

## FROM SOCIALIZATION TO CO-DETERMINATION: THE US, BRITAIN, GERMANY, AND PUBLIC OWNERSHIP IN THE RUHR, 1945–1951\*

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**ABSTRACT.** *The failure of the socialization of heavy industry in West Germany following the Second World War has often been ascribed to American reluctance to allow meaningful social reform in the face of an intensifying Cold War. But a closer look at the socialization issue during the latter half of the 1940s demonstrates the enormous complexity of transforming Germany's heavy industry. First, the British, who originally advocated socialization, i.e. the public ownership of heavy industry, had done so on security grounds. But when trying to reach out to 'democratic' Germans, such as social democrats and left wing members of the Christian democratic union, the British realized the difficulty of cultivating a meaningful consensus within western Germany concerning the fate of heavy industry. In the end, they therefore acceded to American arguments that socialization of such important industries should wait until the creation of a central German government. But once a central German government existed from 1949, socialization did not take place. The chief reason for this was that West German social democrats had already concluded in 1947 that American 'domination' of western Germany meant the stifling of social reform. They therefore ceded leadership over German affairs to a Christian democratic union decidedly more favourable to free enterprise. Instead, the social democrats and their trade union allies concentrated their efforts at social reform in the introduction and institutionalization of management–labour co-determination.*

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Historians of post-1945 Europe cannot escape the Cold War. Divided until 1989 into hostile capitalist and communist systems, Europeans often found that their political and economic cultures were determined by Cold War needs. Historians too have developed a Cold War analytical framework in which to

\* In this article, 'socialization' means 'nationalization'. I have elected to use this term, though it may at first cause some confusion, for two reasons. First, both the Americans and the British used the term socialization when they discussed the transfer of important industries in occupied Germany to public ownership. They used the term because the usual word, nationalization, did not make much sense when there existed no national government in Germany. But they also simply used the term socialization because the Germans did. The appropriate German term is *Sozialisierung*. *Sozialisierung* can mean both the specific process whereby a firm is taken into public ownership but can also entail the vague sense of 'socialization' of an institution, be it industrial relations or education, that is closer to the current English language use of the term. Thus, the German word *Sozialisierung* is both vague and specific, depending on the communicative intentions of the speaker.

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evaluate the extent or lack of autonomy of European societies vis-à-vis the two superpowers. Since the opening of eastern European archives much needed attention has focused on the relationship between the Soviet Union and its eastern bloc. But for a long time historians have approached the development of western European history within a Cold War analytical framework which dwells on the power of the United States to compel formal conformity to an American-style capitalist economic system, and upon the ‘Americanization’ of European industrial culture. Western Europe had emerged from the Second World War, so it is argued, with a realizable anti-fascist consensus for broad social reform. But with such instruments as the Marshall Plan and the cultivated movement for ‘productivity’, the United States managed to guide western Europe away from thorough social reform toward a more uniform free-market regime.<sup>1</sup> The tendency to interpret the political and economic choices facing western Europeans in the decade after the Second World War as bounded almost arbitrarily by Cold War imperatives defined in Washington, however, runs the risk of reducing the complexity of America’s relationship with western Europe after 1945. Much happened that did not necessarily have directly to do with the Cold War.

The Cold War framework has been used to great effect in the historiography on West Germany.<sup>2</sup> One of the most enduring themes of early West German economic and political history has been the American prevention of socialization, i.e. public ownership, in the Ruhr’s coal and steel industries. The failure of socialization during the occupation thence undermined the reformist claims of West Germany’s social market economy during the 1950s. To many historians who began writing about the Federal Republic in the 1960s and 1970s, the social market economy represented an American-backed ‘restoration’ of traditional capitalism rather than a radical break with Germany’s past. In 1945, industrialists from the Ruhr had appeared completely discredited. Calls for heavy industry’s socialization resonated throughout the German political spectrum. The Allies had already seized most privately

<sup>1</sup> Charles Maier has provided the most sophisticated argument to link the economic and social histories of western Europe after 1945 to the need for stability and productivity as well as to draw parallels to the ‘bourgeois restoration’ following the First World War. See his ‘The two postwar eras and the conditions for stability in twentieth-century western Europe’, *American Historical Review*, 86, no. 2 (1981), pp. 327–52. See also, ‘The politics of productivity: foundations of American international economic policy after World War II’, in Maier, ed., *The cold war in Europe: era of a divided continent* (Princeton, 1991), pp. 169–201. Historians have also examined the process of ‘Americanization’ whereby the American economic model gradually penetrated and transformed European industrial culture. See especially, Volker Berghahn, *The Americanisation of West German industry, 1945–1973* (Cambridge, 1986).

<sup>2</sup> Lutz Niethammer, for example, discussed the failure of widespread social and industrial reform in western Germany as part of a pan-European process in which the Cold War both split the prevailing anti-fascist momentum of the left and created international conditions, i.e. American hegemony, within which widespread reform no longer appeared feasible. See ‘Strukturreform und Wachstumspakt: Westeuropäische Bedingungen der einheitsgewerkschaftlichen Bewegung nach dem Zusammenbruch des Faschismus’, in Heinz Oskar Vetter, ed., *Von Sozialistengesetz zur Mitbestimmung: zum 100. Geburtstag von Hans Böckler* (Cologne, 1975), pp. 303–59.

owned coal and steel companies in the Ruhr. The British announced the intention to socialize Ruhr industry to wrest political and social power from discredited capitalist elites. Nevertheless, by 1947 the momentum for heavy industry's socialization had waned. Most historians have pointed to American influence to explain its failure. By 1947, they have argued, the imperatives of economic reconstruction within the context of a burgeoning Cold War compelled the US to discourage any 'experiments', such as public ownership of heavy industry, in the name of reconstruction. At the Washington coal conference of September 1947, they persuaded the British to sacrifice socialization. The return of private ownership to the Ruhr in 1952 thence exemplified the fundamentally restorative character of West German society.<sup>3</sup>

Yet the American role in inhibiting socialization and general social reform in the Ruhr is not so clear. The prevailing historiography has emphasized American power to shape events in occupied Germany. While American power cannot be ignored, such an approach neglects the extent to which the Americans, and the British for that matter, reacted to events and realities in

<sup>3</sup> In his account of the American occupation, John Gimbel focused on Clay's antipathy to the various socialization proposals current in Germany from 1945 to 1948, in *The American occupation of Germany* (Stanford, 1968), pp. 170–1. For examples of the 'restorationist' interpretation, see Eberhard Schmidt, *Die verhinderte Neuordnung, 1945–1952* (Frankfurt, 1970); Hans-Hermann Hartwich, *Sozialstaatspostulat und gesellschaftlicher Statusquo* (Cologne and Opladen, 1970); Ulrich Huster, ed., *Determinanten der westdeutschen Restauration, 1945–1949* (Frankfurt, 1972); Ute Schmidt and Tilman Fichter, *Der erzwungene Kapitalismus, Klassenkämpfe in den Westzonen, 1945–1948* (Berlin, 1971); and Rolf Badstübner and Siegfried Thomas, *Restauration und Spaltung, Entstehung und Entwicklung der BRD, 1945–1955* (Cologne, 1975). The 'restoration' thesis has in general provided the background to much work on the West German economy. See, for instance, Claus Scharf and Hans-Jürgen Schröder, eds., *Die Deutschlandpolitik Großbritanniens und die britische Zone, 1945–1949* (Wiesbaden, 1979); Josef Foschepoth and Rolf Steininger, eds., *Britische Deutschland- und Besatzungspolitik, 1945–1949* (Paderborn, 1985); Dietmar Petzina and Walter Euchner, eds., *Wirtschaftspolitik im britischen Besatzungsgebiet, 1945–1949* (Düsseldorf, 1985). In *Die Durchsetzung der Sozialen Marktwirtschaft in Westdeutschland, 1945–1949* (Stuttgart, 1977), Gerold Ambrosius, in his discussion of the 'Christian socialists' within the Christian democratic union (CDU), asserted that 'one can assume, that increasing East–West hostility, the deepening division between the American and Soviet zones, the decreasing influence of the British, and the increasing influence and penchant for intervention of the Americans ... contributed to diminishing the influence of the Christian socialists' (p. 224). In *The Americanisation of West German industry, 1945–1973* (Cambridge, 1986), Volker Berghahn argued that 'the prospects of nationalisation which the British had in mind receded the more they left it to the Americans to take the lead in the joint Bi-Zone' (p. 96). Historians who have examined socialization policy directly have not questioned the fundamental importance of American influence. See Wolfgang Rudzio, 'Das Sozialisierungskonzept der SPD und seine internationalen Realisierungsbedingungen', in Foschepoth and Steininger, eds., *Britische Deutschland- und Besatzungspolitik*, p. 129; Rudzio, 'Die ausgebliebene Sozialisierung an Rhein und Ruhr. Zur Sozialisierungspolitik von Labour-Regierung und SPD 1945–1948', *Archiv für Sozialgeschichte*, 18 (1978), pp. 1–39; Rolf Steininger, 'Die Sozialisierung fand nicht statt', in Foschepoth and Steininger, eds., *Britische Deutschland- und Besatzungspolitik*, p. 149. See also Steininger's book on the creation of the Land North Rhine-Westphalia, Steininger, *Ein neues Land an Rhein und Ruhr: Die Ruhrfrage 1945/46 und die Entstehung Nordrhein-Westfalens* (Cologne, 1990). Though Diethelm Prowe's is highly critical of the restorationist paradigm, he does not challenge the dominant view that the Americans were determined to prevent socialization. See 'Socialism as crisis response: socialization and the escape from poverty and power in post-World War II Germany', *German Studies Review*, 15 (1) (1992), pp. 65–85.

Germany itself. For instance, the British proposal for socialization did not evolve in 1945 as part of a general desire to reform German institutions, but rather in 1946 to ensure British security against the Ruhr, to solve the problem of natural industrial concentration in the Ruhr, and to aid the West German social democratic party (SPD) in its growing competition with communists for the political support of industrial Germany. That is, the British backed social reform both to achieve security and to support western German social democrats. As a result, however, British proposals suffered from the tension between the need to ensure security by placing socialized firms under the authority of a single federal state, or Land, a view held consistently by the Foreign Office, and the desire to place the German economy as a whole under socialism, a view held by British officials working closely with the SPD in Germany. American policy did not show a clearly delineated trajectory either. Until early 1947, the Americans had been concerned primarily with staving off French proposals to separate politically the Ruhr and Rhineland from Germany. Initially, the British proposals for socialization seemed a far better way to wrest power from the feared Ruhr industrialist than territorial dismemberment. But as the frustrations concerning British inability to increase coal exports from the Ruhr mounted in 1947, the Americans grew convinced that promises over socialization inhibited productivity. At the Washington coal conference in September 1947, they attempted to persuade the British to transfer management responsibilities over the coal industry to a German trustee agency under bizonal auspices and to sacrifice socialization for at least five years. Even so, the coal conference represented a British victory in many ways. The British did indeed sacrifice public ownership under one Land. But British officials in Germany, in hopes of conciliating German social democrats, now argued that Länder socialization be sacrificed in favour of eventual nationalization under a central government. The Washington coal conference did not eliminate public ownership as a possible, or even likely, fate for Ruhr industry.

In fact, the demise of socialization as a viable option for the Ruhr took place both because of Allied disagreements over the technical de-concentration of the western German coal and steel industry and a fading consensus within Germany over public ownership of industry in general. Despite the growing dominance of the Americans following the Marshall Plan, socialization remained very much on the table. The British felt they had won a great victory in persuading the Americans to support the principle that an elected German government could take Ruhr industry into public ownership. Indeed, they once again preserved the principle of public ownership in Law 75, the military government law governing the de-concentration of heavy industry promulgated in November 1948. But at the same time, the British understood that they had not assuaged American concerns over the wisdom of socialization. Moreover, the French had made clear their outright opposition to placing such strategic industries in the hands of a German government. The issue of public

ownership in the Ruhr thus became a very sensitive one. As the Allies gathered in London in early 1948 to begin the deliberations that would culminate in a West German state, they were reluctant to broach a sensitive topic that might call into question their entire German policy. What this meant in practical terms was that it was difficult for the Allies to move forward on de-concentration policy and on deciding the future of Ruhr industry. Germans, particularly politicians of the left, considered resulting delays evidence that the Americans had managed to eliminate any possibility of socialization. Much to British chagrin, the SPD and the new union federation, the DGB (Deutsche Gewerkschaftsbund), decided that socialization was no longer politically and diplomatically feasible. The rise to power of the Christian democrats in bizonal institutions and the introduction of Ludwig Erhard's social market economy had, furthermore, reduced the likelihood that a West German government would opt for the socialization of heavy industries.<sup>4</sup> The SPD and the DGB thus began to consider militant advocacy for public ownership counter-productive. Instead, they now viewed management–labour co-determination, introduced into the steel industry in the British zone in late 1946, as a more promising vehicle for advancing worker interests and for inculcating a socialist ethos into West German society.<sup>5</sup> The Allies, unable to agree on how to implement de-

<sup>4</sup> For a recent treatment of the social market economy, see Anthony Nicholls, *Freedom with responsibility: the social market economy in Germany, 1918–1963* (Oxford, 1994). See also Volker Hentschel's recent and controversial biography of Erhard, *Ludwig Erhard, ein Politikerleben* (Munich, 1996).

<sup>5</sup> For the most famous critical account of co-determination, see Frank Deppe, et al., *Kritik der Mitbestimmung. Partnerschaft oder Klassenkampf?* (Frankfurt am Main, 1969). Eberhard Schmidt wrote that, 'the internal consolidation of the restored economic and social system found its preliminary conclusion in the subordination of the unions to the will of the Parliament. This fact had its origins not because the unions had suffered a defeat through mistaken tactics, but rather because the unions had recognized in principle the right of the government and the parliament to determine the economic order and economic policy alone, and that the unions would only seek change within the once recognized Model of the bourgeois-parliamentary system', *Die verhinderte Neuordnung, 1945–1952*, p. 221. Another example of the very popular application of zero-sum Marxist analytical categories to the history of the Deutsche Gewerkschaftsbund (DGB) during the occupation was that of Ute Schmidt and Tilman Fichter who concluded that, 'The reconstruction of capitalism in post-fascist Germany took place under the mantra of the "end of ideology"'. The end of ideology was supposed to solve the internal contradictions of capitalism which had been the focus of class conflict. The renunciation of every *Weltanschauung* manifested itself in a condemnation of Nazism which, interested in the functioning of the social apparatus, saw Fascism as simply a disturbance in the reproduction processes of capitalism ... In contrast, the successful overcoming of the dominant value system is only possible through the revolutionary change of social relationships by the masses themselves.', *Der erzwungene Kapitalismus, Klassenkämpfe in den Westzonen, 1945–1948*, p. 169. Gloria Müller questions the intentions of the British in her work on co-determination when she writes that 'In the interests of stabilizing the political and economic affairs of the world and of Europe, which implied the defense of British and German private enterprise from radical social and economic structural changes, the Foreign Office rejected the reservations of British industry concerning the fundamental nature of economic policy in the (British) zone.' *Mitbestimmung in der Nachkriegszeit: Britische Besatzungsmacht – Unternehmen – Gewerkschaften* (Düsseldorf, 1987), p. 28. See also Müller, *Strukturwandel und Arbeitnehmerrechte: Die wirtschaftliche Mitbestimmung in der eisen- und Stahlindustrie, 1945–1975* (Essen, 1991), and Horst Thum, *Mitbestimmung in der Montanindustrie: Der Mythos vom Sieg der Gewerkschaften* (Stuttgart, 1982).

concentration, eventually invited Konrad Adenauer's government to decide the ultimate fate of the Ruhr. The unions and the SPD insisted on an extension of co-determination, from the steel industry to the coal industry, rather than socialization. By 1952, the idea of public ownership of coal and steel had faded away as a solution to Germany's vexed industrial history.

## I

As the occupation of Germany began in 1945, the socialization of heavy industry in the Ruhr offered the most popular solution within Germany to dealing with the discredited Ruhr elites. The social democrats, under the leadership of Kurt Schumacher, envisioned major socialized firms operating within a decentralized planning system organized along the principles of 'economic democracy' (Wirtschaftsdemokratie). As Viktor Agartz, the leading SPD economist of the British zone, explained at the Hanover party congress of May 1946, the state would assume control over monopolistic industries such as investment banking and coal and steel. In order to create a decentralized planning regime, social democrats intended to harness Germany's tradition of economic self-administration (Selbstverwaltung) to their agenda. Unlike either the Americans or the British, the SPD did not wish to abolish Selbstverwaltung, but rather to transform its ethos by ensuring equal trade union participation in the quasi-governmental bodies that administered the economy at central, Land, and local levels.<sup>6</sup> (In heavy industry, this became known as co-determination.) Similarly, the early Christian democratic union (CDU) favoured heavy industry's socialization. The 'Christian socialist' wing of the CDU, organized around such Christian trade unionists as Jakob Kaiser, Karl Arnold, and Johannes Albers, offered the possibility of a broad-based coalition with the SPD to facilitate general social reform of western German industry. Even as the CDU grew increasingly dominated by the conservative Konrad Adenauer, Christian democrats developed the model of 'mixed ownership' (Vergesellschaftung) to allow central, local, and private influence over heavy industry.<sup>7</sup> Some measure of basic social reform of heavy industry loomed large on the domestic western German scene in 1945 and 1946.

Nevertheless, British advocacy of socialization in the Ruhr only developed over time. British post-war planning had been based on the 'Malkin

<sup>6</sup> See Viktor Agartz, 'Sozialistische Wirtschaftspolitik. Referat gehalten am 9. Mai 1946 auf dem sozialdemokratischen Parteitag in Hannover', Bundesarchiv, NL Agartz 633/14. Gewerkschaftliches Zonensekretariat (GZS), 'Bericht ueber die Zusammenkunft der Gewerkschaften mit dem Leiter des Zentralamtes fuer Wirtschaft Dr Agartz in einer Besprechung ueber die kommende Wirtschaftsverfassung', 29 July 1946, Friedrich-Ebert-Stiftung, DGB-Archiv, 101/11/2.

<sup>7</sup> See 'Aufruf an das Deutsche Volk', 'Kölnener Leitsätze', and 'Frankfurter Leitsätze vom September 1945', all reprinted in Ossip K. Flechtheim, *Dokumente zur parteipolitischen Entwicklung in Deutschland seit 1945* (Berlin, 1963), pp. 27–30, 30–6, and 36–45. See also the influential Christian socialist pamphlet by Eberhard Welty, *Was Nun? Grundsätze und Hinweise zur Neuordnung im deutschen Lebensraum* (1946). See 'Das Ahlener Wirtschaftsprogramm für Nordrhein-Westfalen vom 3. Februar 1947', in Flechtheim, *Dokumente*, pp. 53–8.

Committee's' recommendations to limit the scale of reparations. Hoping to limit the extent of necessary British control over their zone of occupation both for financial reasons and also to effect an early rehabilitation of the German economy, the Economic and Industrial Planning Staff (EIPS), the inter-ministerial body charged with arriving at specific policies under the guidance of the Malkin report, looked for ways to ensure British 'security' against the Ruhr. EIPS rejected the preliminary Soviet proposals first enunciated at the Yalta Conference for the international ownership of Ruhr industry because the dividends accruing from such ownership would represent an indefinite form of reparations. EIPS rejected with equal vigour the French proposals, developed by August 1945, for the political separation of the Ruhr and Rhineland, because such a proposal would inhibit the economic recovery of the rest of Germany and foster an irredentist movement ultimately destructive of western security. Pressures from within Germany, however, forced the British to do something by late 1945. The Americans, for one, had begun the de-cartelization of industry with the seizure of IG Farben assets in their zone and had invited the other occupying powers to do the same. EIPS did not believe in the efficacy of what they derisively termed the American 'trust-busting' approach. But British officials in Germany began to report the great desire among the trade unions, the SPD, and most of the CDU for the socialization of heavy industry. Socialization offered an alternative to the American-inspired policy of de-cartelization in wresting power from reactionary Ruhr elites. Moreover, socialization took note, as the American inspired de-cartelization policy did not, of the 'natural' tendency of industrial concentration in the Ruhr. Finally, socialization offered an opportunity to reach out to the most dynamic anti-communist forces emerging in western Germany, the SPD, and the trade unions.<sup>8</sup>

British support for public ownership in the Ruhr crystallized as the cabinet in London prepared for the Foreign Ministers' conference held in Paris during the summer of 1946. On 1 February, Foreign Secretary Ernest Bevin had announced to the House of Commons that the Ruhr industries would not be returned to their private owners and implied that the government favoured socialization. Bevin nevertheless feared that the French might object to any form of German state control over such strategic industries. He therefore developed two plans. One plan imparted management control to an international holding company that retained profits for the Germans. The other plan proposed the creation of a public holding company, similar to the

<sup>8</sup> See 'Control and ownership by the United Nations of German industrial concerns. Memorandum by the Economic and Industrial Planning Staff', 18 May 1945, Public Record Office (PRO), FO 942/235; 'EIPS/134. The treatment of IG Farbenindustrie, Krupps and the Hermann Goeringwerke. Note by the acting chairman', annex to Ritchie to Playfair, 26 July 1945, PRO, FO 942/236; Robertson, Mills, and Strang, 'The future of the Rhineland and the Ruhr', 18 Dec. 1945, annex to Montgomery to Sir Arthur Street, 19 Dec. 1945, PRO, FO 371/55399; and E. Ackroyd to Mark Turner, 23 Oct. 1945, PRO, FO 942/236.



British National Coal Board, responsible to a Land, rather than a national, government. Bevin and the Foreign Office still considered security the most important consideration in dealing with the Ruhr. Hence, they favoured the creation of a special Land to encompass the Ruhr, North Rhine-Westphalia, in order to keep Ruhr industries out of the hands of a future German central government. As the Paris Foreign Ministers' conference opened, however, the cabinet clearly leaned toward the second proposal, i.e. the socialization of Ruhr industry under the auspices of the Land North Rhine-Westphalia. London had grown less concerned about the French and more concerned about communist activities in the Ruhr. The cabinet, as well as British officials in Germany, believed that the Soviets encouraged German communists to agitate for radical social reforms to undermine the British. London thus resolved to boost the prestige of the SPD by backing relatively moderate social reforms, such as socialization. As Herbert Morrison, President of the Board of Trade and the mastermind of the British public ownership model, stressed, 'we should adopt a more positive and progressive socialist policy in our zone ... so that ... we should stand out as the natural leaders of progressive democracy'.<sup>9</sup>

What did the Americans think of all this? Clearly, American military governor Lucius Clay feared that socialization of heavy industry would inhibit increases in coal exports desperately needed to pay for necessary imports. Equally clearly, the socialization of heavy industry precluded a thorough decartelization of Ruhr concerns. Nevertheless, in 1946 many American officials reacted favourably to the idea of public ownership in the Ruhr. Until after the Paris Foreign Ministers' conference, they had concentrated on staving off French demands for the political separation of the Ruhr and Rhineland from Germany. With this in view, Clay had offered a potential solution, similar to the first British plan for a powerful international holding corporation, in which Ruhr assets would be divided into Class A and Class B stock. The Allies would assume Class A stock and exercise voting control, while the previous German owners, subject to denazification proceedings, would receive Class B stock ensuring them the profits but no management control. Interestingly enough, as the State Department pondered the three alternative proposals, many officials considered the British socialization proposal the most attractive. As James Riddleberger, head of the Division of Central European Affairs at the State Department, stated in September 1946, socialization 'would have the support of the moderate working class groups and would strengthen their position'.<sup>10</sup>

<sup>9</sup> 'CM(46)43rd conclusions', 7 May 1946, PRO, CAB 128/7. See also, 'German industry. Minutes of a meeting held in the prime minister's room, House of Commons, on Friday, 15 March 1946', PRO, PREM 8/520; 'CP(46)186. Policy towards Germany. Memorandum by the secretary of state for foreign affairs', 3 May 1946, PRO, CAB 129/9.

<sup>10</sup> Riddleberger, 'The immediate goals of German policy', annex to David Harris to H. Freeman Matthews, 17 Sept. 1946, USNA, RG 59, Office of European Affairs, reel 15. On Clay's feelings, see his remarks to Charles Kindleberger described in a meeting of 3 Aug. 1946, in Kindleberger, *The German economy, 1945-1947: Charles Kindleberger's letters from the field* (Westport, 1989), p. 4. Clay's Ruhr plan is in Clay to War Department, CC 5797, 26 May 1946, USNA, RG



Until 1947, Ernest Bevin believed he had American support to socialize the Ruhr.

Already by mid-1946, however, the developing British proposal to place the Ruhr coal and steel industries in the hands of the Land North Rhine-Westphalia ran into difficulties in the British zone of Germany. The British Control Commission in Germany, represented in London by the junior minister John Hynd, had presented socialization to the SPD as evidence that the British favoured the thorough social transformation of Germany.<sup>11</sup> To that end, they had appointed top social democrats, such as Viktor Agartz, to head the economics administration of the British zone. Although social democrats welcomed British promises for socialization, they had long grown suspicious of London's intentions actually to implement public ownership in the Ruhr. They had in any event informed officials of the Control Commission that they saw socialization at the Länder level merely as a stepping stone to the nationalization of Ruhr industry under a central German government. To add pressure to the British, the SPD threatened to withdraw from all administrative offices in the British zone in the 'Cologne Resolutions' of September 1946, if their demands concerning the Ruhr were not met. Unbeknown to the SPD, the British Control Commission in Germany itself had begun to doubt the wisdom of transferring socialized firms to just one Land. As both the British and the Americans in the Office of Military Government US (OMGUS) embarked on the fusion of the western zones into Bizonia, with the stringent application of central economic controls, British officials in Germany began to argue that socialization ought to take place on a central level as well.<sup>12</sup>

Such divergent views concerning the proper implementation of socialization in the Ruhr produced a severe clash between the Foreign Office and the Control Commission for Germany. The Foreign Office had, of course, approached the Ruhr from the standpoint of security. Foreign Secretary Bevin had also been concerned to assuage the reservations of France. The Control Commission, charged with building alliances in Germany and involved in the day-to-day tasks of reconstruction and reform, had increasingly come to

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200, Clay papers, box 10; for the Decartelization Branch's scepticism toward the British see James Martin to Clay, 'Economic unification with British zone', 2 Aug. 1946, USNA, RG 260, records of the Decartelization Branch, box 145.

<sup>11</sup> John Hynd's official cabinet post was chancellor of the duchy of Lancaster. He also headed the Control Office.

<sup>12</sup> See 'Entschliessung der gemeinsamen Sitzung des Vorstandes der Sozialdemokratischen Partei Deutschlands in Köln am 25.9.1946', 25 Sept. 1946, FES, Bestand PV, Protokolle, 1946; E. F. Schumacher, 'Socialisation of German industry', 12 June 1946, PRO, FO 1036/115; 'SCOPC/M(46)11. Extract from minutes of 11th meeting of SCOPC dated 14.9.46', 14 Sept. 1946, PRO, FO 1032/1647. For the growing American enthusiasm for central controls, see Kindleberger's comments in 'Comment on "A discussion of possible constitutional provisions for a German federal government" – second draft dated July 8, 1946', annex to Riddleberger to Murphy, 12 Sept. 1946, Hoover Institution, Robert Murphy papers, 59/19.

sympathize with the social democrats. With a greater appreciation of the importance of coal and steel to the western German economy as a whole, they worried about placing such industries in the hands of a single Land. When Bevin recommended the implementation of Länder-based socialization, John Hynd, as head of the Control Commission, objected. Hynd believed that a central governmental entity, that admittedly did not yet exist, must control the Ruhr. Bevin reacted to Hynd's objections with fury. He told Hynd that such a centralization of industrial power 'would lead to German resurgence and eventually to war'.<sup>13</sup> With such a conflict between the Foreign Office and the Control Commission, London could not in fact agree on a policy. When France and the Benelux countries began to raise serious questions about the possible expropriation of Allied interests in the Ruhr, during the spring of 1947, Bevin once again recommended a delay in socialization. The cabinet agreed.<sup>14</sup>

The British fared no better in Germany in their efforts to advance the socialization of Ruhr heavy industry. Soon after the creation of the Land North Rhine-Westphalia in late 1946, the Control Commission attempted to get the North Rhine-Westphalian state assembly, or Landtag, to pass a resolution in favour of the principle of public ownership. Military governor Robertson sent the political analyst Allan Flanders to North Rhine-Westphalia to persuade the CDU and the SPD in the Landtag to back such a resolution. But the leader of the CDU delegation was none other than Konrad Adenauer. Adenauer had developed an alternative model for the Ruhr to the outright state control advocated by the SPD. He proposed a form of mixed ownership (*Vergesellschaftung*) of Ruhr industries that allowed for one third Land control, one third local government participation, and one third foreign or private ownership. Flanders attempted to outmanoeuvre Adenauer by persuading the Christian democratic minister-president of North Rhine-Westphalia, Karl Arnold, to support an SPD resolution (drafted by the British) in favour of exclusive state control over industry. Adenauer nevertheless introduced a rival proposal based on mixed ownership and torpedoed British efforts to forge a coalition between the left wing of the CDU and the rather reluctant social democrats.<sup>15</sup> By March 1947, British policy on socialization was in disarray.

Into this impasse the Americans intervened in June 1947 with a proposal to transfer management responsibilities over the coal industry to the Germans in the form of a central, bizonal agency (the *Deutsche Kohlenbergbauleitung* or

<sup>13</sup> 'Note of a discussion in the Foreign Office on Wednesday, 8th January 1947, about the socialisation of German industries', 8 Jan. 1947, PRO, FO 371/64362. See also Hynd, 'Socialisation of the Ruhr industries', annex to Hynd to Attlee, 7 Jan. 1947, PRO, PREM 8/520.

<sup>14</sup> Bevin to Attlee, 22 Feb. 1947, PRO, PREM 8/520. 'CM(47)26th conclusions', 6 Mar. 1947, PRO, CAB 128/9.

<sup>15</sup> See Flanders, 'Report on a visit to Land North Rhine/Westphalia', 8 Jan. 1947, PRO, FO 371/64362. See also Adenauer to the *Kölnische Rundschau*, 7 Mar. 1947, in Hans Peter Mensing, *Adenauer, Briefe, 1945-1947* (Berlin, 1983), p. 443. Adenauer's proposal for mixed ownership of Ruhr industry found its way into the official CDU 'Ahlen Program'.

DKBL) under the supervision of a combined US/UK Coal Control Group. Ironically, the US initiative was based on the earlier proposals for transferring coal management to the Germans developed by the SPD economist Viktor Agartz. But since mid-1946, the Americans had also grown convinced that bad management prevented the Ruhr from increasing its production of coal. Many American officials in OMGUS and the State Department now felt that the debate over socialization reinforced uncertainties and insecurities in management. As Secretary of War Robert Patterson wrote to the new Secretary of State, George Marshall, ‘the need is for maximum production of coal at this time, not for experiments in socialization’.<sup>16</sup> To stem uncertainties over management, the Americans suggested a five-year moratorium on public ownership. British officials in Germany actually received the US initiative with favour because they believed it would spell the end of what they considered the ill-judged determination to limit socialization to a single Land and that it would pave the way for widespread socialization at a national level. Robertson advised Bevin that ‘these proposals comprise a system of governmental control for the coal industry ... which is so complete and far reaching that it would make ownership meaningless’. He argued that the SPD would understand that the US plan meant in fact ‘immediate nationalization of all that is real in ownership’.<sup>17</sup> The principal economic adviser in the British zone, Sir Cecil Weir, an advocate of socialization, agreed. Weir had concluded that the Germans would never accept socialization at the Länder level anyway. Although the US plan called for a moratorium on socialization, he argued, it held out the probability of central, national ownership of Ruhr heavy industry.<sup>18</sup>

With this in mind, the British did not fare too badly at the Washington coal conference of September 1947. The Americans, particularly officials from the War Department, attended the conference confident of their ability to pressure the British to adopt American-style coal-mining techniques and to abandon any ‘experiments’. But Ernest Bevin, who had grown increasingly irritated over the obvious American pressures to change British policy in the Ruhr, instructed his delegation to defend the principle of Länder-based socialization.<sup>19</sup> To the American’s surprise, H. E. Collins of the British North German Coal Control, made the persuasive case that American mining technology could not effectively be applied to the Ruhr and that the British had done remarkably well in obtaining present production levels. British delegation

<sup>16</sup> Patterson to Marshall, 13 June 1947, USNA, RG 59, 862.6362/6-1347. For Agartz’s plan, see his letter to BICO, ‘Betr.: Übernahme der Verantwortung für den Deutschen Kohlenbergbau durch eine deutsche Verwaltung’, 5 June 1947, PRO, FO 1027/13.

<sup>17</sup> Berlin to Foreign Office, no. 968, 27 June 1947, PRO, PREM 8/519.

<sup>18</sup> Weir to Robertson, July 1947, PRO, FO 1036/116.

<sup>19</sup> When Bevin agreed to send a delegation to Washington, he told the cabinet that ‘in view of the political situation in Germany it was of the utmost importance that there should be no departure from the United Kingdom proposal for bringing the German mines under public ownership.’ See ‘CM(47) conclusions’, 23 July 1947, PRO, CAB 128/10.

head William Strang also aggressively defended British socialization policy. State Department officials at the coal conference thus reached a compromise with Strang whereby the British agreed to abandon socialization at the Land level in favour of a promise that a central German government have the right to decide the future ownership of the Ruhr industries at the soonest possible date. British acquiescence in abandoning Länder-based socialization allowed the two powers to create a coal trustee and management agency at the bizonal level. The Americans, in return, abandoned their insistence on a five-year moratorium on public ownership. Indeed, the compromise stated explicitly that 'the ownership of the mines shall be determined as soon as possible by [an] appropriate German representative authority on behalf of the electorate through normal democratic processes'. American representatives even conceded that 'public ownership ... will be acceptable as a possible solution'.<sup>20</sup> The conference ended in mid-September with the agreement to create the bizonal German coal trustee and management agency, the DKBL, and the Allied supervisory agency, the US/UK Coal Control Group.

What conclusions, then, can we draw from America's role in the socialization debate in the western zones of Germany during the occupation? Most of the prevailing historiography has taken for granted that the Americans used their financial might to pressure the British into abandoning socialization in the Ruhr. But the evidence suggests that American attitudes towards public ownership in Germany were less than clear. To be sure, there was no shortage of Americans working on the German problem who voiced disdain for what they considered British 'experimentation' in the German economy. Military governor Lucius Clay is only the most obvious example. Yet it is also clear that until early 1947 the British assumed they had secured American support for socialization at Land level as long as a democratically elected Landtag had decided the issue. In any event, when American opposition to socialization became apparent during the spring of 1947, the British resolved to defend the principle of public ownership. Nevertheless, an insistence of placing socialized firms in the hands of one Land had become untenable by mid-1947. The Americans had made the argument that the fate of such important industries to the German people as a whole must be determined by a democratically elected parliament representative of all of Germany. British officials in Germany, more committed to socialism in Germany than their American colleagues, made the identical argument both on constitutional grounds, but, more importantly, on the grounds of economic efficiency. The plan agreed to by the Americans and the British at Washington, to allow a central German government to decide the fate of the Ruhr industries, hence made its way into the preamble of all Allied laws governing the Ruhr (i.e. Law 75 and Law 27).

<sup>20</sup> Joseph Stillwell to Robert Lovett, 'Ownership status of the German coal mines', 6 Sept. 1947, USNA, RG 59, 862-6362/9-647. For the final report see Strang and Willard Thorp, 'Report on the Anglo-American talks on Ruhr coal production. To the government of the United States and the Government of the United Kingdom', 17 Sept. 1947, PRO, FO 371/65404.

Bevin thus had reason to assure his cabinet colleagues that the agreement with the Americans ‘did not in any way prejudice the position of His Majesty’s Government with regard to the future ownership of the Ruhr mines’.<sup>21</sup>

## II

By late 1947, the Americans and the British had compromised over how to approach public ownership in the Ruhr. The British had consistently advocated Ruhr industry’s socialization as a measure both to ensure security against any future German military threat and to reach out to ‘democratic’ Germans advocating thorough social reform. While initially sympathetic to British plans for socialization, the Americans had grown disillusioned with the idea. Although the British had offered an attractive alternative to French demands for the outright separation of the Ruhr and Rhineland from Germany, the Americans now feared that placing such strategic industries in the hands of any German government would render French acceptance of any German settlement unlikely. But American officials also objected that placing industries critical to the German economy as a whole in the hands of a single Land violated principles of democratic legitimacy. Only an all-German parliament, or a western German Bundestag, could legitimately decide the ultimate fate of the Ruhr. Finally, at least up to the Washington coal conference, many Americans believed that the British had failed to master the technical problem of increasing Ruhr coal production for the benefit of all of western Europe. Instead, British efforts to win the support of the western German left had come at the expense of production. Far from prohibiting socialization as a result of the Washington coal conference, however, the Americans agreed to allow a duly constituted German government to make the ultimate decision.

British socialization policy thus, in late 1947, involved a precarious balancing act. The British had secured American acquiescence to the possibility of public ownership, but they worried about provoking outright American opposition. Anglo-American differences over the Ruhr soon resurfaced as the British sought to reorganize the coal and steel industries of their zone with a view toward making government ownership of industry likely. The Americans protested that they had not been adequately consulted on the British-led reorganization of the Ruhr. As a result, the Allies negotiated Law 75, issued in November 1948, that governed the further de-concentration of heavy industry in the Bizone. The British once again secured a formal American commitment to the possibility of socialization. The episode nevertheless proved how sensitive and contentious the issue had become. The inclusion of the French in the trizonal machinery the following year only made matters worse. But the British also had to contend with pressures from a disillusioned western German left. Most of the SPD had long since concluded that growing American influence

<sup>21</sup> ‘CM(47)76th conclusions’, 20 Sept. 1947, PRO, CAB 128/10.

had reduced the likelihood of thorough industrial reform. The social democrats also faced mounting political pressure from communists active in the Ruhr. In a series of political initiatives during 1948, the SPD decided to confront the British openly on socialization policy. The British desire to quiet discussion of public ownership within Germany, lest it antagonize the US and France, only reinforced the suspicions of the western German left that socialization was dead. As a result, the SPD and its trade union allies in the DGB gradually shifted from a focus on socialization to co-determination.

Although the British had secured American commitment to allowing a future German government to determine the ownership structure of the Ruhr, they appreciated the delicacy of the issue. The Washington coal conference had not stemmed their belief that socialization offered the best way to ensure Allied security and win the support of 'democratic elements' in Germany (i.e. the DGB, the SPD, and the left wing of the CDU). Foreign Secretary Bevin had even represented the results of the coal conference to the cabinet as a great British victory. Yet by early 1948, the western Allies had grown increasingly concerned about pressures from the SPD and KPD (Kommunistische Partei Deutschlands) for immediate action. In addition, both the French and the Benelux countries protested against the possible confiscation of Allied financial interests in the Ruhr. When the Allies met in London in early 1948 to decide the overall future of western Germany, socialization had become an issue upon which everyone trod lightly. The British were reluctant to broach the subject in an international arena. As the Foreign Office explained to Ambassador Oliver Harvey in Paris,

the present position ... is that while socialization remains our policy it may not prove possible to put into effect in the immediate future. We have not yet devised a plan which will reconcile the objections of our western Allies with the fundamental aims of socialization ... We are convinced that socialization is the only really practical policy and think our Allies can probably be brought to realise this.<sup>22</sup>

None of these reservations prevented the British from implementing the Allied policy of de-concentration in their zone in such a way as to make socialization not only possible, but likely. The US/UK Coal Control Group had accorded the Americans an equal voice in the Allied supervision of the coal industry throughout the Bizone. But control over the steel industry remained a zonal matter. The British had initially seized all steel assets in their zone in 1946 as part of the quadripartite Allied policy of abolishing the vertical link between coal and steel. To de-concentrate and thereby reconstruct the steel industry in the Ruhr, the British created the North German Iron and Steel Control (NGISC), and named William Harris-Burland its head.<sup>23</sup> Harris-

<sup>22</sup> Foreign Office to Paris, 7 Feb. 1948, PRO, FO 371/70625.

<sup>23</sup> Harris-Burland, 'Formation of "trustee administration of north German iron and steel control"', 15 Oct. 1946, FES, DGB-Archiv, Potthoff Collection, 101/1. London to Berlin, Sugra 626, 18 July 1946, PRO, FO 1036/109.

Burland's plan for the steel industry, Operation Severance, aimed in the first instance to maintain the distinction between coal and steel in a future German steel industry. To that end, the NGISC adopted earlier proposals circulated by Heinrich Dinkelbach, a former board member of the giant steel cartel Vereinigte Stahlwerke. The 'Dinkelbach Plan' sought to wrest healthy unit steel companies from the financial wreckage characterizing the great German Konzerns just after the war. Dinkelbach also advocated the abolition of the vertical integration of coal and steel. For this reason, his ideas had already aroused much opposition from many of his colleagues in German industry.<sup>24</sup> Harris-Burland subsumed the Dinkelbach Plan almost completely into Operation Severance and named Dinkelbach himself head of the German Steel Trustee Administration. He explained to London in November 1946 that the Dinkelbach Plan provided the best way to 'disintegrate the privately owned Cartels and Complexes and to prepare the industry for reorganization on the basis of public ownership'.<sup>25</sup> Operation Severance, designed in part to facilitate public ownership, was henceforth promulgated as Ordinance 78 in the British zone on 12 February 1947.<sup>26</sup>

As part of the British desire to cultivate close relations with the western German left, Operation Severance also included the introduction of management–labour co-determination in each of the new unit steel companies. The western German union federation (what later became the DGB), had long demanded 'economic democracy', whereby it meant equal union influence within the quasi-governmental institutions that had traditionally governed German industry in the name of self-administration (*Selbstverwaltung*). At firm level, the unions wanted to extend the powers of the works councils beyond mere consultative rights to fundamental questions of management. The imminent promulgation of Operation Severance had compelled the firms Klöckner and Gutehoffnungshütte to make an extraordinary appeal to the unions promising full co-determination in return for union support for the vertical integration of coal and steel. But union representatives had found a better ally in Harris-Burland. The British had come to feel that the quadripartite law that had permitted the reconstitution of works councils,

<sup>24</sup> See Dinkelbach, 'Neuordnung in der Wirtschaft', 19 Oct. 1945, annex to Henle to colleagues, 13 Nov. 1945, BA, NL Henle, 384/193. The abolition of *Verbundwirtschaft*, of course, hurt some firms more than others. Vereinigte Stahlwerke had been primarily a horizontal cartel of steel firms with few vertical links to coal. See Henle's circular, 13 Nov. 1945, Kuhne's response, 'Betr.: Neuordnung in der Wirtschaft (19. Oktober 1945)', 15 Nov. 1945, BA, NL Henle, 384/193.

<sup>25</sup> Harris-Burland, 'Plan for the financial reorganisation of the iron and steel industry', 23 Nov. 1946, PRO, FO 943/125.

<sup>26</sup> 'British military government Ordinance 78: prohibition of excessive concentration of German economic power, and regulation no. 1', 12 Feb. 1947, Beate Ruhm von Oppen, *Documents on Germany under occupation, 1945–1954* (London, 1955), pp. 203–10. The dissolved trusts included Krupps, GHH, Hoesch, Ilseder Huete, Klöckner, Mannesmann, Otto Wolff, Reichswerke, and Vereinigte Stahlwerke. StV, 'The decartelization and reorganization of the iron producing industry', 6 July 1948, USNA, RG 260, records of the economics adviser, box 3.



Law 22, had empowered communists at the expense of moderates in the Ruhr.<sup>27</sup> For each new unit steel company created under Operation Severance, the British proposed to build a new board of directors (Vorstand) with a director of labour nominated by the unions, and a supervisory board (Aufsichtsrat) with half of the seats allocated to owners and shareholders, and the other half allocated to union representatives. Co-determination, Harris-Burland assured London, would counter the increasing radicalization of the works councils.

In the separate steel works the works councils who, in general, are more left wing and less responsible than the trades unions, were pressing the managements of the owner concerns for far reaching concessions, many of which were of an anarchical and impracticable nature ... Giving the workers and the trades unions a share in these responsibilities of management should go a long way towards preventing such anarchical developments and towards forestalling labour troubles in the industry.

Much to British chagrin, the unions and the SPD met Operation Severance with some scepticism, because they tended to interpret the creation of the Steel Trustee Administration under Heinrich Dinkelbach as yet another delay in the implementation of actual socialization. Social democrats had waited long enough. For the moment, however, the achievement of co-determination induced the unions to co-operate with the British.<sup>28</sup>

Yet the general despair of the SPD at achieving socialization in the Ruhr, or simply of achieving widespread social reform in western Germany after the apparent increase in American influence, manifested itself in a more intense socialization debate in the North Rhine-Westphalian Landtag during 1948. Reluctant to broach the issue of socialization with the Allies, the British could not convince the SPD or the unions to remain silent. Facing electoral competition from the communists, the SPD proposed placing the coal industry under the authority of a public utility corporation subordinate to the Land. A coal council, consisting of an equal number of representatives from the Landtag, labour, and management would oversee the industry.<sup>29</sup> The British had already informed the social democrats of the change in policy that had ruled out immediate Land ownership in favour of an ultimate decision of the central government. Indeed, the SPD had always been in favour of socialization under a central government. But social democrats also wanted to position

<sup>27</sup> 'Control Council Law no. 22: works councils', 10 Apr. 1946, reprinted in Ruhm von Oppen, *Documents on Germany under occupation*, pp. 118–20.

<sup>28</sup> Potthoff, 'Stellungnahme zu der Entflechtung bei Eisen und Stahl', 29 July 1947, FES, DGB-Archiv, Potthoff Collection, 101/1. See also Potthoff, 'Konzern-Entflechtung als Vorstufe', no date, DGB, 'Memorandum on the increase of production of iron and steel', 15 May 1948, FES, DGB-Archiv, Potthoff Collection, 101/3.

<sup>29</sup> 'Entwurf eines Gesetzes zur Sozialisierung der Kohlenwirtschaft im Lande Nordrhein-Westfalen', annex to Heine, 'Rundschreiben Nr. 150', 17 July 1948, 'Richtlinien der Gewerkschaften für ein Gesetz zur Sozialisierung', annex to Werner Hansen to the Economic Policy Committee of the NRW Landtag, 19 June 1948, BA, NL Agartz 1365f/75; 'DGB, Abschrift Leitsätze für das Gesetz zur Sozialisierung der Kohle', 19 June 1948, annex to NRW CDU-Delegation to Adenauer, 29 June 1948, StBKAH, NL Adenauer, 8/29.

themselves politically as the determined advocates of public ownership in the Ruhr at a time when socialization appeared to have been abandoned. Robertson vetoed the legislation under the authority of Ordinance 57, but informed London that ‘this is not the only instance tending to bring the question of socialization to the fore once more’.<sup>30</sup> Moreover, this embarrassing episode occurred after the British had advised against an awkward proposal to create a model socialized firm proposed by the left-wing Christian democratic minister-president of North Rhine-Westphalia, Karl Arnold. He approached the British to suggest transforming the firm Gebrüder Böhler, a manufacturer of up-market steel products, into a model socialized firm consisting of ownership by the Land North Rhine-Westphalia, the city of Düsseldorf, and workers at the plant. Harris-Burland disliked Arnold’s ideas because the firm Gebrüder Böhler was too peripheral to the steel industry. ‘There is no case for socializing individual undertakings at random merely because fortuitous circumstances had deprived their owners of control.’ Economic adviser Cecil Weir agreed and added that Arnold’s initiative would simply get in the way of the present policy of waiting for a general decision on the part of a central German government.<sup>31</sup>

Mounting agitation within Germany for the socialization of heavy industry in the Ruhr, during 1948, produced additional pressures for the British in their efforts to forestall French and American reservations. Taking note of the debates in the North Rhine-Westphalian Landtag, the French objected to the British that ‘socialization would mean placing them [i.e. the Ruhr industries] in the hands of the future German government which might be nazi or communist’.<sup>32</sup> French concerns threatened to undermine negotiations underway between Robertson and Clay concerning the de-concentration of all heavy industry in the bizon. Clay had broached the idea for a new law to extend equal American influence beyond the coal industry to the bizonal steel industry. The British had no fundamental objection to these desires of the Americans. They considered the US position legitimate and hoped to represent the creation of new trustee bodies to the Germans as further evidence of Allied progress in resolving the vexed question of ownership.<sup>33</sup> In what became Law

<sup>30</sup> Berlin to Foreign Office, no. 192, 5 Feb. 1948, Berlin to Foreign Office, no. 212, 10 Feb. 1948, Berlin to Foreign Office, no. 253, 18 Feb. 1948, PRO, FO 371/70625. See also, ‘British military government Ordinance no. 57: powers of the Länder in the British zone’, 1 Dec. 1946, reprinted in Ruhm v. Oppen, *Documents on Germany under occupation*, pp. 193–5.

<sup>31</sup> Arnold to David Lancashire, 22 Jan. 1948, ‘Transfer of steel works to public ownership. Memorandum of conversation with minister president, Karl Arnold, and Mr Lancashire, Political Intelligence Branch Land North Rhine/Westphalia’, 9 Apr. 1948; Harris-Burland, ‘Gebr. Bohler. Comments upon the proposal that the works and business of Gebr. Bohler & Co. in Oberkassel should be transferred to public ownership’, 10 Apr. 1948, Weir to chief of staff and DMG, 30 Apr. 1948, PRO, FO 1032/1649; Brownjohn to Bishop, 3 May 1948, PRO, FO 1030/106.

<sup>32</sup> Paris to Foreign Office, no. 229, 11 Mar. 1948, PRO, FO 371/70626.

<sup>33</sup> As Gifford noted at the Foreign Office, ‘Since economic fusion, it has been reasonable that the Americans should have a fully equal say with us in the running of the coal and steel industries in the Combined Zone, and the proposal that General Robertson should hand over the custody of their assets to German trustees is as acceptable to us on those grounds as it is as a first step towards

75, Robertson accepted Clay's wish that the new trustees act as part of the various bizonal administrations and in close co-ordination with the Economic Council (now under the control of the CDU and the FDP). At the same time, all significant management decisions required the participation and the approval of the trade unions. Most importantly, the British secured American agreement once again to the principle that 'the final ownership of the coal and iron and steel industries will be established as a result of a decision on the part of the German people expressed through properly constituted Federal Government'.<sup>34</sup> The socialization debate in the North Rhine-Westphalian Landtag, however, almost undermined Law 75 by frightening the French. René Massigli, the French ambassador in London, warned that 'the German Government would have in its hands the most formidable concentration of economic power which has ever existed in the Western democracies'.<sup>35</sup> Only with great difficulty did the British persuade the Americans to retain the preamble to Law 75, promulgated on 10 November 1948, in the face of French objections.<sup>36</sup>

Law 75 nevertheless failed to stem the growing suspicions of the western German left that socialization would never take place. First of all, the announcement of Law 75 coincided with the promulgation of the International Authority of the Ruhr (IAR). The Ruhr-statute, as it became derisively known

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a final solution of the problem of ownership.' 'Foreign Office minute, coal and steel in Germany. Trusteeship, ownership and management', 29 June 1948, annex to Strang to Henderson, 'Foreign Office minute', 6 July 1948.

<sup>34</sup> Berlin to Foreign Office, no. 3223 basic, 22 June 1948, PRO, FO 371/71216.

<sup>35</sup> Massigli, 'Translation of French ambassador's note verbale of October 20th', 20 Oct. 1948, annex B to UK Delegation Brief, 'Four power talks on international control of the Ruhr', 9 Nov. 1948, PRO, FO 371/70630. Robertson had just recently been forced to veto the socialization resolution of the North Rhine-Westphalian Landtag precisely because of the decision to leave the ultimate fate of heavy industry to a central government. Social democrat Fritz Heine appealed over his head to the Trades Union Congress, claiming that 'General Robertson refuses to put the Parliament's decisions into practice ... SPD objects strongly to the refusal, this being the third time that socialisation attempts have been frustrated by the British authorities.' Robertson to Foreign Office, no. 1852, 10 Sept. 1948, PRO, FO 371/70629. Foreign Secretary Bevin had to explain the embarrassing matter himself to his former compatriots at the TUC. He alluded to the upcoming promulgation of Law 75. 'As token of our intention that the German people should be given an unfettered right to decide the future of their own industry we are anxious to transfer at the earliest possible date the rights of ownership in both the coal and steel industries, which are at present vested as a temporary measure in the Military Governor, to German trustees.' Bevin to Tewson, 29 Oct. 1948, PRO, FO 371/70629.

<sup>36</sup> 'British Military Government Law no. 75: reorganization of German coal and iron and steel industries', 10 Nov. 1948, reprinted in Ruhm von Oppen, *Documents on Germany under occupation*, pp. 335–43. Henderson to Attlee, 8 Nov. 1948, PRO, FO 800/467/48/79. For more on French policy towards the Ruhr, see especially John Gillingham, *Coal, steel, and the rebirth of Europe, 1945–1955: the Germans and French from Ruhr conflict to economic community* (Cambridge, 1991), pp. 137–77; William I. Hitchcock, *France restored: Cold War diplomacy and the quest for leadership in Europe, 1944–1954* (Chapel Hill, 1998), pp. 99–132; and François Duchêne, *Jean Monnet, the first statesman of interdependence* (New York, 1994), pp. 147–80.

in Germany, involved the French for the first time directly in the management of the Ruhr. At French insistence, the Ruhr-statute explicitly ruled out the re-emergence of ‘excessive concentrations of economic power’. Publicly owned industries could, of course, qualify as such a concentration of economic power. Although the IAR was unpopular all over Germany, the unions in particular objected to this implicit prohibition of socialization.<sup>37</sup> The reaction within Germany against both the IAR and Law 75 also demonstrated the growing uneasiness of the SPD and the unions with the technical side of Allied policies towards the Ruhr. Law 75, though leaving the way open to eventual public ownership, nevertheless confirmed the Allied intention to prohibit the re-emergence of vertical integration between coal and steel. The apparent Allied unwillingness to countenance *Verbundwirtschaft* (although the Americans had begun to waver on this) fostered the impression within Germany that the western powers wished to render the Ruhr uncompetitive. Although the unions did not sympathize with such firms as Klöckner and GHH that had repeatedly championed the vertical integration of coal and steel, they did share the technical belief in the efficacy of *Verbundwirtschaft* widespread among German economic circles. They had hitherto assumed that public ownership would maintain a *de facto* vertical integration.<sup>38</sup>

Despite such initial scepticism towards Law 75, however, the DGB and the SPD soon grew alarmed at Allied delays in the new law’s implementation. The DGB wanted to see a quick implementation of Law 75 because it wanted the DKBL dissolved in favour of a new German trustee organization, with equal union influence, to oversee the entire western German coal and steel industries. But it had become clear by early 1949 that the British and Americans could not yet permit the Germans to nominate a new trustee body because they themselves had failed to agree on the scope of Law 75. Lucius Clay wanted a number of marginal collieries, previously not owned by the great trusts, excluded from the provisions of Law 75 and returned to the former owners. The British estimated that this would leave about 17.5 per cent of the bizonal coal industry in private hands and would thus scuttle what they considered the necessary monopoly position of any publicly owned coal industry. As the DGB pressured the Allies to name a new trustee organization, as part of Law 75, the

<sup>37</sup> ‘Die Gewerkschaftsrat zum Ruhrstatut’, *Der deutsche Eisenbahner*, 15 Jan. 1949. To a certain extent, the occasion of the International Authority of the Ruhr (IAR) offered the Sozialdemokratische Partei Deutschlands (SPD) the opportunity to pose as determined defenders of the national interest. ‘The agreement was only brought about at the cost of the German people ... Thus internationalization is one-sided, it works to the advantage of various subject (countries) and works to the disadvantage of that object Germany’, ‘Sozialdemokratie gegen das neue Ruhrstatut’, *Sozialdemokratischer Pressedienst*, 29 Dec. 1948. See also Strang/Stevens to Bevin, ‘Ruhr talks in London’, 3 Dec. 1948, PRO, FO 371/70632 and Stevens for Bevin, ‘Foreign Office minute agreement on establishment of international authority for the Ruhr’, 15 Dec. 1948, PRO, FO 371/70633.

<sup>38</sup> ‘Stellungnahme der Gewerkschaften zum Ruhrstatut und Gesetz Nr. 75’, 21 Nov. 1949, FES, DGB-Archiv, Potthoff Collection, 101/7. The same sort of dilemma involved the union’s stance towards dismantling. See Böckler to Heine, 26 Aug. 1949, FES, DGB-Archiv, NL Böckler, 74.

British had to counsel delay in order to deal with the new American challenge.<sup>39</sup> This meant yet another delay.

By mid-1949, therefore, Allied policies concerning the de-concentration of the Ruhr had reached a standstill. The British and Americans could not agree on the scope of Law 75. Neither of them, however, wanted to provoke the other into a fundamental discussion on ownership that might require the reopening of negotiations over the complex and labourious issues of de-concentration and de-cartelization. As they could not work out their differences, they decided to hand the matter over to the Germans themselves. They entrusted the DKBL with the task of drawing up plans for the reorganization of the coal industry.<sup>40</sup> Yet the last person who wanted ultimate authority over the future make-up of the coal industry was the head of the DKBL, Heinrich Kost. He and the management representatives on the DKBL had initially worked well with their colleagues from the unions. But in recent months, the relationship had soured. Kost did not wish to see the DKBL further polarized. He had not expected this hot potato. British officials at Essen reported to Robertson that 'it would appear that the decision came as a complete surprise to the DKBL and the General Direktor seemed overwhelmed with horror at the magnitude of the task which was being thrust upon him'. Not surprisingly, but much to British chagrin, the unions also reacted with lukewarm enthusiasm to the DKBL's new responsibilities.<sup>41</sup> Hans Böckler in particular voiced his displeasure. Nevertheless, August Schmidt, chairman of IG Bergbau, agreed to support the DKBL and help develop plans for the coal industry.<sup>42</sup>

As soon as the Allies passed the buck to the DKBL, however, the end of military government and the integration of the French into the new trizonal machinery made necessary a new Allied law to supersede Law 75. With the London Agreements finally concluded in early 1949, the western Allies ended formal military occupation and created the West German Federal Republic. A new Occupation Statute replaced the military government with a civilian high commission. Each of the three powers appointed a high commissioner to take over the supervisory duties exercised previously by the military governors. John McCloy, the former assistant secretary of war under Henry Stimson and then the first director of the World Bank, replaced Lucius Clay. André François-Poncet, French ambassador to Berlin during the 1930s and a man

<sup>39</sup> 'The views of the mining industry trade union respecting the reorganisation of the coal industry', 30 Mar. 1949, FES, DGB-Archiv, Potthoff Collection, 101/18. Robertson to Seal, no. 466 basic, 16 Mar. 1949, PRO, FO 371/76907; Stevens to Bevin, 'Foreign Office minute. Public ownership of the coal and iron and steel industries', 23 Mar. 1949, PRO, FO 371/76908. See also Dr Hans-Helmut Kuhnke, 'Die Umgestaltung des Deutschen Kohlenbergbaus und der Deutschen Eisen- u. Stahlindustrie nach Massgabe des Gesetzes Nr. 75 der Militärregierung', speech to the Vereinigung der Industry- und Handelskammern des Landes Nordrhein-Westfalen, 17 Dec. 1948, RWWA, IHK Cologne, 1/228/2.

<sup>40</sup> Berlin to Coal Control Group, BGCC 3196, 5 July 1949, PRO, FO 371/76910.

<sup>41</sup> Coal Control Group to Berlin, BC 57, 7 July 1949, PRO, FO 371/76910.

<sup>42</sup> Collins to Weir, 27 Aug. 1949, annex to Weir to Stevens, 5 Sept. 1949, PRO, FO 371/76911.

thus familiar with German affairs, became French high commissioner. For the moment, Robertson stayed on as British high commissioner. As part of the new arrangements, the British and Americans had to secure formal French agreement to official de-concentration and de-cartelization policy. A new trizonal law would thus supersede Law 75. As expected, François-Poncet objected to the preamble to Law 75 because it had left open the possibility that a future central German government might take Ruhr industries into public ownership. The British worried the Americans might side with the French this time, if only to stabilize the precarious French government at home.

Indeed, John McCloy had come to Germany determined to challenge British policy towards the Ruhr. From the start, he resented what he described as British pressure to ensure socialization. He wrote to the State Department of his wish to advance more actively free enterprise in West Germany. ‘It seems to me that a free enterprise system in Germany is the most desirable from the US point of view as well as from the security point of view, and while we should not actively oppose socialization of German industries if this was the will of the new Parliament ... we should cast our influence up to this point in favour of all measures which tend toward the freer economy.’<sup>43</sup> McCloy requested a directive from Washington that reflected these views. While the State Department had also grown tired of what it considered British attempts to ensure the ultimate success of socialization in Germany, under-secretary of state James Webb was reluctant formally to order McCloy to use American influence to attack public ownership of industry.

We feel it inadvisable to insert these ideas in directive itself, ... We must remember that Bevin and Marshall informally agreed 2 years ago that our respective authorities in Germany would refrain from intervention in this question of free enterprise versus socialization. Even though it has been obvious for some time that British were not fully honouring this agreement, we would prefer to omit any direct reference to subject in directive.<sup>44</sup>

McCloy submitted a draft of a new de-concentration law (what became Law 27) to the high commission that omitted the commitment in the preamble allowing the Germans to decide the ultimate form of ownership, restricted the scope of the reorganization plan called for by Law 75 to the companies originally envisioned by Clay, and downplayed the importance of co-determination in the steel companies created since Operation Severance in 1947. Alarmed, Robertson warned the Foreign Office that ‘if the settlement is altered so as to take out of it exactly those features to which the Trade Unions attach most importance first class trouble in the Ruhr is inevitable’.<sup>45</sup> Robertson’s tenacious protests induced McCloy to accept the original preamble

<sup>43</sup> McCloy to Murphy (State), 2288, 14 Sept. 1949, USNA, RG 466, McCloy papers, box 1.

<sup>44</sup> Webb to McCloy, 1799, 27 Sept. 1949, *ibid.*

<sup>45</sup> PRO, FO 10 Robertson to Foreign Office, no. 248 basic, 26 Nov. 1949, PRO, FO 371/76913. See also McCloy’s comments in ‘Extract from verbatim minutes of the 10th meeting of the council of the allied high commission held on 15th December, 1949’, PRO, FO 1036/167.

after all.<sup>46</sup> But the episode did not go unnoticed by Germany's new, free-market oriented government.

In fact, Konrad Adenauer wasted little time in applying additional pressure to the high commission to make an explicit decision on the question of ownership. The preamble to Law 75 had, of course, stated that a future German government would decide the question of ownership. Adenauer sent a letter to the high commission on 22 January 1950 asking for just such authority. 'The federal government considers the goal of the future settlement to be the creation of healthy and competitive businesses. The federal government is of the opinion that this goal can only be reached when a decision over ownership is made in conjunction with an economic, legal, and organizational reordering of the named industries.'<sup>47</sup> The British, of course, distrusted Adenauer. They believed, with justice, that he would return heavy industry to the former owners. Adenauer, however, placed more emphasis on the need to preserve some form of *Verbundwirtschaft*.

Indeed, Adenauer's letter symbolized the ways in which Allied and West German thinking on the Ruhr had diverged since 1947. The Allies still considered the issue of ownership of great importance. But most Germans had long considered the question of ownership settled. The SPD, although officially advocating the socialization of Ruhr industry, believed that American hegemony over western Europe, backed by overwhelming financial might, had rendered socialism in Europe unlikely. Of more importance to West Germans at this time was the issue of whether the Allies would carry through their official policy of abolishing the vertical link between coal and steel. It was treated as commonplace that this abolition of *Verbundwirtschaft* would destroy Germany's competitiveness. Günther Henle, head of Klöckner and a close informal adviser to Adenauer on issues touching upon heavy industry, lent concrete force to what was a general fear. International economic developments, he warned the chancellor, had favoured even more the larger steel firms with easy access to coal. 'The iron and steel industry must stress the fundamental importance of the vertical connection between coal and steel because the known developments in the increase in productivity of raw steel in America and other European countries combined with the restrictions on our own industry will soon bring us a competitive fight to the death.'<sup>48</sup> Maintaining *Verbundwirtschaft* appeared an article of faith, indeed, the only economically rational thing to do.

By 1950, West German social democrats had also adjusted their approach to social reform in the Ruhr. Socialization, they believed, had been dead since the

<sup>46</sup> Stevens/Kirkpatrick to Bevin, 'Foreign Office minute. Decartelisation and de-concentration of the German coal and steel industries (Law 75)', 21 Dec. 1949, PRO, FO 371/76914.

<sup>47</sup> Adenauer to Robertson, 22 Jan. 1950, AA, *Noten an AHK*, vol. 2, reprinted in *Adenauer, Briefe, 1949-1951*, pp. 164-5. See also brief for McCloy, 'Federal action with regard to Law no. 75', 16 Feb. 1950, USNA, RG 466, McCloy papers, box 8.

<sup>48</sup> Henle to Adenauer, 9 Feb. 1950. See also the annex to the above letter, 'Neuordnung der Kohle-Eisen-Industrie', 9 Feb. 1950, BA, NL Henle, 384/1.



Washington coal conference of 1947. The SPD continued to advocate socialization, but did not expect success within the context of a free-market economy they believed determined by the anti-communistic imperatives of the Marshall Plan. In any event, most social democrats supported *Verbundwirtschaft*. If the unions now supported the preservation of the vertical link between coal and iron and steel on technical grounds, what happened if the coal industry became publicly owned while the iron and steel industry remained in private hands? The concept of *Verbundwirtschaft* had implied the ownership of, or some other means of control over, the coal industry by the steel industry. If one made the case that the iron and steel industry must exert control over the coal industry through something like ownership, could one not extend that line of argument to the chemical and energy industries, both of which had also owned many coal mines before the war? As Viktor Agartz stated in a revealing letter to Walter Freitag, head of IG Metall, in late 1950, the eventual socialization of the coal industry ... would once again separate that property from the other industries, or one would have to make the decision to socialize the other three industries as well. That the latter is politically impossible today I hardly need to mention. But that also implies that the socialization of the coal industry cannot be allowed, because it would destroy the technical link [with the other industries].<sup>49</sup>

Socialization could, in fact, no longer take place.

Instead, the West German left now concentrated on management–labour co-determination. Both the SPD and the umbrella trade union organization, the DGB, had wanted to introduce an ‘economic democracy’ (*Wirtschaftsdemokratie*) in post-war Germany. ‘Economic democracy’ meant securing workers or worker representatives an equal voice in the decision-making processes over the German economy. The socialization of Ruhr heavy industry had only been a part, though a significant part, of such an ‘economic democracy’. Securing equal union representation in the several quasi-governmental regulatory bodies that had traditionally run the German economy in the name of self-administration (*Selbstverwaltung*) had formed another principal component of the ‘economic democracy’ envisioned by social democrats in 1945. Only the management–labour co-determination of the new unit steel companies created from Operation Severance approximated what the West German left desired for the economy as a whole. As socialization appeared a forlorn cause from 1947 on, the unions and the SPD placed great hope in co-determination.<sup>50</sup> When Economics Minister Ludwig Erhard clumsily informed the DGB leadership that the government wished to abolish co-determination in the steel industry instead of extend the practice to other major industries, the unions threatened to strike.<sup>51</sup> The determination of the

<sup>49</sup> Agartz to Freitag, 10 Nov. 1950, FES, DGB-Archiv, 101/20.

<sup>50</sup> See, for instance, Agartz and Erich Potthoff, ‘Die Mitbestimmung der Arbeitnehmer in der Wirtschaft’, 23 Dec. 1949, FES, DGB-Archiv, Potthoff Collection, 101/23.

<sup>51</sup> Erhard had told Walter Freitag, head of IG Metall, that ‘with the soon to be expected transfer to the Germans of the responsibility for carrying out Law 27, the continuation of

DGB and the SPD to save co-determination, and indeed extend the institution to the coal industry, in late 1950 and 1951, forced Adenauer and the government into its only major concession to the free-market policies known as the social market economy. The determination to bring the economy to a halt over co-determination, but not over public ownership of industry, demonstrated the extent to which socialization had faded as a priority of the West German left.

With this altered situation in Germany in view, the British cabinet met during the early months of 1950 to discuss Law 27 and to concede that socialization in the Ruhr was dead. Although the cabinet had rejoiced in McCloy's reluctant assent to retain the original wording in the preamble of Law 75 in the new trizonal Law 27 over French objections, London had also decided to support the Adenauer government in its desires to shape the future of the coal and steel industries. The new foreign secretary, Herbert Morrison, remained guardedly optimistic about the preamble. In spite of severe French objections, he maintained, the preamble meant public ownership still had a chance in West Germany.<sup>52</sup> But Aneurin Bevan, minister of health, dispelled any illusion that the Adenauer government would choose socialization. 'He had foreseen that the first government of western Germany was likely to be a government of the right [as had in fact happened] and would be under strong pressure from German business interests.' But the cabinet felt it had no choice but to accept what became Law 27.<sup>53</sup> In a way, the West German government had become an unintended ally of the French. Adenauer and Ludwig Erhard's known distaste for public ownership had helped to persuade François-Poncet to accept Law 27. Both Adenauer and Heinrich Kost had declared before the high commission that they had never favoured nationalization in what Robertson believed an attempt to persuade the French to drop their initial opposition. Robertson meanwhile stressed to London that the widespread enthusiasm for socialization that had existed from 1945 to 1948 had dissipated. The left wing of the CDU had lost its momentum. 'In the case of the trades unions, who have advocated socialization, it is believed that they are more concerned with obtaining improved arrangements for the participation of the trades unions and the workers in the running of the industry than they are with public ownership as such.'<sup>54</sup> The British had tried for a long time to keep the

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supervisory boards with equal representations of management and labour and of the post of Director of Labour is impossible'. DGB Informationsdienst, 'Arbeitsniederlegung in der Eisenschaffenden und Stahlerzeugenden Industry', 3 Jan. 1951, FES, DGB-Archiv, Potthoff Collection, 101/26.

<sup>52</sup> 'CP(50)43. Decartelisation and reorganisation of the German coal, iron and steel industries. Memorandum by the secretary of state for foreign affairs.', PRO, PREM 8/1440.

<sup>53</sup> 'CM(50)16th conclusions', 30 Mar. 1950, PRO, PREM 8/1440.

<sup>54</sup> Frankfurt to Wahnerheide, TelNo. 202, 19 Apr. 1950. See also Robertson to Foreign Office, TelNo. 548, 6 Apr. 1950, 'Minutes of the meeting of the council of the allied high commission with the representatives of the Ruhr mines ...', 14 Apr. 1950, ACC, 'Meeting between the allied high

prospect for the Ruhr's socialization alive. But the opportunity to introduce social democracy into West Germany had passed.

### III

What happened to the socialization of Ruhr heavy industry? The traditional view posited that the Americans, increasingly obsessed with the imperatives of the Cold War, vetoed socialization by late 1947. Clearly, the British desired that the coal and steel industries of the Ruhr be taken into public ownership. They believed such publicly owned industries would both ensure British security in a direct sense, but also indirectly undergird the development of West German democracy. The American position was rather more complicated. At first, US officials considered the British plans for socialization a much more attractive prospect than the outright political separation of the Ruhr and Rhineland from Germany. But with time, the Americans grew tired of the supposed British inability to increase coal exports from the Ruhr. Moreover, they developed doubts over the democratic legitimacy of assigning such important industries to a single federal Land before a duly constituted German parliament could decide the issue. But the Americans never explicitly denied the German right to decide whether to take their own industries into public ownership. Their official attitude remained rather pragmatic.

Of more importance to the fate of West German industry was the general direction of West German economic policy itself. Since the West German political landscape seemed inherently favourable to the CDU, as the British had realized early on, London had tried to forge general support for socialization among both the SPD and the CDU. But West German politics had soon become too polarized for such close co-operation. In mid-1947, the SPD had decided to leave responsibility for West German affairs to the CDU and thus withdrew into an opposition from which it was not to emerge until 1966. The success of the free-marketeers, or believers in the social market around Ludwig Erhard, explains the failure of socialization better than American intervention. American power, of course, did not go unnoticed. But the daily challenges of rebuilding Germany and the frustrations of working within an inherited and inadequate planning system contributed much more to the course of economic policy debates in Germany than clumsy American attempts at applying pressure. West German economic policy arose from domestic political and economic exigencies. The origins of the social market economy lay in the concrete challenges faced in reconstruction Germany.

The importance of the West Germans themselves in abandoning radical industrial reform and opting instead to pursue the social market economy

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commissioners and representatives of the German coal mining industry', 14 Apr. 1950, PRO, FO 1036/168.

suggests that western European industrial culture did not work exclusively within an American-dominated Cold War framework. Rather, as the case of socialization demonstrates, western Europeans, even those directly occupied by the Americans, had considerable room to determine their own economic policies and to shape their own social systems. American power was no doubt real. American power could shape perceptions concerning the political and diplomatic feasibility of certain courses of action. But the Americans did not officially intervene to kill industrial reform in western Germany. Historians must not take for granted that American prestige necessarily translated into concrete power to compel conformity to a single economic model that did not, in any event, ever exist. The failure of socialization in the Ruhr demonstrates a complex relationship between Americans and western Europeans.