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0521400597 - Coal, Steel, and the Rebirth of Europe, 1945-1955: The Germans and French  
from Ruhr Conflict to Economic Community

John Gillingham

Excerpt

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## 1

*Mending a broken world: coal and steel  
diplomacy between the wars*

How could one have put back together that which World War I had broken up, the “delicate complicated mechanism . . . through which alone the European peoples can employ themselves and live”?<sup>1</sup> Although John Maynard Keynes, who thus described the European economy, quite properly blamed the Allied heads of state for having done too little at the June 1919 Versailles peace conference to restore it to normal operation, neither they nor those who succeeded them on the diplomatic stage could have done this by themselves. The thing was broken, and no amount of patchwork could repair it. New mechanisms were needed as well as time to test them. Only then could the European economy work properly again.

Two serious attempts *were* made between the wars to mend the broken world, neither successful in the short run, both future contributors to the Schuman Plan settlement. The first, an important subcurrent in French diplomacy, aimed at fitting Germany into a framework of international economic agreements which, though initially tilted radically in France’s favor, could eventually be reworked into a mechanism for the equitable adjustment of industrial and financial relationships between the two countries. Yet the French were then too weak, and German industry too bent on revenge, to have made a policy of even limited accommodation politically feasible. Abandoned in 1923 after the decision to occupy the Ruhr, the theme recurs in French policy after World War II.

Business and finance made the second attempt. Wall Street’s “private Marshall Plan” was part of it. The huge influx of American capital into Germany that began with the adoption of the Dawes Plan in 1924 stimulated a boom and gave rise to an enthusiasm for placing affairs of state in the hands of the directors of banking and industry. Though it vanished after the 1929 crash on Wall Street as rapidly as it had once appeared, the vogue for business involvement

<sup>1</sup> John Maynard Keynes, *The Economic Consequences of the Peace* (London, 1919), p. 2.

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in public problems did have one important consequence, the creation in 1926 of the International Steel Cartel (ISC). In some respects similar to counterparts in other branches of production, the ISC soon came to be regarded outside as well as within the industry as a possible forum for the settlement of political differences between France and Germany.

Though the depression soon wrecked the International Steel Cartel, it revived in the 1930s and developed into a permanent fixture, thanks to both the adoption of Ruhr-style organized capitalism in Western Europe and an increasing moderation of German producers. As the 1930s reached their tragic end, the ISC became the most important remaining link between the Third Reich and Europe, or so the governments of both France and Great Britain at least thought. In a desperate effort to appease Hitler, they tried to broaden the close relationships among international coal and steel producers, form transnational industry pacts, and launch joint ventures culminating in a community of interest strong enough to have eliminated any reason for his wanting to start a war. Though this "business diplomacy" failed, the ISC lived on, albeit under a different guise, as the organizational scaffolding for raw materials rationing and order placement through which the economy of the wartime New Order would operate.

### 1.1 A broken world

World War I resolved nothing. It was a defeat for Germany only in a military sense; in every other sense save possibly the moral one, the Germans were stronger in 1918 relative to the French and British than in 1914. This was above all the case with regard to the economy. More than ever before, the welfare of the Continent depended upon restoring Germany to economic health. The victory parades of 1918 concealed this fact only from the publics of the militarily triumphant nations. French policymakers knew even then that their country needed reparations not merely for recovery but to remain a great power.\* Only three means were available for securing them after the United States, as soon happened, withdrew from Europe. The French could have either pleaded for the support of their inconstant allies, the British, tried to coerce the Germans into making

\* Marc Trachtenberg, *Reparation in World Politics: France and European Economic Diplomacy, 1916-1923* (New York, 1980), p. 1.

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present concessions as a first step to future reconciliation, or, as a last resort, risked a nihilistic act in order to compel both Britain and Germany to do their bidding. The Germans understood all of this quite well. Even during the months of desperation following defeat, they were ready to raise the stakes in the contest with France, confident that time worked in their favor. And they eventually won: French weakness, not French strength, led to the Ruhr occupation of January 1923. Its failure ended France's bid to reorganize Europe until, after 1945, it would be resumed, this time with American support.

France's German policy during and after World War I is in the throes of revision, and though the final word has yet to be written historians will never again be able to describe it as merely punitive in character.<sup>3</sup> It amounted to far more than exploiting the harsh terms of the Treaty of Versailles in order to "squeeze the German lemon until the pips squeak." The treaty itself did not govern French policy; it was never more than a vehicle in the service of the national interest. This called not for an economically crippled Reich but for one which, though industrially and financially sound, would be politically shackled. The French had two kinds of impediments in mind. The first of them, detachment of the Rhineland, was of obvious military inspiration and should be understood more as a policy of harassment, vicious and destructive though it was, than as a major attempt to dismember the Reich. It coexisted in an uneasy relationship with a more serious and sustained effort to coerce Germany into accepting agreements that would serve the twofold purpose of supplying France's immediate needs and creating the basis for a more equitable long-term relationship; by demonstrating their goodwill, the Germans could be raised from economic subjection to industrial partnership. This notion would provide the gist of French *Ruhrpolitik* after World War II as well.<sup>4</sup>

<sup>3</sup> Jon Jacobson, "Is There a New International History of the 1920's?" *American Historical Review* 88:1983, pp. 617-645; Marc Trachtenberg, "Reparation at the Paris Peace Conference," *Journal of Modern History* 51:1983, pp. 24-55; Walter McDougall, "Political Economy versus National Sovereignty: French Structures for German Economic Integration after Versailles," *Journal of Modern History* 51:1979, pp. 4-24; Charles Maier, *Recasting Bourgeois Europe: Stabilization in France, Germany, and Italy in the Decade after World War I* (Princeton NJ, 1975), *passim*.

<sup>4</sup> Trachtenberg, *Reparation*, p. 2; Walter A. McDougall, *France's Rhineland Diplomacy, 1914-1924: The Last Bid for a Balance of Power in Europe* (Princeton NJ, 1973), pp. 10-11.

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The author of this policy was Minister of Commerce Etienne Clémentel, the man in charge of France's foreign trade and supply during World War I.<sup>5</sup> His ideas would have a profound influence on the architect of the future European Coal and Steel Community, Jean Monnet. In the second week of September 1914, with the battle of the Marne still raging, Monnet, then a twenty-five-year-old foreign sales representative of his family's cognac firm, managed to arrange an audience with Prime Minister René Viviani in the hope of persuading him to recognize that French military strategy was based on false premises: The war would be long, not short, and something completely overlooked in prewar planning – foreign supplies – would make the difference between victory and defeat. Viviani was duly impressed: Monnet soon found himself serving in London as chief of trade liaison with the British and reporting to Clémentel in Paris.<sup>6</sup>

Along with Walther Rathenau and V. I. Lenin, Clémentel was among the first to recognize that the organizations set up to administer industry, agriculture, and trade during the war could serve as the basis of a peacetime economy whose priorities would be determined by the state rather than the marketplace. Underlying Clémentel's predilection for government intervention was less dislike of liberal economics than fear that France's survival as a great power made it necessary to appropriate the resources of the world in general, and Germany in particular, until recovery had occurred. The French minister of commerce first presented his proposals at the Paris peace conference of June 1916, which had been convened for postwar planning. At this gathering he secured British agreement to maintain the inter-Allied commissions set up in 1914 to purchase and distribute world raw materials supplies. Complementing these proposals in the international sphere were others for domestic reform. According to Marc Trachtenberg, "The organization of French industry completed the Ministry of Commerce plan. Under the guidance of the state, firms within an industry would cooperate with one another, sharing technical knowledge, dividing markets, each perhaps specializing in the manufacture of particular products."<sup>7</sup> A national producer association, animated by the same spirit, was to underpin this structure.

Coal and steel were central concerns of Clémentel and French

<sup>5</sup> Etienne Clémentel, *La France et la politique économique interalliée* (Paris, 1931).

<sup>6</sup> Jean Monnet, *Memoirs* (London, 1978), pp. 48–49.

<sup>7</sup> Trachtenberg, *Reparation*, p. 4.

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policy makers generally. They had a number of worries. Most obvious was physical damage to plant: overworked or flooded mines and missing, wrecked, and obsolete mill machinery. Even more important were the problems arising from the return of Alsace-Lorraine. This doubled France's theoretical steel capacity, equaling Germany's in 1913, thus perilously increasing its already heavy dependence on Ruhr coke and coking coal. Secretary-General Robert Pinot, of the steel producers' association, the Comité des Forges, estimated in October 1915 testimony before the Senate Committee on Economic Expansion that after the war France would require an additional seven million tons of the former and thirty million tons of the latter.<sup>8</sup> The annexation of the Saar would make no difference in this respect, he added, because the coal of that region was unsuitable for coking: The mills of German Lorraine, which France would acquire, drew their supplies of combustible from the Ruhr. Neither Pinot nor anyone else from the Comité appears to have had a clear-cut plan for dealing with this problem. The closest thing to one was a vague steelmakers' resolution of July 1916 to the effect that "any extension of French control beyond Alsace-Lorraine and beyond the Saar could only simplify the problems that recovery of Lorraine would create for France."<sup>9</sup> Far from being a demand for the seizure and annexation of the Ruhr mines, this amounted to a plea that the government devise ways to pressure their operators into supplying the raw material needed to keep French mills in operation.

Clémentel's plans had been frustrated even before the peace conference convened in Versailles. The British would not go along with them because they profoundly resented the advantages these conferred on France and recognized as well that any appropriation of German coal output would reduce the sales of their own mines. The United States, which by early 1919 was hastily dismantling its temporary national commissions for supply and transport, objected in principle to maintaining wartime controls.<sup>10</sup> Partly because of business objections to further "government interference," Clémentel's power even within France was limited; authority passed instead into the hands of the minister of armaments, Louis Loucheur, a visionary industrialist. In April 1919 Clémentel and Monnet both resigned and Monnet joined the secretariat of the League of Nations, where he hoped to keep alive Clémentel's plans for international control of raw material supplies.<sup>11</sup> Although this aim was also

<sup>8</sup> McDougall, *Rhineland Diplomacy*, p. 19.    <sup>9</sup> Ibid.<sup>10</sup> Trachtenberg, *Reparation*, p. 38.    <sup>11</sup> Monnet, *Memoirs*, p. 79.

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largely frustrated, the most essential component of Clémentel's approach, his Ruhrpolitik, remained a key element of French policy. In the future, however, France would be obliged to accept as interlocutors not the official representatives of the Weimar government but the real powers behind it, the magnates of heavy industry.

Their influence was due partly to the consistent French preference for reparations in kind, whose delivery only producers could assure, over financial transfers. Clémentel feared that the latter would be inflationary and dreaded that they would turn France into a nation of consumers rather than producers, another sixteenth-century Spain. In his view, as in that of successive leading economic advisors, financial reparations were a lever of policy, not an end in themselves. As Trachtenberg puts it, the "nominal demand for vast payments was the instrument by which vague 'concessions' could be extracted from Germany, and by which recalcitrant allies might be induced to favor the idea of a 'world fund' to finance the rebuilding of the devastated areas."<sup>12</sup> Clémentel's successor, Loucheur, who had been Prime Minister Clémenceau's chief adviser on financial and industrial matters at Versailles, secured the really important concessions from the Germans. He managed to have incorporated into the treaty stipulations requiring German delivery of twenty-seven million annual tons of coal (or its equivalent), as well as two clauses. One assigned France proprietorship of the Saar mines for fifteen years; the other removed German tariffs on goods produced in Alsace or Lorraine for a period of five years.<sup>13</sup> Like Clémentel, Loucheur sought broader solutions. Even before the treaty had taken effect, he launched an initiative aimed at a more permanent settlement of Western European coal-steel problems. On 1 August 1919 he proposed to a German delegation that an international steel cartel be set up, which was to include the producers of Belgium and Luxemburg along with the producers of France and the Reich and, in addition, was to be coupled with an agreement for the exchange of French iron ore and Ruhr coal. Representatives of one of the biggest Lorraine producers, Schneider-Creusot, conducted negotiations with the Germans on this basis during the final months of 1919.<sup>14</sup> In undertaking such initiatives the French may well have had in mind something that "went far beyond a mere business arrangement with Germany . . . and was in fact [aimed] at some kind

<sup>12</sup> Trachtenberg, *Reparation*, p. 18.

<sup>13</sup> McDougall, *Rhineland Diplomacy*, p. 104.

<sup>14</sup> Trachtenberg, *Reparation*, p. 112.

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of political arrangement.”<sup>15</sup> They may also have merely been dangling the possibility of such a settlement before German eyes in order to obtain fuel.

The coal crisis of 1919–1920 was little short of catastrophic for France. It stemmed directly from the dislocations of war and peace, the destruction of the mines, the exhaustion of the rails, and labor shortages and unrest. In 1919 France had to import half the coal it consumed, no less than 70 percent of which was from Britain. The high figure was due in part to the fact that the delivery provisions of the Treaty first took effect in April 1920. After the war U.K. coal arrived at French ports at what seemed extortionate prices, seven times more than in 1913. In April 1920 the British cut France’s quota of their total coal exports from 60 to 40 percent, and the French government foolishly retaliated by reducing the official price of import coal; supplies soon virtually disappeared.<sup>16</sup> Not surprisingly, “Unemployment spread for lack of fuel . . . Paris utilities rationed heat and light [and] the newly lighted foundries were largely extinguished.”<sup>17</sup> Disappointment mingling with disgust, the French government turned from Britain to the Ruhr.

The big steelmakers of the eastern provinces supported this policy shift. Unlike the main Ruhr producers, few of them controlled their own mines; most purchased fuel on the market and derived no cost, or any other, benefits from reparations coal. Since April 1916 the Law of Péréquation had regulated prices of all solid fuels sold in France, using an equalization formula that favored small consumers. For domestic political reasons the rules could not be changed.<sup>18</sup> It therefore made good economic sense for Lorraine steelmakers to establish an independent supply relationship with the Ruhr mines. In April 1920 the secretary-general of the Comité des Forges, Robert Pinot, again approached the Germans with proposals for entente and requests that discussion begin concerning French participation in the Ruhr mining industry.<sup>19</sup>

If in 1919 and 1920 the German concerns of the Comité des Forges extended little beyond the immediate problem of the coal supply, the same cannot be said about those of the undersecretary for commercial relations at the Ministry of Foreign Affairs, Jacques Seydoux. This physically feeble font of intellectual energy was the

<sup>15</sup> *Ibid.*, p. 86.      <sup>16</sup> McDougall, *Rhineland Diplomacy*, pp. 106–107.

<sup>17</sup> *Ibid.*, p. 109.      <sup>18</sup> *Ibid.*, pp. 104–105.      <sup>19</sup> Trachtenberg, *Reparation*, p. 112.

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tireless author of numerous elaborate schemes for working French reparations policy into eventual détente with Germany. The so-called Seydoux Plan, presented to the general public in a 12 December 1920 article entitled "How to Make Germany Pay," featured a revolving fund to commercialize the reparations debt in order to give German manufacturers an economic stake in French reconstruction. Seydoux also envisaged so-called joint boards (*bureaux mixtes*) to administer the transfer of product between the two countries. Such an arrangement would have required German acceptance of foreign economic controls, at least in the near term. This he expected to gain by creating the hope that in time the machinery for collecting reparations could eventually be regeared to promote economic collaboration with France. Although prominent on the agenda of the Brussels conference held from December 1920 to January 1921, Seydoux's ingenious scheme had no immediate practical importance in French policy.<sup>20</sup> Nor, for that matter, did the bold initiative of Loucheur that resulted in the Wiesbaden Accords concluded in October 1921. This was another clever plan for the large-scale transfer of German product to France. The French were to place orders through a centralized, technically private body representing the interests of industrial groups. It would then transfer the orders to a counterpart German organization, which would distribute them to producers. Prices were to be set jointly. Although Weimar Foreign Minister Walther Rathenau signed the agreement, it never took effect.<sup>21</sup>

There are many reasons why the Seydoux Plan and the Wiesbaden Accords failed. Not only were they overly complex, but a great deal of ground had to be crossed before Ruhr industry would be ready to accept the verdict of battle. If there had been an equivalent after World War I to the post-1945 trials of major industrialists held at Nürnberg, the representatives of some of the Ruhr's most prominent firms would surely have found themselves in the dock. Since the publication of Fritz Fischer's compendious study of German war aims during World War I, *Griff nach der Weltmacht*, no serious doubt remains that as a group the leaders of the Ruhr Konzerne did indeed wage aggressive warfare, despoil the economy of the occupied territories, and promote the exploitation of slave labor. German big businessmen did far more than merely support the annexationist policies of their government; they devised them, exercised political

<sup>20</sup> Ibid., pp. 156–157.    <sup>21</sup> McDougall, *Rhineland Diplomacy*, pp. 167–168.



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pressure to secure their adoption, and propagandized for them tirelessly until the end of the war.<sup>22</sup>

Demands that the war yield a rich material harvest first cropped up spontaneously as German troops advanced across the plains of northern France in late summer 1914. Heavy industry's interest centered on the rich ore beds of Longwy-Briey, which German capital had begun to penetrate shortly before the war. The Ruhr was unrelenting in the pursuit of its objectives. In the final days of August and early September 1914 the Thyssen firm, the Röchling brothers, Stinnes, Krupp von Bohlen, and Emil Kirdorf (of the coal producers' syndicate) each made representations to Chancellor Theobald von Bethmann-Hollweg concerning Longwy-Briey. In a fall 1914 effort led by big business, Alfred Hugenberg of Krupp set about organizing a massive national lobby for a peace of conquest, one "worthy of the immense sacrifices" being made for the war. Early the following year, Hugenberg put the lobbying effort on a permanent footing by organizing a national league of producers and managers to exert constant pressure for expansionist policies.<sup>23</sup>

In March 1915, and later in May, it presented the famous Petition of the Six Economic Organizations to the chancellor. The document called for the creation of "a colonial empire adequate to satisfy Germany's manifold commercial interests" and the annexation of large portions of the Baltic and White Russia. As befit the organization's origins in heavy industry, the petition also contained a very specific list of demands in Western Europe. These would have brought no less than fifty thousand square miles and eleven million new inhabitants within the Reich. Belgium, it stated, was to become a vassal state. As for France, "the Six Associations demanded the coastal districts, including the hinterland, as far as the mouth of the Somme [and] the district of Briey, the coal country of the Departments of Nord and Pas de Calais, and the fortresses of Verdun, Longwy and Belfort."<sup>24</sup>

This was a program motivated by more than mere concern for the Reich's future military security: German heavy industry wanted to eliminate peacetime competition. The events of the occupation, especially in Belgium, provide proof of this fact. The French were a bit luckier than the Belgians. Longwy-Briey came under civil administration in October 1914, and a committee of prominent industrialists with interests in Lorraine administered the French ore

<sup>22</sup> Fritz Fischer, *Griff nach der Weltmacht* (Düsseldorf, 1961).

<sup>23</sup> Hans W. Gatzke, *Germany's Drive to the West* (Baltimore, 1950), pp. 37–38.

<sup>24</sup> *Ibid.*, p. 45.

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properties located there. For the rest, the industry of occupied France stood idle, left to rust. Though this inactivity was less evidence of a German plot than of a shortage of raw materials, it was far from unwelcome to Ruhr producers. A comprehensive and detailed survey of the region's production facilities conducted under the auspices of the army supreme command in 1916 concluded gloatingly that the war had set back France's industry by many years – nothing was to be feared from its future steel competition. The damage done to the mines also meant, it added, that the French would be far more dependent than previously on supplies from the Ruhr. Best of all, postwar reconstruction of the manufacturing industry was expected to provide ample contracts for German firms, which in 1914 had already controlled almost 20 percent of the French market for production machinery. The report observed in closing that even without the annexation of new territory, something its author considered desirable, opportunities for German producers would indeed beckon in postwar France.<sup>25</sup>

In Belgium, Ruhr industry took a direct hand in the exploitation of the economy. There were two schools of thought as to how to deal with this historically anomalous nation. Military Governor Baron F. W. von Bissing wanted to incorporate it into the Reich as a dependent territory but not to strip it bare and reduce it to penury. German big business belonged to a more hard-line party that lobbied for truly drastic policies in the interests of victory and expansion. An ugly truce prevailed in the beleaguered country during the first half of the war. The leaders of Belgian business refused to work for the Reich; German industry, suffering from shortages of raw material, had no intention of utilizing capacities in occupied territory when this would have required leaving their own factories idle. The adoption in August 1916 of the Hindenburg Plan to increase war production introduced the phase of *exploitation à outrance*. One consequence of it was the organization of *Industriegesellschaft 1916 m.b.H.*, which had analogues in the fields of transportation and agriculture. Among shareholders in the new company were Alfred Hugenberg of Krupp, Hugo Stinnes, Emil Kirdorf of the coal syndicate, Paul Reusch of Gutehoffnungshütte, and Wilhelm Beuckenberg of Phoenix. Along with the other government-sponsored, producer-owner consortiums, the new enterprise was supposed to help the Reich take over controlling shareholdings in the main pro-

<sup>25</sup> Ibid., pp. 152–153.