Dwyer
Date 2-11-66

DECLASSIFIED BY:
JCS DECLASSIFICATION BRANCH
DATE 1973

April 27

H.M.JR: I have an appointment with President Truman at ten o'clock on Friday and I'll be right generous--if we can lick this thing into shape, I am willing to give way so we can walk over there with a finished document.

MR. CLAYTON: I see no reason why we can't finish before then.

MR. CROWLEY: I'll be glad to do that.

MR. CLAYTON: We ought to finish it this morning.

H.M.JR: Provided President Truman will receive us.

MR. CLAYTON: I mean we ought to finish our work here this morning.

MR. CROWLEY: Henry, before you go into finance, I wonder if it would be agreeable to discuss economics, for this reason: I haveall those fellows over in my office on food.

H.M.JR: Economic?

MR. CLAYTON: That's what we were discussing when we adjourned yesterday.

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Page 2 is deleted becasue discussion was not germane to the work of the Committee.

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H.M.JR: As soon as McCloy comes I am going to make it easy, because I have a little statement to make on the inflation thing that will satisfy you, but I would like to do it in the presence of McCloy. Is that the only thing, inflation? Is that the only difference?

MR. COE: There are a few other differences. The FEA have some.

H.M.JR: We ought to be able to clean the economic thing up in a hour.

MR. CROWLEY: I would think so, I hope so.

H.M.JR: If we go to see President Truman, it would be Mr. Clayton, Mr. Bard, Mr. Crowley, Mr. McCloy and myself. Would that be the Committee?

MR. CLAYTON: I imagine so.

HM.JR: It that what it would be, Mr. Bard?

MR. BARD: Quite so.

H.M.JR: Forrestal wouldn't want--

MR. BARD: I'll ask him.

H.M.JR: I'll put it this way: From State, War, Navy, Mr. Crowley and myself. Is that all right?

MR. CLAYTON: Yes.

H.M.JR: You said you would go.

MR. CLAYTON: Yes, sir.

H.M.JR: Do you agree with me that we could have this condensed? I think we ought to let him read March 23rd, and say this is an outgrowth, and haveit condensed. Huh?

MR. CLAYTON: I would think that if he would read the March 23rd memo and we could say to him that these detailed directives which we have drawn are well within the principles and policies stated in that memo and are merely setting out in detail the principles there stated, that that would be all that would be necessary because

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it would take him a long time to read and digest these detailed directives.

(Mr. Despres enters the conference.)

MR. CROWLEY: Don't you think, though, that you could make a little fuller analysis for him that he could have because someone might ask him about it. He won't be able to digest this, but if you had an analysis that he could use to refresh his memory, it might help.

MR. CLAYTON: Well, it might be, although the March 23rd document states all the principles and policies that are involved. We might make a little short digest of these documents and give the main points.

H.M.JR: I think so.

MR. CROWLEY: He doesn't know it like President Roosevelt did. It's all new to him.

MR. CLAYTON: Yes, that's right.

H.M.JR: Who will do that? Your people?

MR. CLAYTON: We can do that.

H.M.JR: With our people?

MR. CLAYTON: Yes, we can do that.

H.M.JR: Do you want anybody to sit in on that?

MR. CROWLEY: No.

H.M.JR: Does that agree with you, Mr. Bard?

MR. BARD: Yes. That's fine.

H.M.JR: I begged McCloy to stay to clean this up. If we clean this up today, Will, can we go on with reparations?

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MR. CLAYTON: Oh, yes. We won't have any difficulty, in my opinion, in cleaning up these two documents this morning. We ought to do it in a couple of hours, don't you think?

MR. GLASSER: Yes, I think so.

H.M.JR: Then can we go on to reparations?

MR. CLAYTON: Yes, we can do it this morning if you like. We ought to have Lubin come in on that.

H.M.JR: We can do that. What time is your food meeting?

MR. CROWLEY: It starts at ten, but if I get over there at half past ten or a quarter of eleven, it's all right.

(Mr. Fowler enters the conference.)

(Mr. Clayton leaves conference temporarily.)

MR. COE: Mr. Secretary, we have clean drafts of the political directive that was agreed upon yesterday because there was some uncertainty in various groups as to which one had been agreed upon. I checked on the phone with Mr. Despres--

(Mr. McCloy, General Hilldring, Colonel Brownell, and Major Gross enter the conference.)

H.M.JR: Mr. McCloy, having had a very good dinner at your hourse last night, I am in a very good humor.

MR. McCLOY: Quite amenable this morning.

H.M.JR: I would like to say, particularly for the benefit of the Army, with regard to Paragraph 38 on inflation, the Treasury is willing to accede, I take it, to the Army's wishes. However, we would like to point out we think you are making a mistake in assuming this

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responsibility. We don't think that you are going to be able to accomplish it, but if that's what you want, we will accede, and once it has been decided we will put everything at our disposal to assist you.

MR. McCLOY: Well, that's the very objective. I want to get the point clear that we don't think we are going to stop inflation in Germany. We don't have any such idea as that but we think it's rather fantastic to suppose that we will not be blamed for the inflation that takes place. We'll be blamed for everything that takes place, so that is a rather academic consideration as against the doubtful advantage of trying to throw off or disclaim responsibility for something that may occur if you give the zone commander the authority to do what he feels he may have to do. Give him that flexibility. In other words, you are dealing with a more realistic advantage than the one of avoiding criticism, but we have no illusions that we can stop inflation.

H.M.JR: Well, of course we are very anxious that there should be no inflation in Germany, but as I say, and I have pointed it out, I think you are taking on an impossible task. If this is the way you want Paragraph 38, the Treasury will go along. If it is decided by this Committee and everybody agrees, we will do everything in the Treasury to assist you to carry it out.

MR. McCLOY: Fine.

H.M.JR: I don't know if anybody else objected ot it, but that's the Treasury's position.

MR. CLAYTON: I think the Navy and FEA agreed on Paragraph 38 as originally drawn.

MR. CROWLEY: That's right. I think I agree with the Secretary of Treasury. I don't think you can stop inflation. This doesn't say that you can. And the worry that I have in kind of looking this thing over is you are going into Germany and you are going to find in there complete chaos. I think this is a vehicle to

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try to stop future wars and is all right. But I think, too, that there should be some report made as rapidly as possible as to the conditions in Germany and what you find there, because I would hate to see this Government held responsible for the chaos that is bound to follow there, inflation, unemployment, and likely revolution and everything else. And all this document is supposed to do is try to give the military people a general agreement as to a policy. You undoubtedly never will be able to control prices or inflation there, and to leave any impression that this Committee thought we could--it's all right to try to do it, but what I worry about is long after we are all gone from here this document is going to be used after they have had a chance to second guess the thing, and I would like to, if the Committee could, in addition to outlining these principles, add something in here to explain what we are attempting to do, that we are not assuming the responsibility for the inflation or for the local situation, that we are only going to try to do the best we can with these directives.

MR. COE: Mr. Crowley, I think that would provide a good transition to Paragraph 1 where the Treasury had tried to write such an addition. You may want to consider that and see if it is--

GEN. HILLDRING: Mr. Secretary, one of the suggestions I had to make after reading this over again last night, bears on Mr. Crowley's point. What we are doing in this directive, and I think we should keep it in mind all the time, is to establish an interim policy in the initial days after the establishment of the Control Council in Berlin, after the end of organized resistance, to furnish us a period during which we can examine the actual conditions in Germany so that they may be reported back to this Government. On the basis of those intelligent and actual facts of the situation as they exist, this Government will with those facts be able to establish a final economic and political directive with respect to Germany.

This interim period, Mr. Crowley, that's covered in this directive, is a period during which we find out the facts and report them back.

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MR. CROWLEY: Yes.

GEN. HILLDRING: And that should be high lighted a little more than it is.

MR. McCLOY: That's awfully important. You don't know what your plan is in Germany today. You don't know what your assets are. You don't know what they are politically, socially, or economically, and we really are skating on very thin ice when we try to evolve any long-range reparations or economic policy until you have had a report as to the receiver from the engineers and the accountants as to what is there.

The point Mr. Crowley makes, I think, is a pretty good one. I wonder why it wouldn't be a good thought--this is a historical document and we have got to treat it in terms of that for the sake of this Government and the future record--I wonder whether we couldn't put a clause in here, a sort of self-serving clause, something to the effect that whereas we are quite aware of the inflation problem being so great, it can't be helped. None the less, you are authorized to take such steps as you feel are advisable under the objectives of your mission to control to the extent you can, inflation, somewhat like the paragraph that was in the March 23rd letter, that the President inserted.

H.M.JR: It's up to you. I just want to say one more thing which I said yesterday and would like to repeat today. When I talked with President Roosevelt about fixing the price, and I had to go to him three times, he said, "Let the German economy seek its own level, and I don't care what that level is." I just wanted to point it out that he felt very strong that way.

Now, you are going to attempt to peg that level, and there is nothing in here to say furthermore that the Germans brought this thing on themselves.

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MR. CROWLEY: That's what I am getting at.

H.M.JR: There is nothing stated in here that Germany brought this thing on themselves, but instead the Army is so brass as to say, "We are going to go in and stop inflation."

MR. McCLOY: No, we don't. Don't misrepresent that.

H.M.JR: I am not misrepresenting it. I am just reading Paragraph 38.

MR. McCLOY: You are when you say the Army says it is going to stop inflation. It can't stop inflation.

H.M.JR: What do you say here?

MR. McCLOY: This gives him the right to take such steps along that line as he feels necessary to take in the light of his problem.

H.M.JR: But you are assuming the complete responsibility, and if you are interested in history, history will say you assumed this responsibility.

MR. McCLOY: History will attest this disclaimer.

H.M.JR: May I again repeat; McCloy knows this, particularly. When I went to the President, each time I reported. I don't know whether you were there or not.

MR. McCLOY: You reported to me.

H.M.JR: Each time he said, "Let the German economy seek its own level, and if they are hungry we'll feed them out of soup kitchens." The boys made their case, and you adjust it as you want, but we'll be good sports and go along.

MR. BARD: Does this document cover just an interim period, specifically?

MR. McCLOY: Yes.