

~~Handwritten~~ Handwritten:

" before dealing with major items."

"This suggests either ..."

"The latter is ..."



OFFICES OF THE WAR CABINET,

GREAT GEORGE STREET,

9th December, 1944 S.W.1.

Secur.

*N.V. sent
file 515*

Dear Turner,

Among the various methods hitherto proposed for dealing with Germany, I do not remember having heard any suggestion for tinkering with the relations between the Central Government and the various Lander. This has, of course, been mentioned in a subsidiary way in the various papers which have been produced on dismemberment, de-industrialisation etc., but it might be worth exploring the possibility of stimulating sectional interests by development of State as distinct from Reich powers in the economic field.

In the last resort this point is political and, therefore, outside the scope of E.I.P.S.; nevertheless, I feel that it might be worth looking into from the economic angle because this might well provide a method by which a unitary German State (if there must be one) could be significantly weakened for a long period through the action of Germans themselves. This is not suggested as a substitute for measures of economic security etc., but as a supplement which is worth considering.

The example of Australia and the United States provides some guide to the kind of sectional economic struggles which a judiciously developed relation of Federal and State powers might encourage; it would be objected, of course, that this has not prevented either of these countries playing a highly significant role during the present war. This is quite true, but I use these two States as an illustration of the kind of sectional interest which I should suggest might be stimulated. Pre-1914 Germany was itself the happy hunting ground of sectional interests and I think that their importance is usually under-rated by the historians.

This is somewhat vague at present; but it seems to me a line of approach which may have advantages and is certainly worth exploring from that point of view.

Yours sincerely,

Peter Vinter

R. M. C. Turner, Esq.,
Economic and Industrial Planning Staff,
Lansdown House,
Berkeley Square, W.1.

11th December, 1944

SECRET

Dear Troutbeck,

At the meeting on Rhenania last week, I handed round a few copies of a note which I had prepared, but I am not quite sure whether I gave you one. I have now had the note re-typed and I am sending you a copy. As I explained at the meeting, this was a purely personal contribution by myself as a member of the Working Group and is not, in any way, to be regarded as the official views of my Ministry.

I wrote the note mainly in order to clear my own mind, but actually, under the arrangements for future E.I.P.S. meetings which we discussed the other day, I imagine that this sort of contribution from members of Working Groups is contemplated.

I do think that the question of the ultimate ownership of the basic industries in Rhenania is fundamental to any consideration of the scheme. As you know, I was very doubtful about Alternative I on grounds of economic security. Alternative II seems difficult and has, I think, rather tricky implications from the point of view of British industry - at any rate industries like coal. I was, therefore, led to Alternative III. I realise, of course, that this is very "political". But, in any case, in view of American popular talk about "internationalising the Ruhr" I should have thought that we could hardly avoid considering the possibility. I find it rather difficult to accept Turner's view that this particular issue is a subsidiary one, for I should have thought that the choice between Alternatives I and III might make a great difference to the form of the control scheme and indeed to the whole conception of Rhenania.

J. M. Troutbeck Esq.,
Foreign Office,
EXX
Downing Street, S.W.1.

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As my note shows, having reached this point, I then began to ask myself whether dismemberment was really necessary, if the complete economic control that is wanted is secured by the alternative means of the ownership of the industries. I would argue that dismemberment should, at all costs, be avoided as being an almost certain recipe for a future war. But this is, of course, a political question which is, I suppose outside the scope of E.I.P.S. and a fortiori of my Ministry.

I am sending copies of this letter to other members of the Group (with copies of my note to those who may not have got one).

Yours sincerely,

(Sgd.) R. N. QUINN

INTERNATIONALIZATION OF THE RUHR HEAVY INDUSTRIES

It is difficult to consider the question of the economic control of the Ruhr - spoken of by the French as a "special economic regime" without further definition - in isolation from the question of the ownership of the Ruhr heavy industries. It seems specially necessary to give some thought to the question of ownership, in view of the suggestion that one alternative might be the handing over of ownership to the Allies as a form of "once for all reparation".

There seem to be three possibilities :-

I. Ownership to continue in existing hands

This would presumably mean leaving the ownership of these industries in the hands of "Rhenanian" firms, the successors in title to their present owners. Among the disadvantages of this would be :-

- (a) the difficulty of separating the Rhenanian firms effectively from their German parents. At present there are understood to be many links of both horizontal and vertical integration between the Ruhr industries and undertakings in other parts of Germany. In many cases there are family connections, which would tend to persist even across the Rhenanian frontier. (Many of these leading personalities have the closest links with the Prussian Junker class and also with the Nazis.)
- (b) there would almost certainly be frequent disagreements between the Allied Control Authority and the Rhenanian owners. This would increase the difficulties of control. Satisfactory control of industry is difficult if control and ownership are in separate hands.
- (c) (a) and (b) would gravely impair the effectiveness of the scheme for securing economic security (which is understood to be its main objective). Indeed, if the Ruhr industry was in effect left in its present hands, but at the same time encouraged to flourish rather than throttled down, the scheme would be exceedingly dangerous from the economic security point of view. The industrially powerful and flourishing Rhenania would one day simply be annexed by Germany as a "going concern".

II. Ownership to be handed over peacefully to the Allies

Under this scheme the Ruhr heavy industries would presumably be valued and handed over to the Western Allies (and Russia?) in the ratio of the different countries' claims to reparation. Presumably they would be handed over as concerns, e.g. Krupps to France, Hibernia to Britain. In some cases the properties would presumably remain in Government hands, e.g. coal mines in the case of Holland and France. In other cases, e.g. perhaps this country, the Government might prefer to sell the concerns to private interests.

- (a) There would be great danger of divergent interests between the different Governments with their different property ownerships in the Ruhr and their different economic policies, (e.g. as regards exporting Ruhr coal).
- (b) Where Ruhr concerns had come into the hands of private companies (as is suggested might happen with the British share) a conflict might well arise between commercial interests and say, economic security, and it would be difficult to prevent the Allied owned company developing close relations with the German ex-affiliates if, for commercial reasons, they wanted to do so.
- (c) Many home-political complications would arise (e.g. disputes in the House of Commons, about, say, Powell-Duffryn's policy regarding their coal properties in the Ruhr).