World War II was the bloodiest conflict in European history. Millions of soldiers and civilians were killed in battle or in Nazi Germany’s concentration camps. In May 1945, Germany surrendered unconditionally to the United States, the Soviet Union, and the United Kingdom. The Allies had already decided to occupy Germany militarily. The United States, the United Kingdom, and France occupied zones in the west, while the Soviets occupied the east. The capital of Berlin was also partitioned among the four occupying powers. Common Allied policy was developed in a series of summit meetings, most notably at Casablanca in January 1943, at Yalta in February 1945, and at Potsdam in August 1945. At Casablanca, British Prime Minister Winston Churchill and U.S. President Franklin Roosevelt had decided to accept only unconditional surrender from Germany. This decision was reiterated in subsequent meetings that included Soviet leader Josef Stalin. The Yalta Conference called for unconditional surrender, the destruction of Nazism, the disarmament of Germany, the speedy punishment of war criminals, reparations, and an economy able to sustain the German people but not capable of waging war. The Potsdam Conference elaborated on these political and economic principles and included agreements about occupation areas, the disposition of eastern German borders, population transfers, and the treatment of war criminals.¹

CHALLENGES

Germany was utterly defeated by the end of the war. The last years of conflict severely damaged the state’s physical infrastructure, although later analysis suggests that the damage was not as extensive as first thought. The more immediate problem was the collapse of the economy in 1945 as the German government was replaced by the occupying powers and as central fiscal and monetary management was in abeyance. In addition to the economic problems, Germany was awash in refugees; the Germans were a defeated people. This situation created tremendous challenges for the United States and its allies as the victors began to think about how they should act in the war’s aftermath.

Security

As U.S. and other allied forces occupied Germany in the immediate aftermath of the May unconditional surrender, there was a great deal of concern about preventing a security vacuum in the country. The German military was defeated, but it needed to be disarmed and demobilized promptly and efficiently. As part of that process, Nazi war criminals needed to be identified and brought to trial. In addition, the Allies feared that renegade guerrilla groups of German military forces would re-form into small units and launch attacks against Allied forces. Consequently, the first order of business for the occupation was to have the occupying forces establish security for the military governments. This required, at least initially, a robust presence throughout the country. At the same time, however, there were tremendous external pressures on the United States and the other Allies to withdraw their forces as quickly as possible. The need to shift forces to Asia to finish the war against Japan and, especially, the domestic cry to “bring the boys home” created tremendous pressure on U.S. forces to withdraw as soon as the fighting stopped.

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Humanitarian

The scope of the refugee crisis in central Europe at the end of the war is hard to overstate. The Inter-Allied Committee reported in mid-1941 that there were 21 million displaced persons in Europe. Millions of non-Germans, for example, had been brought to Germany as forced laborers. This situation worsened during the last years of the war as millions more people fled in the face of German scorched-earth withdrawals or in fear of Soviet military retribution. Moreover, the Soviets and other states were eager to expel ethnic Germans from their countries. Many of these refugees and displaced persons had no homes to which to return and no means of support. Native Germans, meanwhile, were facing massive food shortages and deprivations as economic activity ground to a halt after Allied forces invaded Germany proper. It was truly a humanitarian and refugee crisis of unprecedented magnitude.3

Civil Administration

During 1944 and 1945, debates raged both within the U.S. government and among the Allies about the shape of a postwar German government and a postwar Germany. The Soviets and, to a lesser extent, France advocated that Germany never again be given full sovereignty because of the potential danger it presented to Europe. There was considerable sympathy within the U.S. government for this view. Secretary of Treasury Henry J. Morgenthau advocated the deindustrialization of Germany; other U.S. government officials argued for the establishment of Germany along modern democratic and capitalist lines.4 Managing these internal U.S. dynamics and trying to forge a consensus among the Allies were daunting challenges. In Germany, meanwhile, the Allies were determined to dis-

mantle the Nazi state apparatus, prosecute war criminals, and rebuild the German state with people untainted by the Nazi regime. This would be a massive undertaking, and it was unclear what type of reception Allied efforts along these lines would receive.

Democratization

Germany had some experience with democracy in the years prior to World War II. The post-Versailles Weimar Republic had a parliamentary government with active political parties. It was a volatile form of government, however, because there were a number of radical splinter parties on the political right and left, and significant elements of German society did not fully embrace the Enlightenment traditions of personal liberty and self-government. Instead, Germans focused on the inner development of the individual and the unique cultural expression of the German nation. Furthermore, the economic crisis during the interwar years, which was marked by high unemployment and rampant inflation, strengthened the extremist parties and wiped out a large portion of the German middle class. The assassinations of Matthias Erzberger in 1921 and Walter Rathenau in 1922 were symptomatic of the terrorist tactics that extreme nationalist groups adopted, many of whose members later joined the National Socialist party of Adolf Hitler. The failure of German society to fully embrace Enlightenment concepts and the economic crisis allowed antidemocratic forces in German society to wreck the Weimar Republic and facilitate the rise of Hitler. It was unclear whether the German people would accept Western democratic principles more readily after 1945.

Reconstruction

The Allied commands in Germany faced the problems of restarting the German economy after its collapse in early 1945, repairing war damage, and providing housing and employment opportunities for the influx of German refugees from the east. They also had to deal with demands from their own governments and other countries for reparations from Germany for the damage the war had caused.

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THE U.S. AND INTERNATIONAL ROLES

As described above, the United States and the other allied powers discussed and planned the shape of post-Hitler Germany extensively in 1944 and 1945. Unlike after World War I, the victorious powers, at least those in the West, were determined to play an active role in transforming the German state into a peaceful democratic state that would never again threaten Europe with military force. Indeed, a significant impetus for the reconstruction of western Germany was the increasing power struggle between the United States and the Soviet Union over the future of Europe—and particularly the future of Germany.6

Military

Each of the Allies established military governments in its respective sector. The U.S. sector was organized under the command of the Office of the Military Government, United States (OMGUS). After much internal discussion, the U.S. military Joint Chiefs of Staff (JCS) promulgated JCS directive 1067 in April 1945. Its stated objective was to establish a

stern, all-powerful military administration of a conquered country, based on its unconditional surrender, impressing the Germans with their military defeat and the futility of any further aggression.7

In substance, JCS 1067 directed dissolution of the Nazi party; demilitarization; controls over communications, press, propaganda, and education; reparations for countries desiring them; and decentralization of the German government. On the matter of humanitarian assistance, the directive discouraged, but did not prohibit, the importation of relief supplies.8

7As quoted in Ziemke (1975), p. 104.
8Ziemke (1975).
Civil and Economic

After Germany's unconditional surrender on May 7–8, 1945, the victorious Allies—initially the United States, the United Kingdom, and the Soviet Union—assumed supreme authority over Germany on June 5. (France would become one of the occupation powers in the months following Potsdam.) Acting by the authority of their respective governments and "in the interest of the United Nations [UN]," the United States and the other two allies declared their primacy over the conquered nation, "including all the powers possessed by the German Government, the High Command and any state, municipal, or local government or authority."9 This gave the Allies authority to occupy and completely control German political, economic, and cultural life until they decided when or if Germany would regain national sovereignty. Germany was divided into four zones, which the four powers administered separately. Berlin was to be occupied jointly, with each power administering a sector of the city, and was to be governed by an inter-Allied authority.

The chief agency for coordinating Allied policy toward Germany during the war had been the European Advisory Commission, created in November 1943. It met in London and helped guide decisions about the determination of the zones of occupation and such issues as reparations policy. The Council of Foreign Ministers replaced the Commission in July 1945. To coordinate the occupation, the Allies established the Control Council. The purpose of the Control Council was to ensure "appropriate uniformity of action by the Commanders-in-Chief in their respective zones of occupation and [to] reach agreed decisions on the chief questions affecting Germany as a whole."10

WHAT HAPPENED

In the immediate postwar period, the Western Allies pursued nation-building in Germany by demobilizing the German military, holding war crimes tribunals, helping construct democratic institutions, and providing substantial humanitarian and economic assistance. In

time, the Federal Republic of Germany (FRG)—consisting of the former U.S., British, and French zones—developed into a robust democratic state with a thriving economy. These achievements, however, took several years, and the early international efforts were not uniformly successful.

Security

The Soviet and Western troops that had defeated the German Wehrmacht remained in country and took up occupation duties. In the Western zones, U.S., British, and French forces established military governments in their respective sectors. OMGUS oversaw the U.S. sector. On V-E day, General Dwight D. Eisenhower had 61 U.S. divisions (1,622,000 men) in Germany out of a total of 3,077,000 men in Europe. These soldiers became the occupation force for the U.S. sector. They manned border crossings, maintained checkpoints at road junctions, and conducted patrols throughout the sector. The occupation was comprehensive and demonstrated the scope of the German defeat.

Rapid U.S. demobilization, particularly after the Japanese surrender in August, quickly reduced the levels of U.S. forces in Germany. U.S. planners developed an Occupational Troop Basis goal of 404,500, later reduced to 370,000, to be reached a year after surrender. This goal, however, was overtaken by events. The domestic pressures for bringing U.S. soldiers became acute in late 1945 and into 1946. The plan for a nine-division force in Germany was reduced quickly to a forecast of five divisions.

As a way to meet the U.S. sector requirements while still reducing the Occupational Troop Basis, U.S. military leaders began to consider adopting a constabulary or police-type occupation force in Germany in fall 1945. The purpose of the constabulary force was to fill the law-

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11 We concentrated on the Western occupation zones in this analysis because the data for these areas are more accurate and more readily available.

and-order gap until a professional German police force could be trained. General George Marshall asked General Eisenhower to develop a plan for this possibility. Commanders in Germany objected to the concept as inefficient, uneconomical, and impractical, but personal intervention by Marshall and Eisenhower overcame these reservations. The constabulary was planned to be a mobile reserve force that could respond to incidents of civil unrest, conduct mounted and dismounted patrols, interdict smuggling operations, and assist in intelligence gathering.\textsuperscript{13} The planned force of 38,000 was calculated on the basis of one constabulary soldier per 450 Germans.\textsuperscript{14} This would be enough to ensure civil order in the U.S. sector. Three tactical divisions and headquarters elements would back up the constabulary force, but the Occupational Troop Basis would drop significantly, from 370,000 to under 290,000.

The U.S. Constabulary was established in January 1946, but initially comprised only the commanding major general and his staff. They established a school to train soldiers on constabulary duties. These troops received training on law enforcement and military government issues. The constabulary was organized into three brigades and was equipped along the lines of mechanized cavalry, possessing jeeps, armored cars, and some light tanks.\textsuperscript{15} The force was formally established in July 1946, with just over 30,000 soldiers, and was deployed throughout the American sector. The constabulary peaked at 31,000 troops. It played an effective role in the U.S. sector despite significant personnel turnover resulting from rapid demobilization. Although the constabulary’s troop strength remained constant, overall troop strength dropped to around 200,000 by the end of 1946.\textsuperscript{16}

\textsuperscript{13}James J. Carafano, \textit{Waltzing into the Cold War: The Struggle for Occupied Austria}, College Station, Tex.: Texas A&M University Press, 2002, p. 75.

\textsuperscript{14}Ziemke (1975), pp. 334–335, 339–341. There were approximately 16 million Germans in the American sector.

\textsuperscript{15}Carafano (2002), p. 75.

Initially, the U.S. occupation forces focused on demobilization of the vast German army, denazification of German society, and the prevention of the reemergence of Nazi elements. The Western zones quickly demobilized the German military, with little resistance. The Wehrmacht and all other military and paramilitary organizations were dissolved, and the German General Staff was abolished. The Allied Control Council promulgated a series of laws that codified this disarmament and demilitarization of Germany.\footnote{DOS (1947), pp. 13–16, 89–108.}

The constabulary force, meanwhile, trained a new German police force that was soon able to conduct routine police duties. This allowed the constabulary to focus on border control and law enforcement among displaced persons and U.S. servicemen.\footnote{Harmon (1970), p. 289.}

Ironically, by 1949 the United States began to push for the rearmament of West Germany as the Cold War began to heat up. With the signing of the North Atlantic Treaty and the creation of the FRG in 1949, the United States saw West Germany as an additional bulwark against the perceived Soviet military threat to Central Europe. Initially, France and the United Kingdom were unreceptive to the idea of rearming Germany. Moreover, Germany did not yet have full sovereignty because U.S. and other Western occupation forces remained in country, although at reduced numbers.

The Korean War brought the issue of German rearmament to a head. The June 1950 invasion from North Korea shocked the United States and its European allies. It transformed the security of Western Europe into an imminent problem in the minds of government officials on both sides of the Atlantic. In the central region of Germany, the Western allies had only 11 divisions, and most of these forces were not combat ready. The British High Commissioner noted that the central region had “only 4 weak Anglo-American divisions and practically no air force stood between the Channel ports and the 22 Soviet divisions poised a few miles from our zonal boundary.”\footnote{Quoted in Robert McGeehan, The German Rearmament Question: American Diplomacy and European Defense After World War II, Urbana, Ill.: University of Illinois Press, 1971, pp. 6–7.}

The consensus estimate of Soviet forces, meanwhile, was that Moscow had 2.5 million men (175 divisions) under arms. Although Soviet
divisions were significantly smaller than Western divisions, the disparity in force levels was on the order of 10 to 1. In response, North Atlantic Treaty Organization (NATO) countries developed conventional and nuclear forces to face the perceived Soviet threat. France and other Western allies eventually acceded to the rearment of Germany under the condition that all German forces would be under the control of NATO. The FRG and other NATO members positioned troops along the FRG’s eastern border in defense against a possible Soviet-led invasion. These troops would stay there throughout the Cold War and remain there, in reduced numbers, today.

**Humanitarian**

Humanitarian assistance and aid to refugees in Germany were coordinated and financed through OMGUS. However, private relief organizations, such as the International Red Cross and religious organizations, were heavily involved in the actual provision of food, clothing, and health care and in assisting refugees and displaced people to find surviving family and friends. They also assisted people to emigrate or move to new locations.

The U.S. government provided financial support for these activities in the U.S. zone through the Government Aid and Relief in Occupied Areas (GARIOA) program and through grants of war surplus supplies. The British had their own program in their zone. Figures on gross flows to the U.S. zone under GARIOA and provision of surplus supplies ran to nearly $9 million in late 1946; Germany was allowed to purchase $875 million of military surplus for $184 million on credit. However, on a net basis, the flows were smaller because Germany was supplying France and other European countries with coal and other supplies as part of reparations. When payments were made,

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21 On the German rearment question, see McGeehan (1971).

they came in the form of “credits” from the recipient countries. At the time, these were of dubious value.

The total number of German refugees was estimated at 15 million at the end of 1945. They consisted primarily of Germans who had been expelled or had fled from East Germany, German territories awarded to Poland and the Soviet Union, and traditional German areas throughout Central and Eastern Europe. By 1947, there were still 9 million refugees in Germany, although this number fell sharply over the course of the next few years.23 The FRG continued to receive refugees throughout the post–World War II period.

Civil Administration

In addition to demobilization of the German military, initial Western policy focused on the denazification of German society. The basic principles of the denazification program were laid out in JCS 1067 and at the Potsdam Conference of August 1945. These principles focused on dismantling the political and legal structures that the Nazi Party had created in Germany, arresting and punishing Nazi leaders and supporters, and excluding active Nazis from public life. In August 1945, the Allied occupying powers met in London and signed an agreement creating the Nuremberg Tribunal, officially entitled the International Military Tribunal. The London Charter set the ground rules for the Tribunal. In early October 1945, the Allies issued an indictment against 24 men, charging them with the systematic murder of millions of people and with planning and carrying out the war in Europe. With two of the indicted dead or missing and one too frail to stand trial, 21 defendants were tried in Nuremberg beginning in November 1945. The tribunal concluded in October 1946. Ten Nazi leaders were sentenced to death by hanging, and all but three of the remaining received lengthy prison terms.

The United States and other occupying powers also envisioned denazification extending below the national Nazi leadership and therefore set up tribunals to punish offenders at various levels of society. Although denazification was one of the principal objectives of the early occupation period, the proposed scale of denazification

quickly proved impractical. The occupying powers did not have the manpower or resources to accomplish such a thorough purging of German society, and U.S. forces found it impossible to administer the state without interacting with and utilizing competent bureaucrats and officials, at least some of whom were complicit in the Nazi regime. Instead, German officials largely ran the sector-level tribunals, or *Spruchkammern*, with occupying power supervision. Of the 3,623,112 persons considered chargeable under the Law of Liberation from National Socialism and Militarism, the *Spruchkammern* tried 887,252.

All told, the *Spruchkammern* convicted 117,523 people as offenders of some degree during the two years of trials, although most were in the lower categories. These results have led some to question the thoroughness of denazification, but most analysts contend that scaling back U.S. and allied denazification efforts resulted from the recognition of what was attainable. In the long run, this more-practical policy helped lead to a more-thorough repudiation of Nazi policies by the German populace and eliminated remaining support for the return of such an autocratic regime.

Until 1949, the military governments ran their respective sectors. Even after 1949, Germany was only gradually given its political sovereignty. The Potsdam Conference called for the establishment of local self-government “on democratic principles and in particular through elective councils as rapidly as is consistent with military security and the purposes of military occupation,” with later extensions of authority to regional and state administrations. The agreement stipulated that there would be central German administrative departments for finance, transportation, communications, trade, and industry but was silent on the future of a unified German state. Tensions among the four occupying powers, especially between the Soviet Union and the Western allies, precluded the establishment of any central German institutions, however.

24Peterson (1977), Ch. 4, and DOS (1947), pp. 16–21.
26In fact, Germany did not receive complete sovereignty until the end of the Cold War and German reunification in 1989 and 1990, respectively.
In fact, cooperation between the Soviet Union and the other occupying powers broke down quickly in the years after the war. By 1947, the Control Council and the Council of Foreign Ministers had become hopelessly deadlocked and were only able to achieve consensus on a few issues. Reparations, the structure and timing of the creation of a German state, the length of military occupation, and other major issues became contentious among the Allies, especially between the Soviet Union and the Western allies. Coordination among the Western allies progressed slowly but steadily. The British and French initially resisted General Lucius D. Clay’s entreaties to unify the Western zones. But the United States and the United Kingdom merged their occupation zones in January 1947, in part to coordinate a common economic policy across their respective zones and expand economic opportunities for German businesses in their areas. The French relinquished some control over their zone with the creation of the FRG in May 1949.

Democratization

Central to the objectives of the United States and the other Western occupying powers was the transformation of German political life along democratic lines. The Potsdam Conference declared that “all democratic political parties with rights of assembly and of public discussion shall be allowed and encouraged throughout Germany.” In its sector, U.S. policy focused on a “grass roots” approach, designed to build a German civil society from the bottom up. JCS 1067, for example, argued that one of the Allies’ most important objectives should be “the preparation for an eventual reconstruction of German political life on a democratic basis.”

This effort to inculcate and nurture democratic political structures was done in incremental steps. Political parties were initially limited to the county (Kreis) level but were later authorized at the state (Land) level. Land administrations were set up in fall 1945. The military government appointed Länder officials who were assigned full responsibility for internal affairs not concerned with security. OMGUS carefully scrutinized all aspects of the German administra-
tion, and, over time, additional functions were transferred from OMGUS to the various Länder administrations. In November 1945, OMGUS set up a Council of Ministers–President (Länderrat) for the three states in the U.S. sector. At first advisory, the Länderrat had been assigned substantial executive functions by June 1946 and was the principal implementing agency for OMGUS. In addition, elections for small communities of less than 20,000 people were scheduled in January 1946, with elections for larger communities held a few months later. The French and British took a slower approach to local elections in their zones, but active political life had resumed by late 1946.

By 1947–1948, under military proconsul General Clay’s leadership, the United States, and then the British and the French, continued to return more authority to the German people. The military government attempted to strike a balance between the return of sovereignty with the need for denazification, but the former was in ascendance by 1948. Moreover, in the U.S. view, the increase in Soviet power in Eastern Europe necessitated the rapid reconstruction of Germany.

The Western allies permitted the first countrywide elections in the Western zones in 1949. These elections led to the creation of the FRG and the election of Konrad Adenauer as the first chancellor. Adenauer’s government administered the new West German state at the national level, but ultimate sovereignty was vested in the Allied High Commission (i.e., the three Western occupying powers). With the agreement of the Western powers, West Germany joined NATO and commenced rearmament in 1955.

Another part of the U.S. and international effort to promote democratic ideals and eliminate vestiges of the Nazi regime was to change the education system, encourage freedom of press, and foster free discussion of ideas. For example, textbooks that perpetuated Nazi ideas were removed, as were the majority of elementary- and secondary-level teachers. OMGUS strictly licensed and monitored newspapers and made special efforts to ensure that the press and

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31Peterson (1977), Ch. 5.
radio were staffed with personnel with anti-Nazi backgrounds. These cultural efforts all worked to support allied goals of creating a peaceful and democratic German state.

Reconstruction
Disbanding the German government also meant disbanding German budgetary institutions. The occupying forces became responsible for economic and budgetary policies. On paper, the U.S. occupying force was only supposed to organize the economy to the extent needed to “meet the needs of the occupying forces and to ensure the production and maintenance of goods and service required to prevent disease and unrest.” However, General Clay, the military governor of the U.S. zone, ignored this directive, as did the U.S. military officers under his command who were in charge of various German municipalities. The U.S. military government directed its energies to reviving German output as quickly as possible to provide sustenance to the German population, including refugees. Financial pressures soon came into play as well, since both Britain and the United States wished to reduce the cost of feeding and clothing German populations in their zones.

The occupying powers continued to allow the German central bank to operate, but they, rather than the Germans, exercised control over it. As early as 1946, U.S. economists had plans for replacing the debased reichsmark with a new currency. The deutschmark was not introduced until 1948, in the context of the Ludwig Erhard’s reforms, however, because the Allies and the Soviets had joint control over the currency until then. The Western powers were afraid that the Soviets would print large quantities of a new currency to purchase goods from the Western zones, negating the effects of a currency reform. Only in 1948 were currencies and central banking activities sharply divided between east and west.

Because the national German government was, for all intents and purposes, dissolved, the military governors of the zones were not only responsible for civil and political affairs but also for the economic recovery of their sectors. In the U.S. sector, General Clay

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devoted substantial effort and resources to restarting German factories and mines. The same was true in the British sector. The French were more fearful and hence much less willing to see a resurgence of the German economy.

Despite initial discussions about prohibiting the reindustrialization of Germany, German economic output recovered rapidly in 1946 as plants and mines were reopened. By the fourth quarter of 1946, industrial output in the U.S. zone had risen to 2.4 times its fourth-quarter 1945 level, although it was still 45 percent of its 1937 level. In the more heavily industrialized British zone, output was up 50 percent. Nonetheless, the German gross domestic product (GDP) was only 40 percent of its 1944 level because of the disastrous economic situation in the first half of the year. British and U.S. economic policies quickly moved toward creating an economic environment favorable for business. U.S. policy, partially influenced by successful U.S. businessmen who were part of the Roosevelt and Truman administrations, was directed at creating a free-market economy in Germany. As part of this process, the German cartels were broken up. In addition, both zone commanders encouraged the development of trade.

Resources to support the German population were provided through GARIOA, surplus U.S. military supplies, U.S. and British military in-zone expenditures, and funds from the British budget. At the same time, the U.S. government recognized French and Russian claims for reparations. In particular, the U.S. government forced German mines to deliver coal to France and other nearby states for free. In return, the U.S. zonal authorities provided miners with food and wages. In addition, the Soviet Union dismantled German plants in both the British and U.S. zones and shipped the equipment back to the Soviet Union as part of reparations. Thus, some of what was given was taken away by other governments. The United States attempted to reduce the impact of these reparations payments by instituting a “first charge” principle. German export earnings were first used to pay for essential imports and only then for reparations. The United States also provided very large loans to the United Kingdom in 1946, some of which helped defray its costs for running its zone.

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Although annual economic statistics show double-digit growth in German GDP from 1947 to 1952, the statistics mask quarterly ups and downs. The winter of 1947 was very severe, and the following summer was very dry. A series of strikes and a slowdown in the rate of economic recovery in both Germany and Europe resulted in substantial concern about European recovery. This was enunciated in George Marshall’s famous speech at Harvard University on June 5, 1947, calling for a massive commitment of funds from the United States to assist European reconstruction.

The Marshall Plan was finally passed on April 3, 1948. Because of concerns about control, the U.S. Congress did not want the UN Relief and Rehabilitation Administration to administer the funds. Consequently, the U.S. European Cooperation Administration administered the Marshall Plan, in conjunction with the Organization for European Economic Cooperation, which eventually became the Organization for Economic Cooperation and Development.

The Marshall Plan did contribute to rapid European (and German) economic growth and recovery between 1948 and 1951, when the program ended; however, in many ways, the period from 1946 to early 1948, before the official launch of the Marshall Plan, was more critical. During this period, the United States provided large loans and aid to a number of European countries, totaling $3.4 billion in 1946 and $4.7 billion in 1947. In addition, such international organizations as the International Monetary Fund (IMF), International Bank for Reconstruction and Development, and UN Relief and Rehabilitation Administration provided an additional $1.2 billion and $1.1 billion in 1946 and 1947, respectively. The United States also provided these funds and enabled Germany and the rest of Europe to pay for the large inflows of imports that were instrumental for the postwar recovery. As with other case studies in this report, external assistance was needed for a period when the economies were not yet able to generate sufficient export revenues to pay for the imports needed for recovery.

Some scholars have argued that German economic recovery was well under way by the time the Marshall Plan was passed. In addition, some consider the Erhard currency and fiscal reforms to have been more important for subsequent German economic growth than the Marshall Plan was, especially since Germany received less assistance.
than other countries on a per capita basis: $12 in 1948 compared with $45 in Holland.36

However, a more useful way to assess the U.S. role in German economic recovery is to assess the full panoply of assistance and policies. In fact, in policy discourse in the United States, the term Marshall Plan has become a shorthand term for U.S. economic policies in the aggregate, not just the specific 1948–1951 program. Under this definition, the “Marshall Plan” provided substantial resources directly or indirectly through loans and assistance to the United Kingdom to finance the imports needed to get the German economy on its feet. U.S. policies in its zone helped contribute to freer markets in Germany by breaking up major cartels and providing an environment in which private businesses could flourish. The U.S. insistence on trade liberalization and support for the creation of the European Payments Union in 1950 played important roles in European economic integration and the eventual European decision, in 1951, to create the European Coal and Steel Community and to sign the 1957 Treaty of Rome, which established the European Common Market. Trade liberalization, economic integration, and the creation of the European Union (EU) have been primary factors in post–World War II European and German economic growth.

**LESSONS LEARNED**

An examination of Allied reconstruction efforts in Germany highlights a number of important lessons regarding democratization, civil administration, security, and economics:

- Democracy can be transferred, and societies can, in some situations, be encouraged to change.
- Defeated populations can sometimes be more cooperative and malleable than anticipated.
- Enforced accountability for past injustices, through such forums as war crimes tribunals, can facilitate transformation.
- Dismembered and divided countries can be difficult to put back together.

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36This section draws heavily on Killick (1997), pp. 114–117.
• Defeated countries often need sizable transfers to cover basic government expenditures and quickly provide humanitarian assistance after the conflict.

• Reparations immediately after the end of the conflict are counterproductive. The economy must grow before a country can compensate the victims of the conflict.

• Permitting more than one power to determine economic policy can significantly delay economic recovery.

The most important lesson from the U.S. occupation of Germany is that military force and political capital can, at least in some circumstances, be successfully employed to underpin democratic and societal transformation. Furthermore, such a transformation can be enduring. U.S., French, and British efforts to help build democratic institutions in Germany and to encourage the establishment of political parties were incremental and began in 1945. Over the next several years, these powers oversaw local and national elections; the establishment of a constitution and a bicameral parliament; and, in September 1949, the election of Konrad Adenauer as the first postwar chancellor of the newly formed West German state. While U.S. and allied efforts were important in ensuring this outcome, the West German population obviously played a critical role. Indeed, by the late 1940s, Western allies increasingly gave sovereignty of political institutions to the German people, who continued to deepen the democratization process.

U.S. officials anticipated and planned to deal with significant residual German resistance following the surrender of its armed forces. Yet no resistance of consequence emerged then or at any time thereafter, much as in Haiti during Operation Uphold Democracy (see Chapter Five). The large number of U.S. and allied military forces in West Germany and the establishment of a strong constabulary force preempted most resistance. Indeed, the constabulary force was specifically created to respond to incidents of civil unrest, conduct mounted and dismounted police patrols, interdict smuggling operations, and aid in intelligence gathering. This contrasts starkly with nation-building efforts in such countries as Bosnia, which were marred by organized crime and civil unrest.

The institution of war crimes tribunals and the thorough purging from public life of those associated with the Nazi regime was messy,
controversial, and occasionally unfair. However, it consolidated the democratization process by removing a potential threat to a nascent democratic political system. Furthermore, denazification eliminated virtually all support for the return of the Nazi regime and caused a thorough repudiation of Nazi policies in Germany society. In short, justice and retribution in postwar Germany facilitated the population’s reconciliation with its history and its neighbors.

The division of Germany into four occupation zones with independent political, economic, and military authority took 45 years to overcome. This was largely because the German question became tangled in the Cold War struggle between the United States and the Soviet Union. As historian John Lewis Gaddis notes:

What each superpower most feared was that [Germany] might align itself with its Cold War adversary: if that were to happen, the resulting concentration of military, industrial, and economic power could be too great to overcome.\(^{37}\)

Even reassembling the three Western zones took nearly half a decade, lengthening the occupation and slowing many reforms. Consequently, it is clear that divided countries can be very difficult to put back together—even among allies.

The economic policies General Clay and the U.S. Army personnel under his command pursued were key to the economic recovery of West Germany. In the U.S. zone, Clay and his subordinates rapidly and efficiently organized the provision of humanitarian assistance and restarted government services and economic activity. The U.S. Army’s focus on “getting things moving” was key to minimizing humanitarian suffering and accelerating economic recovery in its zone in the immediate aftermath of World War II. Similar efforts in the British zone were also constructive. The American and British zones were large net recipients of assistance in the first few years after World War II. These inflows were needed to cover the cost of government services and to provide minimum levels of food and other goods. They played a crucial role in jump-starting economic activity in West Germany.

Other zones did not fare as well because of reparations paid to the Soviet Union, France, and other states. Germany was compelled to export coal for free or on long-term credit to other European states. Soviet forces dismantled a number of assembly lines and shipped them back to the Soviet Union. These reparations slowed German economic recovery.

Each of the occupying powers set its own economic policies. The Soviet Union controlled presses that printed reichsmarks, the German currency, which it used to print money circulated throughout all four zones. Consequently, German inflation did not come under control until the introduction of the deutschmark in West Germany in 1948, thereby depriving the Soviets of their ability to print money. The introduction of the new currency and Erhard’s conservative fiscal policies were crucial ingredients for the German boom of the 1950s and 1960s.