

RG 84
 Entry USCOA
Austria
 File 851
 Box 89

DECLASSIFIED
 Authority NND775121
 By SR NARA Date 2-3-00

File
C. I.

No. 2695

Vienna, Austria, March 5, 1947.

UNCLASSIFIED

SUBJECT: Announcement of Austria's inclusion in
 Treasury General License No. 95.

THE HONORABLE

THE SECRETARY OF STATE,
 WASHINGTON.

SIR:

I have the honor to enclose for the information of
 the Treasury Department translations of press notices and
 official announcements by the Austrian Government, and
 1/ copies of application form as issued by the Austrian
 National Bank, in connection with the extension to Austria
 of the benefits of Treasury Department General License
 No. 95 defrosting assets in the United States.

The action was first announced informally in the
 2/ press on January 16, 1947 together with a report of an
 3/ interview with the Finance Minister, Dr. Georg Zimmermann.
 4/ The official announcement by the Ministry appeared in the
 WIENER ZEITUNG, issue of February 18, 1947, together with
 5/ a statement by the Austrian National Bank, the agency
 designated to certify transactions under the license,
 setting forth the procedures. It will be noted that the
 Bank makes the filing of applications mandatory. The
 legal basis for this is the Foreign Exchange law under
 which all persons are required to declare their assets
 abroad and to make them available to the Government.
 The penultimate paragraph of the Bank's statement is not
 clear in the German text but is understood to refer to
 instructions to the banks to report upon holdings in the
 United States for customers' accounts with particulars
 regarding enemy national and Nazi interest in the assets
 in order to carry out the commitments made in the letters
 of assurance.

Respectfully yours,
 For the Minister:

K.L. Rankin
 Counselor of Legation

Enclosures:

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Enclosures:

1. Application form for certification of assets.
2. Press statement - WIENER KURIER, January 16, 1947
3. Interview with Dr. Zimmermann, WIENER KURIER,
January 16, 1947
4. Official announcement by Finance Ministry,
WIENER ZEITUNG, February 18, 1947
5. Statement of Austrian National Bank, WIENER
ZEITUNG, February 18, 1947

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cc to: Central European Division

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Enclosure No. 1 to Despatch No. 2695
from Vienna on defrosting of Austrian
assets.

Der Antrag ist in zweifacher Ausfertigung einzubringen.

In Maschin- oder Block-
schrift auszufüllen.

Von der Oesterreichischen Nationalbank
auszufüllen.

Protokoll-Nr.

An die

Oesterreichische Nationalbank

Wien.

Betr. Deblockierung der in den USA
gesperrten österreichischen
Vermögenswerte.

Antrag

auf Ausstellung einer Bescheinigung (Zertifikat) für die in den USA gesperrten Vermögens-
werte oder in Österreich befindlichen amerikanischen Wertpapiere im Sinne der vom Schatz-
amt der USA erlassenen

ALLGEMEINEN ERMÄCHTIGUNG

(General License Nr. 95).

Ich (Wir) beantrage(n) für die im Punkt 6 näher bezeichneten Vermögenswerte die
Ausstellung einer Bescheinigung im Sinne der General License Nr. 95.

1. Vor- und Zuname des Eigentümers (Forderungsberechtigten), bei Firmen die genaue
Firmabezeichnung, bei Gesellschaften und juristischen Personen Angabe der Rechtsform:
(Bei Antragstellung durch Vertretungsberechtigte ist die Vertretungsbefugnis gehörig nachzuweisen.)

2. Adresse:

3. Wohnsitz (Sitz) während der Zeit vom 14. Juni 1941 bis zur Antragstellung:
(Die Angaben sind durch behördliche Bestätigungen nachzuweisen.)

4. Staatsangehörigkeit während der Zeit vom 14. Juni 1941 bis zur Antragstellung:
(Die Angaben sind durch einen nach dem 14. Juni 1941 ausgestellten Heimatschein oder durch andere
behördliche Bestätigungen, nachzuweisen.)

5. Angaben natürlicher Personen über die Registrierungspflicht gemäß § 4 des
Nationalsozialistengesetzes 1947 und Zugehörigkeit zum Personenkreis des § 17/2
(Belastete) oder § 17/3 (Minderbelastete) dieses Gesetzes:
(Die Angaben sind durch eine Bestätigung der zuständigen Registrierungsbehörde zu belegen.)

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6. Genaue Bezeichnung der zu bescheinigenden Vermögenswerte mit Angabe des Ortes, an dem sie sich befinden, und der Personen, die die Vermögenswerte verwahren oder verwalten oder die als Schuldner in Betracht kommen, mit genauer Adresse:
(Schriftstücke, die als Nachweis für die Angaben dienen können, sind beizuschließen.)

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7. Bekanntgabe des Zeitpunktes, zu dem die Vermögenswerte erworben worden sind, und Benennung dessen, von dem sie erworben wurden (Rechtsvorgänger), sowie Angabe des Erwerbsgrundes z. B. Kauf, Schenkung, Warenlieferung u. dgl.:
(Schriftstücke zum Nachweis dieser Angaben sind beizufügen.)

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8. Angabe der Protokoll-Nr. der Devisenanmeldung, falls die Vermögenswerte auf Grund des Devisengesetzes anzumelden waren:

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9. Gehören die Vermögenswerte einer Mehrheit von Personen (Erwerbsgesellschaft nach bürgerlichem Recht, offene Handelsgesellschaft u. dgl.), sind die Gesellschafter (Miteigentümer) mit ihren Anteilen zu verzeichnen und sind von jedem für seinen Anteil die unter Punkt 1—7 angeführten Angaben auf gesondertem Formular oder einem Beiblatt in zweifacher Ausfertigung zu machen:

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10. Juristische Personen haben anzugeben, inwieweit Personen mit dem Wohnsitz (Sitz) in Österreich und Angehörige anderer Staaten, insbesondere Deutschlands, Japans, Ungarns, Bulgariens oder Rumäniens an den zu bescheinigenden Vermögenswerten während der Zeit vom 14. Juni 1941 bis zur Antragstellung unmittelbar oder mittelbar Beteiligungen besessen haben. Auf die Bestimmungen der umseitigen Anmerkung wird hingewiesen:

(Unterlagen zum Nachweis der Angaben für die Jahre nach 1940 sind vorzulegen, z. B. Anmeldungen zu den Generalversammlungen, Zusammensetzung des Verwaltungsrates u. dgl.)

11. Raum für besondere Bemerkungen, insbesondere für Ergänzungen zu den Punkten 9 u. 10:

[Empty lined area for notes]

Ich (Wir) erkläre(n), daß die obigen Angaben nach bestem Wissen und Gewissen gemacht wurden, und es ist mir (uns) bewußt, daß ich mich (wir uns) durch unwahre Angaben strafbar mache(n).

....., am 194.....

Unterschrift (Zeichnung) des Antragstellers

Bestätigungsvermerk des österr. Kreditinstitutes, falls Vermögenswerte von ihm verwahrt oder verwaltet werden.

Das unterzeichnete Kreditinstitut bestätigt, daß die vorstehenden nach ihren Aufzeichnungen überprüfbaren Angaben, das sind die Angaben in den Punkten:

.....

.....

richtig sind.

....., am 194.....

(Firmenmäßige Zeichnung des österr. Kreditinstitutes)

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Anmerkung:

Gegenstand des Prüfungsverfahrens sind alle in den USA vorhandenen, Österreich gegenüber gesperrten Vermögenswerte (Forderungen, Guthaben, Wertpapiere, Liegenschaften usw.). In dieses Prüfungsverfahren werden auch die in Österreich befindlichen amerikanischen Wertpapiere sowie die auf Dollar lautenden, in den USA zahlbaren Wertpapiere österreichischer Schuldner einbezogen, weil diese Wertpapiere ohne Bescheinigung (Zertifikat) nicht gehandelt und nicht in die USA eingeführt werden können. Für solche Vermögenswerte kann eine Bescheinigung ausgestellt werden, wenn an ihnen nicht unmittelbar oder mittelbar Interessen (Beteiligungen) von Angehörigen Deutschlands, Japans, Ungarns, Bulgariens oder Rumäniens oder von Personen bestehen, die von den USA im besonderen als Feinde angesehen werden. Als Angehörige Deutschlands, Japans, Ungarns, Bulgariens und Rumäniens in diesem Sinne gelten natürliche und juristische Personen, die am 14. Juni 1941 oder nachher in Deutschland (ausschließlich des Gebietes Österreichs), Japan, Ungarn, Bulgarien oder Rumänien ihren Wohnsitz oder Sitz hatten. Ihnen gleich zu halten sind Staatsangehörige Deutschlands oder Japans, die am 7. Dezember 1941 oder nachher zu irgend einem Zeitpunkt im Gebiete Österreichs oder in einem anderen Lande ihren Wohnsitz hatten, während dieses als Feindland galt.

Die Ausstellung von Bescheinigungen kommt in Betracht:

- a) für natürliche Personen, die am oder nach dem 14. Juni 1941 ununterbrochen im Gebiete Österreichs oder irgend einem anderen bereits deblockierten Lande ihren Wohnsitz hatten. Ausgenommen sind jedoch Staatsangehörige Deutschlands oder Japans, die sich zu irgend einer Zeit seit 7. Dezember 1941 in Deutschland (einschließlich des Gebietes Österreichs), Japan oder einem anderen Lande aufgehalten hatten, während dieses im Verhältnis zu den Vereinigten Staaten als Feindgebiet anzusehen war. Außer Österreich gelten derzeit als deblockierte Länder, auf die die General License Nr. 95 anzuwenden ist: Frankreich, Belgien, Norwegen, Finnland, Niederlande, Cechoslovakei, Luxemburg, Dänemark, Griechenland, Schweiz, Liechtenstein, Polen.
- b) für Personen und Kapitalgesellschaften, Körperschaften und Organisationen, die im Geltungsbereich der österreichischen Gesetze errichtet sind, falls an ihnen nicht am oder nach dem 14. Juni 1941 unmittelbar oder mittelbar Angehörige Deutschlands, Japans, Ungarns, Bulgariens oder Rumäniens im Sinne der oben angeführten Begriffsbestimmung beteiligt waren oder beteiligt sind.

Raum für Bemerkungen der Oesterreichischen Nationalbank:

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Enclosure No. 2 to Despatch No. 2695
 from Vienna on defrosting of Austrian
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WIENER KURIER, January 16, 1947

Blocked Austrian Assets in U.S.A. Released.

Vienna, January 16, 1947 (AND) - According to simultaneous announcements issued yesterday by the American and Austrian Ministries of Finance, as well as the Headquarters of the American Forces in Austria, Austrian assets in the United States, which had been blocked since 1941, may now be released in accordance with the provisions of General License No. 95.

Austria thus is the first country, other than members of the United Nations or neutral countries, to have its assets unblocked. In the spirit of General Clark's efforts to reestablish Austria's independence, these measures will furnish the Federal Government with increased foreign credits.

General License No. 95 provides for the release of blocked Austrian assets by a process of certification which, in a similar manner, had already been applied during the war to assets of France, Belgium and other Allied countries.

Austrian authorities will investigate ownership of the assets and determine that no interests of subjects of enemy nations or Austrian Nazis are involved and whether certification of the assets can be made under the terms of the release. The Austrian National Bank was entrusted with the issuance of these certificates by the Austrian Government.

As soon as assets have been so certified, they will no longer be regarded as blocked. The purpose of the American action is to transfer responsibility for release of Austrian property in the United States to the Austrian Government.

The application of the provisions of General License No. 95 was extended to Austria after an exchange of correspondence between the Austrian Finance Minister Zimmermann and the American Finance Minister Snyder.

Translated from
 the German

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Enclosure No. 3 to Despatch No. 2695
 from Vienna on defrosting of Austrian
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WIENER KURIER, January 16, 1947

A Further Step Towards Normal Economic Relations.

On the occasion of the release of Austrian assets in the U.S.A., Federal Minister for Finance, Dr. Georg Zimmermann, granted an interview to the representative of the WIENER KURIER, in which he said:

"In accordance with American investigations the value of Austrian assets in the United States is estimated at approximately 6,100,000 dollars. Since part of this amount, probably, is owned by persons who in the meantime have become American citizens, it is to be expected that Austria will not receive the whole amount, but a portion of it the size of which has not been determined yet. Although the effects of the release will be subject to a certain reduction as far as the amount is concerned, the action of the American Government nevertheless is of particular significance for Austria and we have every reason to accept this consideration with joy and gratitude.

"The putting of this agreement into effect does not only constitute the release of dollar credits, which until now had been blocked, but at the same time a renewed recognition of Austria as a liberated country and an additional proof of the friendly attitude of the Government of the United States towards Austria.

"The elimination of the restrictions placed on Austrian assets in the United States, furthermore, constitutes a further step on the road towards normal economic relations between the two countries, which justifies our high hopes."

Translated from
 the German.

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Enclosure No. 5 to Despatch No. 2695
 from Vienna on defrosting of Austrian
 assets.

UNCLASSIFIEDWIENER ZEITUNG, February 18, 1947UNFREEZING OF AUSTRIAN ASSETS BLOCKED IN U.S.A.

An agreement has been reached between the Treasury Department of the United States of America and the Federal Ministry for Finance under which the benefits of the General License of the American Treasury (General License No. 95) for the release of assets blocked in the United States during the war, have been also extended to Austria. Release is subject to certain conditions presence of which must be established in each particular case. The Austrian National Bank is entrusted thereby to determine whether the necessary conditions exist and in affirmative cases to issue certificates.

All Austrian assets (including claims, credits, bonds, shares, real estate etc.) blocked in the United States are subject to this transfer control. Also included in this control are American securities in Austria such as dollar loans, including Austrian obligations payable to the United States, because these securities cannot be traded in and offered in the United States without having a certificate attached. For such assets a certificate can be issued if there exists in them no interest, direct or indirect, of a citizen of Germany, Japan, Hungary, Rumania or Bulgaria or of persons who have been regarded by the United States as enemies.

For this purpose citizens of Germany, Japan, Hungary, Rumania or Bulgaria are defined as natural or juridical persons who on or after June 14, 1941 have had their residence or their situs in Germany (other than Austria), Japan, Hungary, Rumania or Bulgaria. The same applies to citizens of Germany and Japan who on or after December 7, 1941, at any time had their residence in Austrian territory or in another country which was considered an enemy country.

The Issuance of the Certificate.

(a) For natural persons who on or after June 14, 1941 had their domicile unbroken in Austrian territory or in any other already unblocked country. However, German and Japanese citizens who at any time since December 7, 1941 have been in Austria or other countries which were regarded as the enemy countries by the United States are not included in the above. Besides Austria, the other countries

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which are considered unblocked and to which General License No. 95 applies are: France, Belgium, Norway, Finland, the Netherlands, Czechoslovakia, Luxembourg, Denmark, Greece, Switzerland, Lichtenstein and Poland.

(b) Partnerships, corporations, associations and organizations which have been established under Austrian legislation provided that on or after June 14, 1941 no national of Germany, Japan, Hungary, Rumania or Bulgaria has or has had an interest therein in accordance with the provisions above.

All owners (or authorized agents) of assets mentioned under section 2 of this announcement irrespective of whether conditions outlined under paragraphs (a) or (b) apply, must file as soon as possible with the Austrian National Bank an application for issuance of a certificate of release in duplicate. Attention is called to the fact that disposal over blocked assets is permitted only after issuance of a certificate. Authorities, financial institutions and other trustees in the United States will not execute orders without presentation of such certificates.

Forms obtainable from the Austrian National Bank, Vienna I, Rockhgasse 4, must be used for these applications. Forms cost schillings -.50. Return postage should be included with written requests for forms. Financial institutions in Vienna are requested to provide themselves with forms.

In the case of assets which are held or administered by Austrian banks for customers, application must be submitted by the customer himself. However, in order to prevent inquiries (direct by customers to the National Bank)* banks are advised to submit forms to their customers for execution with reference to this announcement, and upon receiving them executed, to submit them to the Austrian National Bank with the certificate of examination inserted in the proper column.

Austrian financial institutions will receive special information on a special procedure provided for the examination and granting of certificates for cash assets which the Austrian financial institutions have on account in the United States.

To cover costs the Austrian National Bank will charge 0.2% of the amount of the certified asset in addition to its cash expenditures, or a minimum of schillings 5.

Translated from
 the German

* Inserted by translator
 for purpose of clarity.

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By SR NARA Date 2-3-00

No. 73

American Legation, Vienna, Austria,
May 28, 1947.RESTRICTEDVOLUNTARY

AMERICAN INVESTMENTS IN AUSTRIA,
PAST AND PRESENT
(Preliminary Note)*

Prepared by Eleanor L. Dulles,
Financial Attache.

The large extent of American interests in many foreign countries, as well as the determination of the United States Government to assist in the economic reconstruction in Austria, have led to the assumption in various quarters that American property rights and interests in Austria must be very substantial. On the basis of this assumption the United States has sometimes been attacked for its efforts to help in the present critical period. The view has been expressed that the direct financial interest involved is the motivating influence. A study of the relations between Austria and the United States demon-

*NOTE: Effort has been made to bring together facts available at the Ministry of Property and Economic Planning, the Division of Reparations, Delivery, and Restitution, the Finance Division, USACA, and the Legation files. The results presented here are tentative, but represent the combined information and conclusions of persons in these offices working on the problem of American interests in Austria. No attempt is made to include a large number of real estate holdings and a considerable amount of personal property. Moreover, it should be noted that recent valuations of some of the larger business properties are not available.

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strates the fact that these assumptions are without foundation. The business interests and properties of Americans in Austria are indeed surprisingly small. They are estimated to be under \$40 million.

The reason American investment has not been larger in Austria can be understood when one reviews the history of economic relations in recent years. During the period 30 or 40 years when American has made her largest investments abroad, there was considerable hesitation at placing any substantial sums in the Danubian area. There were two main reasons for this situation. First, there has been fear of political instability in the Balkan regions and second, trade between the United States and Austria has never reached large figures. The type of goods entering into trade between the two countries, particularly luxury goods, does not represent large totals and is not such to stimulate large scale investment. Very few categories of Austrian export to the United States exceeded \$100,000 in value in prewar years. The three which usually showed the highest dollar value were magnesite, cotton, and imitation jewelry. Others which were of some importance for Austria included woolen goods, silk, cheese, wood, hides and skins, furs, glass, and porcelain. No category, however, showed exports approaching a million dollars in 1937, and most of the categories of exports to the United States were only valued in a few thousand dollars in a total of \$5.6 million.

The Austrian tourist industry was of greater interest to European travelers than to Americans, who were numerically less than tourists from the Balkan countries. German tourists were, of course, of most consequence. With a few exceptions (electrical, locomotive works, lumber) where German and other continental interests predominated, the heavy goods industries did not develop in Austria until forced into unnatural growth by the war preparations of Germany. Although a number of emigres from Austria to the United States continued to evidence interest and loyalty in their country of origin, the number of such emigrants and the extent of their ties with their former country was not so great as in the case of Greece or Italy. In short, there was no significant and natural basis for a flow of funds from the United States to Austria.

Wherever interest in Austrian production in automobiles, electrical equipment, or similar classes of production developed, a more interesting immediate field for United States investment seemed to be available in Germany. To a considerable extent than the German situation over-

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shadowed and blocked out the smaller Austrian potential. Austria suffered, moreover, from less close and direct personal contacts with American business interests than those between the United States and Germany and other European countries.

In spite of this analysis which would tend to demonstrate the relative unimportance of American capital investment, it is necessary to examine the facts to see what exceptions there have been. There are a number of sources of information, although all of them are somewhat incomplete. The names of a dozen main American interests emerge from all of these different sources. In the first place, it will be found that there are a few outstanding companies which represent the more substantial, though not very large, direct American interests. Second, there are a few large properties which have come into question mainly from the naturalization of former Austrian citizens who fled to the United States as refugees and, in the third place, there are a large number of small claims which have been made to real estate, furniture, and other personal property. Only a half dozen represent any significant sums but most of them amount to only a few 100 or a few thousand dollars in each case.

Among the companies frequently mentioned as having interests in Austria, one can find only a few familiar names. These 10 or 12 companies have for the most part, widespread international interests and their investment in Austria has represented a relatively minor part of their total capital. When one searches beyond these well known names, one finds practically no concerns which have placed any considerable new capital in Austria in the last ten to fifteen years. Some pre-Anschluss investors have attempted to hold and maintain their former interests, but many have allowed their properties actually to decline in value. In practically no case does the investment of any of these larger American companies represent any significant portion of the business of the parent company in the United States.

In addition to the direct interests, some indirect participations growing out of interests in German concerns are known to exist. The amount which was so invested in Austria cannot well be estimated at the present time. It is clear, however, that most of what has come in through these channels represents a very small interest in terms of money and no influence at the present time in terms of control.

^{1/}See appended note

In terms

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In terms of claimants it is clear that more than four-fifths of the properties now listed as American represent small personal interests in real estate and that more than three-fourths of these interests are held by naturalized Americans, former citizens of Austria.

The facts which can be gathered together at the present time thus bear out the conclusion based on a review of the former economic relations between the United States and Austria. Reports indicate that American investment in federal, municipal, and Laender Government securities total approximately \$7 million on the basis of face value of securities presently thought to be outstanding. A complete survey may show a few additional small items which have not yet been reported. In addition to this \$7 million total the amount of \$2,247,100 is said to be the present face value of the American portion of the 1930 International Federal loan. This is the remainder of a larger share after considerable repurchase during the Anschluss period by Germany. The combined total is thus under \$10 million.

One is frequently asked at the present time whether American bankers or American businessmen are ready to lend to Austria. Trade and investment are highly unlikely to run to proportions comparable to the commerce in former times with Czechoslovakia, Hungary, and Germany. Much of Austria's investments of a non-governmental nature must come in the near future as in the past mainly from natural trading partners, near neighbors, and those European countries which have direct interests tied in with those of Austria's metal production, electrical production, and similar major activities.

The trade and investment situation in Austria before the Anschluss was peculiar in that the country did not have time to adjust fully to the separation of the State from the Austro-Hungary Empire and was moreover shaken by other post-war events including drastic inflation and the collapse of the Creditanstalt in 1931. Austria thus had no period in its history which might be considered by the historians entirely normal or which was so regarded by the businessmen or bankers. The position of Austria at the conclusion of the war offers possibilities which are very different from those found in the previous two decades. Not only are certain lines of manufacture and production more highly developed than they were before but Austria is not faced with the competition and dominating influence of German business and is presumably in a position to take over some portion of the market which Germany was forced to abandon.

American

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American business dealings with Germany during the thirties sufficiently demonstrated the difficulties of dealing with an economy completely controlled by a dictatorship. The multiplicity of restrictions, the unpredictable intervention by the State and the domination of economic life by politics led to unfortunate investment experiences.

Meanwhile, the United States itself has passed to a new phase of constructive economic leadership which is likely to foster development of diversified interests in any economic arrangements which may have been overlooked previously for special reasons.

Austria as a democratic country with a diversified trade and a large number of trading partners fits into the American program for fostering a complex network of exchange between free trading systems. American efforts to revive the Austrian economy are clearly a part of this broad program of permitting a spontaneous and natural development of a many-sided exchange of goods. Once the results of such efforts begin to become evident the businessman is certain to take advantage of opportunities for profitable commerce with the small, but nonetheless significant natural resources of Austria. The skilled labor, and the adequate plant facilities can attract new capital from the United States on a purely commercial basis if a measure of political calm can be assured. An additional stimulus to interest in Austria is expected from the tourist trade, which in the future more than in the past is likely to be made up in large measure of Americans and which will create a new interest in Austria as a producing country. Thus, it is assumed by those who have studied the nature and extent of American interests that the past gives little indication of the future relationships but that a sound reconstruction will open up opportunities which will be attractive and which will compare favorably to the business prospects of other European countries of comparable size.

Conclusion

A study of United States participations by the Finance Division, USACA, summarized the situation saying that they are extremely small - that except for oil, the only considerable holdings are the "Vereinigte Telefon und Telegraphenfabrik, A. G." and the "Oesterreichische Magnesit A.G." It adds that participations are estimated to represent less than 3 per cent of Austrian capitali-

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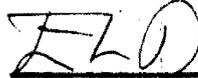
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ization out of a total of 1,970 million schillings in 1945, or about 54 million schillings.^{2/} Moreover, the addition of scattered holdings of real estate and personal property do not change this picture.

The future of United States participation is expected to depend on the extent to which Austria develops its potential along the lines of a diversified multilateral trade. Tourist trade can stimulate commerce and increase interest in investment. Thus, the "free and independent" Austria of the future can probably attract moderate amounts of American capital along with that from other countries.

Approved:



K. L. Rankin,
Counselor of Legation.

Eleanor Lansing Dulles,
Financial Attache.

To the Department in Hectograph
Copy to Central European Division

Enclosure 1 - List of Firms Reported to have Investments in Austria

Enclosure 2 - List of United States Participations in Austrian Business Enterprises

2/ See attached table

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 By SR NARA Date 2-3-00

RESTRICTED

Enclosure 1 to Report
 No. 73, American Lega-
 tion, Vienna, May 28,
 1947.

SHORT LIST OF FIRMS
 REPORTED TO HAVE INVESTMENTS IN AUSTRIA

(only 17 of the better known concerns are listed)

American Austrian Magnesite Corporation
 American Radiator Company
 National Cash Register Company
 Singer Sewing Machine Company
 International Telephones and Telegraph Company
 United Show Machinery Corporation
 Socony Vacuum Oil Company
 Standard Oil Company of Austria
 International Business Machines
 Hugo Stinnes
 Eastman-Kodak
 International Standard Electrical Corporation
 Swiss "Borvisk" Company, Wilmington, Delaware
 Ernst, partnership foodstuffs
 Rosenfeld grocery business
 Rothschild interests
 Swift and Company

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 File Austria
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Enclosure 2 to Report No.
 73, American Legation,
 Vienna, May 28, 1947

United States Participations
 in Austrian Business Enterprises

1/

United States Control over Large Austrian Industrial Firms

Firm	Participation 1938	Participation 1945
Vacuum Oil Co., Wien I	7,200,000 RM	9,300,000 RM
Osterr. Magnesit AG. Radenthein	9,333,333	20,000,000
Osterr. Mineralölwerke G.m. b.H. Wien I.		7,500,000
Vereinigte Telefon & Telegraphenfabrik	2,622,000	2,622,000
Austrogasco, Wien IV	1,000,000	1,000,000
Kanigwerk A.G. Radenthein	1,000,000	4,000,000
Rohölgewinnungs A.G. Wien I	<u>1,000,000</u>	<u>1,000,000</u>
Total	<u>22,155,333</u>	<u>45,422,000</u>

Other Participations Reported

U.S. control over large Austrian industrial firms	22,155,333	45,422,000
U. S. minority partici- pation in large in- dustrial firms	573,000	3,472,000
U.S. controlled sales and service corporations and assembly plants	1,960,666	2,602,000
U.S. control over or par- ticipation in small business	681,237	864,127
Indirect participation via minority participation in German firms	-	-
Miscellaneous; insufficient data for classification	<u>229,600</u>	<u>1,243,000</u>
Combined Total	<u>25,599,836</u>	<u>53,603,127</u>

1/ SOURCE: Finance Division, USACA, based on information
 from Ministry of Property and Economic Planning. The
 Finance Division expresses great reserve regarding these
 figures and considers them subject to large revisions.

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OFFICIAL COMMUNICATIONS TO
 SECRETARY OF STATE
 WASHINGTON 25, D. C.



PREVIOUS
 FILED
 1/27/48

DEPARTMENT OF STATE
 WASHINGTON

DEPARTMENT OF THE UNITED STATES
 FILE
 FEB 28 1948
 VIENNA

MEMORANDUM

DIVISION OF FOREIGN REPORTING SERVICES

February 6, 1948

AIR MAIL

Informal Comment on Reports and Despatches
 (Reference Foreign Service Serial No. 257)

RESTRICTED

To the
 Officer in Charge of the American Mission,
 Vienna.

Comment on reports prepared by Senior Economic Analyst
 Eleanor L. Dulles.

Report No. 73 of May 28, 1947, "American Investments in
 Austria, Past and Present (Preliminary Note)". 251

From the Department of the Army:

"This report provides useful factual information and
 background for the evaluation of current intelligence."

From the Federal Reserve Board:

"This report is extremely valuable in connection with
 the work of this Agency on the financial problems of Austria
 and especially on the financial relations between Austria and
 the United States. It contains material not available from
 any other source, and combines thorough factual research with
 excellent analytical comments. It is particularly timely in
 view of the United States relief and credit assistance
 recently granted to Austria, and was used extensively in
 laying the groundwork for the National Advisory Council
 report on the proposed grants to Austria, which was prepared
 by this Agency."

Report No. 86 of July 3, 1947, "Allied Aid to Austria". 251

From the Division of Central European Affairs of the
 Department of State:

"In view of the frequent requests from numerous sources
 for this information on Austria, this report provides a most
 useful summary and supplement to the information the division
 has endeavored to assemble from scattered sources."

Report No. 98 of July 22, 1947, "The Need for Wage and Price
 Reform". 251

From the Division of Central European Affairs of the
 Department of State:

"The data presented in this report are timely and
 instructive for clarification of a development in the
 Austrian situation of interest to this division."

It will be appreciated if this information is brought to
 the attention of Miss Dulles.

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Authority NND 775121

By SR NARA Date 2-3-00

**TELEGRAM RECEIVED**

16-87118-1 GPO

From: SECSTATE

Date: June 20, 1947

TO: VIENNA

No.: 436

Code:

Received: June 21, 1947

Barr
B48132**UNCLASSIFIED**

To avoid criticism based on misunderstanding facts, request you arrange with USACA issue press release upon turn over Hungarian Gold Train to IGCR or such other occasion as appropriate. Should be cleared with representative IGCR and date release coordinated with joint Distribution Committee Paris which plans issue supplementary statement regarding use of proceeds. Request substance following be included in release.

So far as known, so-called Hungarian Gold Train belonged to Jews of what in now Hungary, Slovakia (Czechoslovakia), Transylvania (Rumania); SS loot brought into U.S. and French zones Austria; return of particular items to individual owners would be impossible both because of difficulty identification and death, emigration, transfer sovereignty; delivery to IGCR accordingly made by theater Commander pursuant directive this government governing valuables looted from Nazi victims which cannot be restituted; directive is U.S. interpretation Article 8 Paris Reparations Agreement which provides "non-monetary gold" used assist non-repatriable victims German; action pursuant agreement Paris, June 14, 1946 by five powers charged with implementation Article 8 (US, UK, France, Yugoslavia, Czechoslovakia) by 18 signatories; Paris Reparations Agreement 90 percent proceeds "non-monetary gold" will be delivered American Jewish Joint Distribution Committee and Jewish agency for Palestine for use on approved projects

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projects of resettlement and rehabilitation. If estimate value not feasible, suggest description be made tending negate exaggerated reports.

SENT Vienna 436; rptd London 2656.

MARSHALL

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By SR NAPA Date 2-3-00

In reply refer to
File No. 840.51 FC/8-447

Foreign Service
LEGATION OF THE UNITED STATES
OF AMERICA
AUG 13 1947
VIENNA

C.I.

Denby
Mrs. Dulles

DEPARTMENT OF STATE
WASHINGTON

August 4, 1947

UNCLASSIFIED

AMENDMENT OF GENERAL RULING NO. 5

To

American Diplomatic and Consular Officers.

The Secretary of State transmits the following for the information of the Officers in Charge:

On July 25, 1947 the Treasury Department amended General Ruling No. 5. The effect of this amendment is explained in the press release quoted below:

"Secretary of the Treasury Snyder announced the removal of the import controls on all securities except certain "scheduled securities" set forth in a list issued today by the Treasury Department as part of an amendment to General Ruling No. 5.

"Under the amended controls, persons bringing American securities or foreign dollar bonds into the United States from abroad and persons to whom such securities are mailed or otherwise sent directly from a foreign country are required to ascertain whether the securities are included in the list of "scheduled securities" and, if so, to deposit them with the Federal Reserve Bank of New York. In addition, any individual who has actual knowledge that securities received by him in a domestic transaction, whether for himself or for any other person, are on the list of "scheduled securities" is also required to forward such securities to the Federal Reserve Bank of New York unless such securities are returned in accordance with the provisions of the general ruling to the person in the United States from whom received. If the securities are so returned, the last person in the United States to whom they are returned is required to deposit them with the Federal Reserve Bank.

"It was also pointed out that persons who are offered or tendered "scheduled securities" and who refuse to accept them having actual knowledge that such securities are on the list are required to file a report with the Federal Reserve Bank of New York with respect thereto.

"The provisions of the amended general ruling, it was emphasized, apply to "scheduled securities" coming to the United States from Great Britain, Canada, Newfoundland, Bermuda, and the Philippines, as well as from other foreign countries. Previously, securities coming from the named areas were, in general, exempted from the import controls. The change respecting the Philippines was made by amendment of General Ruling No. 18.

"Coupons"

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 By SR NAPA Date 2-3-00

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"Coupons appertaining to "scheduled securities" are themselves considered "scheduled securities" under the amended general ruling.

"General License No. 87 was also amended so as to lift the prohibition under Sec. 2A(2) of Executive Order No. 8389 upon the acquisition by persons in the United States of securities not physically in this country, other than "scheduled securities". Acquisition of the latter is still prohibited. The previous provisions of General License No. 87 which exempted certain securities from General Ruling No. 5 are now unnecessary because of today's amendment to that ruling, and accordingly, they were deleted.

"Attention was also called to the provisions of Public Circular No. 35 issued today. In this connection, Treasury officials emphasized that the amendments of General Ruling No. 5 and of General License No. 87 in no way affect the status of blocked property located in the United States nor do they authorize any transfer of interest, directly or indirectly, in such blocked property."

The proper authorities of the Government to which you are accredited should be advised of this amendment. It should be emphasized to such authorities that notwithstanding this relaxation of import controls, securities within their jurisdiction issued by U. S. issuers in which there an enemy interest should not be sent to the United States but should be held pending a settlement of conflicting custodian problems. It should also be requested that this Government be notified as to any scheduled securities coming to the attention of the authorities, so that we in turn may notify the foreign government which had the security in question placed on the schedule. Such securities should not be sent to the United States but should, to the extent possible, be immobilized until further advice is received by the authorities from the foreign government concerned. The various foreign countries included in General License No. 95 are being advised directly by the Treasury Department of this amendment and the effect it will have on the certification procedure established in General License No. 95. Accordingly, it will not be necessary for the Missions in those countries to take any action concerning this circular instruction.

Inform Treasury representatives.

Index Under:

General Ruling No. 5
 Amendment to;

Amendment:
 Of General Ruling No. 5;

313351

Embassy, Legation or Consulate File No. 851

RG 84
 Entry USCOA
AUSTRIA
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 Authority NND775121
 By SR NAPA Date 2-3-00

October, 1947

G O L D - Monetary

1947	NUMBER	
Jan 7	15	Cable (short)
Jan 15		Cable from Washington - cables on shipment etc. (H Adler).
Feb. 19		Gold returned to Austrians.
Feb 21		Press Telegram - Turnover of gold to Salzburg.
Feb. 26	2638	Despatch
Mar 11	10	To Berlin - ref. to Berlin request Sept. 27 re 1617 - refer OM-6/27/47.
Mar 20	W 94393 P7031	
Jun 3	1266	Despatch.
Jun 9		Brief case history - draft to W. request copies be made available to State.
Aug 25	1551	
Aug 22	1617	
Oct 10	827	Dorr report - Salzburg gold
Oct 13	835	Gold Pot deals exclusively with gold looted from

CROSS REFERENCES:

Gold Claim, London Deposit (BIS)
 Gold Pot
 Non-Monetary Gold
 Salzburg gold
 Foreign Exchange assets
 IARA
 Restitution
 Antitrust Commission

313352

RG 84
Entry USCOP Austria
File ~~851~~
Box 89

DECLASSIFIED
Authority NND 775121
By SR NARA Date 2-3-00

Nov. 13, 1947
FILE

Gold
- Salzburg

quoted in
outgoing cable
to Washington
in answer to 916
Nov. 13, 1947 -
#

Oesterreichische Nationalbank

Exh. Nr. 323/47

A i d e - m é m o i r e

On November 11, 1947, Mrs. DULLES called at the Austrian National Bank and, with reference to a cable received from Washington, requested the Bank to furnish positive proofs regarding the ownership of the Austrian National Bank on the gold of a total weight of 4.31478257 kgs fine found at Salzburg and handed over to the Austrian Federal Government on February 19, 1947.

Proofs of the facts on which evidence is requested cannot be furnished by ledgers or files. Reference is made to the statements made by the Austrian Federal Government in the Memoranda of April 15, and September 15, 1947, by which it has been established that there are no facts indicating that gold was brought to Austria from foreign countries or from Germany after 1938. On the other hand, interrogations of officials of the Reichsbankhauptstelle Wien have shown that during the period mentioned above considerable amounts of coined and uncoined gold were held there. This gold can only have been delivered from Austrian sources after April 25, 1938.

As no gold was found in the vaults of the Reichsbankhauptstelle Wien at the end of the occupation of Austria by Germany and as it has been established that no gold was removed from the Reichsbankhauptstelle Wien by the occupying Forces which entered Austria in April 1945, it has been concluded that the gold found at Salzburg must have been gold which originally was

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delivered to the Reichsbankhauptstelle Wien. Unfortunately the books of the Reichsbankhauptstelle Wien together with many other records and values were lost in the course of the occupation of the Bank's building in April 1945.

It is, however, not impossible that the Reichsbank in Berlin still has records regarding the gold delivered in Austria to the Reichsbankhauptstelle Wien after April 25, 1938, as well as the handling of these gold holdings thereafter.

Vienna, November 12, 1947.

*from
Direktor Pracht.
to ELD*

RG 84
 Entry USCOA
Austria
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 Box 89

DECLASSIFIED
 Authority NND 775121
 By SR NARA Date 2-3-00

No. 2548

American Legation,
 Vienna, Austria, February 27, 1947

RESTRICTED

SUBJECT: Austrian Assets in the United States

The Honorable,
 The Secretary of State,
 Washington.

Sir:

I have the honor to report that the Austrian National Bank has again written us with respect to Austrian assets in the United States which were seized by Germany. In our earlier communications of August 6, No. 1901, and June 3, No. 1266, we reported their inquiry about funds taken over by German agencies between March 13 and June 14, 1938. They ask particularly that the amount of \$17,746,979 be "separated from the German capital requisitioned in America and placed at the disposal of the Austrian Government".

A summary of these communications and Annexes shows their request relates to amounts reported as held in the United States in round numbers, as follows:

Creditanstalt	\$ 9,099,000
Laender Bank	3,505,000
Industries, firms . . .	1,531,000
National Bank	3,730,000
	<u>\$17,865,000</u>

Less an amount for the deposit of the Bank of Greece	119,000
	<u>\$17,746,000</u>

We are forwarding attached a translation of their note of February 4.

Respectfully yours,

For the Minister:

K. L. Rankin,
 Counselor of Legation.

Enclosure 1 - Note of February 4, 1947 from the
 Austrian National Bank

Copy to Central European Division
 File No. 851
 ELDulles:el

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313355

851 - Financial Matters

RG 84
 Entry USCOP
 Austria
 File 8851
 Box 89

DECLASSIFIED
 Authority NND 775121
 By SR NARA Date 2-3-00

Enclosure (1) to Despatch
 No. 2548, dated 20 Feb. 1947,
 from American Legation, Vienna

Translation

AUSTRIAN NATIONAL BANK
 THE BOARD OF DIRECTORS

Vienna, February 4, 1947

No. 188/1947

Finance Division USACA
 c/o Mr. J. A. Adler

Vienna VIII
 Friedrich Schmidtplatz 5

Pertaining to: Restitution of Austrian property in the
 United States, which was Alieneated by
 Germany

On the occasion of negotiations in July 1946 with
 Dr. Marks, representative of the US Treasury Depart-
 ment, pertaining to an extension of the provisions of
 General License No. 95 to Austria and the implementa-
 tion of a procedure for the release of Austrian assets
 blocked in the United States, thorough discussions
 dealt also with the previously discussed question of
 restitution of Austrian property in the United States,
 which had to be handed over to German agencies in ac-
 cordance with compulsory regulations, during the period
 between Austria's occupation and the blocking of
 Austrian property in America in June 1941. Blocked
 German property in the United States was taken into
 consideration for the restitution of these assets.
 On the grounds of these discussions and a suggestion
 made by the Treasury Department's representative, the
 Federal Ministry of Finance at that time addressed to
 the Office of the Political Representative of the United
 States to Austria, a formal request, copy of which is
 enclosed herewith.* Information received at that time
 seemed to indicate that there were good prospects that
 this request be settled in principle within a relatively
 short time and presumably in a favorable way. Having
 heard nothing further on the subject, we beg to be in-
 formed of the present status of the matter.

With the expression of highest esteem,

The Board of Directors of the
 Austrian National Bank

(two signatures illegible)

* See Despatch No. 1901, October 19, 1946, for
 identical copy

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 Entry USCOA
 Austria
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 Day 89

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 Authority NND 775121
 By SR NARA Date 2-3-00

MEMORANDUM

February 19, 1946

TO: MR. ERHARDT

FROM: MRS. DULLES *FD*

SUB: The Value of the Schilling -
 Ratio between the Schilling and the Dollar.

The financial problems involved in determining the ratio between the schilling and the dollar have broad significance for economic and political developments. It is not possible to isolate questions of this sort, which bear so directly on inflation, from other basic policy questions. For this reason the major considerations are outlined below.

- 1) It is not possible, and will not be for some time, to set an exchange rate in the normal sense of the term. It will not be possible to permit the purchasing and selling of schillings for dollars except on a limited and carefully regulated basis. The matter under discussion at present is therefore either a ratio at which credit will be granted or debts concluded for later settlement, ^{or} a basis according to which a very small amount of currency can be exchanged under carefully prescribed conditions.
- 2) It is not possible to measure the purchasing power of the schilling for a sufficiently large area of transactions to find a basis for a positive statement as to its value.
 - a) In terms of rationed foodstuffs and controlled rents, the schilling is probably worth more than 10¢, although a conclusion on this matter is difficult because of the very poor quality of the goods available.
 - b) There is a miscellany of uncontrolled goods and services with respect to which we have no statistical material.
 - c) There is a shading from the Black Market to what might be called the Gray Market, and altogether a large number of transactions are probably carried on outside of legal controls.
 - d) Many goods and services which would normally be included in a purchasing power analysis are not available in Austria at any price.
- 3) The military rate has little economic significance. It was determined on political more than economic grounds, and the economic aspects were viewed in the light of troop expenditures.

There was

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There was no firm intention of using it for a future general rate of exchange. When it was chosen in 1944 (I worked on this rate in Washington) it was recognized that it would be some time before a proper determination of an economic rate could be made.

- 4) Any rate which varies greatly from the military rate will operate only under great strain, because loopholes will be sought to take advantage of the more favorable rate. For instance, if a rate of 7 schillings per dollar were set for commercial travellers, these travellers would try to obtain schillings from soldiers at 10 to the dollar, and as long as the rates exist side by side, to 7 schilling rate would be extremely difficult to maintain.
- 5) The valuation of the schilling in countries other than Austria must be taken into account in settling any rate which applies to a transfer of funds other than small amounts for specific purposes. There has been, as yet, no test of this outside attitude, but there is a fairly general impression that a 10¢ value would be too high.
- 6) The view of the Austrian authorities has not been expressed definitely, and has been quoted differently by different persons in USACA. In conferences with Rizzi and Kienboeck I learned that they thought there would have to be some increase in controlled prices in the near future, and that in view of this, the schilling rate might soon be considered as approximately 12 - 14 to the dollar. I understand that others who have talked to these men have interpreted this same discussion to mean that the rate might settle at 12¢ in a few years.

There is no special advantage in trying to make their judgement precise at this moment, because there are so many unknown factors that these men are guessing with regard to an unknown future, and probably they should not be forced to commit themselves in too definite a manner.

- 7) The decision with respect to what ratio should be chosen for the special arrangements now being made is essentially one of tactics. The major question is, which ratio is more effective in restraining inflation and which will be best calculated to inspire confidence outside of Austria. In this connection the following points might be made:
 - a) A rate higher than 10¢ could be recommended on psychological and political grounds, if such a rate were considered reasonable outside of Austria. I very much doubt that this is the case. I believe a rate above 10¢ is considered to be a somewhat empty gesture by most financial experts.
 - b) A high rate for the schilling would, in normal circumstances, mean that a low cost of imports would follow, which would be a restraining influence on prices and costs in Austria as far as

imported

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 By SR NAPA Date 2-3-00

- 3 -

imported goods are used. In the present circumstances there is some question whether it is possible to keep the cost of imports low by means of the exchange rate. Imports for the most part will be valued in dollars and the significant relationship is the value of the schilling when the debts incurred have to be paid. If this is reflected in the Austrian internal prices, costs cannot be kept down in this manner. If it is not to be reflected, either internal Austrian credits or subsidies would be necessary to make it possible for industry to use imported goods. Most imports will be purchased on the basis of credit or will be brought in through UNRRA or other special ways during the next few years. The normal cost-price relationship does not apply and there is no conclusive argument for a particular value of the schilling in this line of reasoning.

- c) It is possible to argue that the schilling rate used in these special transactions should not be less than the official military rate for the Reichsmark in Germany. There is some force in this argument, but it cannot be applied indefinitely. The proper comparison would be the rate at which dollars would be exchanged for Reichsmarks in commercial transactions similar to those now being negotiated for Austria. It is probable that it will be some time before the authorities in Germany are concerned with transactions of the type here under consideration, and when they are, it is almost certain that they will be faced with a question of the economic rate for the Reichsmark rather than with the military rate. The considerations involved in this matter are essentially political.
- d) The major question is, whether it is wise to have rates corresponding to the military rate or clustering close around it. Some have urged that it is wise to have diversity in order that the military does not become fixed as the rate in people's minds. There are some advantages in this, but after talking with some of the financial people from Washington, London and Paris, I am convinced that the greater the diversity, and the more they vary from the military rate at this time, the greater will be the delays in establishing working arrangements. I was definitely told that there would be question and opposition to diversified rates.

The above points seem to be the major considerations. Decisions with respect to values cannot be raised on sure ground at the present time. My opinion is based on somewhat general considerations. I do not believe time is gained or sound relationships developed by setting rates which fail to correspond, or diverge to a striking extent from prevailing views. On various grounds I support the extension of the 10¢ rate to special transactions now under consideration.

ELD:il

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Authority NND 775121

By SR NARA Date 2-3-00

No. 35

American Legation, Vienna, Austria,
March 24, 1947.UNCLASSIFIEDVOLUNTARY

C. I.

851

BLACK MARKET PRICES

Prepared by Eleanor B. Dulles,
Financial Attache

Recent quotations for commodities on the black market have remained relatively stable. A few have declined in recent weeks and on the whole the tendency has been downward.

1/ The table attached gives recent quotations for seven commodities generally considered to be significant. It can be noted in addition that some of the other commodities usually quoted show slight changes. Corned beef, which is quoted at a high of 80 in February is now 90 for the same quantity. Mens' shoes are quoted at a high of 1,000 schillings. The price quotations of this item have never been considered as significant as the food items, however, because of the wide variety of types involved. Woolen goods are said to have risen from a high of 500 in February to a current outside quotation of about 1,000 schillings. Dark flour which fell somewhat in the past weeks has shown a slight upward tendency. European cigarettes have risen from a high of .70 in February to 1.10 schillings on March 20.

The most striking change in the black market quotations is the rise in the cost of the dollar. This is paralleled by a somewhat less marked rise in the price of Swiss francs and changes in the values of other currencies. The increase in the rate for the dollar is associated with rumors with respect to financial measures not yet announced by the Government.

2/ Some sample prices from the Dorotheum are given in Table 2. These prices, like those for the black

market

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market commodities can be compared with the figures given in Report No. 17, dated February 17, 1947. There has been no notable change either in the governmental price policy or in the controlled prices of rationed articles in the last few weeks.

Approved:

K. L. Rankin,
 Counselor of Legation

Eleanor Lansing Dulles,
 Financial Attache

Enclosure 1 - Quotations for Significant Commodities
 and Currencies
 Enclosure 2 - Sample Prices from the Dorotheum

To the Department in Original and Hectograph
 Copy to Central European Division
 File No. 851
 ELDulles:el

Table 1UNCLASSIFIED

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 Authority NND 775121
 By SR NARA Date 2-3-00

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Enclosure 1/ to Report 35, March 24, 1947

Table 1

Quotations for Significant Commodities and Currencies
 (Schillings)

Item	1945			1946		1947	
	Nov	Jan	Jul	Jan	Feb	Mar 20	
Flour kg	70	45	30	25	25	25	
	90	70	40	40	40	35	
Bread "	40	30	15	10	10	10	
	70	40	20	15	15	15	
Lard "	600	400	200	150	120	120	
	700	600	300	220	160	160	
Bacon "	700	500	200	130	130	130	
	900	800	300	200	140	160	
Chocolate pr pc ^{1/}	800	900	160	15	15	25	
	960	1300	320	35	35	35	
Sugar kg	300	200	160	110	110	110	
	350	250	200	200	140	120	
Cigarettes, American ea.	5	3	2	1.25	1.25	1.25	
	7	4	2.5	1.60	1.60	1.50	
<u>Currencies</u>							
Dollar	460	165	55	65	72	78	
	480	175	65	70	75	82	
Pound	---	---	130	150	180	200	
			150	170	200	220	
Swiss franc	95	40	14	17	18	21	
	100	43	16	19	19	23	
Gold, 1 gr	660	300	90	40	50	50	
	680	---	110	60	60	60	
Reichsmark	---	---	.50	.30	.28	.35	
			.60	.35	.32	.40	
Czech crown	---	---	.60	.55	.55	.65	
			.70	.60	.65	.75	

^{1/} Chocolate for months November 1945 and January, 1946 per kg

SOURCE: The Austrian National Bank. The figures for the middle of the month are given.

Table 2

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 AUSTRIA
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 Authority NND 775121
 By SR NAPA Date 2-3-00
UNCLASSIFIED
 Enclosure 2 to Report
 No. 35, March 24,
 1947
Table 2
Sample Prices from the Dorotheum
 (schillings)

1/

Item	1938	1946		1947	
	Mar	Mar	Jul	Jan	Feb
Gold, 14 K, 1.8	3.27	100	60	45	50
Mint, 1.8	5.00	250	90	90	90
silver, 1 g. scrap	.06	1.00	0.60	0.50	0.50
Modern	.10	1.50	0.90	0.80	0.80
Antique	.40	2.75	1.15	1.10	1.10
Diamonds, small, 1 carat	275	4,500	2,900	2,250	2,250
large, 1 carat	900	12,500	8,000	7,000	9,500
Persian rugs (1 m ²)	90	1,650	700	700	700
Stamps (1908)	20	560	260	250	250
Persian furs	900	25,000	11,000	6,250	6,250
Silver fox	250	6,000	1,400	1,250	1,250

1/ In some cases the mid-point has been used.

SOURCE: Monthly Reports of the Austrian National Bank.

 NOTE: The Dorotheum is an authorized auction specializing
 in old furniture, rugs, paintings, jewels, and
 antiques.
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RG 84
 Entry USCOA
Austria
 File 851
 Box 89

DECLASSIFIED
 Authority NN0775121
 By SR NARA Date 2-3-00

April 30, 1947

PRELIMINARY NOTE ON UNITED STATES
 INTERESTS IN AUSTRIA

A review has been made of the facts derived from the Treasury questionnaire, known as TR 500. These data were collected during the war by the Department of the Treasury from Americans, both foreign and native born, who were presumed to have interests in foreign countries. The results for Austria were transmitted to the Office of the U.S. Political Adviser in a communication, dated June 1, 1945. While this report is not necessarily all inclusive, it does give a fairly good indication of the nature and extent of American property in Austria. Further investigation will be made in an endeavor to discover other properties, rights, and interests.

The attached table gives the items with an interest estimated to be \$100,000 or more in value. It can be assumed in most cases that the current value will be found to be less than that given in response to the questionnaire, either because of loss through bombing, or other war damage, or because of the natural desire of the owner to give inflated figures in a claim. These 17 items are of some 500 to 600 listed in the full report. It is clear, however, from a survey of all the items that relatively few represent a bona fide interest or any possibility of a determining voice in the affairs of a going business concern in Austria. For example, a large number of the items comprise bank deposits, jewelry, household equipment, residential property, and objects of artistic value. Virtually none of the items not included in the group of 17 reported in the attached table represent business interests. A few do relate to securities, but for the most part these are municipal or public issues rather than business properties.

ELD:EL
 Attachment

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Austria
 File 881
 Box 89

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 By SR NARA Date 2-3-00

UNITED STATES PROPERTY
 (over \$100,000 in value estimate)

	(000 omitted)
1. American-Austrian Magnesite	\$ 653
2. "	6,296
3. American Radiator and Standard Sanitary	1,556
4. Eastman Kodak	114
5. Equitable Life Assurance	1,235
6. Ernst, partnership Foodstuffs	250
7. Gredinger, Walter - 6,000 acres land	1,278
8. International Standard Electric Corp.	1,340
9. Mordon Apt. House, Vienna	100
10. Rosenfeld Grocery business	150
11. Sheehan - house	250
12. " - furniture	100
13. Socony Vacuum (a)	3,755
14. " (b)	1,091
15. Stonborough Land and buildings	200
16. " " " "	300
17. Swiss "Borvisk" Co. - synthetic fibers	800

SOURCE: TR 500

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By WJH NARA Date 2/4/00RG 84
Entry ~~FS 90105~~ 2054
File 713 Enemy Property
Box 84

WOB:il

file
C. I.

No. 12

Vienna, Austria, March 31, 1947.

The Legation of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to enclose for the information of interested Austrian governmental agencies a copy of a communication received from the Department of State regarding the removal of United States "Trading with the Enemy Act" restrictions upon current transactions with Germany and Japan.

The Legation avails itself of this occasion to renew to the Ministry of Foreign Affairs the assurances of its highest consideration.

Enclosure:

1. Copy of Statement regarding Removal of "Trading with the Enemy Act" Restrictions.

To the

Ministry of Foreign Affairs,
Vienna.

WOB:il
File No. 771.3

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Authority MM775121
By WIII NARA Date 3/4/00

RG 84
Entry SP-1005 JOSY
File 7113 Enemy Property
Austria
84

C. I.

In reply refer to
File No. 740.00113/ER/5-147

Foreign Service
Serial No. 710

DEPARTMENT OF STATE
WASHINGTON

LEGATION OF THE UNITED STATES
OF AMERICA
MAY 14 1947
May 14 1947
VIENNA

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FILING OF CLAIMS UNDER THE
TRADING WITH THE ENEMY ACT

To

American Diplomatic and Consular Officers.

The Secretary of State transmits the following for
the information of the Officers in Charge:

The Attorney General is authorized by section 34 of
the Trading with the Enemy Act, as amended, to apply prop-
erty vested in or transferred to him or his predecessor,
the Alien Property Custodian, subsequent to December 17,
1941, to the payment of debts owed by the person who owned
the property immediately prior to vesting. Creditors
eligible to file claims for the payment of debts under
this section are limited to citizens of the United States
and the Philippine Islands, United States and Philippine
corporations, and persons who have been residents of the
United States since December 7, 1941.

Persuant to section 34(b) of the Act, the Attorney
General on March 1, 1947, published Bar Order No. 1 which
fixed June 1, 1947, as the date after which the filing of
debt claims will be barred in respect of debtors, any of
whose property was vested between December 18, 1941, and
December 31, 1946, inclusive. Accordingly, eligible
persons desiring to file debt claims with respect to prop-
erty vested before December 31, 1946, must file notice
of such claims before June 1, 1947. Such claims should
be filed with the Office of Alien Property, United States
Department of Justice, Washington, D.C. Persons who wish
information as to whether the property of their enemy
debtors has been vested should also send their inquiries
to the Office of Alien Property.

Section 34(b) of the Act provides that debt claims
may not be paid out of property in respect of which a
claim for return has been filed prior to the expiration
of 120 days from the date of publication of the Bar Order.
This 120 day period expires on July 1, 1947. Accordingly,
if persons who claim title to vested property file their
claims with the Office of Alien Property prior to July 1,
1947, the Attorney General will not be authorized to use
such property for payment of debt claims. The eligibil-
ity requirements for title claimants are set forth in
section 32(a)(2) of the Act. In general, with certain
exceptions

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Authority MM775121
By W/III NARA Date 2/4/00

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Entry 7113 Enemy Property
File 7113 Enemy Property
Box 84

2054

exceptions for victims of religious, racial or political persecution, vested property may be returned to claimants other than enemy corporations or citizens or subjects of enemy countries who were in enemy or enemy occupied territory during the war.

Appropriate forms for the filing of both title and debt claims may be obtained upon request from the Office of Alien Property, United States Department of Justice, Washington, D.C.

Index Under:
Enemy Act;
Trading with the;
Filing of Claims Under the;

Claims:
Filing of;
Under the Trading with
the Enemy Act;

Embassy, Legation or Consulate File No. 711.3
Cross Reference File No. 400

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 Authority MM775121
 By WMM NARA Date 3/4/00

RG 84
 Entry 500005 2054
 File 713 Enemy Property
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In reply refer to
 File No. 740.00113 EW/3-1047

Foreign Service
 Serial No. 690

*note to
 staff*
3/31/47

DEPARTMENT OF STATE
 WASHINGTON

LEGATION OF THE UNITED STATES
 OF AMERICA
 MAR 26 1947
 March 10, 1947
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REMOVAL OF UNITED STATES TRADING WITH THE
 ENEMY ACT RESTRICTIONS UPON CURRENT
 TRANSACTIONS WITH GERMANY AND JAPAN

To

American Diplomatic and Consular Officers.

The Secretary of State transmits the following
 for the information of the Officers in Charge:

1. Treasury General Licenses Nos. 94 and 95,
 Public Circular No. 25, and General Ruling No. 11A will
 be amended on March 4, 1947 in order to free from
 the trading with the enemy controls current transactions
 with persons in Germany and Japan and with other enemy
 nationals wherever located. Copies of these amendments
 and of the press release announcing this action are being
 forwarded separately. (For Missions and Treasury repre-
 sentatives from Department and Treasury.)

2. Except as indicated in subsequent paragraphs,
governments of countries to which you are accredited may,
in your discretion, be advised substantially as follows:

"On March 4, 1947 the United States controls
 under the Trading with the enemy Act ~~are being~~ elimi-
 nated so far as current transactions between persons
 in the United States and persons in Germany and Japan
 are concerned. Property in the United States which
 on December 31, 1946, was blocked by reason of the
 interest of any of the following and income subse-
 quently accruing on such property continue to be
 blocked and subject to the provisions of General
 Ruling No. 11A:

- (a) The Government of Germany or Japan, and any
 agent, instrumentality, or representative of
 either Government;
- (b) Any individual who is a citizen or subject of
 Germany or Japan and who at any time on or since
 January 1, 1945 has been within the territory
 of any country against which the United States
 has declared war (Germany, Italy, Japan,
 Bulgaria, Hungary and Rumania);
- (c) Any partnership, association, corporation, or
 other organization which is organized under the
 laws of, or which at any time on or since
 January 1, 1945 has had its principal place of
 business in, any territory of Germany or Japan;

(d) Any

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By WMM NARA Date 3/4/00RG 84Entry ~~ESPIONAGE~~ 2057File 713 Enemy PropertyBox 84

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- (d) Any partnership, association, corporation, or other organization which is organized under the laws of any foreign country other than Germany or Japan and which is a national of Germany or Japan by reason of the interest therein of any Government or persons specified in (a), (b) or (c) above.

Property acquired by such persons after December 31, 1946, however, will not be blocked. In addition property which on December 31, 1946, was blocked by reason of the interest of any other blocked national residing in Germany or Japan on that date will remain blocked as will income accruing on such property but such property or income will not be subject to General Ruling No. 11A.

"The elimination of the controls over current transactions does not mean that persons in the United States will be free to enter into uncontrolled dealings with persons in Germany and Japan but merely that the only approval thereafter required will be that of the appropriate military authorities in Germany and Japan and that any restrictions on such transactions will be imposed and enforced by those authorities.

"In addition citizens or subjects of Germany or Japan who on or since January 1, 1945, have not been within Germany, Japan, Italy, Hungary, Rumania, or Bulgaria will not be treated as enemies by this Government unless they are or may be scheduled for deportation to Germany or Japan or are otherwise treated as enemies by the country in which they reside. Property accruing to such persons after December 31, 1946, will automatically be freed and their existing property will be unblocked in accordance with whatever unblocking procedure is applicable to other individuals residing in the same countries.

"The above changes will be accomplished through amendments to United States Treasury Department General Licenses Nos. 94 and 95, Public Circular No. 25, and General Ruling No. 11A. Copies of these amendments will be available at the United States Treasury Department, Washington, D. C."

3. The Treasury representative in Bern is requested to immediately transmit a communication along the following lines, to appropriate Swiss authorities:

"On March 4, 1947 the United States controls under the Trading with the enemy Act are being eliminated so far as current transactions between persons in the United States and persons in Germany and Japan are concerned through amendments to Treasury General Licenses Nos. 94 and 95, Public Circular No. 25, and General Ruling No. 11A. Property in the United States which on December 31, 1946, was blocked by reason of the interest of any of the following and income subsequently accruing on such property continue to be blocked and subject to the provisions of General Ruling No. 11A:

- (a) The Government of Germany or Japan, and any agent, instrumentality, or representative of either Government;
- (b) Any individual who is a citizen or subject of Germany or Japan and who at any time on or since January 1, 1945 has been within the territory

of

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Authority NND 775121
By WIII NARA Date 2/4/00

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of any country against which the United States has declared war (Germany, Italy, Japan, Bulgaria, Hungary and Rumania);

- (c) Any partnership, association, corporation, or other organization which is organized under the laws of, or which at any time on or since January 1, 1945 has had its principal place of business in, any territory of Germany or Japan;
- (d) Any partnership, association, corporation, or other organization which is organized under the laws of any foreign country other than Germany or Japan and which is a national of Germany or Japan by reason of the interest therein of any Government or persons specified in (a), (b) or (c) above.

Property acquired by such persons after December 31, 1946, however, will not be blocked. In addition property which on December 31, 1946, was blocked by reason of the interest of any other blocked national residing in Germany or Japan on that date will remain blocked as will income accruing on such property but such property or income will not be subject to General Ruling No. 11A.

"The elimination of the controls over current transactions does not mean that persons in the United States will be free to enter into uncontrolled dealings with persons in Germany and Japan but merely that the only approval thereafter required will be that of the appropriate military authorities in Germany and Japan and that any restrictions on such transactions will be imposed and enforced by those authorities.

"In addition citizens or subjects of Germany or Japan who on or since January 1, 1945, have not been within Germany, Japan, Italy, Hungary, Rumania, or Bulgaria will not be treated as enemies by this government unless they are or may be scheduled for deportation to Germany or Japan or are otherwise treated as enemies by the country in which they reside. Property accruing to such persons after December 31, 1946 will automatically be freed and their existing property will be unblocked in accordance with whatever unblocking procedure is applicable to other individuals residing in the same countries.

"In order to conform so far as possible the definition of the term 'enemy' in Secretary Snyder's letter of November 22, 1946, to the Federal Councillor with the categories of persons specified in (a) through (d) in the first paragraph above, your government may on or after February 24, 1947 consider that

- (A) Item 3 of that definition is amended to read as follows:

Any individual who is a citizen or subject of Germany or Japan and who at any time on or since January 1, 1945, has been within the territory of Germany, Japan, Hungary, Rumania, Bulgaria or Italy other than an individual not within Germany, Japan, Bulgaria, Hungary, Rumania or Italy who is determined by the United States Treasury representative in Switzerland to be a bona fide victim

of

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Authority MM775121
By WIII NARA Date 2/4/00

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of persecution by the German National Socialist or Italian Fascist Governments.

(B) Item 4 of that definition is amended by changing the date from "December 7, 1941" to "January 1, 1945"

"The attention of your government is also invited to the fact that paragraph 3 of General License No. 95 will on the same date be amended to read as follows:

"(3) Application of license to certain nationals of countries specified herein. This license shall not apply with respect to any national of a country specified herein who is a national of another foreign country designated in the Order and not specified herein, provided, however, that for the purposes only of this license the following shall be deemed nationals only of a country specified herein:

- (a) Any individual residing in a country specified herein;
- (b) Any partnership, association, corporation, or other organization, organized under the laws of a country specified herein.

General License No. 95 is further amended to include a paragraph 5 to read as follows:

(5) Restrictions of General Ruling No. 11A.

Attention is directed to the special restrictions contained in General Ruling No. 11A pertaining to dealings in certain property in which there is any interest of Germany or Japan or certain nationals thereof."

"As a result of the amendments set out in the two preceding paragraphs your government thereafter may certify in the usual manner property of individual Germans and Japanese residing in your country except in cases where any such individual has been in Germany, Japan, Italy, Hungary, Rumania, or Bulgaria on or since January 1, 1945. The cooperation of your government is however requested in not certifying property of any German or Japanese individual who is or may be scheduled for repatriation or deportation to Germany or Japan.

"In addition your government may certify property belonging to organizations organized under the laws of your country which are nationals of Hungary, Rumania, or Bulgaria by reason of the interest of persons residing in those countries. In this connection your government may thereafter consider that paragraph numbered four of Secretary Snyder's letter of November 22, 1946, to the Federal Councillor is amended by deleting the words "Bulgaria, Hungary or Rumania" from that paragraph and by inserting the word "or" between the words "Germany" and "Japan".

"It should

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By WMM NARA Date 2/4/88RG 84
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File 713 Enemy Property
Box 84

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"It should be noted, however, that General License No. 95 does not include a waiver of General Ruling No. 11A. It will not be possible for your government to certify the property of any organization organized under the laws of your country which is a national of Germany or Japan by reason of the interest of persons specified in categories (a) through (d) in the first paragraph above or of any other person specified in the amended definition of enemy contained in Secretary Snyder's letter of November 22, 1946.

"Furthermore, your government will not be in position to certify the property of citizens or subjects of Germany or Japan residing in your country if on or since January 1, 1945, they have been within Germany, Japan, Italy, Hungary, Rumania, or Bulgaria. In this latter connection, I have now been authorized to enter into arrangements with your government under which it will be possible to certify the property of such individuals in those cases where they are permanently residing in your country and where they are bona fide victims of Nazi or Fascist persecution. This matter will be dealt with in a separate communication. (For information of Treasury representative, the authorization mentioned is being forwarded by separate airgram.)

"I will be glad to discuss with you any questions you may have concerning the effect of the amendments discussed herein."

32) 4. A letter in substantially the terms set forth in paragraph 4 is being sent by the Treasury to the diplomatic representatives in Washington of each of the other countries now included in General License 95; that is France, Belgium, Norway, Finland, The Netherlands, Czechoslovakia, Luxembourg, Denmark, Greece, Poland, and Austria. In view, however, of the differences between the letters of assurance received from those governments at the time of their inclusion in General License 95 and Secretary Snyder's letter of November 22, 1946 to the Swiss Government, the letters referred to in the preceding sentence will contain appropriate differences over the communication set out in paragraph 4 above. For example, the paragraph concerning the amendment of the definition of enemy will not be included. In addition, in the case of the letters to countries other than Greece, Poland, and Austria, a paragraph along the following lines will be substituted for the penultimate paragraph of that communication: 3(?)

"Furthermore, your government will not be in position to certify the property of citizens or subjects of Germany or Japan residing in your country if on or since January 1, 1945, they have been within Germany, Japan, Italy, Hungary, Rumania or Bulgaria, except in those cases where they are bona fide refugees. If they are bona fide refugees permanently residing in your country their property may be certified under special arrangements which have been worked out between your certifying authorities and the United States diplomatic missions located in your country. The form of certification to be used in such cases, however, should contain a sentence reading substantially as follows: 'By special arrangement with the United States

Treasury

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Authority NND 775121
By WIII NARA Date 2/4/00RG 84Entry ~~FS 86703~~ 2054File 7113 ^{Austria} Enemy PropertyBox 84

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Treasury Department certification of this account is proper notwithstanding General Ruling No. 11A.' It will be noted that there is a slight change over the text previously suggested to your government."

No such special arrangements have yet been made with the governments of Greece, Poland, and Austria since no problem of this kind has yet arisen in those countries and accordingly there will be no reference to this matter in the letters to them. For the information of the Treasury representative in Paris, the communications to the Washington representatives of France and Belgium will also contain a sentence along following lines: "The United States Treasury representative assigned to your government is being advised of the substance of this letter and will as heretofore be glad to discuss with your government any questions you may have concerning the amendments discussed herein." In view of the letters being sent by the Treasury it will be unnecessary for the missions in any of the countries mentioned in this paragraph to take any action under either paragraph 3 above or this paragraph.

Index Under:

Trading with the Enemy Act:

Removal of United States;
Restrictions Upon Current Transactions
with Germany and Japan;

Enemy Act:

Removal of United States; Trading with the;
Restrictions Upon Current Transactions with
Germany and Japan.

Embassy, Legation, or Consulate File No. 711.3

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Authority MM775121
By WJH NARA Date 2/4/06

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Entry 2054
File 7815 Coinage-Currency
Box 106

FILE FILE COPY
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American Legation, Vienna

June 16,
1948

Pouch

3

THE AUSTRIAN CURRENCY CONVERSION OF 1947
AND ITS CONSEQUENCES

Eleanor Lansing Dulles
Financial Attache

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By WMI NARA Date 2/4/00RG 84Entry ESTD 2054File 7815 Conage-CurrencyBox 106RESTRICTED

Report No. 69 from
Amleg, Vienna.
June 16, 1948

- 2 -

1. The Improved Schilling

The Austrian schilling has, in the last six months, become an effective currency. Workers nowadays endeavor to increase their schilling income and some are even willing to save schillings with a hope that they will buy more in goods.

In general, however, on account of the drastic cut there are few schillings loaned or saved. The value of cigarettes has sharply declined. Other Black Market prices have fallen about fifty percent. Although the value on the exchanges is still weak, the economic situation has vastly improved for a variety of reasons, monetary and non-monetary.

The main features of the Currency Protection Law are not reviewed here since they were outlined in Report No. 6, of January 12, 1948. The purposes of the law were to reduce the schillings in circulation, dispose of certain blocked accounts, ward off the danger of inflation and to increase the control of the National Bank over the monetary system. An earlier report, No. 158, November 24, 1947, discussed the problem of the Soviet position and the early objections to the plan. Report No. 161, December 3, 1947 covered the Austrian Soviet Financial Agreement. Report No. 25 of March 5, 1948 indicates some of the early effects of the measure.

2. A Year of Financial Adjustment

More than a year has passed since the first intense excitement over monetary conversion started a chain of events of great consequence to Austria's economic life. Prior to Minister Krauland's speech in May of 1947 few Austrians had been discussing the monetary measures which financial experts had assumed would be inevitable. The original plans of the Americans worked out with the British in 1945 before the occupation of Austria provided for two conversions, a preliminary one in 1945 to eliminate the reichsmark, to be followed shortly thereafter by a far-reaching monetary reform.

Because of the changes in these original plans to meet Soviet objections, the first conversion of 1945 was directly into Austrian national schillings and not into special schillings printed for the purpose of the Allies.

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Authority MM 775121
By WMM NARA Date 2/4/00RG 84
Entry F 300005 2054
File 315 Coinage - Currency
Box 106RESTRICTED

Report No. 69 from
Anleg, Vienna.
June 16, 1948

- 3 -

Many thought the program accomplished the monetary adjustments which were necessary and that further steps were not needed. In fact however the job was only half done. Since the first currency reform measure was a compromise, accomplished before there were even enough notes printed to retire of the entire reichsmark circulation and before basic economic conditions were known, it was clear that further action would be needed later.

The controversy in the summer of 1947 at first took a somewhat theoretical turn with respect to the mathematical relationship of the notes in circulation to the postwar price level. Very soon, however, the issue became almost more political than economic in that a bargain was struck by the main Austrian political groups permitting a limited increase in many official prices holding wage levels to small changes and promising early monetary reforms. The trade unionists had become acutely conscious of the need to increase the real value of income as compared with nominal value and was insistent that overall measures be taken to protect their living standards. The problem thus took on the form of a demand for currency deflation, cutting across many groups.

The more disturbing aspect of the increasing controversy related to the Soviet attitude to the conversion. In view of sizable USIA schilling holdings and the Soviet attitude to the earlier financial proposal, serious risks were involved in this conversion. There were many reasons to fear that Soviet obstruction to the reform might occasion economic partition of Austria. The fact that the Soviets permitted conversion and the exchange of schillings is now thought to be due in part to the imminence of their own conversion.

Now, in the summer of 1948 six months afterwards the controversial measure has been put into effect and the diverse effects can be observed. The opinion at the present time is that the measure has had a highly beneficial influence on the Austrian economy. There is no doubt that black market prices have fallen in a steeply descending curve from the values of 1947. It is also clear that many new types of goods are available through legal channels which had not been seen since the end of the war. Furthermore production has continued to rise and a measure of confidence in the internal value of the schilling has been restored.

A just appraisal

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Authority

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By

WMM

NARA Date

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Report No. 69 from
AmLog, Vienna,
June 16, 1948

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3. Non-Monetary Factors Leading to Economic Improvement

A just appraisal of the monetary factors in relation to the general economic situation is still difficult because of the variety of elements which have converged to bring about an improved situation. An evaluation of these elements may be a guide in appraising further monetary policy and may prevent an indiscriminating judgment as to recent economic relationships.

Monetary factors can frequently exert a decisive influence over production and commerce. Inflation can destroy the financial incentive to produce; deflation can dry up the resources which make production possible. There is little reason to believe, however, that monetary measures can bring about a vigorous economic recovery without the assistance of many other factors and when these factors are present, it is difficult to give a just appraisal of each one.

It would not be important to attempt to judge the relative importance of different influences, if it were not for the danger in Austria that the present controversy over further monetary measures held certain risks. There are some who attribute the recovery of the last few months almost entirely to the schilling protection law, and would like to see deflation carried further. There are others who have become disturbed not so much because of the losses they have suffered individually so far, but because of the fear that production may actually be cut down by the shortage of funds. Between these two groups there are many who believe that if no further drastic action is taken and if a neutral policy with regard to monetary influences is pursued, the factors working for recovery may bring about further improvement in the economic situation.

In order to give a proper background for considering these opinions, it is necessary to recall the fact that the upward tendency in production in Austria was already discernible in the spring of 1947. The setback in the summer was caused more by severe drought which continued for many weeks than it was by the first discussions of the currency reform measure. Since the shortage of water affected not only agricultural production but also electric power and upset the balance between coal imports and minimum needs for coal, the decline was marked in all major lines of production. At the same time the fear of drastic financial measures combined with the internal political conflict added greatly to the economic difficulties. Thus, all the economic indices showed unfavorable tendencies and confidence in the schilling and fell to low levels comparable to those reached shortly after the war.

Chart I - Black Market

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Authority MM775121
By W111 NARA Date 3/4/00

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Entry F520705 JOS 4
File 9815 (Change-Currency)
Box 106

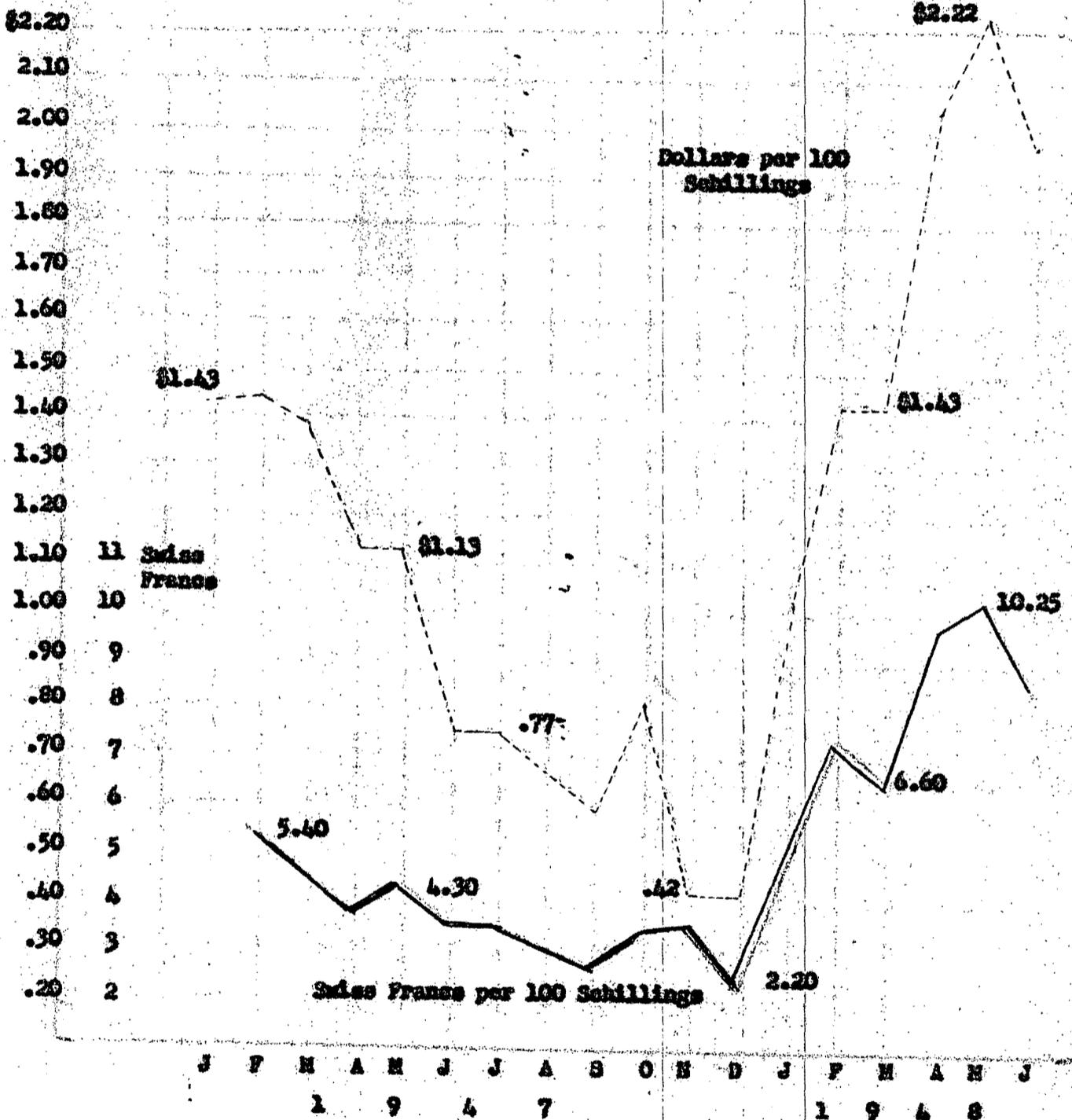
Report #69 from
Anlog, Vienna
June 16, 1948

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CHART I

VALUE OF AUSTRIAN SCHILLING IN TERMS OF
BLACK MARKET DOLLARS AND SWISS FRANCES
per 100 Schillings



Once the currency

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By W311 NARA Date 2/4/00

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Entry

~~ES 80105~~ 2054
Austria
File 85/5 Conage-Currency
Box 106RESTRICTEDReport No. 69 from
AmLeg, Vienna;
June 16, 1948.

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Once the currency reform was put into effect at the end of 1947, it worked on the economy both directly in reducing the schilling demand for goods and lowering prices and indirectly in removing a pervasive distrust of impending monetary action. The recovery in production, however, can be traced more directly to the improvement in the coal situation than it can to the currency reform. Production in many industries was more affected by the cumulative efforts over a period of months than it was by the change in financial conditions. Whereas the dehoarding of goods which brought many commodities into the open can be traced in considerable measure to the shortage of currency, the actual production of such things as metals, building materials, wood and paper was increased by a variety of conditions including improved foreign contacts, the prospect of Marshall Plan aid and the effects of months of reconstruction effort in transportation, communication, and other basic fields of economic endeavor. These developments combined with some improvement on food rationing, had in 1947 laid a basis for a real revival of industry.

The upward surge in Austria while less impressive at this time than in some other countries taken on to somewhat the same characteristics, as Europe began to emerge from the most critical postwar difficulties and approach somewhat more normal conditions, in some countries as in Austria financial measures considerably aided general recovery. In others the improvement has been mainly in spite of monetary difficulties. It would be unwise therefore in reviewing money changes which took place in 1947 to fail to relate Austria's recovery also to the changes which occurred prior to the enactment of the currency reform.

Selected Production

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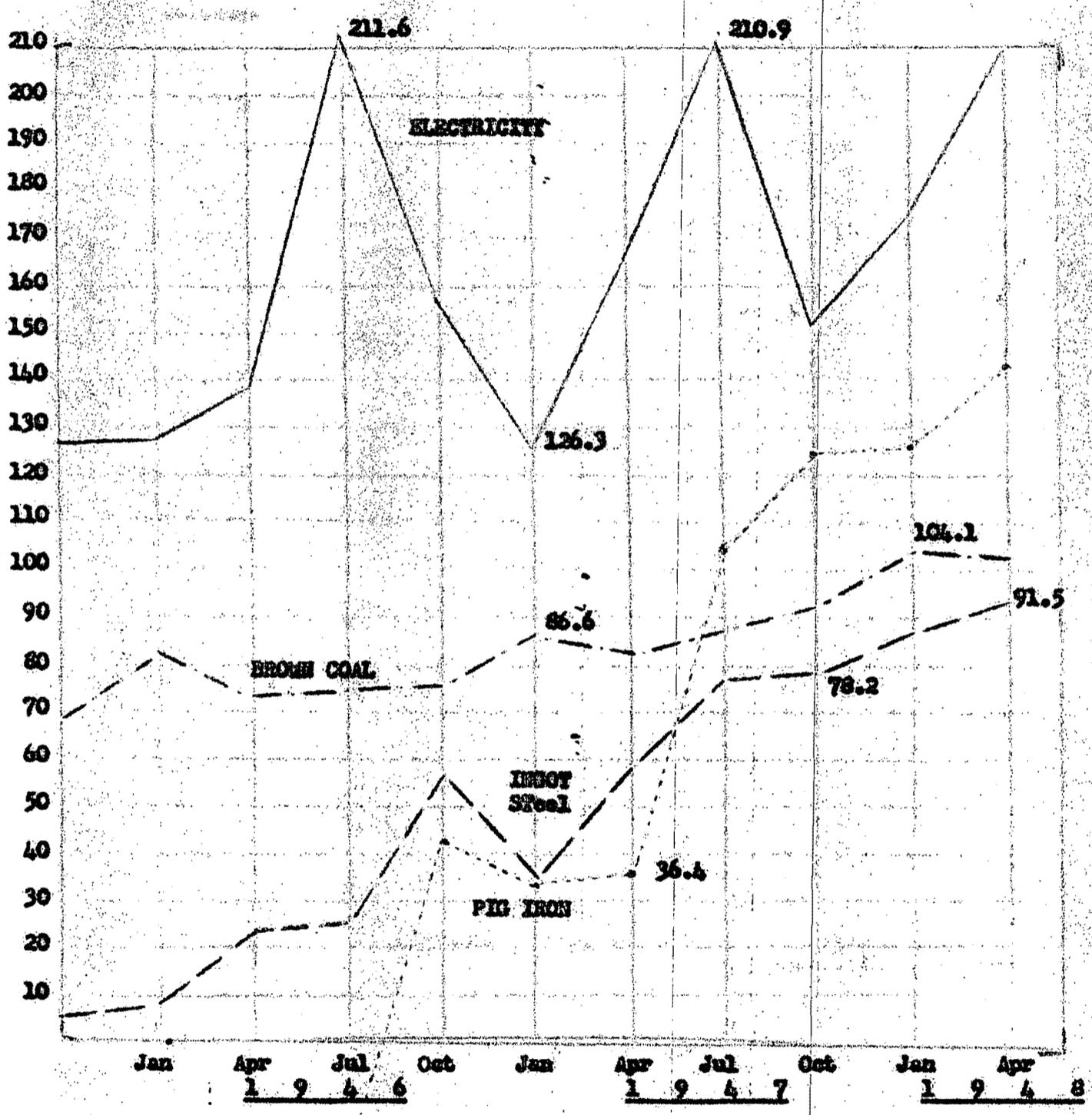
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CHART II

PRODUCTION
ELECTRICITY, BROWN COAL, PIG IRON, INHOT STEEL
1945 - 1947 - 1948



The production curves above represent a general upward tendency in all production curves available for the period. The increase in metal production curves is more consistent than that of electric power, which is affected by drought and coal production. Production of pig iron was negligible in the first seven months of 1946 because of the coal shortage.

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4. The Wirtshaftsforschung Comment on Monetary Reform

The June 5th issue of the Wirtshaftsforschung devotes several pages to comment on the economic consequences of the monetary reform (p. 161-166). The article lays special stress on the new problems of economic control that arise now that the monetary circulation has been reduced. It states that the more normal market relations can help bring about adjustments which formerly could only be handled by direct controls. Now value relations as reflected in the prices on the black, gray and controlled markets determine various economic tendencies. For instance the shortage of money and bank illiquidity affecting some firms tends to restrict production of the less important commodities (page 162) and to direct money and effort elsewhere. The deflationary tendencies have not, however, according to this report, been strong enough to lead to dismissal of workers on any significant scale.

The new situation created brings into conflict, according to the writer, the alternative methods of control through planning and the indirect regulation through a market economy of a freer type. He states that even the direct methods are less necessary now that the danger of inflation is excluded. There are still reasons for government intervention in many specific instances. (p 163). On the one hand social needs make necessary considerable rationing and controls, and on the other hand, such specific methods bring difficulties in distributing goods. The author cites the problem of disposing of commodities under direct controls because of the failure of many individuals to have at the same time both the required coupons and money enough to pay for what they need. Thus, an artificial accumulation of goods was developed at a time when demand was in no sense satisfied.

In discussing the present attitude to general aspects of the currency reform and the fear of deflation expressed in some quarters, the writer says

"A relatively stable currency is the prerequisite for the satisfactory operation of any economic system controlled by means of a price mechanism. In view of certain endeavors which have of late

become apparent

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become apparent - the necessity of a "re-inflation" is being discussed here and there - it appears necessary again to raise serious objections against too liberal a monetary policy." (P. 165)

and continues suggesting the need for real savings.

"However tempting it may be for an impoverished country to contemplate a rich investment program the question will have to be considered as to whether the desired improvement in the living standard of the population can be attained in a better and more secure way with the help of a stable currency and a market economy or by way of national investment activities exceeding the volume of industrial savings. (p. 166)"

He cites as evidence of steady improvement the increase in the production of some commodities from 75% in November 1947 to more than 90% in March 1948, an increase of more than 20 percent, an increase that has continued in to June. He also refers to the decline in the Black Market and the further development of the gray market. He states in conclusion that a major problem for a poor country like Austria must be the question of investment so badly needed will come more easily if the conditions are determined predominantly by the market mechanism or instead direct planning.

The Capital Tax Problem

The struggle between the parties in the Austrian Parliament over the capital tax has not reached its final conclusion by the end of June. Opinions differ as to the prospects of passing the tax within the next few weeks but the general view seems to be that final action will not take place before the adjournment of Parliament scheduled for June 30. The basic idea behind the tax proposal was to share the sacrifices already heavy on the wage earner and the small saver with other groups. It seemed to many in Austria that social justice would be achieved if the currency conversion was followed by a levy on capital. Thus paragraph 36 in Law No. 250 of November 19, 1947 indicated a "one time for all" levy to be embodied in a special law to follow after the completion of the currency exchange. The American authorities in Vienna took note of these reasons for

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the proposal and discussed the plan with the financial authorities at the time of their approval of the law as a whole in December.

A secondary idea, behind the proposal at the time the act was passed, was a further deflation of purchasing power in order to strengthen the schilling. The development already described as a result of the Schilling Protection Law has led to some reappraisal of this *am* amendment and a fear that the tax law might in fact be too deflationary. Officers of the Austrian National Bank, however, in commenting on this criticism have said the requirements would be met in large measure by the turning in of the short 2½ term bonds which were given to the holders of funds blocked under the old schilling law of 1945 (No. 231). If most individuals could meet the requirements in this manner few property sales would take place, and there would be little change in schilling balances. It would be unsafe to assume, however, that a far-reaching tax which some say might be expected to yield almost a billion schillings would not affect current conditions balancing between inflationary and deflationary tendencies. In view of the extreme illiquidity of the banks and public institutions at the present time, the pressure exerted even though small, might bring about economic consequences of a disturbing nature.

The official draft of the tax law discussed in Parliamentary committee in June 1948 indicates that the rates would increase progressively from 5 percent on 2,000 schillings of capital increase to 50% in the class above 667,000 schillings. The dates used for the purpose of calculating the increase are January 1, 1940 to January 1, 1948. The proposal indicates, as anticipated in the Schilling Protection Law of 1947 that the tax was at one-time for all measures. Special provisions apply to property which was forcibly seized and is subject to restitution or is at present of doubtful ownership. In general the law is extremely comprehensive in its application.

It is specifically indicated that revenues from the tax are to be used to redeem the federal notes which were issued under Section 24 of the Currency Protection Law are 2.3 billion schillings. No excess proceeds are likely to result.

The political angles

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The political angles of the capital tax are complicated. The Socialists from the start have pressed this as a solemn obligation, the Peoples Party have never denied the commitment but most of the industrialists and financiers believe that action of this sort is likely to do more harm than good. It is rumored that a compromise between Julius Raab of the Volkspartei and Bruno Pitterman of the Socialist Party has prepared the way for a compromise. It would be possible technically to push the law through within a few weeks but difficulties in interpreting the recent interparty agreements already encountered may delay the further drafting. It is possible that the law will not be presented to the Allied Council for approval or disapproval for several months. If during this period of further delay monetary stringency should alarm the economic and political leaders action again might be postponed.

5. Effect on the Banking System

Conversion changed every item in the statement of the Austrian National Bank. Large sums of blocked schillings were eliminated. Restricted accounts were converted into government bonds. So called "new accounts" were partially blocked. The note circulation, which had risen from 3.5 billion schillings just after the 1945 conversion to more than 6 was cut in half. The net result was to cut purchasing power from almost 30 billion schillings to approximately 10 billion. Since the new total included deposits which were temporarily blocked the deflationary effects were not however as great as at first apparent. Nevertheless the operation was a drastic one and accomplished on the whole the desired effect on free prices. The summary statement in the Mitteilungen of the National Bank for February 1948 indicates the consequences of this action in simple terms.

The table below brings the Mitteilungen figures up to June 1948.

Note Circulation

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	1947					1948	
	Jul	Aug 31	Nov 7	Dec 9	Dec 10	Jan 23	June
LIABILITIES:							
Bank Notes in Circulation	8.6	5.8	6.2	2.8	1.6	3.4	4.3
Free Deposits	3.2	2.9	2.8	6.2	4.0	2.3	1.3
	8.8	6.7	9.0	9.0	5.6	5.7	5.6
ASSETS:							
Discounted Treasury Notes						0.1	0.1
Other Assets	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Demands on Treas. Notes	12.4	12.3	12.3	12.3	7.5	7.5	7.3

A more detailed statement of the National Bank situation indicates the manner in which various types of deposits were handled. It shows in Section I the sight liabilities of the Austrian National Bank and in Section II the deposits in commercial and other banks.

The table below is comparable to the one given on page 4 in Report No. 6, January 12, 1948. Some of the headings have been revised and presented in different form in the light of actual experience. Chart 3 shows the sharp decline of sight liabilities followed by the gradual rise as the resumption of more nominal production and consumption called for some releases of currency and credit. The reduction of "claims against the federal treasury" of about 12 billion schillings to slightly over 7 billion resulted from the wiping out of blocked accounts and reduction of other liabilities of the National Bank. A useful summary of the currency conversion is given in the *Mitteilungen* of February 15 cited above. This article also indicates the reduction of notes just prior to conversion because of rumors that deposits would receive more favorable treatment. It also states that notes exchanged at one to one were about twice as many as those at 3 to 1. The preliminary shift from notes to deposits and the one to one conversions was indications of why the note circulation was not reduced as much as at first anticipated. Most of the increase in notes between January 1 and 23 estimated at about 1.6 billion schillings were withdrawn from deposits.

Meanwhile the ~~changes~~ changes

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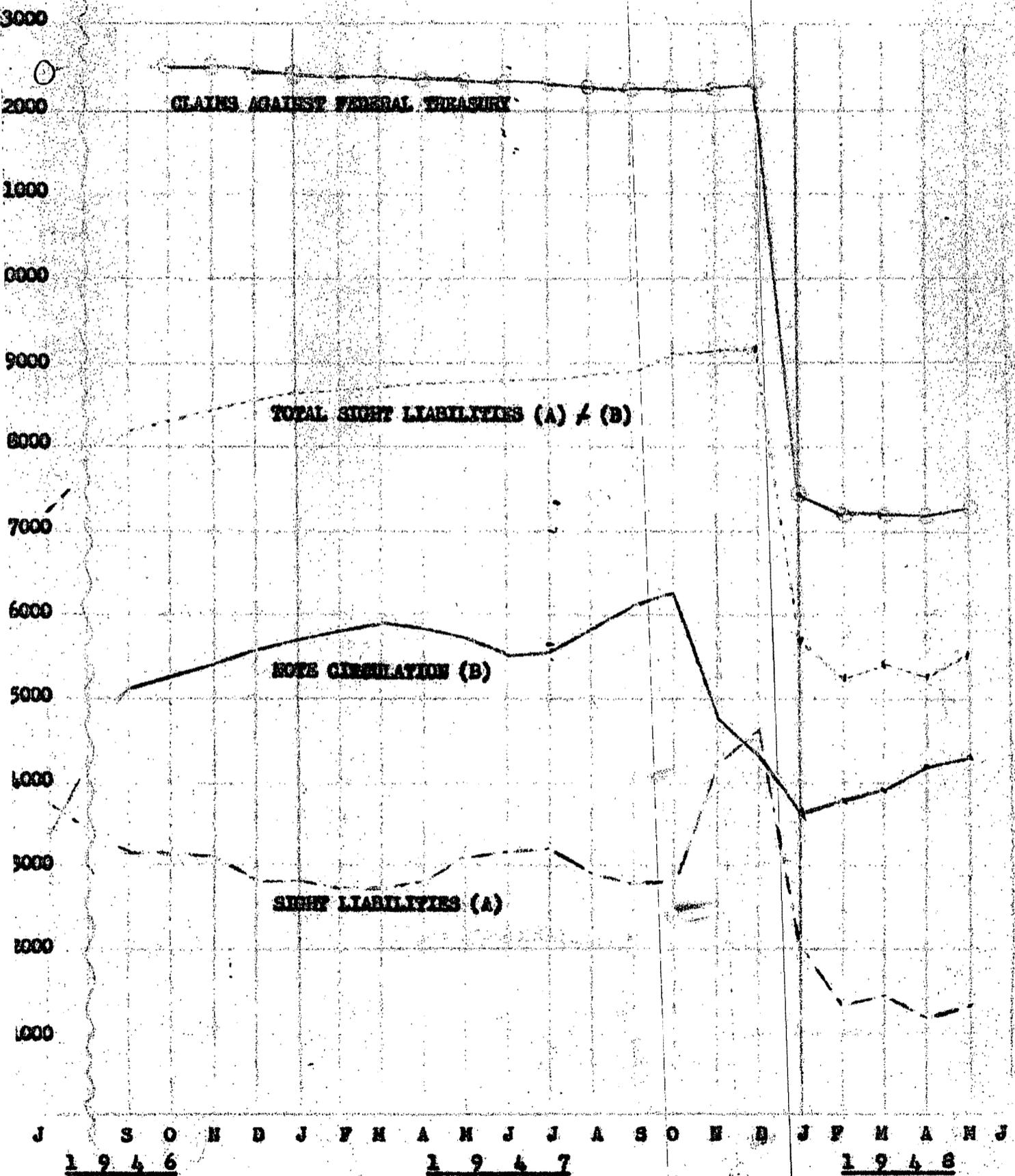
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CHART III

NOTE CIRCULATION, SIGHT LIABILITIES,
TOTAL SIGHT LIABILITIES AND
CLAIMS AGAINST FEDERAL TREASURY



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CHANGES IN BANKING SYSTEM CAUSED
 BY 1947 CONVERSION

	<u>1947</u>		<u>1948</u>
	Pre Conversion Oct 31	Post Conversion Dec 9 <i>Estimate</i>	Current Situation Jun 15
I. <u>Austrian National Bank</u>			
1) Note Circulation	6.2	2.7	4.3
2) Inter-bank Deposits	0.8	0.8	0.7
3) Public Agency Deposits	1.6	1.2 (of which 0.4 blocked)	0.8 (0.4 temp. blocked)
4) Other	0.4	0.4 (of which 0.2 blocked)	1.6 (1.4 temp. blocked inc. Relief Acc.)
5) Accounts (Blocked under Schilling Law 1945)	3.4	-	-
6) Sight Liabilities Total	<u>12.4</u>	<u>5.1</u>	<u>7.4</u>
II. <u>Deposits in Commercial and other Banks</u>			
7) Blocked Accounts (60% by 1945 Law)	3.0	0.8 (social need)	0.4 (social need)
8) Restricted Accounts (40% by 1945 Law)	2.3	Govt. Bonds	Govt. Bonds
9) "New Accounts"	2.8	2.8 (incl. 1.4 temp. blkd.)	3.4 (incl. 0.6 temp. blkd.)*
10) Public Agencies	2.0	1.5 (incl. 0.5 temp. blkd.)	2.0 (incl. 0.5 temp blkd)e
	<u>15.1</u>	<u>5.1</u>	<u>5.8</u>
III. <u>Disposition of Accounts</u>			
Blocked (5) and (7)	11.4		0.4 (released for cases of social need)
Restricted (40%)	2.3		Govt. Bonds
Total of Blocked and Restricted	<u>13.7</u>		<u>0.4</u> (reduced by 13.3)
Bank Notes	6.2		4.3 (reduced by 1.9)
Free Accounts** (2) + (3) + (4) + (9) + (10) (in I and II)	<u>7.6</u>		<u>8.5</u> (increased by 0.9)
SUMMARY	<u>27.5</u>		<u>12.8</u>
			13.2 (reduced by 14.3)

* Latest Estimate
 ** Including temporarily blocked.

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Meanwhile the commercial banks have been complaining to the Austrian authorities of their difficulty in accommodating industry and trade. They state their resources are too limited to grant credits. Their situation is thus a cause for fear in some quarters that there may be a deflationary setback to early recovery. The National Bank authorities do not believe this situation is serious nor that it will continue long. They point to releases from blocked accounts in June. Approximately 300 million schillings made available by the National Bank to the commercial banks and releases in late 1948 will help the situation. *and*

7. The Currency Reform and the Budget

The Austrian budget has been held up as an example of serious effort to avoid inflation. In general since the war the normal expenditures have been covered by these taxes. There has been little borrowing and no use of printing press except to the extent that Allied pressure for occupation cost schillings led in 1946 and 1947 to an expanding note circulation.

There is no doubt of the Austrian intention and accomplishment so far which compare favorably to that in many European countries. Nevertheless, a false sense of security would result if some of the more precarious aspects of the situation were ignored. Austria has been receiving aid from outside to the extent of about \$200 million a year.* The schilling proceeds of some of the special imports from abroad have been blocked. Other portions of the receipts have been available to the Austrians and have relieved the budget at least in improving the cash position of the treasury. First there has been less pressure for welfare expenditures than otherwise would have been the case and second in some cases the schillings have become a part of the government resources and help to meet current budget requirements.

The exact extent to which the schilling proceeds of relief sales have been used cannot be demonstrated at this time. Since the proceeds of the American aid (PL 84, PL 389, PL 472) have been blocked and have been available only by special authorization by the U.S. Relief Mission, the Austrian Government has not as yet had much help in balancing its budget from this quarter. To the extent that funds have become available from some of the other sales including British aid, surplus property, U.S. excess army goods and similar sources, there is no doubt that the budget has benefited.

The budget

*See Report No. 160, December 12, 1947, and Report No. 86, July 3, 1947.

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The budget needs were in no sense critical before the middle of 1948. From then on however, these relationships call for close watching since it is known that the treasury has virtually no liquid funds. Austrian Government receipts have been somewhat reduced in the first part of 1948 by the special tax provisions of the currency conversion law. Under this measure tax payers could anticipate tax payments for 1947 at the pre-conversion schilling rate but the revenues were not set off against expenditures for 1948 but became surplus for 1947. Some payments were made in advance for 1948 but were counted only at one-third of the nominal schilling rate. The temporary vantage of the treasury from this quarter has somewhat impaired the prospects for 1948. Some of the payments were making good of delinquencies and others were authorized payments in advance. In any case receipts during the first three months of 1948 show a slight deficit between income and outgo. There is little reason to anticipate now that the budget requirements for the ordinary and extraordinary expenditures can be met entirely out of tax collections in the next six months. It is probable that every potential resource whether borrowing, cash, reserves, or special funds accruing from relief sales will be strained to the utmost.

8. New Tendencies in Rationing and Price Control

With improvements in supplies of some commodities and with the sharp decline in Black Market prices there has come a new attitude towards controls. Efforts have been made to free some commodities of rationing and some are even free of price control for the first time. The Socialist leaders are now fighting bitterly against these prospective changes.

With respect to food the most interesting illustrations of the current situation so far have been lettuce and cherries. Because lettuce was available in considerable amounts and because it is not considered a basic element in the diet, price control was taken off. The result of this freedom from the control, along with favorable growing conditions this year, has been a large increase in supply in Vienna and a decline in the prices of the consumer from 1.20 to 0.60.

A different illustration is found in the treatment of cherries which were derationed but subject to price control. Since the prices were set at levels generally considered too low and since the margin between the wholesaler and the retailer were not enough, the result has been a retailer strike against the purchase of cherries

and difficulties

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and difficulties which are preventing the free flow of the commodity.

Another situation can be observed in connection with the derationning of textile products. This came later suddenly in June. The Socialists were very much aroused by the move and have calculated that the free textile products are sufficient for only a negligible fraction of the population. Meanwhile they state that prices are so that the goods are not likely to be sold as quickly as they would be if they were still under control.

In recent months the cost of living index has fluctuated within a narrow margin. There is a high probability that the living standard has improved in ways not reflected in the statistical indices. The general increase in the amounts and types of goods available, even though they are expensive is a great help to consumers.

The problem of subsidies and bonuses out of special relief accounts and UNRRA funds is being discussed as a possible means to stimulate further deliveries and production.

The decline in Black Market prices is generally considered to be the most striking evidence of the effects of the currency conversion. Although some question arises as to the significance of Black Market prices because of the illegal status of the transactions, it is generally admitted that probably more than a significant 15% and perhaps an average of 25% of the family budget has been devoted to purchase of food outside the rationing system, either illegally or by taking advantages of uncontrolled items and by contacts with self-suppliers. Food prices have been on the whole more sensitive and more consistent and therefore receive the most attention. Chart IV which shows the steep rise of the cost of living based on legal prices, which flattened out after the new price agreement in August 1947, is shown in contrast to the declining values of the index of prices on the Black Market. It would be unwise to place too much emphasis on the contrasting movement of the two graphs. There is no question that most of the food purchases are on a legal basis. Nevertheless the drop in prices of special commodities as bread, fat, sugar, meat outside the scope of the ration system has given some relief financially to a considerable number of families and is also taken by the Austrians as an indication of improved conditions.

Index of PricesRESTRICTED

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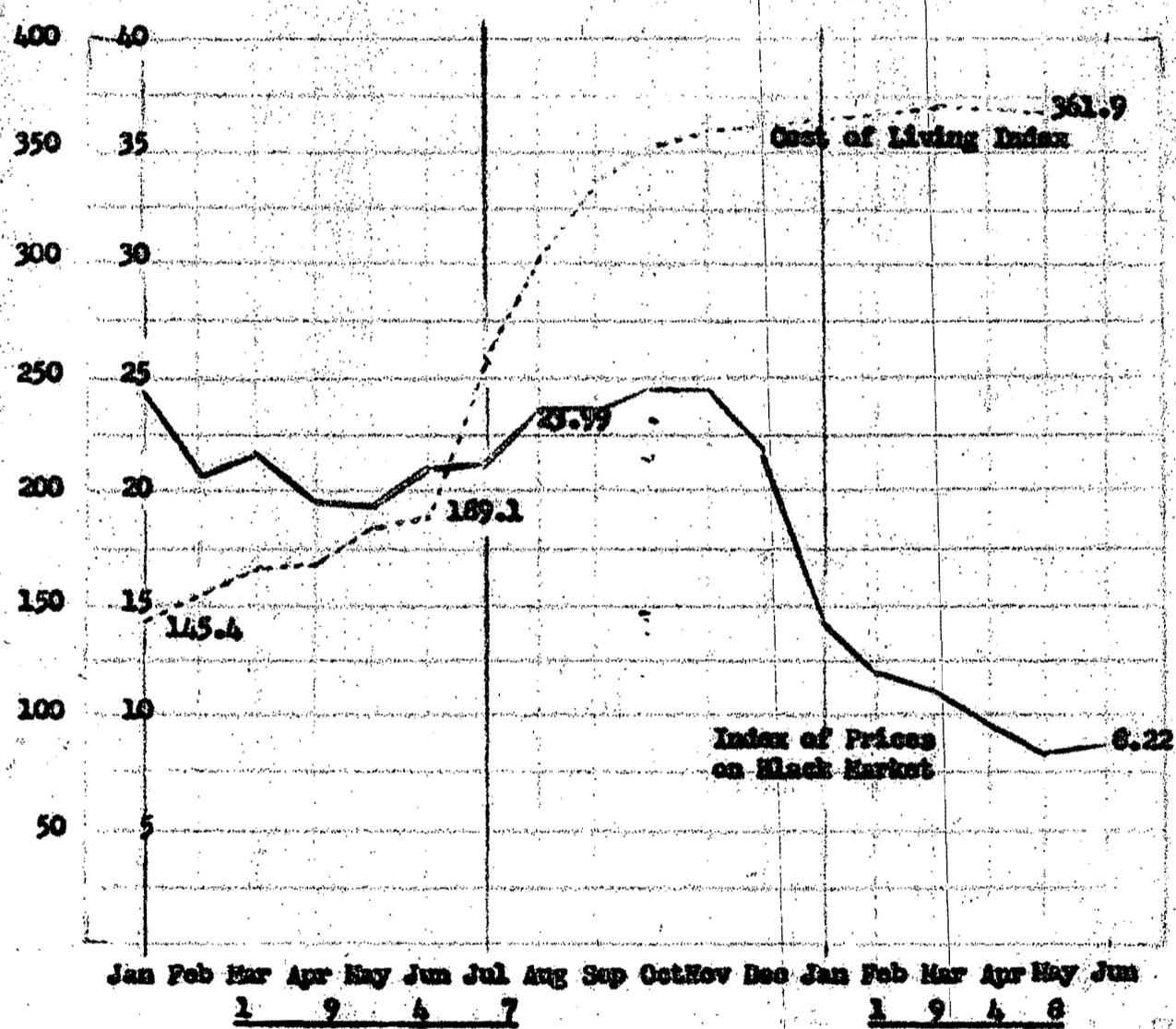
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CHART IV

**INDEX OF PRICES ON THE BLACK MARKET
AND COST OF LIVING INDEX
1947 - 1948**



The Index of Black Market Prices is based on December 1937 as 100; the Cost of Living Index is based on April 1945 as 100. The two curves are placed on the chart to show similar percentage changes and the divergence of the two curves since the conversion.

There is now

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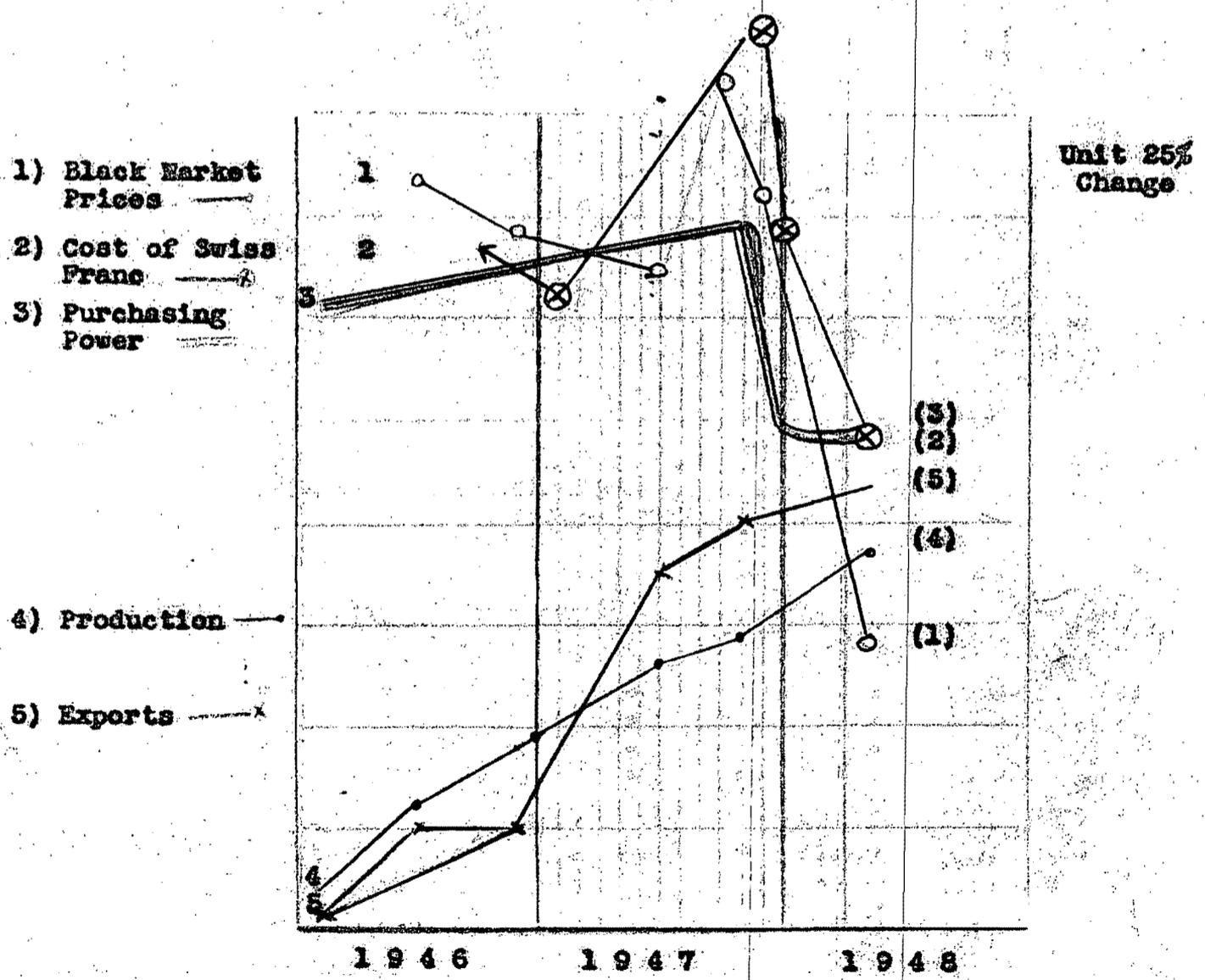
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There is now even more talk than previously about the grey market. The Government experiments with derationing and the increasing acceptance of Black Market dealings has led to the belief that a situation is approaching when a grey market may be authorized with a change to a freer economic situation.

9. The Major Signs of Monetary Adjustment

Among the most important signs of adjustment to the currency reform are commodity prices and the schilling rate in Zurich. The continuing rise of production and exports are also important evidence of an improved monetary situation. A diagram showing these general tendencies is given below.

DIAGRAM SHOWING GENERAL CHANGES
IN PURCHASING POWER, PRODUCTION,
PRICES AND EXPORTS



Unit 25%
Change

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While the diagram

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While the diagram is not exact in regard to the monthly changes the turning points indicate some interesting facts reflected in the statistics which are available, particularly that the index of Black Market prices reached its high point in October and started its decline before the currency reform was actually in force. The decline in the rate for the Swiss Franc was almost simultaneous with the currency reform. The reason for the decline in prices before the actual restrictions on purchasing power was probably caused by the fact that many persons rushed to put their schillings into the bank in October while others in November took advantage of the pre-payment of tax clause.

One of the most striking curves is the one which shows the changes in the Zurich rate for the schilling. Although it is admitted that artificial factors can have a considerable influence in a thin market such as that in Zurich, nevertheless, in its dramatic swings, the curve indicates the change in the attitude toward the schilling in some quarters. Rumors with regard to buying on the part of Swiss businessmen, Soviet authorities, and others cannot be substantiated and would not in any case explain completely the increasing hardness of the schilling rate. The decline in the cost of Swiss francs from more than 28 schillings for one Swiss franc to 11.6 and the steadying of the rate around 13 is clearly of significance in showing a different attitude towards the risks involved in holding this currency.

The commodity price curve follows closely the prices for the Swiss franc and both have a wider swing than the sight liabilities which is the total of deposits and notes.

The trade and production curves must be regarded from a longer term point of view because the increases reflected in the recent figures are the continuation of trends evident in 1946 and 1947. In any case production in most lines and exports and imports have climbed fairly steadily with the exception of striking interruption caused by the coal crisis. A closer analysis would show many non-monetary factors but the general influence of note circulation on production is nevertheless evident.

10. Final AppraisalRESTRICTED

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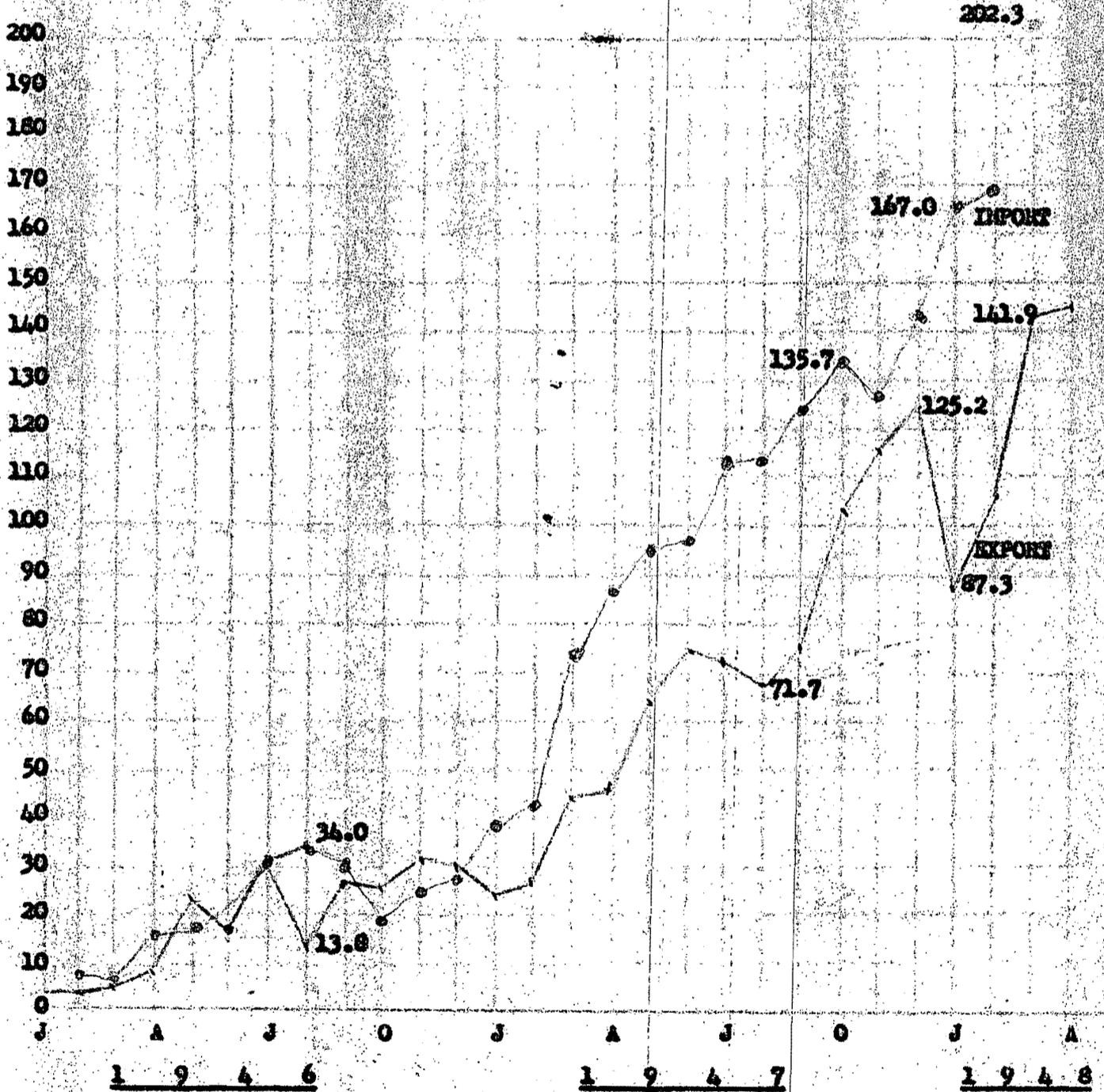
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CHART V

AUSTRIAN FOREIGN TRADE
1946 - 1947 - 1948



Imports are exclusive of an average of 16 million ^{dollars} schillings in relief per month.

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10. A Final Appraisal of the 1947 Decision

The controversy over the advisability of the conversion of 1947 was so heated that it is difficult for those who took part in the discussions to maintain an unbiased position. The major criticism in responsible quarters was against a government policy which seemed to gamble with the political issues of national scope at a time when pressure from the Soviet element might have brought disaster. In the preliminary phase of the discussions no one knew nor could have anticipated the fact that the Soviets were themselves planning a monetary conversion at the same time as the Austrian measure. Moreover in Austrian circles there was only fragmentary knowledge of the economic issues which divided some of the Soviet authorities in Austria. The assumption by some of the opponents of the measure that the Russians would use this occasion to upset a precarious political and economic balance in Austria was based on the Communist party position in Austria and other fairly solid facts. None of the factors worked in favor of the financial program. These factors now fairly evident included the Soviet economic measures in Russia, a decreasing effectiveness of USIA operations, and the Soviets intentions to renew negotiations on the Austrian treaty on the basis of the so-called French proposition. Thus, the fears of the opponents of the measure were for various reasons unfulfilled.

The economic phases of the controversy focused on the relations between money in circulation, the price level and the volume of goods. Here a number of statistical experts were brought forward to support different views. It was stated by some of the allied experts in the summer of 1947 that the money was not redundant. The National Bank authorities making different comparisons with pre war periods attempted to demonstrate that the money was in excess by considerable volume.

A review of the various factors leads to the conclusion that although the money was not to any very considerable extent in excess if the production average is corrected for the crises occasioned by the coal shortage and drought. It is clearly known at least that the more simple economic relationships based on the circulating medium prevailed in this case and that prices were strikingly responsive to the drastic cut in money and credit. It is not clear, however, that the upward climb of the production curves can be traced to the cut in the money supply.

If attention is

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If attention is focused mainly on internal factors the evidence that production is increasing faster than the supply of purchasing power would lead to the conclusion that inflationary tendencies are negligible and that the money is relatively sound. The budget problems are not quite so easy to appraise since no resources are presently available to cover the extraordinary budget. It is probable that the government will experience difficulties in meeting its commitments before the further unblocking of public accounts in December. It is not likely, however, that any inflationary measures will be used to fill the gap. Borrowing is likely to be kept at a minimum and printing press notes can be excluded as a possibility. The external value of the schilling influenced as it is by political situations and fear of Russian pressure gives a much less satisfactory picture. Even with regard to the external value however as indicated in Table No. II above the value of the schilling has increased from approximately one-tenth of the official rate to approximately one-fourth.

The schilling conversion of 1947 will always remain as an extremely interesting case in monetary history. The validity of quantity theory of money was strikingly demonstrated in the fall of Black Market prices. The stringency of cash and shortage of goods has led to considerable hoarding of goods. The disparity between external and internal values is considerably less though the gap is still far from closed. The schilling, which functioned only for some categories of transactions previously and shared some of its monetary functions with the cigarette and barter goods, has now come to be considered the real means of payment and a financial basis for Austrian recovery has been established.

C. W. Yost
Counselor of Legation

Eleanor Lansing Dulles
Financial Attache

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ELDULLES:ev:bf

To the Department in Hectograph.

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DECLASSIFIED
Authority NMD775121
By W/III NARA Date 2/4/00

RG 84
Entry ES 80003 2054
File 951.5 Coinage-Currency
Box 106

Enclosure No. 1
Report #69 from
AmLeg, Vienna
June 16, 1948

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TABLE I VALUE OF AUSTRIAN SCHILLING IN TERMS OF
BLACK MARKET DOLLARS AND SWISS FRANCS
PER 100 SCHILLINGS

<u>DATE</u>	<u>Cost of 100 Schillings</u> <u>in Black Market Dollars</u> <u>(Vienna)</u>	<u>Cost of 100 Schillings</u> <u>in Swiss Francs</u> <u>(Zurich)</u>	
<u>1947</u>			
Jan	\$1.43	-	
Feb	1.44	5.40	Swiss Francs
Mar	1.39	4.50	18.5 Sch. per
Apr	1.13	3.90	Swiss Franc
May	1.13	4.30	(Figures used
Jun	.77	3.50	in diagram
Jul	.77	3.50	p. 19)
Aug	.69	3.00	
Sep	.60	2.70	
Oct	.83	3.35	
Nov	.42	3.40	29.4
Dec	.42	2.20	
<u>1948</u>			
Jan	1.05	5.00	20.0
Feb	1.43	7.40	
Mar	1.43	6.60	
Apr	2.08	9.75	
May	2.22	10.25	
Jun	1.96	8.60	11.6

SOURCES: Value in Black Market Dollars from Reports of Austrian National Bank
Value in Swiss Francs from daily reports New York Herald-Tribune (Paris
Edition) Zurich Banknote Quotations

TABLE II PRODUCTION
ELECTRICITY, BROWN COAL, PIG IRON, INGOT STEEL
1946 - 1947 - 1948

<u>DATE</u>	<u>ELECTRICITY</u>		<u>BROWN COAL</u>		<u>PIG IRON</u>		<u>STEEL (INGOT)</u>	
	<u>1946</u>	<u>1947</u>	<u>1946</u>	<u>1947</u>	<u>1946</u>	<u>1947</u>	<u>1946</u>	<u>1947</u>
Jan	128.9	126.3	82.3	86.6	-	35.4	9.6	34.3
Apr	139.6	169.0	72.9	82.8	-	36.4	22.6	59.0
Jul	211.6	210.9	74.5	88.4	-	103.8	24.7	77.0
Oct	157.4	151.3	75.2	91.3	42.7	124.0	57.2	78.2
	<u>1948</u>		<u>1948</u>		<u>1948</u>		<u>1948</u>	
Jan	175.5		104.1		125.9		86.8	
Apr	210.0		102.8		141.5		91.5	

SOURCE: Monthly Mitteilungen, Austrian National Bank, 1947, 1948

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 Authority MM775121
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 Report #69 from
 Anleg. Vienna
 June 16, 1948

RESTRICTED

TABLE III NOTE CIRCULATION, SIGHT LIABILITIES, TOTAL SIGHT LIABILITIES AND CLAIMS AGAINST FEDERAL TREASURY
1946 - 1947 - 1948

<u>DATE</u>	<u>NOTE CIRCULATION</u>	<u>SIGHT LIABILITIES</u>	<u>TOTAL SIGHT LIABILITIES</u>	<u>CLAIMS AGAINST FEDERAL TREASURY</u>
<u>1946</u>				
Sep	5,101	3,143	8,244	
Oct	5,249	3,114	8,363	12,559
Nov	5,418	3,020	8,438	12,558
Dec	5,656	2,898	8,554	12,547
<u>1947</u>				
Jan	5,721	2,892	8,613	12,547
Feb	5,853	2,794	8,647	12,500
Mar	5,938	2,760	8,698	12,503
Apr	5,896	2,806	8,702	12,486
May	5,706	3,022	8,729	12,476
Jun	5,547	3,179	8,726	12,421
Jul	5,594	3,187	8,781	12,403
Aug	5,874	2,954	8,828	12,384
Sep	6,099	2,801	8,900	12,358
Oct	6,219	2,818	9,037	12,346
Nov	4,809	4,271	9,080	12,339
Dec	4,325	4,750	9,075	12,346
<u>1948</u>				
Jan	3,687	2,043	5,730	7,547
Feb	3,873	1,395	5,269	7,246
Mar	3,993	1,453	5,446	7,210
Apr	4,137	1,157	5,294	7,208
May	4,286	1,343	5,629	7,266

SOURCE: Weekly Reports Austrian National Bank

TABLE IV INDEX OF PRICES ON THE BLACK MARKET AND COST OF LIVING INDEX
1947 - 1948

<u>DATE</u>	<u>INDEX OF PRICES ON BLACK MARKET</u>		<u>COST OF LIVING INDEX FAMILY OF 4 VIENNA</u>	
	<u>1947</u>	<u>1948</u>	<u>1947</u>	<u>1948</u>
Jan	24.39	14.88	145.4	359.6
Feb	20.77	12.80	154.4	359.7
Mar	22.35	11.69	166.2	367.6
Apr	19.48	8.04	168.7	364.3
May	19.15	8.22	188.4	361.9
Jun	21.70		189.1	
Jul	21.82		260.5	
Aug	23.99		301.0	
Sep	23.99		342.0	
Oct	24.85		350.2	
Nov	24.78		354.5	
Dec	22.03		357.0	

SOURCE: Monthly Reports Austrian National Bank, 1946, 1947, 1948

SOURCE: Monatsberichte des Oesterreichischen Institutes für Wirtschaftsforschung, 5 June 1948, p. 188, column 2

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 File 9815 Coinage-Currency
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Enclosure No. 3
 Report #69 from
 Anleg, Vienna
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- 26 -

TABLE V

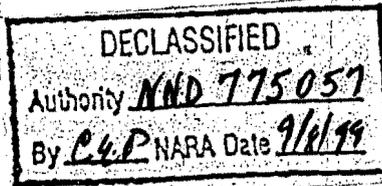
AUSTRIAN FOREIGN TRADE
1946 - 1947 - 1948

<u>DATE</u>	<u>EXPORT</u>	<u>IMPORT</u>
<u>1946</u>		
Jan	3.2	
Feb	3.3	9.1
Mar	3.6	7.3
Apr	9.4	17.1
May	22.0	18.4
Jun	17.2	17.9
Jul	30.5	30.1
Aug	13.8	34.0
Sep	27.7	30.3
Oct	26.9	19.2
Nov	30.9	24.2
Dec	30.1	27.9
<u>1947</u>		
Jan	23.5	39.9
Feb	27.8	42.8
Mar	45.5	72.9
Apr	46.0	88.2
May	64.2	94.4
Jun	74.6	98.3
Jul	71.7	112.3
Aug	68.6	112.2
Sep	75.4	123.7
Oct	102.8	135.7
Nov	116.6	128.0
Dec	125.2	143.8
<u>1948</u>		
Jan	87.3	167.0
Feb	106.9	169.5
Mar	141.9	202.3
Apr	142.0*	

* Unofficial

SOURCES: Report of Austrian Institute for Economic Research, 6 April 1948, p. 118
Mitteilungen, Austrian National Bank, 1946, 1947, 1948

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RG 260
 Box 13
 Jewish DP Property
 (390-44-00-04)

file 1744

MEMORANDUM

21 November 1947

SUBJECT: Records of Former Jewish PropertyTO : Mr. E.N. Reinsel,
Chief, Property Control Branch

Your attention is invited to the fact that about 33 000 registry cards and records relating to seized Jewish property are available at the Document Center of the former Reich Ministry of Finance.

In my memorandum, subject: Reference to the Ascertainment of Records Concerning Jewish Property, dated 5 December 1946, I already reported that almost complete files of all securities reverted to the Reich on the basis of discriminating legislation are on hand. The files contain, among other details, the name and address of the former owners, the bank in which the securities had been previously deposited as well as the kind, amount, and proceeds of the securities which had been seized.

Recommendation:

It might be useful to inform the Central Filing Agency as to the records available.

DR. RUTH A. KLEIN

Tel: Ext. 43995

PC FILE

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DECLASSIFIED
 Authority UNDT 15 119
 By TJ NARA Date 4/24/99

RG 260
 Entry USACA - 6x1000d 13508
 File Blocking & Control - Austria
 Box 213

Main (from Greg)

Germany

MILITARY GOVERNMENT - AUSTRIA

AREA OF CONTROL, SUPREME COMMANDER, AEF

DECREE NO. 3

BLOCKING AND CONTROL OF PROPERTY

**ARTICLE I
 CATEGORIES OF PROPERTY**

1. All property within the occupied territory of Austria owned or controlled, directly or indirectly, in whole or in part, by any of the following is hereby declared subject to seizure of possession or title, direction, management, supervision or otherwise being taken into control by Military Government:

- a) Austria, the German Reich, or any of the Lander, Gaus, or Provinces, or other similar political sub-divisions or any agency or instrumentality thereof, including all utilities, undertakings, public corporations or monopolies under the control of any of the above;
- b) Governments, nationals or residents of countries other than Austria which have been at war with any of the United Nations at any time since September 1, 1939, and governments, nationals or residents of territories which have been occupied since that date by such countries;
- c) The NSDAP, all offices, departments, agencies and organizations forming part of, attached to, or controlled by it; their officials and such of their leading members or supporters as may be specified by Military Government;
- d) All persons while held under detention or any other type of custody by Military Government or the Allied Military Forces or by their order;
- e) All organizations, clubs or other associations prohibited or dissolved by Military Government;
- f) Owners absent from the Supreme Commander's area of Control and Nationals and Governments of United Nations and Neutral Nations;
- g) All other persons specified by Military Government by inclusion in lists or otherwise.

2. Property which has been the subject of duress, wrongful acts of confiscation, dispossession or spoliation from territories outside Austria, whether pursuant to legislation or by procedures purporting to follow forms of law or otherwise, is hereby declared to be equally subject to seizure of possession or title, direction, management, supervision or otherwise being taken into control by Military Government.

ARTICLE II

PROHIBITED TRANSACTION

3. Except as hereinafter provided, or when licensed or otherwise authorized or directed by Military Government, no person shall import, acquire or receive, deal in, sell, lease, transfer, export, hypothecate

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 Authority WMDT 15 119
 By TJ NARA Date 4/24/99

RG 261
 Entry USIA - Ex-Gratia Assets
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 Box 213

313403

or otherwise dispose of, destroy or surrender possession, custody or control of any property;

- a) Enumerated in Article I hereof;
- b) Owned or controlled by any Kreis, municipality or other similar political sub-division;
- c) Owned or controlled by any institution dedicated to charity, education, the arts and sciences;
- d) Which is a work of art or cultural material of value or importance, regardless of the ownership or control thereof.

**ARTICLE III
 RESPONSIBILITIES FOR PROPERTY**

4. All custodians, curators, officials or other persons having possession or control of property enumerated in Articles I or II hereof are required;

- a) (1) To hold the same subject to the directions of the Military Government and, pending such direction, not to transfer, deliver or otherwise dispose of the same;
- (2) To preserve, maintain and safeguard, and not to cause or permit any action which will impair the value or utility of such property;
- (3) To maintain accurate records and accounts with respect thereto and the income thereof.
- b) When and as directed by Military Government:
 - (1) To file reports furnishing such data as may be required with respect to such property and all receipts and expenditures in connection therewith;
 - (2) To transfer and deliver custody, possession or control of such property and all books, records and accounts relating thereto; and
 - (3) To account for the property and all income and products thereof.

5. No person shall do, cause or permit to be done any act of commission or omission which results in damage to or concealment of any of the properties covered by this decree.

**ARTICLE IV
 OPERATION OF BUSINESS ENTERPRISES AND GOVERNMENT PROPERTY**

6. Unless otherwise directed and subject to such further limitation as may be imposed by Military Government:

a) Any business enterprise subject to control under this decree may engage in all transactions ordinarily incidental to the normal conduct of its business activities within the occupied area provided that such business enterprise shall not engage in any transaction which, directly or indirectly, substantially diminished or imperils the assets of such enterprise or otherwise prejudicially affects its financial position and provided further that this does not authorize any transaction which is prohibited for any reason other than the issuance of this decree;

b) Property described in Article I, 1 a shall be used for its normal purposes within occupied Austria except as otherwise prohibited by Military

AUTHORITY: MILITARY GOVERNMENT
 By: TJ NARA Date: 4/24/99

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 File Blocking & Control - Military
 Box 213

Government.

ARTICLE V
 VOID TRANSACTIONS

7. Any prohibited transaction effected without a duly issued license or authorization from Military Government and any transfer, contract or other arrangement made, whether before or after the effective date of this decree, with intent to defeat or evade this decree or the powers or objects of Military Government or the restitution of any property to its rightful owner, is null and void.

ARTICLES VI
 CONFLICTING LAWS

8. In case of any inconsistency between this decree or any order made under and any other law, the former prevail. All other laws, decrees and regulations providing for the seizure, confiscation or forced purchase of property enumerated in Articles I or II hereof, are hereby suspended.

ARTICLES VII
 DEFINITIONS

9. For the purposes of this decree:

a) "Person" shall mean any natural person, collective person and any juristic person under public or private law, and any government including all political sub-divisions, public corporations, agencies and instrumentalities hereof;

b) "Business Enterprise" shall mean any person as above defined engaged in commercial, business or public welfare activities.

c) "Property" shall mean all moveable and immoveable property and all rights and interests in or claims to such property whether present or future, and shall include, but shall not be limited to, land and buildings, money, stocks/shares, patent rights or licences thereunder, or other evidences of ownership, and bonds, bank balances, claims, obligations and other evidences of indebtedness, and works of art and other and other cultural materials;

d) A "National" of a state or government shall mean a subject, citizen or partnership and any corporation or other juristic person existing under the laws of, or having a principal office in the territory of, such state or government;

e) "GERMANY" shall mean the area constituting "Das Deutsche Reich" as it existed on 21 December 1937;

f) "AUSTRIA" shall mean the area constituting Austria within the frontiers existing on 31 December 1937.

ARTICLE VIII
 PENALTIES

10. Any person violating any of the provisions of this decree shall upon conviction by a Military Government Court, be liable to any lawful punishment including death, the Court may determine.

ARTICLE IX
 EFFECTIVE DATE

11. This decree shall become effective upon the date of its first promulgation.

By Order of MILITARY GOVERNMENT-AUSTRIA

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Entry 1944-50
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DECLASSIFIED
Authority NND 775057
By AR NARA Date 9/29/47

SECRET

TELECONFERENCE TT-1010

071400 Z August 1948

PRESENT HERE: General L D Clay, CINCEUR
Mr. L. Wilkinson,

CLASSIFICATION: Secret

File
"Gen Motors" or
if we have no such
file, file under
"Property Control"

CINCEUR-2 For Draper from Clay. Reurad W-87046 on General Motors. The comments contained in ourad CC-5183 were designed to meet the compromise suggestions put forth in urad W-86058 and to conform with position taken in CINCEUR's CC-3207 that the responsibility for this matter is in your hands. We also fail to understand General Motor's insistence that Opel sign release. Our reasons for insisting on General Motor's signing are as follows: Signing of release designed to accomplish two things. Under para. 4 of the release the U. S. Government and the custodians both U. S. and German receive a commitment that the owners whose interests Military Government and the custodians were attempting to protect will not sue them for acts committed on their behalf during the period of custody. Under paragraph 5 of the release the U. S. Government and the custodians both German and U. S. receive indemnity against any suits which may be brought against them by third parties. A release designed to accomplish these objectives would be meaningless if signed by Opel. Military Government and the custodians were acting on behalf of and protecting the interests of General Motors. The property would not have been taken into protective custody if Opel were not foreign owned. Military Government can only turn back those interests which it assumed which were the interests of General Motors not the interests of Opel and it can only turn those interests back to General Motors who are the owners thereof. If Opel agreed that in exchange for Military Government returning General Motors interests to General Motors, Opel would not sue the custodians, then General Motors, the real party in interest, would not be bound and could still sue the former custodians.

Our suggestion that the liability of General Motors under para 5 of the release should be limited to 1,000,000 DM was to meet the suggestion in urad W-86058 of limiting General Motors liability to the value of the Opel assets. If such a step were taken we considered it preferable to state a definite sum because of the difficulty of placing a value on the assets and the even greater difficulty of expressing the value in terms of foreign exchange. Mr. Kuhle suggested a figure of 100,000 DM and we countered with a figure of 1,000,000 DM.

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By AN NARA Date 9/29/44

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The figure of 1,100,000 DM represented compromise amount. This limitation was repeat was not discussed with General Clay who believes its acceptance would put us in a bad position with others and would prefer not to accept it.

Further on the general question of why we are willing to limit the liability of General Motors under para. 5, we are primarily interested in having General Motors assume the custody of and responsibility for the Opel property as soon as possible, subject only to the consideration of protecting the U. S. Government. As stated by CINCEUR in his CC-3017 "This question of liability is, of course, an ultimate decision of government and if the Department of Army feels that the Government is fully protected without such a release then Military Government would waive this requirement." We intended to point out in ourad CC-5283 that, in dealing with a firm of General Motors standing where the title is as clear as is General Motors title to Opel, the U. S. government would not, in our opinion run a risk of suits by third parties, claiming Military Government had turned the property over to the wrong persons. For that reason we indicated that if it became necessary to do so in order to get General Motors to assume the property, General Motors liability under para. 5 could be dispensed with or could be eliminated entirely if General Motors would warrant their title to the Opel property and state they knew of no adverse claims.

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DECLASSIFIED
Authority AND 775057
By AR NARA Date 9/29/87

9 April 1949

MEMORANDUM

TO : General Clay
SUBJECT : Property Control

1. Attached is a rewrite of the history of Property Control. No changes of any note are made, except to indicate the law on disposal of Reich Property being held pending receipt of French and British reactions.

2. It is assumed you intend to deal separately with External Assets, Reparations, and External Restitutions.

PHILLIPS HAWKINS
Director

Incl: a/s
Tel: 43773
Rm 2036 Econ Bldg

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By AR NARA Date 9/29/47

*File
"Prof Cont."*

PROPERTY CONTROL

Another task of huge size was the control of property, exercised by a Property Control Group which in the headquarters offices and in the field never exceeded 300 American personnel. Under our directives we were required to take under control all properties of the Nazi Party, its affiliated organizations, and of prominent Nazis, and to block their accounts. With certain exceptions, Reich properties were also taken under control. A majority of the properties excepted were used with our permission by the states for governmental purposes. In addition, we were to take control of the properties of citizens of the United and Neutral Nations, and of all duress property; that is, property acquired in the Nazi Regime from persecutees of the regime. Fortunately, the German office corresponding to our Office of the Alien Property Custodian had maintained excellent records of United Nations-owned property, which came into our possession.

The magnitude of this operation was surprising to us as it grew from the 2,600 properties taken into control by July 1945 to more than 107,000 at peak, valued at more than 11½ billion Reichsmarks; of which 14,600 were properties of citizens of United and Neutral Nations, 31,500 were duress, and the remainder principally properties of the Reich or of Nazis. Altogether, during the entire period, over 150,000 properties have been under control. Included in this number was the property of the German Labor Front which had started with the properties of trade unions and cooperatives seized by the Nazis and which had become a Nazi-financed empire to include the People's Car Plant, a retail food chain with over 12,000 outlets, a labor bank, an insurance holding company with 10 subsidiaries, 36 industrial enterprises, and extremely substantial realty holdings in all four zones. An idea of the size and scope of the organization may be gained by noting that it is understood to have owned, or controlled through ownership, approximately 15% of the German economy.

In March 1946 the Laenderrat was called upon to submit a plan for assuming custody of much of the property, which until that time had been under custody of US personnel. The implementation of this plan presented a difficult personnel problem, as it was necessary to designate German

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By BR NARA Date 9/29/46

custodians; and qualified custodians, free from Nazi affiliation, were difficult to find. In joint conferences, it was arranged for the several state governments to assume custodial responsibility of all controlled property. However, in order to give United Nations and Neutral owners more protection, acts of custodians dealing with ^{U. N.} their properties, required prior Military Government approval in all cases when such acts were not within the ordinary course of business. Otherwise, the German officials operated under the broad directives issued by Military Government, subject only to our general supervision. In May 1946 the transfer of these properties to state controls was placed underway, and was virtually completed in September 1946. A spot audit in August 1946 indicated that only a few of these properties were operating at a loss.

In April 1947 the Control Council enacted legislation which for the first time made possible disposition of Nazi holdings taken from trade unions and cooperatives through the return of the identifiable property. However, the enactment of this law still left us with the difficult problem of identifying and returning this property. Physical properties taken directly and held in the Labor Front were easily identified and promptly made available for return. However, there remained duress property taken by the Labor Front but sold and resold to different owners, and additional properties bought from earnings or from Nazi Party funds. Trade unions and cooperatives wanted all of this property restored. However, we were not willing to make an arbitrary decision, establishing title in these disputed cases, and insisted that it was a German legal matter to be handled by German courts or legislation. While the trade unions were not satisfied, they did express appreciation for the actions first taken in the US Zone. While this problem is still not fully resolved, state officials and trade union representatives have in recent months met a number of times to try to reach mutually satisfactory agreements, which have in fact done much to solve the problem.

In June 1947 arrangements were made for foreign owners to designate their own agents who would be directly responsible to the owners. These interests included such major enterprises as the Opel Motor Plant (General)

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By ER NARA Date 9/27/47

Motors), Standard Oil of New Jersey, National Cash Register, Kodak, Lever Brothers, and others. In October 1947, foreign owners were informed that they would be given until March 1948 to designate their own agents, after which time Military Government proposed to turn the remaining properties over to the German State Property Control Agencies, exercising only general jurisdiction. This plan was carried out.

In November 1947 after months of fruitless effort to obtain a quadripartite law and also a bipartite law, United States Military Government enacted for the US Zone a restitution law which provided for restitution of identifiable property taken by duress, with right of appeal in contested cases through German courts, and with further right of appeal to a Board of Review composed of American lawyers. Claims, which had to be filed by 31 December 1948, exceeded 215,000, over 90% of which were filed in the final month.

To ensure that the property of the many Jewish people who were killed in Germany without heirs would not benefit German holders, a Jewish successor organization, formed by the recognized world Jewish organizations, was authorized to claim and receive all heirless Jewish property, to include valuable cultural property. Thus, the legal course to restitution was established and is now in process. Approximately 1,000 cases have already been disposed of, and excellent progress is indicated. ^H In January 1948 the states were authorized to take title to and dispose of property owned by Nazis, confiscated in denazification proceedings, and also to return property to owners cleared in these proceedings.

In June 1948, captured German equipment demilitarized or not suited to Military usage was transferred to a German State Corporation for sale in the German economy. This equipment was valued at RM 340,000,000 and it was badly needed to facilitate recovery.

In March 1949 a Military Government law was approved to transfer title to Reich properties to the German states in which located, subject, however, to any provision which may be enacted by a West German Government if formed under the basic law then in preparation in Bonn. Promulgation of the law was withheld until _____, pending receipt of word from the British and French Military Governors as to their desire to issue parallel

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legislation simultaneously.

By March 1949, Property Control had reduced the number of properties under control from 150,000 to 54,539, of which number 30,761 were duress properties; 7,131 were properties still subject to denazification proceedings; 4,591 were Reich-owned; and 8,815 were properties of citizens of United and Neutral Nations. Most of the latter group are under DM 10,000 in value and owners of such properties are being advised of their imminent release from control. Plans now call for the complete release of all except duress properties, which must be kept under control until settlement of restitution cases, and those of persons categorized as important Nazi offenders, which must be controlled until disposition of their cases by the denazification authorities. Dissolution of Property Division, except for maintenance of the central records and a small Property Group at OMGUS, is scheduled by 1 July 1949. Supervision and custody of remaining duress and individual Nazi properties still under control will thereafter be the sole responsibility of a German Committee functioning under OMGUS observation.

The work of Property Control in protecting foreign properties and in formulation of a just internal restitution program has received much quiet commendation. Its prompt and vigilant actions also prevented the concealed transfer of title and loss of such Nazi property. The statistics speak for the volume of its work.

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By AR NARA Date 9/29/47

Washington and a similar office for the Canadian government told us that information that we had produced through this operation was in more than 50% of the cases new to them and enabled them to locate properties of which they had no previous information. There is one thing that I have to point out at this point only because I had forgotten to do it before, that is that the Alien Property Custodian had a group over here which is now quite large, consisting of about 40 people, I think, doing independent investigations. All of our investigations dealt with other countries, but we didn't conduct any investigation with reference to German assets in the United States.

MR. CASSODAY: They got here in '46.

MR. MILLER: So that there has been working alongside of us an independent separate group whose principal work has been to locate assets lying in the United States. Well, anyway we completed this census as of last year and copies of the results have been shipped to Washington to the Treasury Department as well as the original copy of each declaration that was filed by the persons in Germany. There is a duplicate copy here made available to the Germans, that is to the Bank Deutscher Laender under our wing, but there for their purposes. For the reason that some day these Germans are going to have to be compensated for the assets and this is probably the best guide that has come forth to date as to what a German owned abroad. So we are keeping those as a record upon which to compare the claims of Germans in the future when they want to get paid for the house or the business they lost outside of Germany.

DR. DORN: It includes everything, bank accounts and -- --

MR. MILLER: As a matter of fact it also includes foreign liabilities of Germans and actually I don't think that should have been put in there because it amounted to a tremendous pile of statistics which have not been used, with the exception of the British.

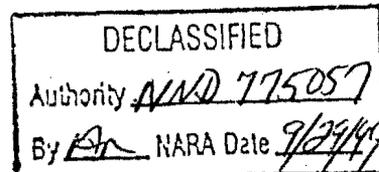
MR. CASSODAY: They will come into one thing, not anything to do with external assets but at the signing of the peace treaty and the adjustment of foreign debt claims. They will have some idea of what the foreign commercial debt is.

MR. MILLER: Well, we've tabulated this all and again we have the same difficulty there that it is impossible to place an intelligent value upon the product of our work for various reasons. You have for instances, currencies you can't value at all. You have the Greek drachma and the Hungarian pengo. Yet a man might have bought a house in 1926 and paid 2,000 drachma. He says, that's the

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value. It may be an astronomical figure today.

MR. CASSODAY: He might have reported an astronomical figure, reporting it as of a 30¢ Mark as to the million or so of the drachma.

MR. MILLER: You have absolutely non-valuing. You have assets which you can not value which have a great value, but which can't be named, patents and all of the others that I have mentioned. And as to those we have assigned no values although we have included them in our statistics. Copyrights, licensing agreements -- what is it worth, nobody knows. But it is in the books so that it can be found. But regardless of that as to the United States Sector and the US Zone we arrived at a very highly-qualified figure as to the assets represented by the census that we conducted and converting them into American dollars we arrived at about four billion dollars excluding the assets in the countries with runaway currency like Greece and Hungary. Now, that is for the United States area of control and we don't know the British haven't made a combined total, so it's only a matter of speculation what was uncovered there. I don't think that these figures have any significance because the real value is in pointing to the country where the assets are to be found, pointing to them and indicating that they are there so that that country can see that they are liquidated, can examine them if they are dangerous to the welfare of that country and to liquidate them. We have never placed a high monetary value on _____. It would be ridiculous to do so as assets might be reported under Law 53 by as many as five different people and might be in here that many times. Others very simply might not be declared or at improper values for devious reasons. A man might feel that if he marks the value down it would escape attention in the foreign country. A refugee coming from the East would like to build^{it} up as high as he can. Our purpose in this program has never been to say, "Well, we uncovered so many dollars of assets." It has been the security objective. On the other hand to point to these countries and say, "Look you have something here, look it over and see what you want to do with it." So I think that from that point of view it has been worthwhile, and it's certainly given the Treasury Department and the State Department at home a body of information that I don't know just what purposes it will serve but it is very complete and if they wanted a census they surely have one. Now I think as I said before that our approach to this thing was, I think, too idealistic because at the end of the war we were going, we were speaking in lofty language of wiping out the German

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*False
"Prop Cent"*
Mr. Hawkins

Six Months Progress Report of the Property Control Liquidation Program

1. OSS PD 3 Jan Attention: General Lucius D. Clay
1949

1. Reference is made to a staff study approved by you on 26 June 1948 providing for the liquidation of the Property Control and External Assets Branch by 1 July 1949.

2. A six months progress report is hereby submitted. It is believed that the objectives set forth in the 26 June 1948 liquidation program can be realized. Certain difficulties, however, have arisen which may interfere with the successful completion of the program. To make certain that the objectives will be reached on or before 1 July 1949, certain policy decisions are required. The decisions which must be made are indicated on the attached report with red pencil.

Incl: a/s
Telephone 43773

PHILLIPS HAWKINS
Director

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OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U. S.)
Property Division
APO 742
Berlin, Germany

30 December 1948

MEMORANDUM TO GENERAL CLAY

SUBJECT: Six Months Progress Report of Property Control Liquidation Program

INTRODUCTION

On 26 June 1948, a program was approved providing for the complete liquidation on 1 July 1949 of the Property Control and External Assets Branch, Property Division, OMCUS, and the Land Property Control Offices. During the first six months of the Liquidation Program substantial progress has been made. The objective of this six months interim report is to summarize Property Control activities during the past six months, indicate progress made and difficulties encountered. The status of each group of property now under control is reviewed and recommendations given to solve difficulties.

I. PROPERTIES OWNED BY PERSONS OUTSIDE GERMANY (UNITED NATIONS AND NEUTRALS, ETC.)

A. Statistical Review

Properties under Control

<u>Date</u>	<u>Number</u>	<u>Value in Millions of Marks</u>
1 January 1948	13,842	2,193
30 June 1948	14,463	1,624
31 December 1948	10,735	1,099

B. Analysis of Statistics

1. As indicated by the above statistics, there was a net increase of 621 units in the number of properties under control during the first six months of 1948. At the same time, however, the value of properties under control during the first six months of 1948 decreased 689,000,000 marks. This is accounted for by the fact that during the early stages of the Decontrol Program the great majority of owners taking advantage of the program were those having exceptionally large holdings. During the last six months of 1948, a net decrease of 3,728 units of absentee owned properties under control is noted. The net decrease in value of such properties under control was 526,000,000 marks.

2. Since the beginning of the Decontrol Program to 31 December 1948, 37.3% of the units of such properties under control and 53.5% of the value of such properties under control have been decontrolled.

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C. Action Recommended under "Liquidation Program" and Comments

1. No more properties in this category are to be taken into custody. In line with this recommendation all Land Property Control Chiefs were notified on 21 July 1948 that no more such properties are to be taken under control except where there was an imminent threat of "irreparable harm". In such instances temporary custody is to be taken pending adequate steps to protect the property by normal protective agencies. Although the monthly Property Control statistical reports indicate properties being taken into custody after 1 August 1948, this is accounted for by the time lag in reporting such action. The normal time lag is one month. However, it was discovered that a four months time lag existed in Bavaria, and a two months time lag existed in Hesse. This situation has been corrected. The monthly statistical report for December indicates no such properties were taken into custody.

2. It was recommended that owners be written to directly and advised to contact the custodian of the property, and that German Governmental authorities would be permitted to charge fees covering the costs of supervision of such properties. All owners have been so notified.

3. It was recommended that owners be notified that properties not decontrolled by 1 March 1949 would be turned over to the custody of curators in absentium appointed by German Courts. A request was sent to Legal Division, OMCUS, as to the procedure to be followed under German law. As soon as instructions are received from Legal Division, OMCUS, all owners will be notified. On 1 March 1949, the custody of all such properties not released from control (with the possible exception of properties located in Berlin Sector) will be turned over to curators in absentium in accordance with the policy outlined by the Legal Division, OMCUS.

D. Difficulties Encountered and Recommendations

1. Approximately 20% of all properties in this category under control are in Berlin Sector. Unlike the four Laender in the U. S. Zone of Occupation where approximately 30% of such properties had been decontrolled during the last six months, less than 10% have been decontrolled during the same period in Berlin Sector. The reasons given for this poor showing in Berlin Sector are:

a. The unstable political and financial situation in Berlin.

b. Belief that Military Government control offers more protection.

2. The reasons given are understandable. It is hoped that with the formation of a satisfactory Western Berlin Government these fears can be overcome during the next six months. A complete review of the situation in Berlin Sector as it affects property control is given in a separate section of this report with appropriate recommendations.

3. As for the remaining properties in this category in the various Laender, additional publicity will be given, and personal letters will be written to the owners. The various Military Missions and Consulates in the U. S. Area of Control will again be circularized.

4. With the exception of Berlin Sector, it is felt that present plans are adequate to accomplish the desired result, namely, the release of all absentee owned properties from Property Control custody prior to 1 July 1949.

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II. PROPERTY OF REICH, PRUSSIAN STATE, ETC.

A. Statistical Review

As of 31 December 1948, there were 4,787 units of such properties under control having an estimated value of 8,651,913,541 marks.

B. Present Status

1. The Liquidation Program of 26 June 1948 recommended that this category of property be disposed of by unilateral action, in view of the fact that quadripartite agreement was impossible. On 1 October 1948, a Reich paper was completed, which in broad terms provided for transfer of practically all former Reich and Prussian State, etc., properties to the Land in which located. Provision was made, however, for the eventual transfer of certain properties necessary for the normal functioning of a Central German Government to such Central German Government, when formed. On 12 October 1948, this paper was discussed with British Property Control authorities and general agreement was reached. On 18 October 1948, this paper was forwarded to Berlin for necessary concurrence. On 6 December 1948, a meeting was held in Berlin with representatives of all interested Divisions of OMGUS. Questions were raised as to the desirability and timeliness of the proposed Military Government Legislation, and as to the plan of distribution. It was stated that in view of the status of present important Military Government negotiations concerning the Occupation Statute, the Ruhr, etc., that promulgation of the proposed legislation, at this time, was not desirable. The plan of disposition of properties, however, it was pointed out by Property Division Officials, was in line with recommendations approved on 26 June 1948. It was agreed that the entire matter would be presented to General Clay for decision.

2. As soon as the necessary policy decision is made and adopted, it is felt that this category of properties can be disposed of in a very short time.

III. PROPERTY OF NAZI PARTY MEMBERS, ETC.

A. Statistical Review

Properties under Control		
Date	Number	Value in Millions of Marks
1 January 1948	53,428	2,740
30 June 1948	35,648	2,448
31 December 1948	10,174	1,030

B. Analysis of Statistics and Comments

1. Releases of properties in this category have kept in step with the accelerated Denazification Program. During the first six months of 1948, there was a net reduction of 17,780 units of such properties under control. Since the putting into effect of the "Liquidation" Program an additional net reduction of 26,474 units has taken place, or a grand total of 43,254 net reduction was accomplished during the year, 1948. It is to be noted, however, that the average size of the units of such properties remaining under control has increased from 51,000 marks in January 1948 to 100,000 marks on 31 December 1948. This indicates that the larger properties presumably belonging to the more important Nazis still remained under control. This expression of opinion is also borne out by the following:

a. At the present time, there are approximately three incomplete denazification cases for each property in this category remaining under control.

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b. Reports from the field indicate that, with very few exceptions, the properties of all persons with a preliminary classification as Category III and IV Nazis have been released from control.

2. From this point on, the speed with which the remaining properties belonging to Nazi Party Members can be released from control depends entirely upon the speed with which present chargeable cases are completed under the Denazification Program.

3. Approximately 15% of the properties in this category are located in Berlin Sector where the Law for Liberation from National Socialism and Militarism is not applicable. Therefore, special procedures must be devised. Specific recommendations are contained in the special section of this report pertaining to Berlin Sector.

IV. PROPERTY OF NAZI ORGANIZATIONS

A. Statistical Review

Properties under Control

<u>Date</u>	<u>Number</u>	<u>Value in Millions of Marks</u>
1 January 1948	4,605	694
30 June 1948	4,438	627
31 December 1948	2,114	757

B. Analysis of Statistics

1. During the first six months of 1948, a net reduction of 167 units of such properties under control is to be noted. Since the adoption of the Liquidation Program in June an additional net reduction of 2,324 units of such properties has been reported. It is to be noted, however, that the value of the remaining properties under control has increased 63,000,000 marks since January 1948. This increase in valuation has been due to the reclassification of numerous large properties located in Bavaria. In fact, practically ninety percent of the estimated value of all such properties under control is located in Bavaria. Hesse has approximately five percent and the remaining five percent is held in Berlin Sector. All Labor Unions and Consumers Cooperatives properties in the four Laender have been released from control. Due to the peculiar situation existing in Berlin Sector, 65 units of such properties valued at 6,000,000 marks remain under control.

2. All of the recommendations made under the "Liquidation Program" have been carried out. On 9 August 1948, AG Letter 602.3 (PD) authorizing the unblocking and transferring to successor organizations of securities, cash accounts, and monetary claims was issued. The deadline for the acceptance of such properties by successor organizations expired on 19 November 1948. Therefore, all remaining properties in this category (with the exception of those belonging to the Red Cross and the Reich Food Estate) are in the process of transfer to the various Laender pursuant to the terms of Control Council Directive No. 60. The properties of the Red Cross and the Reich Food Estate will be disposed of as soon as an opinion is received from Legal Division, OMCUS, as to the proper classification of such properties. Here again, the situation existing in Berlin Sector requires special procedures. Recommendations are contained elsewhere in this report. It is expected that with the few exceptions noted above all of the remaining properties in this category will be released from control no later than February 1949.

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V. DURESS PROPERTY

A. Statistical Review

Properties under Control

<u>Date</u>	<u>Number</u>	<u>Value in Millions of Marks</u>
1 January 1948	23,242	1,115
30 June 1948	28,330	1,246
31 December 1948	31,472	1,286

B. Analysis of Statistics and Comments

The steady increase in the number of such properties under control during 1948 was to be expected, due to the fact that, the deadline for filing claims under Military Government Law No. 59 did not expire until 31 December 1948. In the early days of Property Control, numerous properties were taken into custody whenever there was reason to believe that duress was exercised. Since July 1948 only those properties were taken under control for which a petition had been filed pursuant to Military Government Law No. 59.

C. Method of Removal from Control

Amicable settlement or adjudication by Restitution authorities pursuant to Military Government Law No. 59. In those instances where properties had been taken under control and no petition has been filed either by an individual, corporation or successor organization, it is recommended that such unclaimed properties be released from control.

D. Present Activity in Implementation of the Program

1. With the establishment of the Board of Review in December 1948, the last major step was taken in the establishment of the necessary judicial machinery provided for under Military Government Law No. 59. Other necessary implementation is receiving attention. The supervisory machinery has also been set in motion and it is believed that with an adequate reporting system, the entire program can be supervised in a satisfactory manner. An indication of the amount of work involved is indicated by the following statistics:

a. Petitions Received (to 15 December 1948)

complete	14,706
incomplete	5,111
JRSD Short Form	70,295
	<u>90,112</u>
Others Expected	30,000
Expected from JRSD (additional)	80,000
	<u>200,112</u>

b. Reports Received

Complete	69,486
Incomplete	7,619

c. Lists from Banks and Agencies

	3,150
	<u>80,255</u>

2. As indicated from the above an enormous amount of litigation is involved. It is believed that the legislative machinery

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in the various Laender (with the exception of Kuerttemberg-Baden) is adequate to dispose of the cases in a reasonable length of time.

3. It is recommended that properties claimed by JRSO on the basis of reports filed, not be taken into protective custody until warranted by additional facts established in Court and the necessity for such protective custody is proven. It is felt that this procedure is necessary to avoid unnecessary impediments to German economic progress.

VI. I. G. FARBEN PROPERTIES

The Program providing for the transfer of all I. G. Farben properties to the I. G. Farben Control Office is for all practical purposes completed. There are presently two I. G. Farben properties under control having an estimated value of less than 2,000,000 marks. This compares with 128 units of I. G. Farben Property under control as of 1 January 1948 valued at 680,000,000 marks. The two remaining plants are subject to reparations. As soon as reparation removals are completed, these properties will be transferred.

VII. EXTERNAL RESTITUTION

A. Statistical Review

Properties under Control

<u>Date</u>	<u>Number</u>	<u>Value in Millions of Marks</u>
1 January 1948	702	28.3
30 June 1948	1,577	27.1
31 December 1948	4,659	50.2

B. Analysis of Statistics and Comments

In June 1948 machinery was put in motion providing for the termination of the External Restitution Program by 31 December 1948. Because of the accelerated pace necessary to attain this goal, it was to be expected that this category of properties would increase substantially during the second half of 1948.

The rapidity with which these properties can be released from control depends entirely upon the speed with which these properties can be removed to the recipient countries. Mr. O. R. McJunkins, Chief of Reparations and Restitution Branch, Property Division, OIGUS, has as recently as 15 December 1948 expressed the opinion that all of the removals will be accomplished during the first three months of 1949.

VIII. BERLIN SECTOR - SPECIAL PROBLEMS

Due to the unsettled political and financial situation in Berlin, numerous difficulties have arisen, which have prevented the successful execution of the Property Control Liquidation Program. The following study outlines the present situation, the difficulties encountered and submits recommendations which it is believed, if adopted, will bring about substantial improvements.

A. Statistical Review (as of 31 December 1948)

Category	Properties under Custody in U. S. Area of Control		Properties under Control in Berlin Sector			
	No. of Units	Value in Millions	No. of Units	% of Total	Value in Millions	% of Total
Duress	31,472	1,286.7	1,867	6%	104.7	8%
Absentee Owned (U.N., A.N., etc.)	10,735	1,099.7	2,115	20%	369.3	33%
NSDAP Members	10,174	1,030.1	1,351	13%	65.6	6%
German State	4,767	3,651.9	1,523	33%	401.8	9%
External Loot	4,659	50.2	28	-	.1	-
NSDAP Organizations	2,114	756.7	240	11%	22.6	3%
Miscellaneous, etc.	2,568	728.3	647	25%	317.4	45%
Total	66,489	8,603.6	7,791	12%	1,281.5	15%

B. Analysis of Statistics

As indicated above, a disproportionately large share of properties under control are located in Berlin Sector. This is especially true of NSDAP Members' properties, Miscellaneous properties, and properties of United Nations, Neutrals and other Absentee Owners.

C. Comments and Recommendations

1. Transfer of Responsibility to German Authorities

Unlike Military Government Property Control policy in the four Laender whereby a large amount of responsibility has been transferred to German Property Control authorities, it has been impossible to follow a similar procedure in Berlin Sector. With the formation of a new Government for the Western Sectors of Berlin, it is recommended that every effort be made to obtain tripartite agreement providing for the establishment of a German Property Control Agency for the three Western Sectors, this Agency being, of course, under the supervision of the three Western Occupying Powers. It is believed that practically all of the responsibilities and duties now performed by the Office of the Chief of Property Control in Berlin Sector could be transferred to such an Agency. This would also be in line with policies now in force in the U. S. Zone. If it is impossible to obtain tripartite agreement for the formation of such a German Property Control Supervisory Agency, an alternative plan is offered. It is recommended that unilateral action be taken to establish a German Property Control Agency for Berlin Sector. In view of the fact that such an Agency could not be financed by the Western Berlin budget, it is recommended that all properties under control bear a proportionate share of the expense of the supervisory agency. This plan has the advantage of not being a drain upon the Western Berlin City budget, and also appears to be a fair solution; in view of the fact that numerous owners of properties now under control desiring such protection for their properties are called upon to pay a small additional service charge. This Agency could then obtain representation on the newly formed, Central German Property Control Co-ordinating Committee, which, after 1 July 1949, will be responsible solely to one of General Clay's Advisers.

2. United Nations, Neutral, and Other Absentee Owned Properties

a. With reference to United Nations and Neutral properties, owners are reluctant to accept control under present unsettled conditions in Berlin. Existing plans for the transfer of the custody of properties not decontrolled by 1 March 1949 to custodians appointed under the German Court System, it is believed, should not, under present circumstances, be made applicable to Berlin. It is our understanding that the administration of justice in Berlin is the only administrative function over which four power control is still exercised following the withdrawal of Soviet support from the Allied Kommandatura. It is feared that the Soviets would be in a position to influence the administration of properties released to the Courts through the appointment of "curators in absentia", who enjoy the confidence of the Soviet authorities. It is, therefore, recommended that properties in Berlin Sector be placed under the control of a German Property Control Committee, when established.

b. Another deterring factor in the case of larger operating properties is the uncertain financial situation due to the method of treating pre-occupation liabilities. All pre-occupation cash accounts were blocked by the Russians immediately after the occupation of Berlin and, for all practical purposes, are completely wiped out. The pre-occupation liabilities, however, still exist against these properties. As long as the property remains under control, and present Military Government policy continues, such properties cannot be sued. Therefore the desire of owners to keep their properties under control is understandable. The payment of pre-occupation debts would force a number of properties into bankruptcy. It is strongly recommended that the prohibition on the filing of suits against such properties in Berlin Sector be continued. Even after such properties are released from control, it is believed advisable that some legislation be passed protecting the owners of such properties from lawsuits for pre-occupation debts.

3. Property of German Reich, Prussian State, etc.

With reference to German State Properties, etc., the entire solution must await necessary policy decisions as to time and method of disposition.

4. Property of Nazi Party Members, etc.

In Berlin, NSDAP Members are not classified in accordance with Control Council Directive No. 38, because the Allied Kommandatura failed to enact implementing provisions and the Law for Liberation from National Socialism and Militarism approved in the U. S. Zone is not applicable to Berlin. Therefore, there is no procedure in existence in Berlin classifying offenders as I, II, III or IV comparable to the procedure in the U. S. Zone. It is, therefore, recommended that in line with the simplified Denazification procedure recently put into operation in Berlin Sector, that properties belonging to Nazi Members be taken into custody only in those instances where the owner has failed to obtain his political clearance certificate within the allowed sixty day clearance period. It is felt that if the owner does not obtain his clearance within sixty days, his political incrimination is considered of a more serious nature comparable to the status of persons classified as I or II offenders in the Zone. It is recommended that all other properties now under control be released from control.

5. Property of Nazi Organizations

Disposition of properties of Nazi Organizations pursuant to Control Council Directive No. 50 has not made any progress in Berlin.

The implementing instructions to Control Council Directive No. 50 provides that if no claims are received from successor organizations by 1 November 1947, they are to be transferred to the administrative district of Berlin in which located. Neither the FDGB (Communist Lead Labor Organization) nor UGO (its rival Labor Organization) has so far been recognized as a successor organization eligible for DAF properties. According to information available, at this Office, the UGO does not yet have a proper and legal constitution nor does it have a duly elected board of its members. The transfer of title to the administrative districts of Berlin according to Article 7 of Control Council Directive No. 50 has not been accomplished because some doubt exists with respect to the legal status of such administrative districts as to their legal capacity to hold or own properties. As soon as the legal status of the administrative districts is established, it is recommended that those properties not transferred to UGO be transferred to the districts. It is also recommended that a preliminary determination be made as to which properties should be given to UGO, and that as soon as UGO is organized in a manner satisfactory to Military Government that the transfer be made. Similar difficulties have been encountered with respect to properties of former consumer cooperatives. In Berlin Sector there exists an order of Major Duke, former head of the Economics Branch, OMGBS, which specifically prohibits the formation of cooperative societies in Berlin Sector. As long as this order stands nothing can be done with respect to such property of consumer cooperatives, unless Military Government decides to return the properties in Berlin to their former owners, the GEG in Hamburg. It is recommended that Military Government order the return of these properties to GEG, who have a moral right to their former properties in Berlin.

6. Duress Properties

Duress properties cannot be released from control until the rights of the parties have been adjudicated. Military Government Law No. 59 does not apply to Berlin Sector. Long drawn out negotiations in an attempt to arrive at a tripartite solution have failed. It is, therefore, recommended that Military Government Law No. 59 be made applicable to Berlin Sector.

D. Conclusion

As indicated above, the objectives of the Liquidation Program cannot be realized in Berlin unless certain policy decisions are made. It is believed, however, that if the recommendations made above are adopted, the objectives of the Liquidation Program can be attained by 1 July 1949.

IX. DISPOSITION OF RESIDUAL PROPERTY CONTROL DUTIES

1. The Property Control Liquidation Program, approved on 26 June 1948, makes specific recommendations providing for the orderly disposition of residual Property Control duties. With the possible exception of properties located in Berlin Sector, the only properties which will remain under control (provided present Military Government policy is unchanged), after 1 July 1949, will be properties of the Reich, Prussian State, etc., and properties in the "Duress" category. Residual duties are the followings:

a. Supervision of all German Property Control Agencies, whose duty it is to protect properties under control.

b. Supervision of the administration of the Internal Restitution Program under Military Government Law No. 59.

c. Supervise the operation of the Central Filing Agency under Military Government Law No. 59.

d. Supervise the program announced on 1 June 1948 providing for the export of household and personal effects and...

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e. Process correspondence pertaining to properties under control or which were under control.

f. Make necessary recommendations to Military Government.

2. The Liquidation Program provided for the establishment of a Central German Property Control Co-ordinating Committee, composed of the four German Land Civilian Agency Heads. It was proposed that this committee would meet at periodical intervals, co-ordinate policies and in large part replace Property Control & External Assets Branch, Property Division, OMGUS. It was further proposed that this committee be established on about 1 January 1949 so that it could receive adequate instructions and training and be well prepared to assume their new responsibilities on 1 July 1949. In fulfillment of this objective such a committee has been formed and held its first meeting in Wiesbaden with the OMGUS, Property Control authorities on 20 and 21 December 1948. Such meetings will be held at frequent intervals during the next six months. On 1 July 1949 the above-mentioned residual Property Control duties will be transferred to this committee.

3. The Liquidation Program further provided that Property Control Military Government Offices at both OMGUS and Land Level be abolished as of 1 July 1949. This objective will be realized.

4. The Liquidation Program further provided for the extinguishment of the External Assets Program of Military Government by 1 July 1949. Since the absorption of the External Assets Branch by the Property Division on 1 March 1948, the External Assets Section has completed 200 investigations, 72 of these investigations involved cases in which the evidence obtained by the Section proved German ownership of assets valued at approximately 14,000,000 dollars. At the present time approximately 20 requests for investigations are received monthly and that rate is expected to continue until 30 June 1949. A backlog of about 100 cases has accrued. Most of the requests come from the U. S. Missions or from the I.A.R.A., Brussels. The importance and value of the work, which is being done by this Section, is indicated in the following quotation from a communication to the Office of Political Affairs from the American Embassy in Lisbon, dated 12 October 1948:

"The Embassy wishes to express its appreciation for the response it has received to its numerous requests for documented statements showing German control of certain companies located in Portugal and to commend the Property Division of OMGUS for the thorough manner in which the investigations in each case have been conducted".

Inasmuch as most of the work of the External Assets Section is confidential in nature, it cannot be transferred to the Central German Property Control Co-ordinating Committee. It is believed that this Section can be liquidated on 1 July 1949 and it is recommended that, if a continuation of this work is desired beyond that date, that the responsibility be assigned to the Office of the Alien Property Custodian, some of whose representatives are now operating in the U. S. Zone.

5. The Liquidation Program also provided that the remaining Property Control functions of Military Government be made the responsibility of one of General Clay's Advisers after 1 July 1949. The necessary co-ordination and liaison of the Central German Property Control Co-ordinating Committee with the Military Governor would be through the Office of said adviser.

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6. In line with the gradual reduction in volume of work of the various German Property Control Agencies, the number of Kreis Offices had been steadily reduced. From a figure of approximately 240 such offices in January 1948, the number in operation on 1 January 1949 will be only 81 German Field Offices. It is believed that many of the discharged German personnel can be well used in the expanding Internal Restitution Program.

X. CONCLUSION

It is felt that the progress made during the first six months of the Liquidation Program has been substantial. There appears to be no reason why the Liquidation Program cannot be carried out as planned.

PHILLIPS HAWKINS
Director

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OFFICE OF MILITARY GOVERNMENT FOR GERMANY (US)
Property Division
Property Control and External Assets Branch
APO 633
Wiesbaden, Germany

7 October 1948

MEMORANDUM

SUBJECT: Progress of Liquidation Program

TO : Mr. Phillips Hawkins

1. Properties released from decontrol.

a. The following table has been prepared indicating the steady progress this Branch has made in releasing properties from control:

<u>Units Under Control</u>		<u>Units Released</u>		<u>Percentage of Units Released of Total Available for Release</u>
<u>Date</u>	<u>Number</u>	<u>Period</u>	<u>Number</u>	
1 July 47	95,339	3rd quarter 1947	3,438	3.6%
1 Oct 47	103,067	4th quarter 1947	5,549	5.4%
1 Jan 48	105,647	1st quarter 1948	12,523	11.9%
1 Apr 48	103,585	2nd quarter 1948	18,656	18.0%
1 July 48	93,296	3rd quarter 1948	21,896	23.5%
Total released to date			<u>62,062</u>	

b. The following computation shows, on an over-all basis, the result of the releases listed in detail above:

(1) Total releases, 1 July 47 to 30 Sept 48	62,062
(2) Property under control, 30 Sept 48	<u>79,585</u>
(3) Total properties which have been under control since 1 July 1947	<u>141,647</u>
(4) Ratio of (1) to (3)	<u>43.8%</u>

2. Properties under control as of 30 September 1948.

<u>Reason for Control</u>	<u>No. of Units</u>	<u>Estimated Value</u>
Duress Properties	30,435	1,259,087,869

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Reason for Control	No. of Units	Estimated Value
NSDAP Members & Blacklisted Persons	20,563	1,829,677,904
United Nations & Other Absentee Owners	13,879	1,580,816,257
NSDAP Organizations	4,068	577,173,610
German State	3,930	3,322,785,282
External Loot	2,638	37,480,693
NSDAP Members - Confiscated Property	1,191	19,039,206
Former I. G. Farben	23	30,226,431
Miscellaneous	1,139	320,041,157
Unclassified in Law 52	1,719	420,665,341
Total	79,585	9,396,993,750

3. Brief analyses of properties remaining under control as of 30 September 1948.

a. DURESS PROPERTIES

(1) 30,435 duress properties are now under control. It is expected that this figure will continue to increase until 31 December 1948, the deadline for filing claims under Military Government Law No. 59.

b. NSDAP AND BLACK LISTED PERSONS

(1) 20,563 properties remain under control in this category. With the exception of Hesse, practically all properties in this category which can be released under existing Property Control directives and Denazification procedures have been released from control. Continued pressure is being applied to Hesse and it is expected that they will come into line within the next 45 days. From there out in all the Laender, the rate of release of this class of properties will depend upon the speed with which the Denazification people complete the trials. The remaining properties, with few exceptions, are those of Class I or II offenders, and final decisions rendered. For your information, the following table has been compiled clearly indicating that the properties under control are (with the exception of Hesse, where corrective measures are being taken,

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and Berlin, where the Denazification program is not operative) substantially less than the uncompleted cases still pending before the Denazification Tribunals. It will be noted from this table that the ratio of properties under control in the Laender of Bavaria, Wuerttemberg-Baden and Bremen is approximately one property under control for every four pending.

Comparison of Denazification Statistics with NSDAP Members Properties under Control

	Chargeable Cases Not Completed*	NSDAP Members Properties under Control
Bavaria	32,193	7,173
Hesse	7,222	9,753**
Wuerttemberg-Baden	4,478	1,560
Bremen	2,781	595
Berlin	Denazification Program not operative	1,482
Total	<u>46,678</u>	<u>20,563</u>

*Denazification figures are as of 31 July 1948 while Property Control figures are as of 30 September 1948. This comparison is considered comparable, however, after taking into account the time which necessarily elapses between the completion of a Spruchkammer case and the resulting release of property from control.

**Mr. Cain, LPCC, promises to have this in line with other Laender by 20 November 1948.

It is estimated that approximately 4,500 cases in this category in Hesse are subject to release without awaiting final court decisions.

c. UNITED NATION AND OTHER ABSENTEE OWNERS

- (1) 13,879 units remain under control in this category having an estimated value of 1,580,000 marks. Although our monthly statistical report indicates that 1,063 properties valued at 780,000,000 marks have been decontrolled under our decontrol program, the actual amount of properties decontrolled to date is 2,967 properties having an estimated value of 951,000,000 marks. The discrepancy is due to the time lag in reporting from the Laender to us. Thus to date, approximately twenty percent of the number of properties subject to the decontrol program have been released from control, and approximately forty

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percent of the value of the properties subject to the decontrol program have been decontrolled. All of the steps recommended to General Clay for speeding up the decontrol program have been taken; namely, the release form has been simplified; German authorities have been advised that fees may be charged for the administration of properties subject to the decontrol program; and form letters have been forwarded to the Laender for onward transmission to each property owner in this category advising him that fees will be charged, that the present custodian of the properties is to be contacted if further information is desired, and of the advantages of decontrol, and of appointing his own custodian. It is anticipated that properties will be decontrolled at an increasing pace.

d. NSDAP ORGANIZATIONS

- (1) 4,068 properties in this category remain under control. Those remaining in this group are made up as follows:

Narrative	No. of Units	Total Estimated Value
TOTAL NSDAP ORGANIZATIONS:		
Art. II Properties		
Labor unions	196	45,210,541
Consumer Cooperatives	554	28,297,491
All other	134	14,449,114
Total	884	87,957,146
Art. III Properties	98	5,369,681
Art. V Properties	1,739	371,567,488
Art. IX Properties	953	86,666,953
Under Investigation	394	25,612,342
Total	4,068	577,173,610

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(2) Analyses of above statistics:

- (a) Article II Properties -- Practically all of the Article II properties listed in above schedule have been released from property control during the month of September, and are located in Bavaria and Hesse. The LPCCs of these two Laender assure me that they have instructed the German Property Control authorities to speed up the recording of these transactions so that they will be reflected in the November statistical report.
- (b) Article III Properties (properties devoted to relief, charitable, religious or humanitarian purposes) have in large part also been released from Property Control and are located in Bavaria and Hesse. Here again they should reflect in the November statistics.
- (c) Article V Properties make up the great bulk of the remaining properties in this category. The law provides that those properties not claimed under Articles II and III and other properties not claimed are to go to the land in which located. The liquidation program approved on 26 June 1948 by General Clay provided that properties not claimed by Successor Organizations, etc., falling within this category within three months after notification that liquid assets would be turned over with the operating properties, would revert to the Land. On 9 August 1948 AG letter 602.3 (PD) Subject Unblocking and Transfer of Property Referred to in Article 9(1) of Control Council Directive No. 50 notifies the various Laender of the procedure to be followed and authorizes unblocking of liquid assets of operating properties in this category. Therefore, the three month period mentioned in the liquidation program has started to run, and will expire on 9 November 1948 at which date all of the remaining properties in this category, not previously released from control, will be transferred to the Laender in which said properties are located.

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(d) Article IX (which includes cash, securities, monetary claims; former enemy property other than German; and DAF insurance companies) will also be liquidated in the very near future. The DAF insurance companies are to be turned over to the liquidators specified by the Office of the Finance Adviser. The Office of the Finance Adviser has already requested such a transfer, and we have concurred. As soon as the Office of the Finance Adviser gives us the names of the liquidators, a speedy transfer to them and release from Property Control custody will be made.

e. GERMAN STATE PROPERTIES will be disposed of under the Reich paper. Mr. Daniels and I were at Minden on 30 September 1948 and have a paper agreed to by the British. We are awaiting the wording of one paragraph to be submitted by the insurance people on both sides. It is expected that this draft will be in your hands within the next few days.

f. EXTERNAL LOOT.

(1) The speed with which these properties are released from control depends entirely upon the speed with which these properties can be removed to the recipient country.

g. NSDAP MEMBERS - CONFISCATED PROPERTIES

(1) 1,191 properties valued at 19,000,000 marks are in this category. These properties are merely listed for record purposes only. They are properties confiscated by Denazification Tribunals and belong to the various Laender in which located. They are being held by the various German Property Control authorities as agents for the respective Land Governments. Final disposition of this group of properties awaits implementation of Control Council Directive No. 57 which has been provided for in a staff study prepared by this Branch, now awaiting approval of Property Division, OMGUS. X X

h. I.G. FARBEN PROPERTIES

(1) 23 properties in this category valued at 30,000,000 marks are indicated in our monthly report as being under control. In fact, however, only 9 such properties are under control; 6 of which are located in Hesse, and 3 in Bavaria. These plants will be released from control as soon as I.G. Farben Control Officer submits request for release. A request for

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release of 1 of the plants in Hesse was received in the latter part of August and transfer will be accomplished by the 15th of October. 5 of the plants cannot be released until Reparation's removals are completed. The 3 plants located in Bavaria belong to the Sueddeutsche Kalkstickstoffwerke and will be released as soon as the I.G. Farben Control Officer requests their release. We have contacted I.G. Farben Control Officer and requested that they make their application at the earliest possible time and are informed by them that they will make such a request within the very near future.

i. The remaining properties under control are either in the process of being reviewed by the Laender so that appropriate decontrol action can be taken or in the case of items listed under "unclassified in Law No. 52" which class is composed of interests in properties under control owned by persons whose property is not the reason for control, but are merely carried in our figures as the properties are indivisible; i.e., a plant in which 17% of the stock was owned by U.W. owner and the property was taken under control to protect his interest. The remaining 83% is accounted for in this "catchall" category and will be released when the 17% is released. This item will automatically wash itself out.

4. Summary

a. In short, it is expected that the only properties under control as of 1 January 1949 will be those in the duress category; those belonging to NSDAP Members, whose trials have not been completed; and a small number of properties belonging to U.W. and other Absentee Owners.

b. In accordance with the liquidation program of 26 June 1948 a Central German Property Control Coordinating Committee is in the process of being formed and will be in operation by 5 December 1948. This is almost a month before the estimated date given to General Clay.

c. The 240 odd CAI Offices which were in operation on 26 June 1948 are being closed at a rapid pace. It is estimated that by 1 January 1949 no more than 75 such offices will be in operation in the U.S. Zone.

Fred E. Hartzsch
FRED E. HARTZSCH
Chief

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MILITARY GOVERNMENT OPERATIONS REPORT
 PROPERTY CONTROL AND EXTERNAL ASSETS BRANCH
 PROPERTY DIVISION, OMGUS
 MONTH OF MARCH

INTRODUCTION

The following report indicates progress made under the Liquidation Program inaugurated on 26 June 1948, which provides for the complete liquidation of Property Control and External Assets Branch, Property Division, OMGUS, by 1 July 1949. As will be seen in the following pages, the program at the three quarter mark is, in general, up to schedule. In those cases where Property Control is solely responsible for the necessary implementation required to release property from control, it is felt that recent implementation and contemplated implementation will be adequate to complete the program as planned. However, in those instances where the speed with which properties can be released from control is dependent upon future legislation, Denazification Court decisions, or Military Government policies preventing certain releases from control (such as Hungarian cases of external loot, etc.), a small residue may remain after 1 July 1949. In addition, the difficulties peculiar to Berlin Sector may in part delay the completion of the Liquidation Program as it pertains to Berlin Sector, unless unilateral action is taken with respect to almost every category of property under control.

I. PROPERTIES OWNED BY PERSONS OUTSIDE GERMANY (UNITED NATIONS AND NEUTRALS, ETC.)

A. Statistical Review

Date	Number	Properties under Control		
		% of Program Completed	Value Mil- lions Marks	% of Program Comp. Value
1 January 1948	13,842		2,193	
30 June 1948	14,463		1,624	
31 December 1948	10,735	37.3	1,099	53.5
31 January 1949	10,010	41.4	861	63.8
28 February 1949	9,379	45.0	728	69.0
31 March 1949	8,815	48.0	680	71.0

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B. Present Situation

1. The program with respect to "value" of properties released is almost up to schedule at the three quarter mark. However, only 48% of the number of such properties have been released as of 31 March 1949.

2. To overcome this situation, the following steps are being taken:

a. A great majority of those properties remaining under control have a carrying value of less than 10,000 DMs. All owners of such properties are now being notified that if such properties are not decontrolled by 15 May 1949, they will be released to the agent of the owner in whose custody the property was before having been taken into control. At the present time, all necessary preliminary paper work is being completed so that releases may be speedily effected shortly after 15 May 1949.

b. Those properties which can be adequately protected by blocking control are being released to Blocking Control.

c. Those properties under control due to a minority (49% or less) stock interest or ownership, it is proposed will be released from control to the majority interest. It is expected that the minority interest, in the case of stocks, will soon be able to vote in the same manner as they did prior to hostilities. Owners will be notified of the procedure.

d. Large properties not released from control under any of the above programs are to be transferred to curators in absentium appointed by German Courts. In this case, owners are being sent letters every month advising them of this procedure to take effect on 15 May 1949, if not decontrolled by that date.

e. In addition, complete lists of all absentee owned properties are now being prepared for transmission to the appropriate Military Missions, Consulates and Governments, so that the interested Governments can also assist in advising the property holders to decontrol their properties.

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3. It is expected that the above procedures should result in releasing practically all absentee owned properties from control prior to 1 July 1949.

II. PROPERTY OF REICH, PRUSSIAN STATE, ETC.

A. Statistical Review

As of 31 March 1949 there were 4,591 units of such properties under control having an estimated value of 3,247,000,000 DMs.

B. Present Status

One month after the paper providing for the disposition of such property is promulgated, it is believed that all property in this category can be released from control. The necessary paper work is now being completed.

III. PROPERTY OF NAZI PARTY MEMBERS, ETC.

A. Statistical Review

Date	Number	Properties under Control		
		% of Program Completed	Value Mil- lions Marks	% of Program Comp. Value
1 January 1948	53,428		2,740	
30 June 1948	35,648		2,448	
31 December 1948	10,174	86.2%	1,030	70.9%
31 January 1949	8,919	87.7%	906	74.0%
28 February 1949	8,183	89.0%	797	77.0%
31 March 1949	7,131	90.0%	767	78.0%

B. Present Status

From this point forward the speed with which the remaining properties in this category can be released depends entirely upon the speed with which present chargeable cases are completed under the Denazification Program.

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IV. PROPERTY OF NAZI ORGANIZATIONS

A. Statistical Review

<u>Date</u>	<u>Number</u>	<u>Properties under Control</u>		
		<u>% of Program Completed Number</u>	<u>Value Mil- lions Marks</u>	<u>% of Program Comp. Value</u>
1 January 1948	4,605		694	
30 June 1948	4,438		627	
31 December 1948	2,114	69.3%	757	32.2%
31 January 1949	613	91.5%	407	66.4%
28 February 1949	458	94.0%	360	71.0%
31 March 1949	444	94.0%	358	71.0%

B. Present Status

1. As indicated above, this program is up to schedule at the three quarter mark.

2. With the exception of 332 units of such property valued at 36,000,000 marks located in Berlin Sector, and 10 units of property valued at approximately 235,000,000 marks formerly belonging to the Bank der Deutschen Arbeit and mostly located in Bavaria, it is expected that all remaining properties in this category will be released during the month of April.

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5. With respect to Berlin Sector, Control Council Directive No. 50 was recently implemented in Berlin (Reference No. BK/O(49)18). A commission of five judges is provided for whose duty it is to review all such properties and to make recommendations for disposition to the appropriate Sector Property Control Offices for approval. It is expected that the completion of this program might take a few months. However, everything possible is being done to expedite this program.

4. With respect to the properties valued approximately 235,000,000 marks formerly belonging to the Bank der Deutschen Arbeit, no disposition can be made at this time. However, at a recent meeting in Frankfurt attended by members of the Manpower Division, Finance Adviser's Office and Property Control officials together with various German Labor Groups, it was agreed that as soon as the Labor Bank is established, the above mentioned properties can be transferred to it as liquidating agent. The German officials estimated that such a Bank could be established in Bavaria during the month of April. It is, therefore, expected that these properties can be transferred latest during the month of May.

V. DURESS PROPERTY

A. Statistical Review

<u>Date</u>	<u>Properties under Control</u>	
	<u>Number</u>	<u>Value in Millions of Marks</u>
1 January 1948	23,242	1,115
30 June 1948	28,330	1,245
31 December 1948	31,472	1,286
31 January 1949	30,625	1,276
28 February 1949	30,752	1,210
31 March 1949	30,762	1,111

B. Present Status

In general, the speed with which this category of properties can be released from control depends upon the speed with which cases before the Restitution Authorities can be finally settled.

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C. Present Activity in Implementation of the Internal Restitution Program

1. The program providing for the speedy transmission of petitions from the Central Filing Agency to the appropriate Restitution Agencies, instituted in February, has been successful beyond all expectations. All completed petitions received (except JRSO petitions) will have been forwarded to the Restitution Agencies on or before 15 April 1949. This step will enable JRSO to screen claims at Restitution Agencies, permitting them to eliminate duplicates and to proceed with the task of restitution. At the present time, 1,500 petitions a day are being processed through the Central Filing Agency, permitting completion of the program one month prior to the target date. After all petitions are forwarded to the appropriate Restitution Agencies, the Central Filing Agency will be able to proceed with its task of setting up appropriate records pertaining to each case.

2. Pertinent Central Filing Agency statistics indicating the volume of work involved are as follows:

Petitions

<u>Received to 31 March 1949</u>	<u>Processed and forwarded to 31 March 1949</u>
Complete 43,759	34,079
Incomplete 8,199	
JRSO Short Form 163,262	
<u>215,220</u>	<u>34,079</u>

Reports

<u>Received to 31 March 1949</u>	<u>Processed and forwarded to 31 March 1949</u>
Complete 74,490	11,470
Incomplete 8,329	
<u>82,819</u>	<u>11,470</u>

Lists from Banks and Agencies

Received to
 31 March 1949 3,079

VI. EXTERNAL ASSETS PROGRAM

A. Reports prepared during March 1949

During the month of March 1949, the External Assets Section completed 24 reports; 8 of these involved cases in which the evidence obtained by this Office proved the German ownership of \$346,800 of Assets.

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B. Backlog

A break down of the cases still on hand is as follows:

Category I (Important cases)..... 56
 Category II (Cases that should be investigated
 if time permits)..... 24
 Category III (Cases that could be dropped)..... $\frac{12}{92}$

C. Rate of Incoming Requests and Outgoing Reports

During the past six months this Office received an average of eighteen new requests and completed an average of twenty reports per month, as shown by the following table:

	<u>Incoming Requests</u>	<u>Outgoing Reports</u>
October	17	23
November	20	18
December	7	16
January	18	21
February	17	19
March	$\frac{32}{111}$	$\frac{24}{121}$

VII. I. G. FARBEN PROPERTIES

All I. G. Farben properties, with the exception of two plants subject to reparations, have been transferred to the I. G. Farben Control Office. It is expected that the two remaining plants will be released from control during April 1949.

VIII. EXTERNAL RESTITUTION

This program is 100% complete in the Laender Hesse, Wuerttemberg-Baden and Bremen. It is estimated that the program in Bavaria, with certain policy exceptions, will be completed by 15 May 1949 according to Mr. O. R. McJunkins, Chief of Reparations and Restitution Branch, Property Division, OMGUS. The rapidity with which these properties can be released from control depends entirely upon the speed with which they can be removed to recipient countries.

IX. DISPOSITION OF RESIDUAL PROPERTY CONTROL DUTIES

The German Zonal Property Control and Internal Restitution Office received additional instructions for the carrying out of their duties

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to be assumed after 1 July 1949. It is expected that the letter officially creating this organization will be dispatched during the month of April, so that the organization will be fully functioning at the time of transfer of responsibility.

X. MAN MONTH HOURS USED

<u>Program</u>	<u>Man. Month Hours Used</u>	
	<u>U.S. Pers.</u>	<u>German Pers.</u>
Internal Restitution Program (MG Law 59)	7	7
Central Filing Agency (under MG Law 59)	2	85
External Assets Investigations	6	4
Property Control Liquidation Program and Branch Operations	13	17
	<u>28</u>	<u>113</u>

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REPORT
OF
FIELD TRIP
BY
MR. HARTZSCH and MR. PORTER
to the
Various Laender
in the
U. S. ZONE

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OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)
Property Division
Property Control and External Assets Branch
APO 633
Wiesbaden, Germany

8 February 1949

On 8 January 1949, cables were forwarded to the Directors of Military Government of the four Laender, arranging for discussion with the Director of each Land and the Land Property Control Chief, for the purpose of reviewing the progress made to date in the particular Land involved with respect to the Liquidation Program, approved by General Clay on 26 June 1948, outlining the progress made to date, and pointing out the action necessary to complete the program for final liquidation of the Property Control functions by 1 July 1949. The purpose of this meeting was also to review the Internal Restitution Program, as provided for under Military Government Law No. 59, and to make necessary recommendations enlisting the aid of Military Government so that the Restitution Program may be launched in a successful manner. The highlights of the various conferences are indicated in the following pages.

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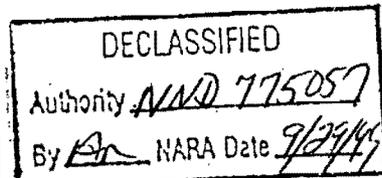
I. BREMEN

1. On Tuesday, 18 January 1949, various conferences were held in Bremen. In the morning, a conference was held with Mr. Goehring, Land Property Control Chief in Bremen; Mr. Hartzsch, Chief, Property Control and External Assets Branch, Property Division, OMGUS; and Mr. Porter, Chief, Claims Section, Property Control and External Assets Branch, Property Division, OMGUS. At this meeting Messrs. Lorenzen, LCAH; Schmeisser, Specialist for Restitution Matters in Bremen and Assistant LCAH, were present. After a brief review of the Property Control situation, the rest of the meeting was devoted to the Restitution Program as provided for under Military Government Law No. 59.

2. Mr. Porter briefly reviewed the present status of the Restitution Program as it affects Bremen and as disclosed by statistical reports received by the Claims Section and inspection report by Mr. Loewenthal, based on his last visit to Bremen on 16 November 1948. The accuracy of the petitions received, and dispositions made of the petitions, as contained in the report ending 31 December 1948, was confirmed. Mr. Porter indicated that, on the basis of the number of petitions received and the processing of such petitions, the record for Bremen is on the whole good, at least as regards the present work load. The number of petitions in which complete service had been effected (113) represented more than 85% of the total number of petitions received by the Land Central Office (132). Mr. Porter raised a question as to the dismissal of petitions in Bremen. It was pointed out that the 14 dismissals constituted more than 10 $\frac{1}{2}$ % of the total number of petitions and that this percentage seemed to be higher than that in the other Laender. There was some discussion on this point and the LPCC submitted for examination and specific discussion memoranda pertaining to the 14 cases. (In this connection it may here be mentioned that the LPCC keeps a card index on every restitution petition showing the name of the restitutor, restitutee, address of the property in question, status of claim in Restitution Agency or Court and final disposition.)

On the basis of the discussion concerning the dismissed petitions, it would seem that such disposition was justified in every case. Mr. Porter also inquired concerning the two cases of the 9 referred to it decided by the Restitution Chamber. Information was given that the two cases had sustained the decision of the Restitution Agency for dismissal of the claims. It is not known at the present time whether any further appeal will be taken by the claimants from the decisions of the Restitution Chamber. Mr. Porter also inquired concerning the one property reported in the statistical report for December 1948 as having been released from Property Control. The explanation given was that such property had been released as a result of an amicable settlement. Mr. Porter discussed the question of the treatment of those cases in which the Finance Senator was involved. It had been reported by Mr. Loewenthal that, in some half dozen cases, while the Finance Senator acknowledged the claims as obligations of the Reich to the claimants, the Finance Senator disclaimed any liability on the part of Bremen to satisfy such Reich obligations. Mr. Schmeisser stated that apparently the claimants, content with this acknowledgment by the Finance Senator, had not appealed for transfer of the matter to the Restitution Chamber and all parties regarded the cases as having been amicably settled. There was a lengthy discussion on this entire problem in which Mr. Porter indicated that, on the basis of all the facts connected with this type of case, it could not be said that amicable settlements had been concluded. He expressed the opinion that, regardless of the legal validity of the Finance Senator's position, the matter had to be

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settled conclusively and that such settlement could only be made by the Restitution Courts. Therefore, all such claims should be regarded as not having been amicably settled and should be referred to the Restitution Courts for a legal decision from which either of the parties could appeal and a final disposition be made as a matter of law on the merits of the claims. There was an exchange of opinion concerning the interpretations of the provisions of Military Government Law No. 59 which were applicable. It was finally agreed that the present status of these cases is unsatisfactory and that they should be referred to the Restitution Courts as suggested by Mr. Porter. Mr. Schmeisser indicated that the Restitution Court had informed him that in the absence of any appeal by any of the parties it could not exercise jurisdiction over this type of case. Mr. Porter called attention to the specific provisions of Military Government Law No. 59 on this point (Article 63, Section 1) and advised that, if the Restitution Court refused to accept these cases, the Claims Section, Property Control & External Assets Branch, Property Division, OMGUS, should be advised so that appropriate corrective action could be taken. This may be a case where an advisory opinion from the Board of Review, as provided for in Regulation No. 4, would be justified. The LPCC agreed to give this matter his attention and advise concerning the outcome.

3. Various questions were asked by Mr. Schmeisser concerning different provisions of Military Government Law No. 59. Among these questions were the following:

a. Designation of an agent. - Mr. Porter referred his attention to Article 58, Section 4, which covers this subject.

b. Time within which an appeal may be made from the decision of the Restitution Courts. - Mr. Porter indicated that, where Military Government Law No. 59 does not prescribe the time within which an appeal can be taken or any other limitation of like nature, the German Code of Civil Procedure would apply.

c. How long a claim might be retained by the Restitution Agency before referral to a Restitution Court. - Mr. Porter indicated that the primary function of a Restitution Agency is to effect amicable settlements and that, as long as there was any reasonable prospect of bringing the parties together and concluding an amicable settlement, the claim should be retained by the Restitution Agency. However, the moment either the parties did not want to continue negotiations or discussions relating to an amicable settlement, or the Restitution Agency itself felt further negotiations or discussions would be useless or there was a substantial legal question which the Restitution Agency believed should be decided by the Restitution Court, then the claim should be referred to the Restitution Courts. At this point Mr. Porter emphasized the desirability of disposing of as many petitions as possible through amicable settlements, but that the Restitution Agency should not unduly delay action on the petitions where such delay was unlikely to result in amicable settlements. The Restitution Courts are charged with responsibility for all legal determinations or decisions on claims and even though the work load on the courts might be increased considerably, it was nevertheless a possibility and a problem that would have to be met when and as it arose. The retention of claims beyond a reasonable period of time by Restitution Agencies is not desirable and would result in discrediting the Restitution Program.

4. Mr. Porter secured confirmation of the fact that, as petitions are received, the LCAH's office is advised and appropriate Property Control action taken if the property which is the subject of the claim is not already under control.

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5. Mr. Porter also confirmed the segregation of the Restitution Agency in a separate room from the LCAH's Office. Present personnel consists of two specialists in restitution matters and two secretaries. A third person on a part-time basis will be added to personnel for restitution matters beginning with 24 January 1949. This person will become head of the Land Central Office for Restitution. Assurances were given by both the LPCC and LCAH that, if and when the work load in restitution increased, space, personnel, supplies and facilities would be made available. No difficulty on this score is expected. Mr. Porter pointed out that, notwithstanding the small number of petitions to date and the relatively small number of properties under control in the duress category, a substantial increase could be expected in the work load of the Restitution Agency and that plans should be made in advance of such increase so that personnel might be adequately trained and facilities and supplies made available, when the need presented itself. The LPCC and the LCAH agreed to give this matter their immediate consideration.

6. Mr. Porter inspected the LCO's Office and the records presently being maintained with respect to petitions and reports. While these records are sufficient for the relatively small number of cases now being handled, it was pointed out that, with any substantial increase in petitions, such records would prove inadequate. Suggestions were made for modifications in the maintenance of records on the basis of a register set up alphabetically according to the names of petitioners or restitutors and that a cross index card system be maintained to bridge the two types of registers. Mr. Schmeisser agreed with Mr. Porter's suggestions and indicated that he would give the matter his attention immediately. Mr. Porter suggested, however, that no definitive action should be taken until Mr. Loewenthal's visit, at which time the entire reporting system would be explained in detail. At that time, it would be possible for Mr. Schmeisser to establish a recording system for the office which would more effectively correspond to the requirements of said general reporting system.

7. Mr. Porter also indicated to the LPCC, LCAH and LCO, that in the near future appropriate instructions would be received concerning the type of administration for which the Land would be held responsible. It was pointed out that certain information would be requested concerning the qualifications of personnel involved in restitution work.

8. Meeting with Director of OMG - Bremen

a. At 1400 a meeting was held in Captain Jeffs' Office, Director of Military Government for Bremen; also present were Mr. Goehring, LPCC for Bremen; Mr. Hartzsch and Mr. Porter.

b. Mr. Hartzsch pointed out that on 26 June 1948 General Clay approved a program providing for the liquidation of the Property Control and External Assets Branch and most of its functions at both OMGUS and Land levels by 1 July 1949. To accomplish this task numerous recommendations were made to and approved by General Clay. The purpose of this discussion was to review the progress made at Land Bremen, indicating the remaining problems and to suggest certain solutions, so the program can be carried out as planned. Each category of property under control was reviewed and specific recommendations made.

NSDAP MEMBER PROPERTIES:

a. It was pointed out that with respect to this category of properties the showing made in Bremen was a very good one. 90.6% of the units and 58.7% of the value of such properties under control have been released from control. Analysis further indicates that there remain under control 252 units of such properties valued at 106,000,000 marks. All of these properties belonged to Class I or II Nazis. It

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✓ was further indicated that two properties belonging to individuals in the above category account for 92,000,000 marks. They are the Fock Wulf properties valued at 11,000,000 marks, and the Krupp properties valued at 81,000,000 marks. It was indicated that until these cases, now before the various Tribunals, are finally adjudicated these properties cannot be released from control.

UNITED NATIONS, NEUTRAL AND ABSENTEE OWNED PROPERTIES:

a. The only weak spot apparent in Bremen it was indicated existed in this category of properties. It was pointed out that only 34.9% of the units of such properties under control have been decontrolled since 25 June 1947; accounting for 41.7% of the value of all such properties decontrolled. This, it was pointed out, was one of the poorest showings of any of the Laender. At this time, there are 394 such units under control valued at 35,000,000 marks. Analysis further shows that 5 units of such properties account for 29,000,000 marks in valuation; these belong to the following owners: United Fruit (U.S.) 8,000,000 marks; London Assurance (British) 4,300,000 marks; Nordeutscher Lloyd (U.S.) 8,400,000 marks; Bremer Vulkan (Dutch and Swiss) 7,100,000 marks; Atlaswerke A.G. (U.S.) 1,500,000 marks; total 29,300,000 marks.

RECOMMENDATIONS:

a. It was recommended that each of these five owners be written personal letters by the LPCC pointing out the advantage of taking over control of their properties, in view of the fact that supervisory fees will be charged in the very near future by German authorities, if such properties are not decontrolled prior to the enactment of the necessary legislation. It appears inconceivable that owners would not decontrol in such instances as the fees would be substantial. Mr. Goehring approved the recommendation and stated he would immediately adopt it.

OTHER CATEGORIES OF PROPERTIES:

a. The release from control of properties belonging to I. G. Farben and NSDAP Organizations have been accomplished 100%. Briefly stated the entire picture presented in Bremen is a most encouraging one.

INTERNAL RESTITUTION PROGRAM:

a. Mr. Porter was than requested by Mr. Hartzsch to outline the present status and the anticipated problems connected with this program. After briefly reviewing the subjects discussed in the morning session, it was pointed out that the cooperation of Captain Jeffs will be most helpful at present when it is most important to establish the Restitution Program on a sound basis and hereafter when assistance may be necessary in terms of personnel, facilities, supplies, etc. Mr. Porter indicated that the Restitution Agency and Courts might encounter some difficulty in securing financial assistance from the German Government, necessary to accomplish the execution of the Restitution Program. It was stated that, as a matter of policy, Military Government was interested in winding up the entire Restitution Program as early as possible and within a two to three year period. Most of the presently existing uncertainty with regard to titles to properties and the present burden on the German economy and people should be eliminated at the earliest practical date. Captain Jeffs was in full agreement with the views expressed by Mr. Porter and promised his full cooperation. He indicated that he expected no difficulty with the German authorities in the matter but that, if necessary, he would intervene and see to it that everything that was necessary was made available to accomplish this objective.

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II. HESSE

1. A meeting was held with Mr. Sheehan, Deputy Director of Military Government for Hesse (Dr. Newman being in the U. S.); Mr. John Cain, Land Property Control Chief; Mr. Hartzsch, Chief, Property Control and External Assets Branch, Property Division, OMGUS; and Mr. Porter, P.C. & E.A. Branch, Property Division, OMGUS. Mr. Hartzsch stated that the purpose of the meeting was to discuss the entire field of Property Control and Internal Restitution as affected by the Liquidation Program and its application to OMG Hesse. Mr. Sheehan was told of the aims and objectives of the Liquidation Program, approved by General Clay on 26 June 1948, and also of the six months progress report submitted to General Clay early in January 1949, and of the recommendations made in said report and approved by General Clay. It was stated by Mr. Hartzsch that after 1 July 1949 there will be no Property Control and External Assets Branch at either OMGUS or Land level. It was pointed out that at the present time a German Central Property Control Co-ordinating Committee was being trained to take over most of the remaining functions of the Property Control and External Assets Branch, OMGUS. Practically all unfinished business on 1 July 1949 will be transferred to and made the responsibility of this German Committee. The degree of accomplishment in Hesse under the various plans providing for the release from control of the various categories of properties under control was then reviewed.

NSDAP MEMBERS:

1. Mr. Hartzsch stated that he would review these categories of properties and would proceed from the best results to the more troublesome ones. It was pointed out that Hesse had an excellent record having released from control 92.8% of the units and 76.0% of the value of such properties. This is all the more remarkable in view of the fact that only two months ago Hesse had the poorest showing of any Land. Mr. Hartzsch took this opportunity to express his appreciation to Mr. Cain for applying the necessary pressure to bring this category of properties in line with the other Laender.

NSDAP ORGANIZATIONS:

1. It was pointed out that the results attained in this category is poor at best. 56.6% of the units of such properties accounting for 69.6% of the value in this category have been released from control. It was pointed out that the deadline for the acceptance of such properties by successor organizations expired on 19 November 1948. Allowing for the time lag in reporting the necessary paper work, it was felt that all of the remaining properties should have been transferred to the Land within a month and certainly by the end of 1948. This, however, has not been the case. It was stated by Mr. Cain that with the exception of the Reichsnaerstand, the Red Cross and certain Student Organizations that all other properties in this category will be released from control by 28 February 1949 and will reflect in the March statistical report. The entire question of the unusually long period of time required to record accomplished facts in Hesse was reviewed. Mr. Hartzsch pointed out that in many instances a three month period was customary and that such a period was unreasonable. Mr. Cain pointed out that the Hessian authorities even after signing the customary receipt for such properties did not reflect the transaction in their Property Control records until in many instances three months later giving as an excuse the fact that they had to search for adequate custodians or that the Land Minister charged with the responsibility for this property had not had an opportunity to inspect it. It was pointed out by Mr. Hartzsch that the following procedure be used. At the signing of the receipt form by the Land authorities that the property be immediately transferred to the Land authorities, a letter of transmittal to the Land authorities to be exchanged at the time the receipt is received by the Property Control authorities informing them that the responsibility for the property is no longer that of Property Control but hence-forth belongs

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to the Land and is their property. In the absence of their appointed agent to operate the property, they are to be informed that the present agent will hence-forth be the agent for the Land, responsible to them and accountable to them. This would accomplish three things:

a. It would speed up action on the part of the Land in either accepting the former custodian or appointing a new one immediately.

b. It would result in practically recording immediately the transaction on Property Control records and would certainly result in having the transaction recorded within the usual allowable one month period.

c. It would put the Land on notice that from the date of the signing of the receipt they are fully responsible and would thus prevent any misunderstanding in the event that something happened to the property during the period that the receipt was signed for, and the actual taking over of, the property by the Land. Mr. Cain stated that he would adopt this recommendation. With reference to the Red Cross, etc., no action can be taken until the necessary legal opinion is received from OMGUS Legal Division.

UNITED NATIONS AND NEUTRAL PROPERTIES:

1. Mr. Hartzsch pointed out that with the exception of Berlin, the showing made in Hesse with respect to decontrolling, this category of properties is the poorest in the entire U. S. Zone. Ever since the beginning of the Decontrol Program on 25 June 1947 only 20.7% of the units of such properties under control and 29.5% of the value of such properties under control have been decontrolled. An analysis of this poor showing indicates the following: at the present time, there are according to the records 2,705 units valued at 342,000,000 marks still under control. Included in the above figures still reported as being under control are the following:

a. Adam Opel valued at 185,000,000 marks, decontrolled October 1948;

b. Deutsche Gasolin 228,000 marks, decontrolled 15 June 1948;

c. Quarzlampen 2,500,000 marks, decontrolled 25 October 1948;

d. Deutsche Kohlenbuersten 1,150,000 marks, decontrolled 11 December 1948;

Total 188,878,000 marks.

The above properties, however, it will be noted, were decontrolled a long time ago but again due to the unusually long time lag, it can only reflect a poor accounting system, these properties have not yet been recorded as having been decontrolled. Thus, it will be noted that if these decontrolled properties had been recorded an additional 55% of the value of such properties would have reflected in the records, and that at least the percentage of value would be almost on a par with the results in the other Laender. However, these four properties would not help the poor percentage of units decontrolled. Mr. Hartzsch further analyzed the problem, it was pointed out that a recent analysis showed that there are forty four units of properties under control with a valuation in excess of 100,000 marks each, and that this 44 item group has a valuation of 92,000,000 marks. This is 27% of the amount still shown as being under control. It was, therefore, recommended that the Land Property Control

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Chief write personal letters to each of the 44 owners advising them of the Decontrol Program and recommending compliance therewith. This procedure to be followed each month, and at the same time advising the owners of Military Government policy pertaining to such properties. Mr. Cain stated that he will personally look into the matter and write the necessary letters. It was also recommended that the reporting system be carefully checked into, and necessary corrective action taken. Mr. Cain stated that this would be done.

OTHER COMMENTS:

1. The question was raised as to any other possible recommendations. It was stated that at times unnecessary delay is caused by the desire of Hessian Property Control insisting upon the use of command channels. It was recommended that the procedure outlined in Title I, namely, the use of functional channels be used in every case except major changes in policy. Mr. Sheehan approved the recommendation as did Mr. Cain. It was agreed that henceforth all implementation would be submitted through functional channels.

2. At 1605 Mr. Hartzsch completed the first phase of the discussion, at which time Mr. Sheehan stated that it was a most interesting meeting, and that we could count on his full cooperation in carrying out the Liquidation Program.

3. At the request of Mr. Sheehan, that part of the conference dealing with Internal Restitution was postponed until 1500 Friday, 21 January 1949.

INTERNAL RESTITUTION:

1. Present were Mr. Sheehan, Mr. Cain and Mr. Porter.

2. Mr. Porter opened the conference by stating that contrary to other categories of properties which are presently in process of release from control, duress properties may be expected to increase and the burden upon the German agencies connected with the Restitution Program may be expected to continue for a period of several years. Mr. Porter outlined the objectives of Military Government Law No. 59, touched upon the Property Control aspects of the program, indicated the uncertainty of titles to duress properties, and the consequent burden upon the German economy and German people, and stated that the aim of Military Government was and will be the completion of the Restitution Program as quickly as possible and with maximum degree of justice to all parties concerned.

3. In order to give the Acting Director some conception of the scope of the problem, Mr. Porter mentioned the latest statistics available both for the entire U. S. Zone and for Land Hesse in particular. It was pointed out to Mr. Sheehan that of the 31,472 duress properties under control with an estimated value of 1,287,000,000 marks, Hesse accounted for 13,338 with an estimated value of 295,000,000 marks. Mr. Sheehan was also informed that to date Hesse had received approximately 2,300 petitions, running second among the Laender for total number of petitions received; moreover, that, if the same percentages continued with respect to distribution of petitions, Hesse might receive anywhere from 50,000 to 60,000 petitions of which 25,000 to 30,000 would probably involve substantial questions. The impact of this number of petitions on the agencies and courts was emphasized and it was pointed out that even though a considerable number might be disposed of because of insufficiency or duplication, nevertheless all petitions had to be processed. It was pointed out to Mr. Sheehan that to date the Central Filing Agency had received petitions in excess of 200,000 and that the final number might reach 225,000.

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4. Mr. Sheehan was considerably surprised by the total number of claims involved and appreciated the burden upon the agencies and courts connected with the program and asked numerous questions concerning many of the problems inherent in the execution of the program.

5. Mr. Porter pointed out that, insofar as present work load is concerned, Hesse administratively is very well organized and has been doing very good work. One possible area of weakness, however, in the performance of the agencies and courts to date has been the backlog in connection with the completion of services on interested parties (approximately 50% of total petitions received) and the fact that the Restitution Chambers have not as yet decided any cases referred to them by the agencies. It was indicated that coordination with Legal Division with respect to the latter point is very desirable and Mr. Sheehan agreed. Mr. Cain was asked by Mr. Sheehan to coordinate with Legal Division and secure information concerning the activities of the Restitution Chambers on cases referred to them by the Restitution Agencies.

6. Mr. Porter furnished Mr. Sheehan with the organizational setup of the Restitution Agencies and Chambers and Oberlandesgerichte in Hesse and the average number of personnel in the Restitution Agencies. Mr. Porter then indicated that, on the basis of the anticipated number of petitions and claims which Hesse would receive, it was absolutely essential that the full support of the German government should be enlisted and secured in terms of financial appropriations, personnel, facilities and supplies for the execution of the program. Mr. Porter indicated the restrictions presently existing on employment of personnel, the reductions in personnel, and the reclassification of personnel as seriously impairing the proper functioning of the Agencies and Courts. Mr. Porter recommended that the Acting Director discuss the matter with the appropriate German governmental officials to secure the elimination, suspension or relaxation of these restrictions and to secure sufficient budgetary appropriations and allocations for the expansion of organization and personnel required for the execution of the Restitution Program. Mr. Porter furnished the Acting Director with a copy of AG letter O10.6 (PD), dated 12 January 1949 which Mr. Sheehan read. After reading of the same Mr. Sheehan instructed Mr. Cain to prepare necessary letter of implementation addressed to the Minister President. Mr. Porter, however, suggested that Mr. Cain first communicate with the Restitution Authorities, have them prepare an estimate of their needs on the basis of the anticipated work load, and then address a communication to the Minister President based upon such survey. This was agreed to by Mr. Sheehan and Mr. Cain.

7. Mr. Porter then briefly touched upon the type of supervision that would be exercised by Property Control at OMGUS level, Property Control and Legal at Land level, and the reporting system which is to be put into operation. Mr. Porter also indicated the position of JRSO in connection with the Restitution Program and its accountability to OMGUS for all of its operations. Both Mr. Sheehan and Mr. Cain agreed with Mr. Porter on the matter of close coordination between Legal and Property Control at Land Level.

8. Mr. Sheehan asked numerous questions concerning various aspects of the program, problems connected therewith, and in general evinced considerable interest and promised full cooperation to Mr. Cain's office as well as to Property Control and External Assets Branch, OMGUS, in connection with the program and securing all necessary support for the German authorities for the proper functioning and execution of the program.

9. With respect to inspections conducted by this Branch, it was agreed that contact by personnel of this Branch with Mr. Cain's office would be sufficient and that it will not be necessary for Mr. Loewenthal or any of his inspectors to contact any other agency before making such inspections in Hesse.

10. Finally, it was agreed that reports would be submitted

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to Military Government for Hesse through Mr. Cain's office from time to time as might seem desirable with respect to any aspects or problems arising in connection with the Restitution Program.

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III. STUTT GART

1. A meeting was held in Stuttgart on Monday, 24 January 1949, at 1600, with Major General Gross, Director of Military Government, OMG Wuerttemberg-Baden; Mr. Zinn Garret, Land Property Control Chief, OMG Wuerttemberg-Baden; Mr. Hartzsch and Mr. Porter, OMGUS.

2. Mr. Hartzsch opened the discussion by outlining the purpose of the meeting; namely, to review the Property Control, Internal Restitution Program, and the present status of such programs in Wuerttemberg-Baden. With reference to the Property Control Program, it was stated that Wuerttemberg-Baden has made the best showing under the various disposition programs and that the Branch appeared to be in excellent hands. It was indicated that under the program for releasing properties belonging to NSDAP Members and Black-Listed Persons that 88.1% of the units and 88.8% of the value of such properties have been released from control. With reference to United Nations and Absentee Owned Properties 60.4% of units and 76.3% of the value have been decontrolled. With reference to NSDAP Organizations 98.1% of units and 96.0% of value were released from control. With reference to I. G. Farben Properties the program is 100% completed. These percentages lead all the other Laender and it is a most satisfactory showing. One suggestion was made, however, with reference to United Nations' properties; it was pointed out that 47 properties valued at over 90,000,000 marks remained under control in this category. It was suggested that, the Land Property Control Chief write personal letters to these owners and follow them up each month until the properties are decontrolled. This group alone accounts for approximately 80% of the value of United Nations Properties still under control as of 31 December 1948.

3. Mr. Porter then reviewed the Internal Restitution Program. Because of General Gross' unfamiliarity with Property Control matters, he was furnished with detailed explanation as to the type of properties which are involved in the Restitution Program. He was then given the general idea of the objectives of the Law, the scope of the Program in the U. S. Zone and in Wuerttemberg-Baden, the aim of Military Government to complete the execution of the Program within the earliest possible period, and specific information concerning the present status of the Restitution Program, the anticipated work load that might be expected and the problems connected both with present work load and the anticipated work load. In the development of the discussion General Gross asked numerous questions relating to the difficulty of the program and serious problems that might be expected to arise. He showed marked interest in the organizational and administrative aspects of the Program, expressed the opinion that it was a monumental task, and stated that he would be glad to give any assistance possible both to Mr. Garrett, LPCC for Wuerttemberg-Baden, and to this office in the accomplishment of the Program.

4. The performance of the Restitution Agencies in Wuerttemberg-Baden to date was given in detail. It was, however, pointed out to General Gross that the same obstacles and limitations that held true for the rest of the Zone with respect to employment of suitable and qualified personnel, facilities, supplies, etc., held true to a great degree in Wuerttemberg-Baden. In this connection Mr. Porter mentioned the fact that the Ministry of Justice had made a direct appeal for intervention to secure sufficient financial allowances in order effectively to do what is necessary in connection with the Restitution Program which had thus far been met with outright refusal on the part of the German governmental officials. Mr. Garrett confirmed this information and indicated that he had already prepared a letter which was ready for dispatch to the Minister President and which was designed to correct this situation. Mr. Porter furnished both General Gross and Mr. Garrett with copies of letter AG O10.6 (PD), dated 12 January 1949, and emphasized that, on the basis of such letter, the

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Minister President should be earnestly requested or instructed to provide necessary funds, personnel, facilities, supplies, etc., to the Restitution Agencies and Courts so that they will be properly equipped and organized to cope with the anticipated work load. General Gross and Mr. Garret agreed to take the necessary action at once.

5. Mr. Porter then briefly touched upon the reporting system which is to be put into operation and described the nature and extent of supervision that would be expected at Land level. There was some discussion concerning the possibility of eliminating Property Control at Land level after 1 July 1949. Insofar as the Restitution Program is concerned and with regard to the possible consequences of such action both General Gross and Mr. Garrett felt that it would be most desirable to retain sufficient personnel at Land level to render proper supervision even after that date. Mr. Hartzsch described the establishment of the German Central Coordinating Committee which has been formed and is being trained for the next six months and expressed his opinion that this Committee should be able to take over most of the responsibility for supervision of the Program by the German agencies and courts after 1 July 1949 as guided by certain American personnel who continue with Military Government attached to the office of one of General Clay's advisers.

6. General Gross was in complete agreement with the aim of Military Government to complete the Restitution Program as soon as possible but felt that estimates submitted by Mr. Porter that the Program should be substantially completed within two to three years were over optimistic in view of the many serious problems connected with the Program, the unpopularity of the Law and the resistance thereto on the part of present owners of properties who are now being called upon to return said properties. General Gross was considerably interested in the reporting system which is to be put into operation and expressed the opinion that it seemed sufficiently comprehensive to satisfy anybody.

7. The conference was concluded with General Gross' assurance that, insofar as his office is concerned, every assistance possible will be rendered to the LPCC for Wuerttemberg-Baden and the Property Control and External Assets Branch, OMGUS, for the proper execution of the Restitution Program.

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IV. BAVARIA

1. At 1400 hours, a meeting was held with Mr. Murray D. van Wagoner, Director of OMG Bavaria; Mr. Harris, Director of Property Division, OMG Bavaria; Mr. Lennon, Land Property Control Chief, OMG Bavaria; Mr. Hartzsch and Mr. Porter, OMGUS.

2. The purpose of the meeting was briefly reviewed by Mr. Hartzsch and the following comments were made.

NSDAP MEMBERS:

1. It was pointed out that with reference to the program providing for the release of properties belonging to NSDAP Members and Black-Listed Persons that 80.0% of the number of such properties and 63.9% of the value of such properties have been released from control. It was further pointed out that although this was the poorest showing of the four Laender, it was still considered fairly satisfactory. Mr. Lennon stated that, this program would be substantially speeded up during the next two months.

UNITED NATIONS AND NEUTRAL PROPERTIES:

1. With reference to the Decontrol Program providing for the decontrol of United Nations and other absentee-owned properties the record in Bavaria was second best in the entire U. S. Zone; 41.0% of the number of such properties and 71.8% of the value of such properties have been decontrolled to date. It was pointed out that of those properties remaining under control in this category as of 31 December 1948, 64 properties were valued at 68,000,000 marks. This accounts for approximately 25% by value of the remaining properties in this category. It was recommended that, the Land Property Control Chief write personal letters to these large United Nations, etc., owners.

NSDAP ORGANIZATIONS PROPERTIES:

1. With reference to properties belonging to this category, it was pointed out that 63.9% of the units and 20.4% of the value of such properties have been released from control. In view of the fact that all of these properties, with few minor exceptions, should have been transferred to the Land by this time, this is considered an unsatisfactory showing. Mr. Lennon stated, however, that everything would be done to complete this program within the next two months.

OTHER CATEGORIES OF PROPERTIES:

1. With reference to I. G. Farben Properties, the program is 100% completed.

INTERNAL RESTITUTION PROGRAM:

1. Mr. Porter informed Governor van Wagoner of the nature of the Restitution Program, its Property Control aspects, the objectives of Military Government Law No. 59, the present status of the Restitution Program for Bavaria, the anticipated work load and problems connected therewith and the implications of this Program on titles and the German economy and public. The aim of Military Government to complete the execution of the Program at the earliest date possible was also indicated.

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2. Mr. Porter pointed out that even on the basis of the present work load, performance on the part of the Restitution Agencies in connection with service of notice on interested parties was lower than in other Laender. This situation could be expected to become worse in the next four to six weeks when the Central Filing Agency would have completed the processing of petitions on hand down to Land level. The fact that none of the cases referred to the courts by the Restitution Agencies to date had been decided was also a matter of serious concern indicating the need for close coordination between Property Control and Legal Division at Land level. Mr. Lennon volunteered to take this matter up at once with Legal Division and this action received the hearty approval of Governor van Wagoner.

3. On an over-all basis, Mr. Porter pointed out the absolute necessity for the support of Governor van Wagoner to Mr. Lennon's office to secure the relaxation in present restrictions on employment of personnel and availability of facilities and supplies so that the Restitution Authorities could take proper measures to prepare organizationally and administratively for the anticipated work load which should develop within the next four to six weeks. Mr. Porter supplied Governor van Wagoner and Mr. Lennon with copies of letter AG 010.6 (PD), dated 12 January 1949, which was read and with respect to which agreement was reached that immediate corrective action would be taken. Mr. Porter suggested that the Restitution Authorities be requested to prepare an estimate of their needs which should be submitted to Mr. Lennon's office and on the basis of which Mr. Lennon should prepare a letter to the Minister President signed by Governor van Wagoner to secure the necessary funds, personnel, facilities, etc., required for the proper execution of the Restitution Program. Mr. Lennon promised to secure a report on the status of Restitution cases in the Chambers at the earliest possible date through the Legal Division which would be transmitted to this office.

4. There was general discussion concerning the entire Restitution Program in which Governor van Wagoner asked many pertinent questions and in general evinced much interest. He agreed wholeheartedly with the aim of Military Government as expressed by Mr. Porter that the Program should be completed as soon as possible. He was, however, fully aware of the serious problems connected with the Program and expressed his opinion that it would be quite an achievement to complete the Program in the time hopefully mentioned by Mr. Porter. However, he stated that it was a target well worth shooting at.

5. In connection with this report it should be mentioned that Governor van Wagoner signed the letter prepared by the Office of the LPCC in coordination with Legal, which directs the Minister President for Bavaria to suspend the recent ordinance which would create a new Restitution Authority and would vest responsibility for this agency in Dr. Auerbach.

6. On the basis of information given by Mr. Loewenthal which showed malpractice on the part of personnel connected with the Office of Property Controllers, the LPCC's office as well as on the part of Dr. Auerbach and Dr. Endres (exercise of undue influence on the part of both the latter before Agencies and Courts), Mr. Porter made arrangements with Mr. Lennon for a meeting to be scheduled in the near future which would have as its aim the clarification of policy as to the type of supervision which this office will require at Land level. This meeting will be attended by all Property Controllers and their chief German officials. Mr. Porter will, at this meeting, indicate some of the abuses on the part of Property Control personnel in supervision exercised by them and clarify the type of supervision which, as a matter of policy, will hereafter be exercised.

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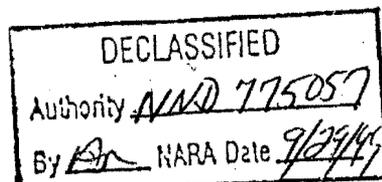
Mr. Lennon, in preparation for this meeting, will make an investigation of some of the specific matters submitted to him by Mr. Porter and render a report thereon to this office.

7. Insofar as Drs. Auerbach and Endres are concerned, Mr. Porter has requested Mr. Loewenthal to prepare report which will specifically detail abuses in authority and practice on the part of these two officials connected with Restitution matters for referral to Legal Division and with a view to securing corrective action.

8. On the basis of Mr. Loewenthal's findings it is apparent that Bavaria which may be expected to receive a large portion of the claims has many serious weaknesses requiring special consideration at this time and closer supervision hereafter. These weaknesses relate to the type of supervision being exercised by the personnel connected with the LPCC's or PC's Office as well as the abuses of power, authority and position on the part of German key officials for political purposes. The intervention of Dr. Auerbach before Agencies and Courts and his influence on Agencies and Courts in connection with amicable settlements and Court decisions tends to discredit the entire program. In too many cases he appears to be exceeding his authority and acting in dual capacities so that it is apparent that he is motivated by conflicting interests. Every effort will be made to steer these gentlemen into correct channels. Specific recommendations were promised and Director van Wagoner assured us of his full cooperation.

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V. BERLIN SECTOR

1. A meeting was scheduled in Berlin Sector for 1400 hours, Wednesday, 2 February 1949, but due to the fact that Colonel Howley, Director of Military Government for Berlin Sector, was detained, the meeting was postponed until the following day at 1400. As Mr. McNulty, the LPCC, and his Deputy, Mr. Gregg, were ill neither could attend the conference held with Colonel Howley on Thursday, 3 February 1949. Those present were Colonel Howley, Mr. Hartzsch and Mr. Porter.

2. Mr. Hartzsch opened the discussion with a review of the measures intended for the liquidation of Property Control in the American Sector of Berlin, as approved by General Clay. Mr. Hartzsch reviewed each category of property specifically and indicated briefly the action that would be taken with respect to each category of property in the near future so as to bring about the termination of Property Control at the earliest possible date. The Director was advised that insofar as the LPCC's office is concerned, American responsibility would terminate as of 1 July 1949, at which time a Central German Coordinating Committee, or its equivalent for Berlin, would assume responsibility.

3. Colonel Howley appeared surprised that this program applied to Berlin Sector. As Colonel Howley was mainly interested in the recommendations, approved by General Clay, they were read to Colonel Howley:

a. A German Property Control Supervisory Agency is to be established in Berlin Sector; every effort to be made to establish this on a tri-sector basis, financed by the Magistrate. If this fails, an organization is to be established on a unilateral basis in the U. S. Sector, financed by a small charge against all properties under control in Berlin Sector.

b. In view of the fact that United Nations and neutral owners having properties in Berlin Sector do not take advantage of the Decontrol Program, as it would jeopardize their equity, legislation providing for a moratorium on pre-surrendered debts is to be promulgated. After the promulgation of such legislation, renewed efforts should be made to contact the absentee owners of properties. Special attention should be given to the 47 properties in this category valued at over 100,000 marks each, and having a combined value of 242,000,000 marks or approximately two thirds of the value of all properties in this category.

c. A speed up program in releasing Nazi Member properties from control was advocated in line with the policy established in the U. S. Zone.

d. Nazi Organization properties are to be given special attention as provided for in Control Council Directive No. 50. Properties which rightfully should go to the Labor Organization known as UGO are to be transferred to that organization as soon as legally constituted to hold real estate and approved by Military Government. Consumer Cooperatives' properties, formerly belonging to GEG, are to be returned to that organization. Those properties in this category not transferred within a reasonable time should be transferred in accordance with provisions of Control Council Directive No. 50

4. Mr. Porter briefly indicated that it is intended to extend Military Government Law No. 59 to Berlin and inquired whether the Director knew of any obstacles to such extension, either on the basis of the present political organization of the Western Sectors of Berlin, or on the basis of the contemplated Land organization of the Western

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Sectors of Berlin. Colonel Howley stated that anything that could be done under the present situation could also be done if and when the Western Sectors of Berlin are given a Land status. Colonel Howley, in answer to an inquiry by Mr. Porter, stated that a Land government should be set up within the next few weeks.

5. Both Mr. Hartzsch and Mr. Porter indicated that Mr. McNulty might require the assistance of the Director in securing the necessary implementation of various measures for accomplishment of the Liquidation Program and the extension of Military Government Law No. 59 to the U. S. Sector of Berlin. Colonel Howley indicated that, upon receipt of proper instructions, he would be glad to render every assistance possible.

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12 November 1948

SUBJECT: Report of Audits of the Four ~~ICAEs~~ Accounting Offices and
Property Control Branch, OMS Berlin Sector

TO : Mr. Fred E. Hartsch

INDEX

- I. Purpose
- II. Scope
- III. Itinerary and Work Schedule
- IV. Discussion of Statistical Findings
- V. Probable Causes of Delays
- VI. Other General Problems
- VII. Recommendations

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By ER NARA Date 9/29/49

I. PURPOSE:

1. These audits were undertaken to determine the timeliness of the booking and reporting of Property Control transactions. It is recognized that the Property Control Statistical Report (MG/PC/6/P) for September 1948, for example, cannot reflect every transaction completed in the month of September because of the necessary time lag involved in the preparation, forwarding, and compilation of feeder reports, such as MG/PC/2/Ps, MG/PC 3c, etc. As a standard, a lag of one (1) month has been assumed as the normal time required from the completion of any transaction until the time it is properly booked and ready to be reported. Thus, the Property Control Statistical Report dated 30 September 1948 would, if this norm were achieved in every instance, represent the status of properties on 31 August 1948. Certain comparisons of extraneous statistics on specific categories with the Property Control Statistical Report have, however, tended to indicate that the time lag in reporting greatly exceeds the norm of one month in many and in important instances. These audits were therefore arranged to ascertain the exact time lag now being experienced by each of the four Laender and Property Control Branch - OMG Berlin Sector.

II. SCOPE:

2. The scope of these audits extended only to the determination of the facts with respect to the time lag. It was not possible within the time available for each audit to make any complete investigation as to causes in those cases where the time lag exceeded the norm. However, procedures in effect in the office at Land level were reviewed so far as possible, and inquiries as to their effectiveness were made of responsible officials. Results of such reviews and inquiries are discussed in the appropriate section of the individual reports.

3. The figures reported in the Property Control Statistical Report for September 1948 were the basis of these audits. Work in process in each office representing transactions to be booked and reported in periods subsequent to 30 September 1948 were also reviewed and averaged as to date effected.

III. ITINERARY AND WORK SCHEDULE:

4. The itinerary and the actual time spent on the audit of each office are as indicated hereunder:

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Report of Audits of the Four LOAHs' Accounting Offices and Property Control Branch, OMB Berlin Sector (cont'd)

Land	Auditors	Time Spent		
		Dates	Days	Total
a. Hesse	H.L. Sanford	6 - 8 Oct 48	3	10
	E.F. Schaller	6 - 8 Oct 48	3	
	R. Schaefer	6 - 8 Oct 48	3	
	H.O. Wettstein	8 Oct 48	1	
b. Bavaria	J.S. Korfanty	11 - 12 Oct 48	2	7
	R. Schaefer	11 - 15 Oct 48	5	
c. Wuerttemberg/ Baden	K.L. Sanford	(15 Oct 48)	2½	6
		(18 - 19 Oct 48)		
	E.F. Schaller	(15 - 16 Oct 48)	3½	
		(18 - 19 Oct 48)		
d. Berlin Sector	J.S. Korfanty	26 - 27 Oct 48	2	4½
	H.O. Wettstein	26 - 28 Oct 48	1	
e. Bremen	K.L. Sanford	28 Oct 48	1	3
		R. Schaefer	28 - 29 Oct 48	
f. Total man-days, exclusive of travel time				30½

IV. DISCUSSION OF STATISTICAL FINDINGS:

5. The concept of a "median" average date has been used throughout in these audits because of its particular suitability to the situation. A "median" average is that "score" (i.e., date, dollar amount, age, etc.) in a statistical series with as many scores above it as below it. It differs from a "mean" average in that the latter represents the arithmetical total of all the scores in a statistical series divided by the number of the scores included in the total.

6. That the use of median average dates is particularly suited to these audits can be appreciated after considering the matter hypothetically. Assuming it were mechanically possible for all concerned to record Property Control transactions on the day they occurred, and assuming also an even flow of work from day to day without a backlog, the median average date of transactions reported in September 1948, for example, would be 15 September 1948. This would represent, of course, 100 percent perfection in current reporting. Thus, by this method, we are able to narrow the transactions reported during a given month to an easily ascertainable date

Report of Audits of the Four ICAs' Accounting Offices and Property Control Branch, OMS Berlin Sector (cont'd)

which represents the mid-point of that month. This date can be compared with the mid-point date of the hypothetically "perfect" month to determine the exact time lag.

7. For the purposes of these audits, however, we have assumed as the norm a time lag of one month to allow for the preparation, transmittal, and recording of MG/PC/2/Fs and MG/PC 3s. On this basis, the norm median average for transactions reported in September 1948 would be 15 August 1948. In other words, since a certain length of time must be taken for preparing, transmitting, and recording of feeder reports, the best we can hope to achieve is the case where the Property Control Statistical Report for September 1948 would reflect properties under control as of 31 August 1948. The norm is based upon the assumption that, under a reasonable efficient set-up, no more than one month is needed from the date a transaction occurred until it is recorded in Property Control accounts. In this connection, it is interesting to note that this norm was achieved in two instances within a week and exceeded by two weeks in one other instance.

8. Schedules 1 and 2 are consolidations for comparison purposes of statistical findings which have been explained in detail in the individual reports for each Land and OMS Berlin Sector. No further comments are therefore made with respect to any of the individual findings. The data in the "Total" column indicate that our Property Control Statistical Report for September 1948 reflects a time lag of two months in excess of the norm, or an absolute lag of three months. Stated in another way, total properties under control on 30 September 1948 as shown in the September Report represent substantially total properties under control on 30 June 1948.

9. It may be mentioned that this consolidation seems to point up a rule, namely, the efficiency of an organization seems to vary in inverse ratio to its size. It is not intended to suggest in this connection that Bavaria is the least efficient in over-all Property Control operations, other than the accounting function, that Hesse is the next least efficient in this regard, etc. To make such suggestion it would be necessary to assume that over-all Property Control operations in each Land were exactly on the level of efficiency as the accounting function. Needless to say, such assumption would be highly questionable unless considerable factual evidence in support thereof were available.

V. PROBABLE CAUSES OF DELAYS:

10. In general, the delays in reporting were the result of overly-elaborate and time-wasting procedures in the handling of basic documents at all levels of the Property Control organization. It does not appear that such procedures are the result of the lack of emphasis by LPOCs on

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Report of Audits of the Four LCAHs' Accounting Offices and Property Control Branch, OWA Berlin Sector (cont'd)

the necessity of expeditious handling of such documents. Rather, it appears to be the combination of bureaucratic thinking inherent in the German civil service set-up with inadequate check-ups by LPCCs to correct the worst features of such thinking. Take, for example, the matter of the handling of releases in Hesse in the case where the release of a property must originate at LCAH level, such as in connection with NSDAP organizations. In such cases, all the preliminary work in connection with the release is done at that level. When the property is ready for release and title has been transferred to the recipient, the Releases Section of the LCAH Office prepares an MG/PC 3 and forwards it to the CAH concerned. Such MG/PC 3 is, in effect, an order to the CAH to make physical release of the property to the recipient. After this is accomplished, the CAH returns the MG/PC 3 to the LCAH's Releases Section, with a remark thereon that physical release of the property has been effected. It is only at this point that the MG/PC 3 is referred to the Accounting Section for reflection in the records. Why an extra copy of the MG/PC 3 could not have been prepared by the Releases Section and referred to the Accounting Section at the time the original was sent to the CAH was not satisfactorily explained.

11. The deplorable situation in Bavaria, however, is in my opinion, the result not only of the factor covered in par 10, above, but also of much more fundamental organizational deficiency. When operational responsibility was transferred to the Bavarian Land government, the factor not taken into account in setting up their Land-wide organization was that a large organization such as theirs required much stricter controls than those needed in other Laender. This factor is usually stated somewhat as follows: While the increase in the size of an organization is in mathematical progression, the increase in administrative problems is in geometric progression. Stated more concretely, if the size of an organization is doubled, the administrative problems are quadrupled. Also, it is believed that decentralization has not been carried through sufficiently to permit optimum efficiency in all operations.

12. Over-all review of the situation in each of the offices concerned can lead to one basic conclusion, namely, the lack of continual general supervision of the German organizations in Bavaria and in Hesse, the former to a very great degree and the latter to a much lesser degree. The present situation in Bavaria could manifestly not have developed to that extent with adequate supervision. Nor could the time-wasting procedure in Hesse with respect to certain releases (see par 10, above) have been allowed to stand if the LCAH's operations were actually reviewed by the LPCC or one of his assistants periodically.

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Report of Audits of the Four LCAHs' Accounting Offices and Property Control Branch, ONC Berlin Sector (cont')

VI. OTHER GENERAL PROBLEMS:

13. No over-all recommendations with respect to other general problems are made since these have been covered in the individual reports.

VII. RECOMMENDATIONS:

14. It is recommended that at the next LPCC meeting, the following be given high priority on the agenda and be stressed by the CPCC: It is not sufficient merely to inform the LCAH of the latest policy or to instruct him to set up efficient and expeditious procedures. It is necessary also that the LPCC periodically review and inspect the LCAH organization to assure that the policy communicated to him is being executed, and that his procedures are working out with reasonable efficiency.

15. It is also recommended that much closer liaison be maintained between this office and our field offices (especially Bavaria and Hesse) than it was possible to maintain in the past. Except for Reich and duress properties, our policy on the disposition of all other properties is fairly well settled. It would, I believe, help considerably the successful completion of the Liquidation Program if personnel of this office made periodic inspections of both LPCC and LCAH offices. Teams consisting of personnel from various sections could do much to assist LCAHs' implement policy, meet deadlines, etc.

7 Incls

- Incl 1 - Schedule 1
- Incl 2 - Schedule 2
- Incl 3 - Report on Bavaria
w/5 Incls
- Incl 4 - Report on Hesse
w/2 Incls
- Incl 5 - Report on Wuerttemberg/
Baden w/1 Incl
- Incl 6 - Report on Bremen
w/1 Incl
- Incl 7 - Report on Berlin
w/1 Incl

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JOSEPH S. KORFANTY

SCHEDULE 1

MEDIAN AVERAGE DATES OF TRANSACTIONS BOOKED

1. Transactions reported in September 1948:
- a. Units taken into control
 - b. Units released
 - c. Adjustments
 - d. All transactions
 - e. Normal median average date for September 1948
 - f. Variations from norm for all transactions
2. Transactions in process of being recorded at time of audit:
- a. Units taken into control
 - b. Units released
 - c. Adjustments
 - d. All transactions
 - e. Normal median average date for transactions in process
 - f. Variations from norm for all transactions

Total	Bavaria	Hesse	Wuertt.-Baden	Bremen	Berlin
1 July 47	1 July 47	30 June 48	2 Aug 48	4 Sep 48	3 Aug 48
27 July 48	31 May 48	8 July 48	17 Aug 48	31 Aug 48	7 Aug 48
21 July 48	13 Apr 48	9 Aug 48	26 Aug 48	-	30 Aug 48
19 June 48	28 Mar 48	8 July 48	17 Aug 48	31 Aug 48	9 Aug 48
15 Aug 48	15 Aug 48	15 Aug 48	15 Aug 48	15 Aug 48	15 Aug 48
2 mos	4 1/2 mos	1 1/2 mos	no variation	1/2 mo	1/2 mo
9 Dec 47	21 Oct 47	20 July 48	1 Sep 48	14 Sep 48	13 Sep 48
4 Aug 48	19 July 48	13 Aug 48	28 Sep 48	27 Sep 48	29 Sep 48
10 Aug 48	22 Jan 48	13 Sep 48	22 Sep 48	7 Oct 48	12 Aug 48
24 June 48	2 Mar 48	9 Aug 48	16 Sep 48	29 Sep 48	13 Sep 48
7 Sep 48	2 Sep 48	1 Sep 48	5 Sep 48	15 Sep 48	15 Sep 48
2 1/2 mos	6 mos	4 1/4 mo	1/2 mo	1/2 mo	no variation

SCHEDULE 1

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SCHEDULE 2

NUMBER OF UNITS BY MONTH OR YEAR IN WHICH TRANSACTIONS OCCURRED

1. Transactions reported in September 1948:

1945
 1946
 1947
 First 6 mos 1948
 July 1948
 Aug 1948
 Sep 1948

Total		Bavaria		Hesse		Wuerttemberg/ Baden		Bremen		Berlin	
No	%	No	%	No	%	No	%	No	%	No	%
43	0.4	32	0.7	11	0.3	-	-	-	-	-	-
461	4.5	434	8.7	12	0.4	1	-	-	-	14	3.4
1 540	14.7	1 448	29.1	50	1.5	2	0.1	-	-	40	9.6
3 742	35.8	2 410	48.2	1 187	36.5	114	7.7	1	0.3	30	7.2
2 372	22.7	555	11.1	1 456	44.8	286	19.2	5	1.7	70	16.8
1 852	17.7	110	2.2	520	16.0	824	55.3	145	49.2	253	60.8
433	4.2	1	-	15	0.5	264	17.7	144	46.8	9	2.2
10 443	100.0	4 990	100.0	3 251	100.0	1 491	100.0	295	100.0	416	100.0

2. Transactions in process of being recorded at time of audit:

1945
 1946
 1947
 First 6 mos 1948
 July 1948
 Aug 1948
 Sep 1948
 Oct 1948

107	1.0	102	1.5	5	0.2	-	-	-	-	-	-
604	5.6	577	8.4	27	1.2	-	-	-	-	-	-
2 077	19.3	2 054	29.9	20	0.9	-	-	-	-	3	0.4
2 730	25.5	2 250	32.8	363	16.8	48	5.3	2	1.4	67	9.9
1 243	11.6	732	10.7	420	20.0	47	5.2	1	0.7	33	4.9
2 254	21.0	1 069	15.6	868	40.3	157	17.5	-	-	160	23.7
1 407	13.1	71	1.0	439	20.4	556	62.0	85	59.4	256	37.9
316	2.9	10	0.1	4	0.2	90	10.0	55	38.5	157	23.2
10 738	100.0	6 865	100.0	2 156	100.0	898	100.0	143	100.0	676	100.0

SCHEDULE 2

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By AR NARA Date 9/29/99

12 November 1948

SUBJECT: Report of Audit of LCAH's Accounting Office, Land Bavaria

TO : Mr. Fred E. Hartzsch

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- I. Statistical Data
- II. Discussion of Statistical Findings
- III. Probable Causes of Delay in Reporting
- IV. Other Problems
- V. Recommendations
- VI. Remarks

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 By BR NARA Date 9/29/47

I. STATISTICAL DATA:

1. The median average dates of transactions reported by the LCAH Bavaria for September 1948, as compared with the average for the other three (3) Laender and OMB Berlin Sector combined, (excluding Bavaria) are set forth in the following schedule:

	<u>Bavaria</u>	<u>Other Laender and OMB-BS (excluding Bavaria)</u>
a. Units taken into control	1 July 47	1 July 48
b. Units released	31 May 48	21 July 48
c. Adjustments	13 Apr 48	17 Aug 48
d. All transactions	28 Mar 48	22 July 48
e. <u>Normal median average date for September 1948</u>	15 Aug 48	15 Aug 48
f. Variations from norm:		
(1) Units taken into control	13½ mos	1½ mos
(2) Units released	2½ mos	¾ mo
(3) Adjustments	4 mos	no variation
(4) All transactions	4½ mos	¾ mo

2. The median average dates of transactions recorded by the LCAH Bavaria from the September closing date to 10 October 1948 as compared with the average for the other three (3) Laender and OMB Berlin Sector combined (excluding Bavaria) are set forth in the following schedule:

	<u>Bavaria</u>	<u>Other Laender and OMB-BS (excluding Bavaria)</u>
a. Units taken into control	21 Oct 47	5 Aug 48
b. Units released	19 July 48	25 Aug 48
c. Adjustments	22 Jan 48	13 Sep 48
d. All transactions	2 Mar 48	28 Aug 48

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Report of Audit of LCAH's Accounting Office, Land Bavaria (cont'd)

	<u>Bavaria</u>	<u>Other Laender and OMC-BS (ex- cluding Bavaria)</u>
e. <u>Normal median average date for all transactions in process</u>	2 Sep 48	not applicable
f. Variations from norm:		
(1) Units taken into control	10½ mos	not
(2) Units released	1½ mos	appli-
(3) Adjustments	7½ mos	cable
(4) All transactions	6 mos	

3. The schedule in par 2, above, represents transactions actually recorded by the LCAH in Property Control accounts since the date of the September closing. In addition, there was an exceedingly large backlog of MG/FC/2/Fs and MG/FC 3s which it was not feasible to include in the foregoing schedule because of its size. A count was made, however, of the number of each of the forms (with a separation of those MG/FC 3s which represented releases and those which represented adjustments) by the month rather than the day in which each such transaction was effected. The following schedule shows the results of this count. (It will be noted that no comparison is possible in this schedule with other Laender and OMC Berlin Sector since no unrecorded or unprocessed MG/FC/2/Fs and MG/FC 3s of this magnitude were found in any office other than in Bavaria.)

a. Taken into control (MG/FC/2/Fs)	3 Apr 48
b. Releases (MG/FC 3s)	14 July 48
c. Adjustments (MG/FC 3s)	12 Mar 48
d. All transactions	8 Apr 48
e. <u>Normal median average date for transactions in process</u>	2 Sep 48

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Report of Audit of LCAH's Accounting Office, Land Bavaria (cont'd)

f. Variations from normal

- (1) Taken into control 5 mos
- (2) Releases 1½ mos
- (3) Adjustments 5¼ mos
- (4) All transactions 1½ mos

4. The number of units by month or year in which the transactions reported in September 1948 were actually effected, as compared with total reported in September 1948 by the other three (3) Laender and OMG Berlin Sector (excluding Bavaria) are set forth in the following schedule. Percentages to total units have also been computed for more easy comparison. (This schedule is related to the one listed in par 1, above.):

	Bavaria		Other Laender and OMG-BB (excluding Bavaria)	
	No	%	No	%
1945	32	0.7	11	0.2
1946	434	8.7	27	0.5
1947	1 448	29.1	92	1.8
First 6 mos 1948	2 410	48.2	1 332	24.4
July 1948	555	11.1	1 817	33.3
Aug 1948	110	2.2	1 742	31.8
Sep 1948	1	-	432	8.0
<u>Total</u>	4 990	100.0	5 453	100.0

5. The number of units by month or year in which the transactions booked from the September closing date to 10 October 1948 were actually effected, as compared with similar figures for the other three (3) Laender and OMG Berlin Sector (excluding Bavaria) are set forth in the following schedule. Percentages to total units have also been computed for more easy comparison. (This schedule is related to the one listed in par 2, above.):

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Report of Audit of LOAH's Accounting Office, Land Bavaria, (cont'd)

	Bavaria		Other Laender and OMB-BE (excluding Bavaria)	
	No	%	No	%
1945	102	1.5	5	0.1
1946	577	8.4	27	0.7
1947	2 054	29.9	23	0.6
First 6 mos 1948	2 250	32.8	180	12.5
July 1948	732	10.7	511	13.3
Aug 1948	1 069	15.6	1 185	30.5
Sep 1948	71	1.0	1 336	34.7
Oct 1948	10	-	306	7.6
Total	6 865	100.0	3 873	100.0

6. The number of transactions (i.e., MG/FC/2/Es, MG/FC 3s) by month or year in which effected, represented in the backlog described in par 3, above, is shown in the following schedule. (No comparison is made with the total of other Laender and OMB Berlin Sector for the reasons set forth in par 3.):

	No	%
1945	24	0.3
1946	215	2.9
1947	1 581	21.4
First 6 mos 1948	3 835	51.8
July 1948	735	9.9
Aug 1948	803	10.9
Sep 1948	210	2.8
Oct 1948	-	-
Total	7 403	100.0

*Consists of:

MG/FC/2/Es (taken into control)
 MG/FC 3s (releases)
 MG/FC 3s (adjustments)
Total

	Conversion factor	Approximate number of units
2 734	1.68	4 600
1 265	1.84	2 300
3 404	-	3 400
7 403		10 300

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Report of Audit of LCAH's Accounting Office, Land Bavaria (cont'd)

II. DISCUSSION OF STATISTICAL FINDINGS:

7. The statistical data set forth in Section I, above, tend strongly to indicate that the accounting function has not been maintained by the LCAH Bavaria at anything like a level of efficiency which can reasonably be expected. While it is true that the properties handled in Bavaria almost equal in number of units and exceed in estimated value (i.e., in economic importance) those of the other two Länder in the U.S. Zone combined, namely Hesse and Wuerttemberg/Baden, the factor of increased complexity of operations inherent in a large and geographically wide spread organization should have been taken into account when the German Property Control system was set up. Insofar as the accounting function is concerned, it is evident that the organizational set-up has not, to this date, been adequate for reasonably accurate and reasonably up-to-date accounting reporting.

8. Specifically, note that the figures reported by Bavaria for 30 September 1948 actually reflect, for the most part, the situation as it existed on 12 April 1948 (i.e., 15 days after the median average date shown in par 1d, above). Furthermore, in spite of the backlog, an even flow of work should have been maintained by entering the earliest transactions first. That this was not done is readily apparent from the disparity of median average dates of properties taken into control, properties released, and adjustments (pars 1a, b, and c; 2a, b, and c; and 3a, b, and c). It is considered that the practice of giving priority to certain types of transactions (i.e., such as releases) for booking purposes is particularly to be censured, since this results in a statistical distortion far more confusing and misleading than a chronologically consistent backlog whatever its size or however long the time lag.

9. While it is not considered necessary to dwell upon the 7403 MG/PC/2/Ps and MG/PC 3s unprocessed in the Office of the LCAH (par 6, above), since these statistics sufficiently reflect the situation, the fact that this backlog represents a total of over 10 000 units is brought out here for purpose of comparison with the total properties reported by Bavaria as being under control on 30 September 1948. This indicates that the total under control of 31 588 units is understated by seven (7) percent. In what direction the booking of the backlogged adjustments would affect total properties cannot, of course, be ascertained until they are actually recorded. However, it seems reasonable to assume that their total effect will be substantial. It is desired to mention here also that, of the 7403 transactions backlogged, 5655 or 76.4 %, were actually effected before 1 July 1948. This is a significant fact which is dealt with more fully in par 11, below.

10. A concerted effort is presently being made by the LCAH, at the insistence of the LPCC, to clean up the backlog which exists in the Office of the LCAH. A total of 22 extra people (some borrowed from the LPCC and some from other offices of the LCAH) have been assigned to Mr. Steurer.

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Report of Audit of LCAH's Accounting Office, Land Bavaria (cont'd)

Chief Accountant for the LCAH, for this purpose. Mr. Steurer estimates that the office backlog will have been disposed of by 10 November 1948.

11. It is, of course, absolutely necessary to clean up the LCAH office as a preliminary step in obtaining up-to-date reporting of Bavarian operations. However, that action alone will not attain the objective. Note that of the transactions booked in September (par 4), 57 percent occurred prior to 1 July 1948; of the transactions booked after the September closing date (par 5), 73 percent occurred prior to 1 July 1948; and, most significant, that of the unprocessed transactions (par 6), 76 percent also occurred prior to 1 July 1948. Note also the comparatively small number of July, August, September and October transactions in pars 4, 5, and 6. The conclusion from these data appears inescapable - the majority of MG/PC/2/Fe and MG/PC 3s representing transactions effected after 1 July 1948 had not, at the time of the audit, reached the Office of the LCAH. This situation is far more serious than that of the backlog of 7400 MG/PC/2/Fe and MG/PC 3s at the LCAH office. It means that reporting will not be current in Bavaria until after a concerted drive is made to place on a current basis the 77 Kreis offices and the five (5) Regierungsbezirk offices. The clean-up of these sub-offices will naturally result in the accumulation of another backlog at the LCAH office which will again require the same emergency measures that are being taken now.

III. PROBABLE CAUSES OF DELAY IN REPORTING:

12. Inquiries were made at the time of the audit as to the reasons for the present situation with respect to the accounting function. The time allotted for each audit did not permit, however, the making of any investigations with a view to determining the accuracy or validity of the reasons given by various officials.

13. Mr. Steurer, Chief Accountant for the LCAH, gave as his opinion the factor of lack of qualified personnel. He stated that, prior to currency reform, it was impossible to obtain sufficient clerical help for his office and other offices in the field because of the low purchasing power of Reichsmarks. Since the currency reform, it has become much easier to obtain personnel but reduced Land appropriations for the LCAH office do not permit the hiring of a sufficient number. However, comparison of the number of people employed in Mr. Steurer's office on the accounting function alone (exclusive of audits, files, typing pool, administration, etc.) with the total of similar personnel employed by both Hesse and Wuerttemberg/Baden (roughly comparable to Bavaria alone) does not appear to indicate insufficient personnel. In Bavaria, 27 persons are employed for accounting alone while Hesse and Wuerttemberg/Baden have a total of only 19 for this purpose. At the time of the audit, it was possible to make only a very general survey as to whether the services of the 27 persons are being utilized to the best advantage. (No thorough detailed survey was made since this would interfere with the work of cleaning up the backlog.) On the basis of this general survey, it is my opinion that the 27 people

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Report of Audit of LCAH's Accounting Office, Land Bavaria (cont'd)

are adequate to handle a normal flow of work, and so far as could be determined from a superficial review, no unnecessary or time-wasting practices were in operation.

14. Mr. Ehrlich, Acting LPCC Bavaria, stated that, in his opinion, the present situation results from the attitude of the LCAH in considering the accounting and reporting function as subsidiary to all other Property Control operations. In other words, it is Mr. Ehrlich's opinion that the LCAH stressed performance rather than record keeping, reporting, and other paper work. This opinion does not, of course, from its nature, lend itself to either confirmation or disproof. It may be mentioned, however, that if such were the attitude of the LCAH, it had a certain validity during the initial phase of Property Control before broad disposition programs were promulgated. That is to say, prior to 1 July 1947, it did not really matter very much whether a monthly report showed, for example, 34 000 properties under control or 29 000. A change of 5000 units during the present phase, however, would be of major significance not only to any one Land but also to the entire Property Control program. If Mr. Ehrlich's opinion is valid on this point, it appears evident that the LCAH should have anticipated the importance of current reporting during the present phase and should have changed his attitude toward paper-work long before he actually did.

15. Not mentioned by anyone in Bavaria is the possibility (perhaps even probability) that the Regierungsbezirke set-up peculiar to Bavaria may, although operationally efficient, be in effect a bottleneck insofar as the accounting function is concerned. Reference is made to par 11, above, concerning the comparative reports of recent transactions available to the LCAH at the time of the audit. It may be that the LCAHs are holding up MG/PC/2/Fs and MG/PC 3s for longer than normal periods, not realizing that any delay in their transmission causes distortion and inaccuracy in the reporting for Bavaria as a whole.

IV. OTHER PROBLEMS:

16. a. The question was raised in Bavaria as to whether properties of NSDAP organizations not under Property Control custody could be disposed of pursuant to Control Council Directive No 50 without first taking the property under control as a preliminary step in the disposition process.

b. Since this question will probably have a vital bearing on the total of properties taken into control in future, I discussed the question at the first staff meeting held after my return from Munich. Attached as Inclosure No 1 is the letter that has been sent out, not only to Bavaria but also to all of the Laender, in order to settle any doubts concerning this point.

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Report of Audit of LCAH's Accounting Office, Land Bavaria (cont'd)

17. a. Mr. Steurer, Chief Accountant for the LCAH, asked for an interpretation of FC Circular No 3 as effected by FC Circular No 5, namely, what the policy was for taking into control duress properties for which no petitions had been received. He produced a copy of Circular Letter No 125 issued by the LCAH on 12 October 1948 (Inclosure No 2) which, in par 3b, instructs subordinate offices to take into control duress properties for which no petitions had been received in the manner prescribed in par 3 of FC Circular No 5.

b. Par 3b of Circular Letter No 125 is the result of a misinterpretation of our directive. In order to correct this misinterpretation it is proposed to instruct the LCAH Bavaria to amend par 3b of Circular Letter No 125 as outlined in the inclosed draft letter (Inclosure No 3).

18. a. In the case of certain adjustments the LCAH Bavaria has followed the practice of removing from the books the units and estimated value of the property as originally recorded and reporting this removal as a release. Concurrently, an entry was made to bring on the books the revised figures for the property and such entry was treated for reporting purposes as a new property taken into control. It is evident that such practice resulted in an inflation of Property Control statistics. Correctly, only the difference between the original value of units and the latest known value or units should be taken into account, and should, of course, be reflected in the "Adjustment" columns of the Property Control Statistical Report (MG/PC/6/F) rather than in the "Taken Into Control" or "Releases" columns.

b. It is proposed to correct the situation by transmitting a letter, draft of which is inclosed, not only to Bavaria but also to the other three Laender and Property Control Branch, OMS Berlin Sector (Inclosure No 4).

V. RECOMMENDATIONS:

19. As pointed out in par 11, above, the disposal of the backlog existing at the Office of the LCAH will very probably not achieve the objective of reporting Bavarian operations on a current basis. Furthermore, it is doubtful that the backlog of MG/PC/2/Fe and MG/PC 3e at Kreis and Regierungsbezirk offices will be cleared up as a result of a written instruction by the LCAH to such offices.

20. In order to get the Bavarian situation adjusted as soon as possible it is proposed to send Mr. Sanford of this section to Bavaria for a period of temporary duty of about two to four weeks, and longer if necessary, with the mission of visiting the most important CAH offices, such as Munich, Muernberg, Augsburg, Wuerzburg, Bayreuth, etc., and the five Regierungsbezirk offices, and the LCAH office. His mission will be as follows:

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Report of Audit of LCAH's Accounting Office, Land Bavaria (cont'd)

a. Ascertain whether MG/PC/2/Es and MD/PC 3s are being handled and transmitted onward by these offices expeditiously enough to insure reasonably up-to-date reporting of Property Control operations. He is to have in his possession a letter signed by the CPCE, indorsed by both the LPCC and the LCAH Bavaria, enabling him to make on-the-spot corrections of any mishandling or delay in handling of any of these forms and to give whatever instructions are necessary in connection with the disposition of existing backlogs, if any.

b. While present at subordinate offices, he is to review the policy on what type of releases can be made by subordinate offices and to make recommendations to this office with a view to decentralizing authority in this connection, if it appears that too many types of releases required final approval at a high level.

c. He is to confer with the Property Controllers of the five Property Control districts in Bavaria with a view to discussing his findings in subordinate offices and recommending procedures to them to be utilized during their routine inspections which will assure expeditious handling of Property Control forms in the future.

d. After having audited the reporting manner of subordinate offices he is to review the detailed procedure employed by the Chief Accountant in the office of the LCAH, with a view to determining whether existing personnel are used to the best advantage. He should then be prepared to make recommendations to the CPCE incorporating any suggestions which he deems may dispense with unnecessary or time-wasting practices, if any.

e. After accomplishing the steps recommended in sub-paragraphs a through d, above, a recheck is to be made of the LCAH's Accounting Office for the month of either December or January, whichever is deemed most appropriate, in order to establish whether or not current reporting has been achieved.

21. That the draft of letter of transmittal inclosing a copy of this report be approved for dispatch if the foregoing recommendations are approved.

VI. REMARKS:

I wish to take this opportunity to express my appreciation for the courtesy and cooperation extended to me by the personnel of both the Office of the LPCC and the Office of the LCAH, particularly Messrs. Ehrlich and Dickerson of the former, and Messrs Dr. Bergmann and Steurer of the latter.

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Report of Audit of ICAH's Accounting Office, Land Bavaria (cont'd)

Their helpfulness was instrumental in effecting completion of the audit in much less time than would otherwise have been necessary.

5 Incls:
(Inclosures forwarded as separate communications)

JOSEPH S. KORFANTY

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Authority NND 775057
By AR NARA Date 9/29/87

Copy

19 October 1948

SUBJECT: Disposition of Properties of NSDAP Organizations not under Property Control Custody

TO : Office of Military Government for Bavaria
APO 407, U.S. Army

Attn: Land Property Control Chief

1. During a recent field trip by Mr. Korfanty of this office to the Office of the Land Civilian Agency Head, Bavaria, the question was raised as to whether properties of NSDAP organizations not under Property Control custody could be disposed of pursuant to Control Council Directive No 50 without first taking the property under control as a preliminary step in the disposition process.

2. The exercise of Property Control custody in such instances is considered by this office to be not only unnecessary but in fact undesirable. Properties of this category were taken into control initially only for the purpose of preventing the misuse of the assets involved and to assure that they were properly safeguarded pending the promulgation of a disposition program. Inasmuch as Control Council Directive No 50, Military Government Law No 58, and policy announcements of this office now provide a program which enables speedy disposition of such properties, those which did not happen to be under Property Control custody may be transferred directly to ultimate recipients without first being placed under control. Applying the Property Control procedure as a preliminary step would, in fact, delay unnecessarily the ultimate disposition of such properties.

3. Military Government Law No 58 designates Land Civilian Agency Heads as the sole agents to effect ultimate disposition of the title to NSDAP organizations' properties. It is immaterial in this connection whether or not the properties are under control at the time disposition is made. Only such properties not under control as those under requisition, earmarked for reparations, etc., are exempted from the provisions of Control Council Directive No 50.

Telephone WIESBADEN 21341
Ext 423

/s/
/t/ FRED E. HARSZSCH
Chief

Incl 1 to Incl 3
to Incl 1

313479

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By BR NARA Date 9/29/97

Copy of Translation

Bayerisches Landesamt fuer Vermoegensver-
waltung und Wiedergutmachung

Munich, 12 October 1948
Prinzregentenplatz 16

Circular Letter No 125

SUBJECT: Restrictions in Taking in Control Custody

TO : All CAHs and RCAHs

With immediate efficacy the following directives shall apply for taking properties into control custody:

1. A, D, E, H, J, and K properties:

Property which any longer shall be taken into property control custody:

- Allied Property (A Property)
- Other Enemy Property (D Property)
- Property of Black-Listed Persons (E Property)
- Property of Absentee German Owners (H Property)
- Other Property (J Property)
- Neutral Governments and Nationals thereof (K Property)

In cases irreparable damage should result from the omittance of property control the following directives shall apply:

a. The property will be taken into temporary property control custody on form-sheet BLVW VK 1 (former PC/1).

b. CAH will have to transmit application for the property to be taken under control, giving comments on reasons for which property control becomes necessary.

Attached to the application another copy of form-sheet BLVW VK 1, as prepared for the temporary control, has to be transmitted giving on the reverse side in English language the reasons for which property control custody becomes necessary.

The aforementioned records (documents) have to be transmitted to BLVW II directly after subject property had been taken into control custody. Copy shall be transmitted to RCAH by CAH.

c. Until authorization to operate "normal Property Control" is given by BLVW, no further control measures shall be exercised by CAH. As soon as authorization is given MG/PC/2/F has to be prepared and the usual procedure exercised.

Incl 2 to Incl 3
to Incl 1

313480

Copy of Translation (cont'd)

2. German State Property (Reichs- and Wehrmacht-Properties) - B Property, and Property of Nazi Party Organizations (Co-Property)

The directives as given under para a. of the present Circ Ltr will apply to all properties of above categories, i.e., that subject properties will have to be taken under temporary control. Moreover, a report has to be transmitted to BLW II containing the following data:

- a. Date taken under temporary control
- b. Name of former owner (Reichs- or NSDAP organization)
- c. Name of present owner or holder
- d. Name of location of property
- e. Type and description of property (if available, attach list of inventory)
- f. Estimated value

Concerning Co properties such report has to be transmitted in duplicate to enable BLW II to forward copy to BLW III.

If to the opinion of CAH normal control is deemed necessary, additional application of para 1b thru c shall have to be exercised.

3. Properties Transferred under Duress (G Property)

a. In cases in which CAH becomes informed by Restitution Agency that petitions for restitution had been transmitted to the Central File Agency at first temporary control on form-sheet BLW VK 1 shall have to be operated, and BLW addressed for instructions as to the procedure to be applied for securing subject property according to MGR 59, Art 52, para 1 (normal property control procedure on MG/PC/2/F or Note on Restitution to be entered to the Grundbuch according to MGR 59, Art 6, para 4, or other securing measures).

b. Concerning G-Properties for which claim for restitution had not been submitted to Central File Agency, para 1a thru c shall apply, with the exception that application has to be transmitted to BLW III instead of BLW II.

4. Restitution Property (F Property)

Subject properties shall continue to be taken into property control custody, as soon as restitution claim had been transmitted through property controller to CAH.

5. German Private Property (C Property)

Concerning subject properties no change as to the procedure handled until now shall take place.

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Authority AWD 775057
By AR NARA Date 9/29/49

Copy of Translation (cont'd)

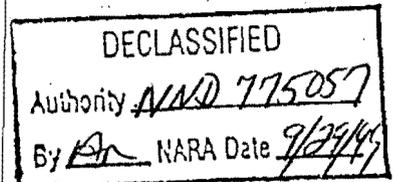
6. Transitory Directives

The directives as set forth under paras 1 through 5 will not only apply to properties provided to be taken under control, but also to those on which property control procedure is just in preparation notwithstanding how far procedure has been developed, unless MG/PC/2/F had already been forwarded.

All MG/PC/2/Fs established and transmitted to BLW on properties taken under control belonging to categories as quoted under paras 1 & 2, arriving too late to be joint to Financial Statement which has to be established by BLW for submission to Military Government not later than 31 October 1948, will be returned to CAH as to be handled in accordance with the directives given above.

/s/ DR. BERGMANN

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30 November 1948

SUBJECT: Policy on Exercise of Property Control Action with Respect to Duress Properties

TO : Office of Military Government for Bavaria
APO 407, U.S. Army

Attn: Land Property Control Chief

1. Reference is made to par 3b of Circular Letter No 125 (copy inclosed) issued by the LCAH Bavaria on 12 October 1948.

2. Application by CAHs of the rule as laid down in this paragraph will result in taking into control of many duress Properties which, for policy reasons, should not be taken into control.

3. It will be noted that the net effect of our FC Circulars 2, 3, and 5, insofar as duress properties are concerned, is to limit the exercise of Property Control action to:

- a. duress properties for which a petition has been received; and,
- b. duress properties for which no petition has been received but in connection with which irreparable harm may result if Property Control action is not exercised.

4. Paragraph 3b of Circular Letter No 125 is therefore faulty in that it does not limit Property Control action to "irreparable harm" cases with respect to the duress properties for which no petitions have been received.

5. Accordingly, it is desired that your office instruct the LCAH to amend par 3b of Circular Letter No 125 so as to conform with the policy stated above.

1 Incl:
Circ Ltr No 125

FRED E. HARTZSCH
Chief

Telephone WIESBADEN 2134
Ext 423

Incl 3 to Incl 3
to Incl 1

313483

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DECLASSIFIED
Authority NND 775057
By AR NARA Date 9/29/99

30 November 1948

SUBJECT: Recording of Adjustments in Property Control Accounts

TO : Office of Military Government for Bavaria
APO 107, U.S. Army

Attn: Land Property Control Chief

1. During the recent audit of the LCAH Office by personnel of this Branch, it was ascertained that, in certain cases, adjustments found necessary to Property Control accounts were being recorded by the LCAH in a manner which has the effect of inflating both the "taken into control" and "releases" figures reported monthly in the Property Control Statistical Report (MG/PC/6/F).

2. Specifically, if a correcting MG/PC 3 or a corrected MG/PC/2/F were received which materially changed the previously reported estimated value or the number of units of a property already under control, it has been the practice to write off as "releases" the amounts originally booked and to record as "taken into control" the corrected amounts. While this practice may be the easier way of effecting an adjustment to existing Property Control values, it cannot be justified on those grounds since it results in the reporting of statistics which are patently incorrect.

3. In order to avoid repetition of this error in the future through variations of this practice, the following rule is hereby set forth for the guidance of all concerned:

The "Adjustments" column of the MG/PC/6/F will reflect all entries in Property Control records necessary to bring recorded units or values in line with the latest or most reliable information, i.e., this column will reflect all entries which do not represent actual transactions.

4. It will be noted that the converse to the rule set forth above should be observed with equal care, i.e., that the "Adjustments" column should not reflect any entries which represent actual transactions not previously recorded, namely, the taking of properties into control and releases.

Copies furnished:
OMG Hesse
OMG Wuerttemberg/Baden
OMG Bremen
OMG Berlin Sector

FRED E. HARTZSCH
Chief

Telephone WIESBADEN 21341
Ext 423

Incl 4 to Incl 3
to Incl 1

313484

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DECLASSIFIED
Authority NND 775057
By AR NARA Date 9/29/47

30 November 1948

SUBJECT: Report of Audit of LCAH's Accounting Office, Land Bavaria

TO : Office of Military Government for Bavaria
APO 407, U.S. Army

Attn: Land Property Control Chief

1. Inclosed is report of audit of the LCAH's Accounting Office, Munich, performed during the period of 11 - 15 October 1948, which it is believed is self-explanatory.

2. In view of the concerted effort now being made by the LCAH and your office to expedite the flow of basic documents at all levels of the Property Control organization in Bavaria, implementation of the recommendations in par 20 has been postponed until 15 January 1949. This is the target date set by Mr. Ehrlich in a recent telephone conversation with me for completion of the drive to achieve current reporting. At that date, a representative of this office will audit the Accounting Section of the Office of the LCAH on basis similar to the one on which this report is rendered. Should any evidence exist at that date of slowness by subordinate offices in forwarding of basic documents, all of the recommendations set forth in par 20 will necessarily be implemented.

3. If your office has any alternative proposals or suggestions to be incorporated into this program, it will be appreciated if you inform this office as soon as possible in order that they may be given consideration prior to Mr. Sanford's departure.

1 Incl:
Report of Audit

FRED E. HARTZSCH
Chief

Telephone WIESBADEN 21341
Ext 423

*Incl 5 to Incl 3
to Incl 1*

313485

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DECLASSIFIED
Authority NND 775057
By AR NARA Date 9/29/45

12 November 1948

SUBJECT: Report of Audit of LCAH's Accounting Office, Land Hesse

TO : Mr. Fred E. Hartsch

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- I. Statistical Data
- II. Discussion of Statistical Findings
- III. Probable Causes of Delay in Reporting
- IV. Other Problems
- V. Recommendations
- VI. Remarks

Incl 4 to Incl 1

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Authority NND 775057
By BA NARA Date 9/29/49

I. STATISTICAL DATA:

1. The median average dates of transactions reported by the LCAH Hesse for September 1948 are set forth in the following schedule:

a. Units taken into control	30 June 48
b. Units released	8 July 48
c. Adjustments	9 Aug 48
d. All transactions	8 July 48
e. <u>Normal</u> median average date for September 1948	15 Aug 48
f. Variations from norm:	
(1) Units taken into control	1½ mos
(2) Units released	1¼ mos
(3) Adjustments	¼ mo
(4) All transactions	1½ mos

2. The median average dates of transactions in process of being recorded by the LCAH Hesse are set forth in the following schedule:

a. Units taken into control	20 July 48
b. Units released	13 Aug 48
c. Adjustments	13 Sep 48
d. All transactions	9 Aug 48
e. <u>Normal</u> median average date for all transactions in process	1 Sep 48

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 By BR NARA Date 9/29/97

Report of Audit of IOAH's Accounting Office, Land Hesse (cont'd)

f. Variations from norm:

- (1) Units taken into control 1 1/2 mos
- (2) Units released 1/2 mo
- (3) Adjustments 1/8 mo
- (4) All transactions 3/4 mo

3. The number of units by month or year in which the transactions reported in September 1948 were actually effected are set forth in the following schedule. Percentages to total units have also been computed for purposes of illustration. (This schedule is related to the one listed in par 1, above.):

1945
 1946
 1947
 First 6 mos 1948
 July 1948
 Aug 1948
 Sep 1948

No	%
11	0.3
12	0.4
50	2.5
1 187	36.5
1 456	44.8
520	16.0
15	0.5
3 251	100.0

Total

4. The number of units by month or year in which the transactions in process were actually effected are set forth in the following schedule. Percentages to total units have also been computed for purposes of illustration. (This schedule is related to the one listed in par 2, above.):

1945
 1946
 1947
 First 6 mos 1948
 July 1948
 Aug 1948
 Sep 1948
 Oct 1948

No	%
5	0.2
27	1.2
20	0.9
363	16.8
430	20.0
868	40.3
439	20.4
4	0.2
2 156	100.0

Total

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5. Mr. Bingel, Chief of the LCAH's accounting office, estimated that his office could record a maximum of 5000 transactions per month.

II. DISCUSSION OF STATISTICAL FINDINGS:

6. The statistical data set forth in Section I, above, indicate that an improvement in Land Hesse regarding timeliness of recording property transactions may reasonably be expected.

III. PROBABLE CAUSES OF DELAY IN REPORTING:

7. a. CAHs are authorized to release only the following categories of properties without prior approval of the LCAH:

- (1) NSDAP members placed in Category IV and Category V with the exception of certain estates;
- (2) Property requisitioned by the U.S. Army;
- (3) Property of minor children;
- (4) Property to be transferred to Blocking Control;
- (5) Property of owners formerly imprisoned by Military Government.

b. It was recommended to Dr. Friedemann, Deputy LCAH, that CAHs be given authority to release, without prior approval of the LCAH, all categories of properties except where the approval of the LCAH is absolutely necessary, such as properties of NSDAP organizations, etc.

8. a. This paragraph deals with properties the release of which must be commenced by the CAH but where final approval is given by the LCAH.

b. In such cases, it has been the practice for the CAH, initially, to make an application by letter to the LCAH for the release of the property. Upon approval, the LCAH returns the letter, together with an MG/PC 3, prepared by the Releases Section of the LCAH's office, to the CAH. The CAH effects physical release of the property, and returns the MG/PC 3 with his signature thereon. The bottleneck in this procedure is the Releases Section of the LCAH Office. Actually, this section is capable of preparing only a limited number of MG/PC 3 expeditiously.

c. To resolve this situation, it was suggested to Dr. Friedemann that, in this particular procedure, CAHs be instructed to forward the MG/PC 3 undated, with a copy additional to the number usually required. If the release is approved by the LCAH, the MG/PC 3 can then be returned to the

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CAH for physical release of the property, and concurrently, the extra copy of the MG/PC 3 can be referred to the Accounting Section for recording.

9. a. This paragraph deals with those properties where all the preliminary work in connection with a release is done at LCAH level.

b. In such cases, it has been the practice for the Releases Section of the LCAH Office to prepare the MG/PC 3 in the required number of copies, forward them to the CAH concerned for physical release of the property, and refer a copy of the MG/PC 3 to the Accounting Section for recording only after the MG/PC 3 is returned by the CAH.

c. It was suggested to Dr. Friedemann that the reflection in Property Control records of such releases could be greatly expedited if the Releases Section prepared an extra copy of the MG/PC 3 and referred it to the Accounting Section for booking at the same time that the other copies were being forwarded to the CAH concerned.

10. a. The time interval between the approval of releases by the LCAH's Releases Section and the recording of such releases by the LCAH's Accounting Section in case of properties of Category III and IV offenders could also be materially reduced.

b. The LPCC has required of the LCAH a monthly status report which reports the release of such properties. Such report is similar to this office's "Advance Decontrol Report" in that it is current to within one week after reporting date and lists details by property. This advance report is at present used for informational purposes only.

c. Inasmuch as the speedy release of Category III and Category IV properties warrants high priority, it was suggested that the above advance report of such properties be utilized as a posting media in recording such releases, provided that controls insuring receipt of the related MG/PC 3s be put into effect.

IV. OTHER PROBLEMS:

11. It was the contention of one of the CAHs in Hesse that non-submission of long overdue financial statement is delaying the release of certain properties a large part of which are owned by Category III and IV offenders. This matter, it was pointed out, was cleared by this office in para 3a, b, and c, 1st Indorsement, subject: Information pertaining to VC Properties, dated 29 September 1948. The above mentioned paragraphs are quoted below:

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"3. a. Final certified audit of operating properties prior to release is not required when:

"(1) a certified balance sheet for the last fiscal year is available; and,

"(2) the owner signs an irrevocable waiver releasing all concerned from any future claims.

"b. Audit and certification of operating properties, if deemed required in particular instances, may be made by a "Buch-pruefer" if a "Wirtschaftspruefer" is not immediately available.

"c. No certification by any class of public accountant is required in the case of (1) small operating properties (2), other income producing properties (i.e., rentable properties), and (3), non-income producing properties. An inventory taken jointly by the recipient and the custodian is deemed sufficient in these cases."

12. a. The recent currency reform, it was learned, necessitates that the LCAH retain under his control substantial amounts in his central cash accounts subsequent to the release of the related real property from control. Inability to release such funds places the LCAH in the peculiar position of acting as a banker for persons whose property is no longer subject to Property Control. This is due to the fact that the portion of the funds held in LCAH's accounts, in accordance with the currency reform regulations, has been ordered to be invested by the present holder until final disposition is ordered by Military Government. Even if the above amounts might be released from control it would not be possible at present to affect such releases due to the fact that Reichsmark accounts must first be converted to Deutsche Marks. Only one-third of the Hesse LCAH's Reichsmark accounts has been converted into Deutsche Mark accounts to date.

b. Briefly, in order to release these blocked funds from the central cash accounts the following steps will be necessary:

- (1) Convert all Reichsmark balances to Deutsche Marks. This can be accomplished by the bank holding the central cash account only upon receipt of a statement from the liquidation bank, i.e., the bank responsible for the property owner's currency conversion. Such statement will be referred to hereafter as the "Certificate of Release".

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- (2) Transfer of the amount from the central cash account to the owner's blocked account maintained by the owner's liquidation bank. This at present is prohibited.

c. It is deemed necessary that the CPCE:

- (1) Request that liquidation banks be instructed by the proper authorities to give priority to the furnishing of "Certificates of Release" to the bank holding the central cash account for persons whose property is subject to release or which has already been released from Property Control.
- (2) Request that necessary action be taken to permit the LCAH to transfer blocked amounts from the central cash accounts to the owner's blocked account maintained by the property owner's liquidation bank.

In this connection your attention is invited to carrier sheet, subject: "Effect of Currency Reform on the Property Control Liquidation Program", dated 9 November 1945, addressed to the Office of the Finance Adviser, copy of which is attached hereto for ready reference.

V. RECOMMENDATIONS:

13. It is recommended that the attached letter addressed to the LPCC Hesse be signed and dispatched.

VI. REMARKS:

I would like to take this opportunity to express my appreciation for the cooperation extended by Dr. Friedemann, Mr. Bingel, and the members of the LCAH accounting office during this audit.

2 Incls:
Incl 1 - Carrier sheet to FA
Incl 2 - Ltr to OMB Hesse
(Forwarded as separate communication)

KENNETH L. SANFORD

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Copy

Effect of Currency Reform on the Property Control Liquidation Program

1 PA PD 9
PC & Nov
EA Br 48

1. Property Control agencies maintain with a number of financial institutions throughout the U.S. Zone a number of bank accounts.

2. In order to implement the Property Control liquidation program fully it is necessary that all funds deposited in such accounts be released simultaneously upon the release from control of the related property owner's real property.

3. A recent field audit revealed that no simultaneous releases of cash and real property are at present possible. This, it was explained, is due to:

a. Non-conversion of Reichsmark accounts to Deutsche Marks and

b. Inability of financial institutions to release that amount declared to be available for investment in medium and long term securities.

4. It is requested that instructions authorizing the following be issued by, or initiated by, your office at your earliest convenience:

a. Conversion of Reichsmark Accounts to Deutsche Marks - That the liquidation banks submit to the bank or banks holding Property Control funds the statements required to permit such conversion immediately upon being notified by a Property Control custodian of the release of a property owner's real property from control.

b. Disposition of Amounts Declared to be Available for Investment - That the banks holding Property Control accounts be permitted to transfer the amounts available for investment to the individual property owner's liquidation bank so that those amounts presently held in Property Control accounts may be invested by liquidation banks.

5. Accomplishment of the above will permit liquidation of the Property Control accounts which in turn will greatly expedite completion of the overall Property Control liquidation program approved by General Clay.

6. This office will greatly appreciate being kept currently informed of developments in this matter.

Tel: WIESBADEN 21341
Ext 421

/s/
/t/ FRED E. HARTZSCH
Chief

Incl 1, so Incl 4
so Incl 1

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Authority NND 775057
By AR NARA Date 9/29/44

30 November 1948

SUBJECT: Report of Audit of LCAH's Accounting Office, Land Hesse

TO : Office of Military Government for Hesse
APO 633, U.S. Army

Attn: Property Division

1. Transmitted herewith is the report of audit of LCAH's accounting office accomplished by personnel of this office from 6 to 8 October 1948, inclusive, which is believed to be self-explanatory.

2. Please note that the timeliness in the recording of transactions by the LCAH is capable of some improvement. It is desired that necessary action be taken by your office as soon as possible to insure:

a. the expeditious handling of basic Property Control documents by all echelons of the Hesse Property Control organization; and,

b. the timely recording of the transactions represented by such documents at LCAH level.

In this connection, a similar audit will be made for either the month December 1948 or January 1949 to ascertain whether or not the condition revealed by this audit has been corrected.

3. It is also desired that the following changes in certain of the LCAH's procedures be placed into effect immediately:

a. Effect decentralization to CAHs so far as desirable of final authority for the approval of releases. (See par 7b of the attached report.)

b. CAHs be instructed to forward the LCAH an extra copy of the MO/PC 3 so that the LCAH's accounting section can expeditiously record such transaction. (See par 8c of the attached report.)

c. Monthly status report of Category III and Category IV offenders be utilized as a posting media in recording releases of such property. (See par 10c of the attached report.)

Incl 2 to Incl 4
to Incl 1

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OMGUS, Prop Div, 30 Nov 48

4. The suggestion of the auditor in par 9c of the inclosed report is not approved. However, serious consideration should be given by your office to decentralizing to GAN level, so far as is possible, the authority for releasing properties of NSRAP organizations.

5. Confirmation that action prescribed in pars 2, 3, and 4, above, has been taken is requested as soon as possible.

1 Incl:
Report of Audit

FRED E. HARTZSCH
Chief

Telephone WIESBADEN 2134
Ext 423