

October 30, 1946

Dear Ken,

I read the manuscript of your epic on Germany. You are on the whole very tender with the sensibilities of your former employer for which we are most grateful. George Jacobs and I have made certain hen track notations in the margins. In addition to the foregging, however, I have certain broad comments mostly by way of mention of items which you saw fit to omit and which in my judgment form an integral part of the story.

You say nothing, for example, about the Soviet coporations in eastern Germany, their possible role in Russian penetration of the German economy, the difficulties we are encountering in Austria with "German assets" in lower Austria, or the Russian technique of 50-50 coporations in eastern Europe. You and Ed Mason took up this topic in the Secretary's policy report only at the last minute. I wonder whether your subconscious has refused to consider the problem important.

Your remarks on financing German imports are sketchy and vague. I find myself worried that our fear of the Eightieth Congress and its willingness to appropriate for German food is driving us into the manufacture of a lot of luxury good items for sale in the US when more substantial products needed for European recovery would make better economic sense. It is true that the shortage of coal and raw materials play a part in all this, and OMCUS is concerned with embodying in its exports the maximum amount of labor with the minimum complement of raw material. I am not prepared, because of the raw material position, to accept the Kurt Bloch view that German exports should consist of cheap goods involving small amounts of low grade labor. I think, however, that the necessity to get dollars for exports quickly in order that the Germans may eat may produce a distraction in German economic life which will be hard to correct. You are completely silent on the subject of development of property relations in Germany, the role of US coporations in German economic recovery, and the question of nationalization. Even apart from the Beven speech, the last problem has been with us in connection with the breaking up of cartels (the disposition of decartelized property) and the question of finding new owners for the property of Nazi malefactors. Given something like the Colm-Doge-Goldsmith proposals, it is hard to see development of private capital market which can absorb the ownership of "herrenlos" properties.

I find myself uneasy about your remark that the Army could withdraw in one or two years — it seems to me that this is a poor point to make if we are interested in demonstrating to Europe the fact that we are going to pursue a vigorous foreign policy. I am also not impressed by your discussion of reparation out of current production which seems to me to elide the problems of congressional appropriation for feeding the Germans, the first-charge principle, and the US financing of reparation payments, etc.

The great merit of your piece is that it is complimentary to the State Department. I could pay a lesser tribute to the importance which it attaches at all times to economic recovery, but this would be out of character for me. I am sure you prefer to have the bludgeoning type of criticism which I have furnished you above.

I know that you journalists are not in a habit of pilfering each others property, but I am a little disappointed that you did not find a use for Jo Alsop's remark to me in Berlin that he regarded Dahlan as reminiscent of Manila in 1904. If your mores would permit you to steal the remark without attribution, feel free to do so with or without the introductory material which was the British headquarters seemed like Burma and the French like Saigon. If you are obliged to attribute Alsop with whom I had lunch on Saturday, he is just 36 years old.

Very sincerely,



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*ESJ.*

DIVISION OF GERMAN AND AUSTRIAN  
ECONOMIC AFFAIRS  
DEPARTMENT OF STATE

OCT 28 1946

October 25, 1946

EDITORIAL DEPARTMENT

Dear Charlie,

I am enclosing an article on Germany on which I have recently been laboring. This is for your criticism and I hope, as well as expect, that it will be vigorous. Let me know the worst.

Sincerely,

*J. K. Galbraith*  
J. K. Galbraith



Mr. Charles Kindleberger  
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