

# The German Marshall Fund: reviving the Morgenthau Plan

by Susan Welsh

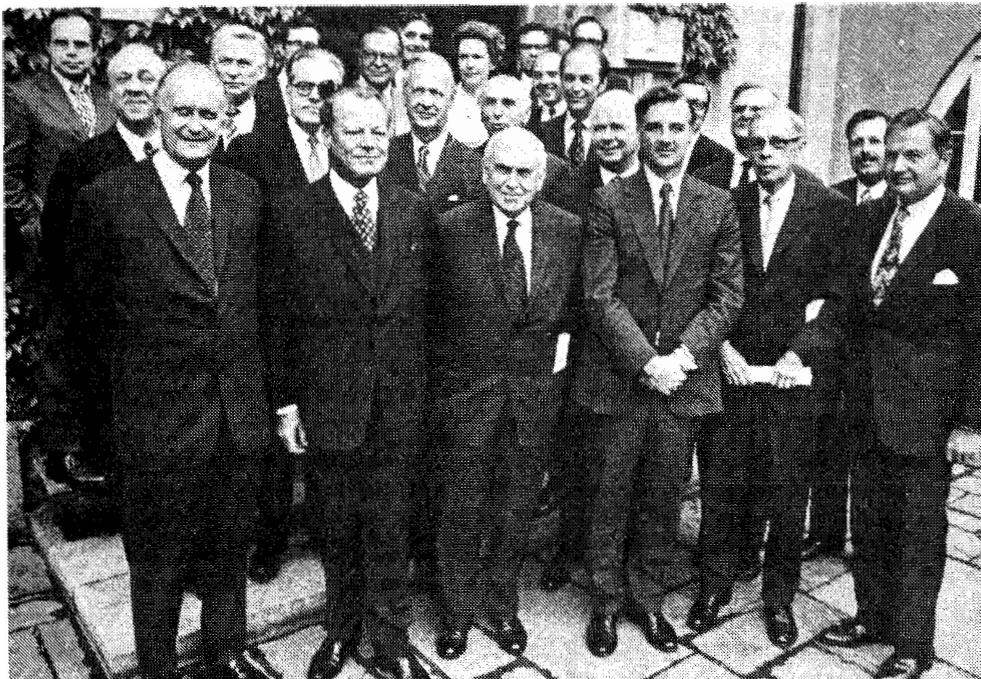
*This article was researched by a team of investigators, headed by Luba George in New York, that included Rainer Apel and Angelika Beyreuther in West Germany, and was written by Susan Welsh.*

"If someone were to propose a revised 'Morgenthau Plan' for the Ruhr, I would not be against it," said Friedhelm Fahrtmann, the Social Democratic labor minister for the state of North Rhine-Westphalia, in a recent West German radio interview. Fahrtmann was referring to the 1942 plan for the dismantling of German industry devised by Great Britain, and sponsored by U.S. Treasury Secretary Henry Morgenthau, Jr.

Fahrtmann does not have far to look, since indeed someone is proposing such a program: the German Marshall Fund, an *American* foundation based in Washington, D.C., was set up in 1972 with *German* taxpayers' money to draw up detailed operational blueprints for the deindustrialization and deurbanization of both the United States and West Germany.

The GMF is one of several institutions assigned by Anglo-American blueblood families to phase in a world whose economy is under the regime these families call "controlled disintegration." The GMF maintains close ties to the Club of Rome, the London Royal Institute of International Affairs, the Academy for Contemporary Problems, the Aspen Institute, the Deutsches Institut für Urbanistik, the Institut Français des Relations Internationales, the Council on Foreign Relations, and other leading "futurology" think tanks.

Since its founding in 1972, the German Marshall Fund has financed over 400 research and social engineering projects in the following areas: social tensions, service economies, deurbanization, decentralization, citizens' initiatives, alternative modes of production, and problems of minorities and immigrant workers. Hundreds of thousands of dollars annually are funneled into environmentalist and radical counterculture groups, as well as into geopolitical projects aimed at sabotaging the Paris-Bonn axis for industrial development that has existed in



*GMF directors and honorary committee members with Willy Brandt. Front row from left: C. Douglas Dillon, Brandt, John J. McCloy, C. Bok, John Conant, David Rockefeller.*

its current, somewhat fragile, form since the 1978 establishment of the European Monetary System.

## The original plan

Behind the distinguished-sounding but kooky German Marshall Fund are the patrician circles who tried to smash post-World War II “German nationalism” by means of the Morgenthau Plan. At a meeting of U.S. officials in September 1944, Morgenthau demanded the annihilation of the Ruhr, Germany’s industrial heartland:

The only thing you can sell me or I will have any part of is the complete shutdown of the Ruhr. . . . Just strip it. . . . I don’t care what happens to the population. . . . I would take every mine, every mill and factory, and wreck it. . . . Steel, coal, everything. Just close it down.

The plan had the full backing of British Prime Minister Winston Churchill and was sold to President Roosevelt, becoming part of the resolution of the 1944 Quebec Conference: “The program for eliminating the war-making industries in the Ruhr and in the Saar is looking forward to converting Germany into a country primarily agricultural and pastoral in its character.”

The Morgenthau Plan was never implemented in its most systematic form (due in part to the opposition of Secretary of State Henry Stimson, Gen. Dwight Eisenhower, and West Germany’s postwar leader, Konrad Adenauer). But the Allied occupation of Germany was carried out by means of the “four D’s”: “demilitarization, denazification, deindustrialization, and democratization.” What this meant in practice was: 1) the dismantling of industry, especially in the Ruhr, which was occupied by the British; and 2) a psychological warfare operation carried out under the direction of Britain’s Tavistock Institute psychiatrists and their colleagues from the U.S. Strategic Bombing Survey. The purpose of the Tavistock campaign was to inculcate in the German population a sense of “collective guilt” for the crimes of the Nazi regime, and to link this guilt to the very sense of German nationhood and particularly economic development. “The German industrialists bankrolled Hitler” was the line circulated by the British and their American liberal sympathizers. The latter, unlike the former, often did not know that London’s support for Nazi Finance Minister Hjalmar Schacht was the crucial element in Hitler’s rise to power.

The Marshall Plan, which sent \$16 billion in U.S. aid to Western Europe from 1948 to 1952, was intended by the best elements in the Truman administration to be the opposite of the Morgenthau Plan concept, and to substitute European economic recovery efforts for Britain’s much-disliked NATO blueprints. But as administered by the State Department Policy Planning Staff, the Council on Foreign Relations and Brookings Insti-

tution and Twentieth Century Fund personnel—who largely designed the program—it pursued a very peculiar form of “industrial recovery.” For continental Europe, including Germany, the goal was to build “self-sufficiency” from U.S. dollar imports, to impose fiscal and wage austerity, to finance investments from “savings” rather than international credit, and to promote selective cheap-export sectors, all in the name of “balance-of-payments equilibrium.”

Of \$14 billion in funding over the four years of the plan, West Germany received \$1.4 billion, plus various funding through the Occupation authorities—but this total of \$4.5 billion was exceeded by outflows from reparations, occupation cost-defrayment, forced coal exports, and financing of old debt. The Marshall Plan’s provision of emergency relief was accompanied by enforcement of a subsistence-wage, low-productivity regime, and a refusal to capitalize mining that crippled Europe’s steel production. The 1936 levels of industrial output were not reached until the Korean War; the goal of the Marshall Plan was again balance-of-payments equilibrium, and domestic balanced budgets, not economic recovery. And the plan’s brutal 1948 currency reform, as United Nations economists observed, slashed savings and industrial credit flows in western Germany while favoring short-term speculators and nonessential business sectors. (The only real material beneficiary of the Marshall Plan was Britain, which received the largest amount of aid and was allowed to use it to build up its oil refining and sales and to retire national debt.)

## The fund’s origins

The German Marshall Fund was created through the efforts of then-Chancellor Willy Brandt and Social Democratic party officials Egon Bahr and Horst Ehmke. Guido Goldman, director of the Center for European Studies at Harvard University (and today a fund trustee), played a key role. The fund was needed, he said, because “the most pressing problems of the advanced industrial nations—education, environmental protection, transportation, urban planning, social services—cannot be solved merely by expansion of economic resources. Their solution depends also on the imagination and insight with which governments choose alternative possibilities.”

The fund was inaugurated June 5, 1972, the 25th anniversary of the announcement of the Marshall Plan. Brandt declared the “deep gratitude of the German people for the generous assistance” of the United States. “As a symbol of this deep and lasting gratitude,” he said, “the government of the Federal Republic hereby declares its intent of contributing 150 million deutsche-marks [\$70 million] in the next 15 years for the establishment and maintenance of the German Marshall Fund in the United States—a memorial to the Marshall Plan.” Since then some DM 10 million per year has

been appropriated to the foundation, with no control by West Germany over how the money is spent.



The fund's honorary trustees include the top administrators of the postwar occupation of Germany:

- **W. Averell Harriman**, who oversaw the Marshall Plan in 1948-50 through the Economic Cooperation Administration, following his role in curbing U.S. exports as Secretary of Commerce in 1946-48 and his wartime efforts to undercut any U.S.-Soviet entente at the expense of Great Britain. Harriman, who married into the Churchill family, helped to run the Anglo-American interpenetration involving "KGB mole" networks in the 1920s and 1930s, and in 1954 founded the supranational Bilderberg Society, together with Prince Bernhard of the Netherlands (the head of the archenvironmentalist World Wildlife Fund) and Joseph Retinger (a Jesuit "one-worldist" associate of Count Coudenhove-Kalergi, founder of the Pan-European Union).

- **Robert A. Lovett**, who also shaped the Marshall Plan from his number-two position in the State Department after the war. A descendant of the Boston blue-blood Abercrombie family, Lovett is married to Adele Brown of the Brown Brothers Harriman investment banking family.



- **John J. McCloy**, U.S. Military Governor and High Commissioner for Germany in 1949-52. McCloy's support for the policy of dismantling German industry is illustrated in Adenauer's memoirs, which also record his harping on the theme of German "collective guilt" and the alleged inundation of federal and state offices with unrepentant Nazis. He imperiously demanded that Adenauer "examine the influence of the Bismarckian attitude . . . the authoritarian principle" that "had made the German people somehow susceptible to such excesses." (Adenauer tartly informed him that the founder of the Gestapo, Herr Diels, had been wine and dined as the guest of the Allied governments for many months at Nuremberg, where he was living a life of splendor.)

The architects of the new Morgenthau Plan are funding a wide range of "alternative lifestyle" and deurbanization projects, including the following:

- **Deurbanization and deindustrialization:** \$600,000 during 1978-79 for the "Trinational Exchange" program, to investigate how "dying cities" can be made "livable." The answer proposed is the "free-enterprise zone" concept developed by Sir Peter Hall of the School of Planning Studies at the University of Reading in England, a participant in the GMF study. The university maintains close ties to London's Tavistock Institute.

The study proposes to transform heavy-industry-

based cities like the Ruhr steel center of Dortmund and promote small, non-energy-intensive industries there. Said a spokesman for the Academy for Contemporary Problems, which participated in the study, "The Ruhr is far too oriented toward heavy industry. . . . The future of all of West Germany is in postindustrial forms of production, not industrial ones. . . . A city like Dortmund has to shrink, not only in size, but in its ideas about the future. Decentralization is the motto for the future.

Peter Hall told a reporter that "industrial growth in Germany is finished, and the country will undergo a planned collapse. . . . The labor movement is the main roadblock to the postindustrial era. They will make alliances to prevent the scrapping of heavy industry. Their power to hold back progress must be broken."

- **Environmentalism and the counterculture.** Financing of research on citizens' participation and protest in nuclear power plant-siting decisions in the United States, Germany, and France. A \$34,650 grant for "environmental internships in Europe" to allow U.S. environmentalist organizations to study at the Institute for European Environmental Policy in Bonn. A \$100,000 grant to the Conservation Foundation in the U.S. and \$60,000 to the International Institute for Environment and Society in West Berlin to study "the impact of environmental protection regulations on the location of industrial facilities and sitings."

Willy Brandt, in a speech to the GMF-financed "Eurosocialism and America" conference in Washington Dec. 5-7 gave his imprimatur to the quest for "alternative lifestyles." Since "the period of ongoing economic growths seems to be over for the foreseeable future in the Western industrialized nations," he proposed that "the quest for alternative life-styles, for the individual and for groups, should not simply be rejected."

- **The Brandt Commission versus the EMS.** \$100,000 "seed money" in 1977 for Willy Brandt's Independent Commission on International Development Issues. The so-called Brandt Commission has as its aim the fostering of North-South "cooperation" based on deindustrialization of the North and labor-intensive "appropriate technologies" for the South.

The GMF, together with the London Royal Institute of International Affairs (Chatham House) sponsored a "small private seminar" Oct. 12, 1978 to discuss the formation of the European Monetary System (EMS) by Chancellor Schmidt and French President Giscard. The Chatham House newsletter withheld any specific information on this gathering of "specialists," citing "the sensitivity of the negotiations at that point." Although Great Britain refused to enter the EMS, some Chatham House spokesmen have criticized this policy, arguing that to remain outside deprives Britain of crucial levers of control over the continental powers.