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DEMILITARIZATION OF DEFEATED NATIONS

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COMMAND AND STAFF COLLEGE

2D COMMAND CLASS

ANALYTICAL STUDIES SUBCOURSE

DEMILITARIZATION OF DEFEATED NATIONS

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Submitted by Committee No 19

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COMMITTEE NO 19

COMMITTEE ORGANIZATION AND ASSIGNMENTS

Lt Col G F Rogers, Cav - Chairman ---	Basic Considerations
Col C D Jones, AC -----	Disarming the Country
Lt Col W G Van Allen, CE -----	Levels of Industry and Economy
Col R D Johnston, Inf -----	Political, Educational and Social Reformation
Lt Col R M Williams, Inf -----	Reparations

THE PROBLEM

1. To study and analyze the problems of demilitarizing a defeated enemy, including disarmament, the levels of economy and industry to be permitted, political, educational, and social reform, and reparations.

FACTS BEARING ON THE PROBLEM

2. Basic Considerations: (Appendix A)

a. National interest requires: (1) That our program remove the defeated nation as a menace to future peace, and (2) That we do not create a greater menace by enhancing the position of other powers.

b. In future wars we shall probably have to consider the interest of allies.

c. No program will succeed unless positive measures are taken to enforce it.

3. Demilitarization of the defeated nation must include disarmament, in order to prevent resistance to our program, and to prevent future aggression. (Appendix B)

4. Levels of economy and industry to be permitted the defeated nation are based on these facts: (Appendix C)

a. Our national policy will not permit the mass starvation of the population of the defeated nation.

b. Any major aggressor nation will be highly industrialized.

c. The system for the control of industry must be effective, administratively feasible, and must not entirely throttle the defeated nation's economy.

d. The control of industry must be continued for many years and not dropped because of expense, apathy, or economic pressure by "Big Business."

5. Demilitarization must include control of: (a) Political activities, (b) Sources of public information, (c) The judicial system, and (d) The punishment of war criminals, (e) The educational system, and (f) other agencies of public welfare and safety. (Appendix D)

6. Reparations exacted from defeated nations are based on these facts: (Appendix E)

a. The amount of reparations must be based on ability to pay.

b. Reparations in money may create serious problems in transfer and cause uncertainty in international finance.

c. Properly controlled reparations in kind lower the power potential of the defeated nation and raise that of the nation receiving them.

d. Reparations are most readily collectible immediately after the war.

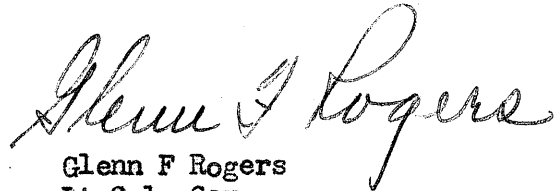
CONCLUSIONS

7. Complete destruction of the defeated nation is impracticable.
8. Our program of demilitarization must prevent economic or political conditions conducive to the rise of ideologies dangerous to our security.
9. Disarmament of the nation must include (a) seizure of all arms and munitions, and destruction of all military installations of no value to us, (b) the dissolution of all armed forces, including staffs, and (c) the prohibition of all civil aviation.
10. Controls on industry should be limited to a few key points in basic industries, since controls on processing and fabricating industries are not administratively feasible. The production of the following basic industries should be controlled to limits set by experts: the manufacture of steel, the manufacture of nitrates by nitrogen fixation processes, the manufacture of aluminum, and the building and operation of merchant marine shipping. The control system must be frequently reviewed and changes made to keep up with improved technology and changes in requirements.
11. The following industries should be prohibited: the manufacture of synthetic petroleum, the manufacture and operation of civil aviation, and industries directly producing armament.
12. After an initial period in which no political activity should be permitted, democratic political activities should be encouraged, provided that such activities are not a threat to our security.
13. All forms of public information should be strictly censored to prevent dissemination of propaganda inimical to the United States.
14. Political parties whose basic doctrines are a threat to our security should be dissolved, and individuals who have wielded political influence in the party should be removed from all positions of responsibility. The holding of official rank in the party should be taken as prima facie evidence of political influence. The indiscriminate banning of all party members from positions of responsibility would unduly hamper our occupation forces.
15. The judicial system should be purged of enemies of the United States and of laws based on principles dangerous to our security, and political prisoners convicted under such laws should be freed.
16. All educational institutions should be purged of enemies of the United States, and of text books and curriculums dangerous to our security.
17. All secret and political police forces should be abolished. All agencies concerned with public health and safety should be purged and required to function in their normal manner.
18. Youth activities should be kept under surveillance and no secret or military organizations permitted. Athletics should be encouraged, as well as such organizations as the Boy Scouts, and the Camp Fire Girls.
19. Consistent with available resources of the defeated nation, reparations should be imposed for the purposes of rebuilding areas devastated in the territory of friendly nations, assisting in the

economic recovery of allied nations, and achieving the economic peace aims of the victorious nations.

20. Reparations demanded should be reparations in kind, to be paid over a period not to exceed ten or twelve years after the cessation of hostilities.

21. The provisions of the program of demilitarization should be rigidly enforced until such program is no longer to our national interest.



Glenn F Rogers
Lt Col, Cav
Chairman

APPENDIX A

to Demilitarization of Defeated Nations

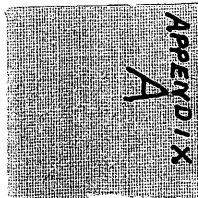
BASIC CONSIDERATIONS

1. In considering the demilitarization of a defeated nation the first and most important consideration is: What is our goal? If eradication of the threat of future aggression of that particular nation is all that is involved the simplest solution is the systematic and complete destruction of the nation -- a Carthaginian peace. This would perhaps be feasible were the defeated nation of little or no importance to world economy, and, of even more significance, of no importance to world politics. However, it would be incredible that such a country would engage in war with the United States. Assuming, then, that the defeated nation is of importance to world economy and politics, a policy of destruction would create a vacuum, and in world politics as well as physics, nature abhors a vacuum. Other powers, potentially no less dangerous than the defeated nation, could, and probably would, rush in, thus creating a threat more dangerous than the nation which had been defeated. At the same time, any nation capable of having waged war on the United States must be a powerful nation, and a policy of laissez faire applied to such a country has repeatedly demonstrated that future clashes are probable.

2. What, then, does our nation interest dictate? First, it dictates that we arrange matters so that the defeated nation cannot menace us, and second, that our policy does not create an even greater menace by enhancing the position of other powers. Such a policy implies first, control of the defeated nation's capacity for waging war, second, the avoidance of economic upsets dangerous to our position, and third, the avoidance of conditions conducive to the rise of ideologies dangerous to our position.

3. Before proceeding farther we may state that it appears extremely unlikely that in future wars only two belligerent nations will participate. Presumably then, in future wars we shall have allies, whose wishes and needs must be considered, and whose interests will probably conflict with ours. In this case it is imperative that a firm agreement be reached prior to the cessation of hostilities, while the exigencies of combat will force such an agreement. Assuming that the United States is playing a major role in the conflict, it appears feasible for us to obtain an agreement favorable to our aims, provided the issue is still in doubt, or when a lessening of our effort would bring hardship to our allies. After hostilities have ceased, there will be no powerful force compelling agreement, and the treatment of the defeated nation or nations may well not be to our best interests. The present chaotic conditions in Europe demonstrate what occurs when the victorious nations fail to reach a firm agreement prior to the end of the war. On the other hand, the success we have had in establishing our policies in Japan demonstrate what can be gained when such an agreement is reached. The reaching of a satisfactory agreement is the first step in the demilitarization of the defeated nation.

4. Once the agreement has been reached, the problem of enforcement arises. No program can succeed unless two processes are followed: detection and coercion. Detection of violations of our program clearly indicate the application of the second process, coercion. Detection can be accomplished by the use of inspection teams, experts in their fields. To insure that there is no collusion between the inspectors



and agents of the defeated nation, the activities of the inspecting teams should be subject to the surveillance of our security agencies, and the terms of the agreement between the victorious allies should provide for joint over-all inspections to insure that each ally is complying with the terms of the agreement.

5. Where the majority of enforcement programs have failed is in the matter of the application of the second step, coercion. Hitler remilitarized Germany openly, but no nation would apply force to prevent it. It is worse than useless to impose programs of demilitarization unless the victorious nations are willing to use the necessary force to implement the programs. The force must be immediately available -- it must not wait until lengthy legal proceedings are completed. Specifically, in the case of the United States, the force must be available without action of Congress, where debate and possible filibuster might indefinitely delay its application. Indeed, for some months or years, as determined by inspection teams, the force must occupy the defeated country. Later, if conditions warrant, the occupation army might be removed, but the force must always be available. This provision will be attacked by Americans always eager to abolish or reduce the Army to impotence, but no program can succeed when the threat of force, or the actual application of force, is removed. The employment of air power can greatly reduce the cost of the force to be maintained, but the force must exist, and must be used the instant that violations of our program are detected. Punishment of violations must be swift and ruthless, or we invite revolt and eventual war. Instincts of humanitarianism must not interfere with such punishment -- better a few innocent bystanders get hurt in the suppression of a revolt than millions suffer the ravages of war.

6. How long should the program continue? As long as the control of the defeated nation is to our national interest. It is quite conceivable that the enemy of today may be the ally of tomorrow and so require remilitarization, but until it is determined that it is to our interest to drop our controls, the program should be kept in force.

APPENDIX B

to Demilitarization of Defeated Nations

DISARMING THE COUNTRY

1. The problems of disarming a defeated enemy must of necessity vary with each individual country. The amount of damage to its industry, transportation, population centers, and the condition of its armed forces will pose different problems to each occupation force. The primary task of this force is disarmament and demilitarization, and as soon as the first of these is accomplished, the job of assuring that the enemy nation cannot again arise and threaten our security can proceed.

2. As an example of failure to disarm a defeated nation, we may consider Germany after World War I. After that war we did not disarm the military and civil population and allowed her to have a small standing army. Through the medium of this army her leaders began to secretly order arms, build up her General Staff and began an intensive training system of her officers and noncommissioned officer corps so as to have a large reserve to draw upon. Since military aviation was denied her, she used commercial aviation to train her pilots and technical ground men. Consequently she was able to secretly rearm and twenty-five years after World War I we were again fighting Germany.

3. On the basis of this failure of World War I it is believed in general the steps to be followed in disarming an enemy are as follows:

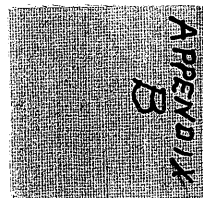
a. Disarm all military, semi-military, secret and police organizations. This would leave no weapons in the hands of any organizations which might later conspire and cause an uprising against our troops. By disarming it is meant that all weapons are to be turned in at specified places for collection as ordered by our troops. Heavy penalties should be prescribed for all who disobey and try to hide caches of arms. Continual inspection and searches should be made to make sure this order is carefully carried out.

(1) All civilians to turn in all weapons and firearms. Heavy penalties for not obeying this order and careful and systematic shakedown searches of all areas at different times to make sure this policy is complied with. As soon as the military and civilian populace is disarmed the next step can follow.

b. Prohibit the existence of and then disband or dissolve all army, navy, air force, secret and semi-military police and other organizations as well as civil aviation companies. This leaves the enemy no single medium through which to plan for eventual rebuilding so as to again emerge as a possible threat. In the actual disbanding of the military forces our occupation troops would be in charge. All military personnel except those whose use would benefit us would be paid and discharged. Their uniforms will be stripped of all insignae of military and rank. A specified date for this to be accomplished should be published and rigidly adhered to.

(1) All records of all organizations should be seized, inspected by intelligence and other agencies and either destroyed or saved for our possible use.

(2) The General Staff or agency which corresponds should be dissolved and its records seized. In rebuilding an armed force some agency must of necessity plan and outline the various steps to follow. This in itself is a tremendous undertaking and requires large



highly trained staffs. By dissolving these staffs and destroying or seizing their records it is highly improbable that any nation can start planning for future rise to power without detection. Severe penalties should be imposed if any of the above mentioned records are destroyed before they are turned over. All agencies interested should immediately start to evaluate, store for possible future use or destroy the great mass of this material.

(3) Civil aviation should not be overlooked. All companies should be dissolved and all of their equipment impounded until disposed of later. Germany working through civil aviation companies after World War I trained and planned the nucleus of her future airforce. Pilots, technicians and operating personnel all gained training and know how by working under cover for civil companies.

c. Lastly seize or destroy all military material, military and naval installations, military and naval vessels and aircraft of all kinds. By military material is meant guns, armor, supplies and all the myriad articles it takes to deed, clothe, house, equip and sustain large military forces. All vessels will be in custody of our government to do with as we deem necessary. All installations such as fortifications, camps, bases, naval installations will be blown up or put to use for our troops or to keep house or imprison the enemy. Military aircraft as well as civilian will be seized and collected at designated places. If not usable by our forces they will be destroyed.

(1) All ordnance and munitions works directly operated by the military will be completely destroyed. This takes away the direct means of securing even small quantities of new weapons.

4. The actual disarmament of a country is a short phase in the over-all plan of demilitarization. Actually the problem is one of hard work and not one requiring great planning and a long span of time before decisive results can be shown. To be successful every part of the occupation force must take part. Careful checking must be done to make sure all directives are complied with; no arms secretly stored away, no militaristic societies are reformed. The police or constabulary should be screened and eventually reformed and armed with light weapons so as to keep in the many details of policing a defeated country.

APPENDIX C

to Demilitarization of Defeated Nations

LEVELS OF INDUSTRY AND ECONOMY

1. The determination of the levels of industry and economy for a defeated nation involves the study of several pertinent factors.

a. The first of these is the degree of agricultural self-sufficiency. This is definitely limited by geographical factors and a point is reached in increasing production where further increase is at exorbitant cost.

b. The degree of industrialization is another consideration. In many countries industrialization has increased the population out of all proportion to the ability of agriculture to keep up in food production. Such nations must export to pay for necessary food imports.

c. The last factor to consider is the colonial empire, if any, and the part it plays in the economy of the motherland. In most cases, colonies in the past have been liabilities rather than assets. However they may be a valuable source of raw material which is not otherwise obtainable. Also colonies which produce gold, silver, and similar items are a source of real wealth.

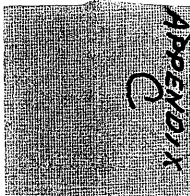
2. There are three general requirements that must be met by any system of control of a defeated nation's economy.

a. The first is that it be effective in preventing aggression. The Versailles Treaty provides a good example of failure in this respect. The treaty provided only economic sanctions to be applied after aggression and thus failed to apply economic restrictions during the critical period, that is, during the period of preparation for aggression.

b. Secondly, the system must be administratively feasible. This requires control of a minimum number of industries at a few key points and at the same time keep the economic potential for war at the lowest possible point. The control must be direct and positive. It must not be hampered by excuses and restrictions such as Germany effected after the last war, when she required for example, that advance notice be given by the control commission before visiting any plant and that only certain key officials could answer questions.

c. And finally the system of control must not throttle the nation's economy. For example the Morgenthau Plan for Germany would have violated this principle. Germany is primarily an industrial nation and her people and resources are geared to that economy. Any such plan to make her primarily agricultural would result in unemployment for many millions and would prevent her being able to export the goods she needs to in order to pay for vital imports. Failure to provide for these imports would cause an extremely low standard of living and near starvation. This would be a breeding ground for resentment and revolt as well as for propagation of disease which would affect our occupying troops and neighboring powers.

3. There are several methods for controlling the economy of a defeated nation. Each method has its advantages and disadvantages which must be considered before making a decision. Due to the complexity of modern economy no one method will provide a complete solution. The answer will probably be found in a combination of the following methods.



a. To destroy the entire war industry and prohibit its being rebuilt. However this is much more difficult than it sounds, as heavy industry although the sinews of war is also the foundation of a stable peacetime economy. There is no question though, but that industries directly producing war materiel can be destroyed. The picture is also complicated by the ease with which many industries can convert from peacetime goods to war materiel. So great care must be taken that the overall control plan take cognizance of this ability to convert. Furthermore rebuilding of war plants is always possible if the occupying power is not constantly vigilant.

b. The second method is to limit production in those industries which are needed in a war economy. This is adaptable to basic industries such as steel but is of little value in industries which fabricate and process raw materials. Here the manufacturing of hard to recognize subassemblies and ability to convert to war items reduce the effectiveness of control.

c. Another method of control is the rationing of critical raw materials. This method is not too practicable as many critical materials are required in such small quantities that their control is difficult. Also there are so many sources of supply in most cases that evasion is possible. Then too stockpiling of rationed items may provide an adequate basis for an aggression to secure other sources or even to win a quick war.

d. The taking away of colonies or nearby sources of raw materials provides another means of control. This is not a very effective method however being subject to the same weaknesses as c. above. Furthermore, many colonies in the past have been liabilities rather than assets, to the motherland. As an example of the taking away of nearby sources of material it has been suggested that the Rumanian oilfields be exhausted at an artificially high rate so that they will not be available again for a German aggression.

e. The control or prohibition of various means of transportation.

(1) In the case of maritime powers restricting the size of the merchant fleet would prevent any aggressive act. This has the advantage of being easy to control as ships and shipyards are large units and are difficult to conceal.

(2) Air transport would be easy to control or prohibit also the prohibition of commercial aviation would be most important as preventing any basis for the development of military air power.

(3) The control of railways is not a very profitable means. In a modern state the rail system is quite complex and would therefore be difficult to control. Furthermore there are many other means of land transportation which can be used to evade rail restrictions.

4. Based on our present state of technology, it is believed that the following plan will control a modern nation's economy effectively and with a minimum of administrative difficulty. There must be a constant review of this plan to keep it in accord with improvements in technology and changes in our national policy. Except for these restrictions the defeated nation could engage in competition for world markets.

a. Destroy and prohibit future rebuilding or planning therefor: Check against stockpiling in:

(1) All industries engaged solely in manufacture of military equipment. In particular, attention should be given tank factories and proving grounds, all underground factories, plants producing aviation equipment. (Civilian airplanes included) explosives and poison gases.

(2) The synthetic oil industry. At present synthetic oil is more expensive than the natural product. So the operation of synthetic plants is indicative of a military desire to be self-sufficient. Also these plants are large and can be easily detected.

b. Prohibit development of commercial aviation and all private flying. Although commercial planes can not be adapted to military use, commercial aviation provides a means for training personnel and developing production methods and facilities which can be converted to war basis. Therefore all aviation must be controlled by international or foreign organization.

c. Limit the production of the following industries by destroying all capacity in excess of a figure to be determined by experts. Prohibit any rebuilding of destroyed capacity and review requirements frequently to determine when limitations should be changed.

(1) Steel industry. Since steel is a vital necessity in modern economy some production must be allowed for civilian use. Also in order to manufacture exports at a competitive price, an industrial nation can not afford to import such a basic item.

(2) Nitrogen fixation industry. Although this furnishes a base for explosives, agriculture must rely heavily on this industry for fertilizer to increase crop yields. If fertilizer is imported it can only be paid for by increased industrial production and exports.

(3) Electric power. This would definitely limit operation of great centers of war industry. Large amounts of power are needed to manufacture magnesium, alloy steels, aluminum, nitrates and synthetic oil. It would therefore be a valuable supplement to the other control measures.

(4) Aluminum ingot production. This industry requires a large installation and enormous amounts of power. It could therefore be easily controlled so as to provide only minimum amounts of this vital material.

(5) Ship building and the operation of ships in foreign trade.

APPENDIX D

to Demilitarization of Defeated Nations

POLITICAL - EDUCATIONAL AND SOCIAL PROBLEMS

1. Political Activities.

a. As an initial policy, no political activity of any kind will be permitted. This policy will be modified to permit normal political activities of individuals and parties after investigation has shown that such activities will not be detrimental to the United States. In general it will be advantageous to encourage "democratic" political activities.

b. The propagation of nationalistic or militaristic doctrines will be prohibited. Public assemblage will be strictly forbidden except for authorized nonpolitical purposes, such as religious worship, weddings, funerals, etc.

c. No parades will be permitted. This prohibition will be against all types of parades, military, political, and sports. The wearing of military uniforms will be discouraged, but not prohibited, where suitable civilian clothing is not obtainable. However, such uniforms as are worn will be divested of all military insignia.

2. Information Control.

a. All forms of public information will be strictly controlled and censored. This will be necessary in order to prevent these agencies from being used for the dissemination of propaganda inimical to the interests of the United States.

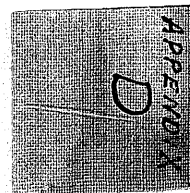
b. This can be accomplished most expeditiously by ordering all newspapers, radio stations, motion picture houses, and theaters, to cease operation until such time as they can qualify for official sanction.

c. Official news communiques will be published and widely distributed. Foreign news correspondents will be permitted to operate only if properly accredited.

3. The Purging of Political Parties.

a. It may be that the destruction of some political party, within the defeated country, will be one of our war aims. This was true of our recent war with Germany, and definite policies for "Denazification" were rigorously enforced. An outline for such a program would be as follows:

- (1) A proclamation will be made dissolving the party.
- (2) Certain existing laws pertaining to the party will be nullified.
- (3) Party members hostile to the United States will be removed from all public and quasi public offices.
- (4) Party members hostile to the United States will not be allowed to retain wealth, power, or influence. The property of such individuals will be confiscated.



(5) All monuments, archives, and museums, of party inspiration will be seized.

(6) All records, books, plans, documents, papers, and files of the party will be seized.

(It is the opinion of this committee that such a program should not be applied indiscriminately to all members of a political party. Our "Denazification" program in Germany was applied against all party members regardless of whether or not such individuals had ever had a voice in the party or wielded any political influence. As a result, most of the educated people of Germany are barred from holding any kind of responsible position and are prohibited from practicing any profession. This has complicated our occupation problems, and smacks more of petty revenge than of sound policy. It is the opinion of this committee that many of these people could be used to the advantage of the United States, just as we are doing in our occupation of Japan.)

4. Courts.

a. All extraordinary courts, such as those set up for the trial of political offenders, will be abolished.

b. All other courts will be purged of enemies of the United States.

c. Special Juvenile Courts, if not already in existence, will be established.

5. War Criminals.

a. All war criminals will be seized, arrested, and held for trial.

6. Police.

a. All secret and political police forces will be abolished. The criminal police departments will be purged of undesirable members and these forces used to maintain law and order.

7. Political Prisoners.

a. All persons being held prisoner because of race, nationality, creed, or political opinions, will be released and treated as "Displaced Persons."

8. Education.

a. All schools and other educational institutions will be closed. It will be desirable to reopen most of these institutions as soon as suitable teachers can be found, and the curriculums purged so as to best serve the interests of the United States. Primary and elementary schools should have priority in this respect so that they may reopen as soon as practicable.

b. A coordinated control of all forms of education will be established. This control will include the operation of existing libraries. No books will be burned or otherwise destroyed, but such books or other publications deemed to be undesirable will be segregated and made not available for issue.

9. Public Health.

a. Every effort will be made to protect the public health in the occupied zones. This will be necessary in order to protect the health of our own troops, and also for humanitarian reasons.

10. Public Safety.

a. Local fire departments, and other instruments of public safety, will be purged of undesirable members, and the organizations used to carry out their normal functions.

11. Youth Activities.

a. All military and para-military organizations will be prohibited. "Democratic" youth organizations, such as the Boy Scouts, Camp Fire Girls, etc, will be encouraged; however, marching, the wearing of uniforms, and saluting, will not be permitted.

b. Organized athletics will be supervised.

c. Christian Church societies will be encouraged.

APPENDIX E

to Demilitarization of Defeated Nations

THE PROBLEM OF REPARATIONS FROM DEFEATED ENEMIES

I. INTRODUCTION.

One of the greatest problems which must be solved at the end of every major war is that of reparations from the defeated enemy. The manner in which it is solved will affect for many years the economic and political welfare of the victors, the vanquished, and other nations who were not even belligerents.

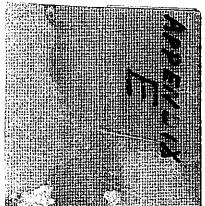
The crushing burden of reparations imposed upon Germany after the first World War produced results which bear close study in any consideration of future post-war settlements. It has been stated that the Weimar Republic had little chance of carrying on successfully in the face of the economic class which resulted in Germany as an aftermath of the Allied handling of the reparation problem, and that this condition did much to facilitate Hitler's grab of the German government.

In contrast to this economic confusion, another outgrowth of the reparations imposed upon Germany, with equally undesirable effects for the Allies, was the building up of Germany's industries to meet the payments she was required to make. The final result was that Germany, through foreign loans necessary for the rebuilding of her industries, ended up in a dominant place in the European economy.

The final error in the World War I reparations settlement which needs mentioning here was the long term period of payment devised for Germany. The Allies attempted to keep Germany paying for more than sixty years after the Armistice. Some people felt then that the long period of payment would keep Germany on her knees under the load for two generations and that that was desirable. Others felt that it would make the burden lighter for Germany to pay over a long period of time. Actually, the results of this decision produced the situation where Germany, to be able to make the payments, was permitted to convert war plants which might otherwise have been destroyed, was given foreign loans to build up other industries, and was eventually permitted to reoccupy the Rhineland.

II. THE PURPOSE OF REPARATIONS.

Reparations should be imposed upon a defeated enemy for the purposes of (1) rebuilding areas devastated by the war, (2) assisting the economic reconstruction of liberated countries, and (3) achieving the economic peace aims of the victor nations. The theory is that the defeated enemy furnishes goods and services to assist the recovery of other countries without direct returns to itself. This should be done to the extent that is desired by other countries and does not injure third countries. It should also be done without creating in the enemy country economic and political problems for the rest of the world.



III. THE PROCESS OF REPARATIONS.

There are three factors which normally enter into a reparations bill. These are (1) damages done during the war which gave a temporary military advantage but no direct economic gain to the defeated enemy, (2) goods and services taken from occupied countries and already consumed, and (3) items such as machinery, railroad cars, and the like which have been used but which can be returned to the countries from which they were taken. This bill is somewhat like a foreign debt except that the paying nation receives no benefits from the payments with which to increase its ability to meet the debt.

A. Types of Reparation Payments.

1. Money.

Most present day writers on the subject of reparations feel that a mistake of World War I was to exact indemnities in money. It creates serious problems of transfer and leads to uncertainty in international finance.

2. In Kind.

Reparations in kind from the physical plant existing in the defeated country when hostilities cease, and from materials produced in authorized factories permit the defeated enemy in the post-war settlement to form a sound means of payments. One advantage of this type of payment is that it serves to hinder the building-up of the industries of the defeated enemy by permitting him to produce only from existing plants. This form of payment also tends more quickly to revitalize the economy of formerly occupied countries by furnishing them products needed to rebuild their own industries. The method presently being employed in Europe of shipping complete factories from Germany to countries ruined by her aggression is a good example of the above. However, this removal of factories from the country of a defeated enemy should not be carried to the point of ruining his economy. A problem which arises in the payment of reparations in kind is that the receiving countries must agree on the type of goods to be received. To prevent the growth of the defeated country's industry, only those goods which authorized factories could produce would be available for reparations. Also the goods used must be carefully selected to prevent unemployment in industries producing similar products in the receiving countries. One final danger is the possibility of the growth of dependence on the industry of the defeated enemy for the supply of goods which should be produced by the receiving countries to establish therein a stable economy.

3. In Labor.

This type of reparation is one which may be employed to rebuild devastated areas. Russia has indicated her desire to have German laborers rebuild that part of her area wrecked by the German invasion. There are many problems connected with reparations in labor which are not encountered when reparations are paid in goods. These include the problems of foreign laborers, their pay, control, and conditions of work. The opposition which might be expected from the laborers of the receiving country because of their fear of unemployment might be a hinderance to this form of payment. There would also be created the problem of the shortage of skilled labor in the debtor country, thus reducing any payments

in goods which might have been agreed upon.

B. Period of Reparations Payments.

The imposition upon a defeated enemy of heavy reparations extending over a long period of time would have the effect, if the payments were actually made, of lowering the standards of living in that country to such a level that the future recovery of its neighbors might be endangered. What would very likely happen, as past experience indicates, is that the debtor nation would eventually recover sufficiently to resist the demands of its creditors and be able to cease payments. A rather short period of payment seems to have greater advantages. Right after the end of hostilities reparations could be made to the great benefit of the creditor nations without disturbing the economy of any country. The defeated nation would be more completely under the control of its conqueror during the few years after the end of the war, and thus reparations could be collected more easily. It is felt that the whole period of the payments should not exceed ten or twelve years.

IV. PRINCIPLES.

There are four principles on which reparations are commonly based. These are (1) the return of stolen property such as art treasures, historical objects, machinery, rolling stock, and other capital equipment taken from occupied countries; (2) return in kind of property in the amount of the property stolen, such as the return of cattle, food, clothing, et cetera, for that consumed or worn out; (3) payment in goods equal to the value of property stolen, such as paying in coal the value of food or other type goods stolen, and (4) payments to cover the cost of reconstruction of devastated areas or damage in occupied countries.

The first of these principles should be carried out to the maximum extent with the exception of those articles which have become obsolete or worn out over the period of time they have been in the possession of the defeated enemy. The use of stolen machinery, rolling stock, and other capital equipment as reparations would be of advantage to the defeated enemy in most cases, in that it would permit him to get rid of his worn out equipment to the advantage of his own industry.

The second principle includes the return of identifiable stolen property, and in addition provides for the payment of other stolen property with goods of similar types. This method would prevent the discarding of old and obsolete equipment by the defeated enemy.

The third principle is one which places the greatest burden on the defeated enemy. Under this plan any type of goods needed or wanted by the creditor action could be taken.

The fourth principle is based on the defeated enemy's ability to meet the needs of other countries. It followed carefully and practically it would prevent imposing on the debtor nation a load which she would find unable to pay.

V. EFFECTS OF REPARATIONS.

A. On Defeated Enemy.

The condition of the defeated enemy at the close of hostilities influences greatly the effects of reparations on it. If the greater part of her industrial plant has been destroyed, such as had that of Germany at the close of World War II, the payment of reparations would impose a burden which might reduce her economy to such a level that it would adversely affect the economy of her neighbors. In contrast, reparations imposed upon a country little damaged by the war might merely serve to strengthen her industry. However, this last condition is hardly to be expected at the close of a modern war.

B. On Receiving Countries.

The great advantage to the creditor nations of reparations is that the receipt of imports free of charge makes available foreign exchange for other uses. The disadvantage is the danger of the upsetting of their economy by an influx of reparation goods, thus creating unemployment, surpluses in some products, and displacement of domestic production. Only through restricting reparations to goods which would have to be imported anyway, or not imported or produced at all can this disadvantage be avoided.

C. On Third Countries.

This paragraph refers to neutrals or countries not directly concerned with reparations. They can be affected in two ways: (1) a reduction in their exports because of the receipt by a normal customer of reparations free of charge; and (2) an increase in their exports because of an increase in a creditor nations purchasing power brought about by the receipt of free goods. The third country may also lose a market in the debtor country because of a decrease in its purchasing power.

VI. CONCLUSIONS.

In conclusion, the committee feels that:

A. Reparations, carefully planned and controlled through agreements among the creditor nations, can be a benefit to the economy of the creditors without reducing the level of life in the country of the defeated enemy to a point of endangering the scenery of its neighbors.

B. Reparations can be collected from a defeated enemy over a short span of years if the burden of payments does not exceed the capacity of the debtor to pay.

C. Reparations in kind, in specific amounts and types of goods, are the most suitable to impose upon a defeated enemy.

D. A comparatively short period of time, preferably ten or twelve years, is the most effective length of time reparations should be made.

E. Reparations should be a part of the post-war settlement with a defeated enemy to impose upon it, to the reasonable limit of its capabilities, the burden of assisting in the reconstruction of the world economy.

APPENDIX F

to
Demilitarization of Defeated Nations

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