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Markets and Bureaucracies:

The American Impact and its Limits

I should like to make a few comments with respect to a basic controversy among German historians. This controversy also engages the public at large and has strong political overtones. How should we see 1945 and the following years if we take a bird's-eye view on German history? Did this period mainly mean a fundamental change, a discontinuity, a new beginning after catastrophic experiences, as many had expected and hoped in the so-called *Stunde Null* of 1945? Or was it rather a period of failed opportunities, in which old structures survived underneath superficial ruptures? A period in which traditions resisted reforms, and a process of restoration took place after a short time of uncertainty, turmoil and chaos? And what role did the Allies play in this process of renewal or restoration, change and continuity, particularly the Americans in the Western zones of occupation?

Most observers will agree that in many important respects the mid-1940s were not a period of continuity and/or restoration, but a period of fundamental change and basic restructuring. Large German territories were lost and the nation-state split. Prussia ceased to exist. The German ruling élites were deeply changed, particularly by the destruction of the East Elbian *Junker* class which had been so influential in the previous century. If one concentrates on the Western zones, respectively the Federal Republic of Germany, one must be impressed by the fact that for the first time a well functioning and broadly accepted liberal-democratic parliamentary system was established, quite in contrast to the time after 1918, and of course in contrast to Imperial Germany. The party system was deeply restructured, in this respect the founding of the *Christlich Demokratische Union (CDU)* was the major innovation. The union structure of pre-1933 was not restored but deeply modified. Militarism has become a matter of the past, both in the sense of a constitutional problem and in the sense of a way of life and a set of values. The dictatorship, the war and the "break down" of 1945 have destructed traditional values and cultures, questioned previous conventions, shattered old identities, relativized

previous lines of conflict, for instance between the churches and denominations. Many of these changes were experienced as losses, but they also opened up new opportunities. Both the relatively successful history of the Federal Republic and some of our major problems (of identity) should be seen on this background. On balance the period around 1945 represents a more fundamental turning point in German history than either 1933 or 1918/19 or 1870/71 or 1848.

But, on the other hand, there were several basic continuities as well, two of which I shortly want to comment upon: the capitalist continuity and the bureaucratic continuity. In the first case – with respect to the basic continuity of the private business market system – the Americans helped to preserve it, probably in a decisive way. The second continuity – the bureaucratic one – survived in spite of American attempts to change it. And in the light of this second experience the American contribution to the survival of the first continuity should perhaps be seen in a slightly different way than is usually the case in the literature.

It is well known that German industrialization, like most other industrializations of the 19th and 20th century, occurred in a capitalist form. The basic principles of capitalism – private, ownership-based control of capital, profit-oriented economic decisions in decentralized enterprises, market-relations and work for wages on a contractual basis – had also been in existence in the "Third Reich" although government interventions of different types had increasingly narrowed the businessmen's scope and freedom of action.

Right after defeat and liberation hardly anybody would have predicted the future survival of capitalism. Many advocated some form of socialism or communal economy (*Gemeinwirtschaft*). Such ideas were strong both among Social Democrats and enlarged parts of the CDU, in the Communist minority and among intellectuals, in the trade unions and in the churches. There were different visions,

most of them pointing, though usually in a rather vague form, to a new fusion between democracy and socialism. This anti-capitalist mode seems to have been a common European phenomenon until 1947. It had many variations and different motives:

In Germany, anti-capitalist resentments had a long and strong tradition, and they had not been weakened under National Socialism. – After 1945 many people believed that a system based on private business would never manage to bring about a thorough improvement of living conditions for the mass of the population. The belief was widespread that such an impoverished tormented country could not afford capitalism any more. – And many people had the not totally mistaken impression that big business politics and the crisis of capitalism before 1933 had played a role in bringing down the Weimar Republic and in preparing the way for National Socialism. This should not be repeated.

Late in 1946 General Lucius D. Clay demanded a popular referendum when the Hessian assembly had drafted a constitution which in Article 41 provided for government control and government ownership of key industries, central systems of transportation, energy production, insurances and large banks. 72 percent of the voting population came out in favor of this article. There are many other instances which prove that there were both majorities and strong organizations in favor of a fundamental reform of the capitalist system in Germany, at least until late in 1947.

Of course, not all Germans favored that. Konrad Adenauer, for instance, was never a friend of *Sozialisierung* or *Gemeinwirtschaft*. The Chambers of Commerce (*Industrie- und Handelskammern*) were quickly re-established after the end of the war, and they also worked against a basic transformation of the economy. So did the newly founded *Freie Demokratische Partei (FDP)*. And it seems that after 1947 popular support for structural economic reform weakened. It became clear, after Ludwig Erhard's currency reform, that the market system was still capable of producing economic improvements. And the very visible example of the Soviet zone proved that socialization did not necessarily lead to more democracy and freedom. Certainly, the factors which prevented a partial socialization or other forms of non-capitalist economic reforms in the Western zones between 1945 and 1949 were complex and

manifold. The British occupation forces who governed the Ruhr were not at all unanimous in favor of socialization although it was a declared aim of the London Labour government. The French hated the idea of investing so much additional power in German authorities whom they continued to distrust. And the question of economic unity versus partial reforms on a zonal or single *Land* basis also played a role.

But basically it can be argued that we would have got some important moves in favor of partial socialization or similar economic reforms, had it not been for the postponement policy of General Lucius D. Clay and his military government in 1946–1948. It is well-known that Clay ordered postponement of the enforcement of those articles and laws in Hesse, Wuerttemberg-Baden, Bavaria and Bremen which provided for partial socialization. In Berlin American influences worked in a similar direction. And in 1947/48 the American influence in bi-zonal politics was strong enough to prevent the British from steps of socialization at the Ruhr, steps which, as it seems, the British would have taken now, had it not been for the Americans.

From partial socialization and other economic reforms like *Mitbestimmung* Clay feared a decline of economic efficiency. Very soon he started to evaluate domestic reforms with respect to the overall conflict between the East and the West, socialist countries versus countries with free market economies. There is no time to investigate further his motives nor the different opinions formulated by the State Department and the Pentagon in this respect. Nor do I have time to speculate about what an alternative economic policy would have meant in the long run for Germany and the Germans. This would be very counter-factual, and people disagree on this, even today.

I just want to say that here is an important continuity which was victorious in spite of strong alternatives at the time, and the American military government played an important, perhaps a decisive, role in favor of this continuity.

In my opinion, the second continuity, the continuity of the bureaucracy and the *Beamtenstaat*, was at least as important as the capitalist one which I have discussed so far.

In Germany the rise of public bureaucracies preceded industrialization, the rise of representative government and democratization. This is a basic factor by which German modern history has differed from the British and the American pattern. The tradition of the German *Berufsbeamtentum* originated in the 18th century, and it survived all major breaks and different constitutional systems in modern German history. And west of the River Elbe it survived again after 1945, with respect to its legal structure, its basic procedures, and – after a short interlude – with respect to its personnel as well, although both the American and the British occupation governments tried hard to change them.

American and British occupation officers and policy makers came from countries without an old and well-established *Beamten* tradition. Particularly American officers and some of their consultants tended to see the bureaucratic-authoritarian tradition as partly responsible for the illiberal and non-democratic way German history had taken. They were not completely wrong. And they tried to change this.

First de-nazification hit the civil service hard, particularly in the American zone (leaving aside the Soviet zone where the replacement of *Beamte* was even more thorough and less short-lived). In US-controlled Hesse 75 percent of all civil servants in office at the end of the war had been dismissed by May, 1946. But the trend was reversed in 1947 and 1948, after de-nazification had been turned over to the German *Spruchkammern*. This is a problematic story in itself not to be told now. More than 95 percent of those dismissed were taken back into the civil service by 1950, with the consent of the military government. Difficulties and injustices of the de-nazification programs and new demand for qualified personnel played a role. Other issues were regarded to be more important. The influence of German authorities grew.

Secondly, one word on the structural side. Between 1946 and 1948 the Americans (and the British) tried hard to get the law and the structure of the German civil service reformed. They wanted to break the virtual monopoly of the legal profession in the civil service. They wanted to extinguish the legal difference between *Beamte* and *Angestellte* in the public sphere. They wanted to modify the tenure principle and change recruitment procedures by

emphasizing interviews at the cost of university diplomas. They wanted to bar civil servants from political activities, especially from being elected into representative bodies (which has been and continues to be a mass phenomenon in German politics on all levels). They tried to curb the ministers' patronage power by establishing civil service commissions which should recruit, promote and dismiss.

It is interesting to observe how the German authorities managed to resist these pressures, in spite of many conflicts and in spite of the fact that the bi-zonal military government in a dramatic move still in February 1949 enacted a civil service law against the will of the Germans. When John J. McCloy became High Commissioner he still had to deal with this problem. At the latest, in 1951 the Americans gave in. It is remarkable to see that even the Social Democrats and the unions gave only half-hearted support to those reforms. The bureaucracy was sufficiently strong to defend itself against every attempt to curb its *wohlerworbene Rechte*.

Similar developments occurred in the educational system, in the schools and in the universities. With minor exceptions, the institutions and laws of the pre-1933 situation were restored whereas the Americans had worked for reforms (no fees, six years in the grade school instead of four, no denominational schools as a rule, more influence for parents' organizations). As to the teachers and professors, the overwhelming majority of those who had served under the dictatorship stayed in office or came back after a short interlude.

The Americans had not been strong enough to break or to modify this bureaucratic continuity.

Certainly, the prestige and *esprit de corps* of the civil service had suffered in the previous period. Their attitudes and convictions were different from what their majority had thought and felt in the Weimar Republic. The civil service did not really hinder establishing a democratic parliamentary system in the Federal Republic, in contrast to what many of them had done in the Weimar Republic.

Still, this bureaucratic continuity was an important tie between the new republic and the decades before. An important attempt to draw a clearer line between the new Germany and the fascist dictatorship had failed. This was one of the doors through which

social conservative spirit and style permeated into politics, society and culture of the new republic. Predemocratic and sometimes illiberal traditions were fed in the new system as well as administrative competence and efficiency, which surely were very important for the new system. This was a mixture of long-term blessings and long-term burdens. To speak about its consequences would mean to speak about the history of politics, democracy, protest and crisis in the Federal Republic.

Why were the Americans so much less successful in the second case than in the first case? Probably this had something to do with their priorities and their definitions of what was more important. Also, it is easier to defend a *status quo* than to change it. Another reason may be that German pressures were stronger and more unanimous with respect to preventing administrative reforms than with respect to bringing about economic reforms. But then: would it perhaps have been possible to get some economic reforms enacted against American opposition if German pressures had been stronger?

In this sense our second case throws light on the first one. It may well have been that the American contribution to stopping the socialization campaigns was not that decisive as we usually think. Maybe those reforms failed because there was not enough pressure in favor of them on the German side.

One should see that American occupation forces were not all-powerful in German domestic affairs. They needed support and co-operation. Probably the Russians were much more powerful in their zone because, according to their principles of government, domestic support was not that essential for them. German responsibility for the domestic decisions in the postwar years may have well been heavier than we like to think.