

RG	<u>260</u>
Entry	<u>PROPERTY DIVISION</u>
File	<u>PH-129</u>
Box	<u>11</u>

PC 92

File
"Property Control"

PROPERTY CONTROL INTERVIEW
EXTERNAL ASSETS,
Between

DR. DORN and

- MR. MILLER
- MR. DANIELS
- MR. HARTZCH
- MR. PORTER
- MR. BURGESS
- MR. CASSODAY

July 13, 1949

RG 260
Entry PROPERTY DIVISION
File PH-129
Box 11

MR. MILLER
MR. DANIELS
MR. BURGESS

MR. PORTER
MR. HARTZCH
DR. DORN
MR. CASSODAY

MR. CASSODAY: One thing I'd like to ask, is that (meaning report in front of Dr. Dorn) in sufficient detail as far as chronological history is concerned. That is just what happened, what the policy was and why.

DR. DORN: I think, yes, as far as the policy is concerned. Often what is actually done has not come out so forcefully, or do you have that feeling? For example, if there are major questions of policy, ^{involved in the resignations of} Nixon and Bernstein, the exchange with the State Department, resignations and things like that.

only the ~~The ^{turned up that} ~~turning up the other day in a labor discussion and it was something none of us could see. Even Clay didn't know it for a while or ~~know~~ it, that Mac-Sherry went to Sydney Hillman for advice. For about a year, I think it was, ^{own M.G. policy} ~~it was~~ Sydney Hillman who was the man that really laid down the line on labor policy. A thing like that can come out in discussion and, I think it is important.~~~~

MR. CASSODAY: As you say, probably one reason that we don't have much action is that the policy, as originally laid down, the original plans were changed ^{from the} outside without any more information being gathered in OMGUS, so that the main activity or administration of policy within OMGUS or within Europe has been the investigations and, I guess, that is pretty well covered there. We never had a great deal to do with the external assets policy after the passage of Law (75), handled at governmental level.

DR. DORN: Handled directly from Washington.

MR. CASSODAY: By the States I want to save this part until Frank gets here. You remember Randolph Paull who was appointed as Special Negotiator. At that time, we would get the State Department dispatches, not the Department of Army dispatches, to keep us informed and we had to send back comments.

DR. DORN: Negotiation in which you were not represented.

MR. CASSODAY: No, so that is why there are vacancies in that report.

DR. DORN: ~~That~~ ^{It} would be useful to help the historian to say, well, now, this is not Military Government operation, this is a Washington function and we are simply carrying out international agreement.

MR. CASSODAY: Let's leave that out. Were there any more details and facts you wanted on that report?

DR. DORN: On Property Control?

RG 260
 Entry PROPERTY DIVISION
 File PH-129
 Box 11

MR. CASSODAY: The reason I ask that is you could write a ten volume book on it, but there is a limit to that.

DR. DORN: Your own feeling with regard to what is there and what is not, might be of some use, if you want to comment on it.

(Dr. Dorn informs the reporter that the report is entitled "Special Report on Property Control, History, Policies, and Practices.)

MR. CASSODAY: Is there anything further in that that you left out?

MR. HARTZCH: No, except that an awful lot has gone over the dam since that was written. As you know, in June, last year, General Clay approved the liquidation program of Property Control. Let's leave out the word "external assets" because that was a shotgun wedding. We each went our own ways. The program provided that we would be out of business by July 1 and during that time, we should turn back as many properties as possible that we have under control to the owner, successor in interest, or to the Laender, who really are successors in interest. With that as a goal, we started out in June and had about 95,000 properties under control valued at about 11 billion Reichsmarks. At the present time, with the exception of the duress properties which we just can't get rid of under Law 59, we have hit the mark to about 97 per cent and a few stragglers will be out in next month; so during that period, and especially since this report was written in November, dated November, written in September, we naturally had to do a terrific amount of implementation and explanation, promulgating laws, etc. Under each heading--I don't know if it is necessary to repeat different headings, but there were United Nations, Nazi individuals, Nazi party, Reich, external loot and duress, and then we have a miscellaneous catch-all category.

DR. DORN: Some of these operations are completed?

MR. HARTZCH: In fact, all of the operations are about as follows: With respect to the United Nations properties in the entire area of control, we handled 16,974 properties valued at 2,349 million Reichsmarks. As of this minute, we have 3,048 left valued at nearly 223 million Reichsmarks, so with respect to numbers, we have accomplished our goal. In United Nations properties, 82 per cent and with respect to value, 91 per cent, and as I said before, the remainder will be out within the next two months. We are now in the process of turning over them to German courts and a few, about 100 or so, are in the process of decontrol. So, we will let that process take the normal time, rather

RG	260
Entry	PROPERTY LOSS
File	PH-129
Box	11

than check over reports now. With respect to Nazi Party members, we handled 74,257 properties valued at 3,471 million Reichsmarks. At the present time, we only have 3,391 with a value of 392 million, so there with respect to numbers, we have returned to their owners or, in the case of confiscated properties, turned them over to the Laender, 95 per cent, and with respect to value, 89 per cent. The big reason for that discrepancy is one property--the Krupp properties, which have not yet been returned, at least of the writing of this, been turned over to the Land. With reference to external loot, we handled 7,333 items valued at 89 million Reichsmarks. At the present time, we merely have 598 left valued at 17 million. Let me go back to Nazi members for a minute. Those properties that are left belong to Category 1 and 2, preliminary classified people or probationers. As you know, we cannot release them until the Spruchkammer decision is made or the probationary period is over, so the program as far as we can go is 100 per cent complete.

MR. CASSODAY: Are you off of external loots there?

MR. HARTZCH: I am getting on to it. The same holds true for external loot. The remaining properties we cannot get rid of until further policy decisions are made.

DR. DORN: What is included in this concept of external loot?

MR. HARTZCH: External loots are properties that were taken by force from outside of Germany and employed in Germany. This is external restitution. Internal restitution comes later.

MR. CASSODAY: Just one thing. That doesn't include any art. That is all kept separate by the branch of restitution and then later, reverberations restitution.

MR. HARTZCH: That will include all the art and then in addition to this figure, will be a lot lower than your external restitution program because these were in a lot of cases, small items that weren't related to big movements. In earlier days, when they were dismantling and shipping at the same time, the property might have been placed under temporary Property Control, never inventoried because it was moved out too fast, especially in Bavaria. Bavaria did more in taking under control for restitution purposes than any other place.

DR. DORN: Because she had more.

MR. HARTZCH: Well, even then, it was way out of proportion. The other Laender used it sparingly, some industrial equipment being restituted. Very

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

seldom done in Property Control, but horses and cars and grand master paintings and all the rest of it, well, that kind of stuff.

DR. DORN: Streetcars?

MR. HARTZCH: Streetcars were in use. But don't try and compare our Property Control figure in external loot with any other.

MR. PORTER: In Wuerttemberg-Baden, so far as restitution, external restitutions were concerned, we didn't step into it at all. As they completed their operations, they moved it out so that a good number of items actually never appeared. You see, it was a temporary control without actually being taken in a form of control, as a matter of record, because it was moving out too fast, because they'd get hold of it, claim it and move it out.

MR. CASSODAY: We'll move on to PC1 and PC2. PC1 is a notice to give to the owners saying this is subject to Property Control. It was a method of bringing to the notice of the inhabitants that this place is under Military Government supervision.

DR. DORN: Are you referring to the French period in the occupation of Wuerttemberg-Baden. I wonder if there is any record of that?

MR. PORTER: I remember some of the consequences of that French period, but for the record, I think all I can speak about is the time when we got into Wuerttemberg-Baden ourselves, and, as we started operating--

DR. DORN: The 7th of July?

MR. PORTER: Even then, it was a matter of locating these things, but we never took them under formal Property Control. We were trying to trace these things down, but it was an operation that we had no really authentic record on because, as I say, the procedure that was used in Wuerttemberg-Baden up to the very last was handled by restitutions and they used this PC1. They coordinated with Property Control to the point of saying, we are coming in. We are going to crate this stuff and ship it out, so that there is no record from the Property Control point of view of what values were involved and what items were involved. I recall streetcars and derricks and all that kind of stuff all over the place.

MR. DANIELS: Those values and records will appear. Remember Mr. Miller told us this is only one part of the branch here. The other part, the external restitutions and reparations branch will have all those figures.

DR. DORN: (Speaks off the record.)

MR. HARTZCH: The next large group of properties were that of the Nazi

RG	260
Entry	Chesney's
File	PH-129
Box	11

Party organizations. We handled 7,677 units valued at 1,237 million Reichsmarks. At the present time, we have 346 units left valued at 269 million marks. As to numbers, the program is 95 per cent complete and as to value, the program is 78 per cent complete. There again, we have gone about as far as we can go. Of that, 346 units left, 340 are located in Berlin. The 340 in Berlin I am told will be out by the first of September. The reason for this delay is due to the fact that Control Council Directive No. 50 was only implemented within the last two months within the City of Berlin.

DR. DORN: Still out in this report?

MR. HARTZCH: The six properties left in the Zone are units of the Bank für Deutsche Arbeit.

DR. DORN: DAF.

MR. HARTZCH: DAF asset but the labor bank. The reason that is being held is for pending liquidation. An agreement has been reached whereby laborbanks would be organized in the Laender and the last I heard was that when they are organized, they will be named as a liquidating agent. Now that might all be changed, but I heard rumors that General Hays didn't feel that the banks not organized should be liquidated but at least the agreement reached in Frankfurt two months ago was that they would organize a bank and be a liquidating agent, so there again, the program has been extremely successful in our opinion. Then, the last tremendous group with 4,946 units of German state property valued at 3,103 million marks--

DR. DORN: Reich?

MR. HARTZCH: Reich and Laender property.

DR. DORN: You have left the Nazi Party.

MR. HARTZCH: Yes.

DR. DORN: Most of the DAF things have been liquidated?

MR. HARTZCH: Those are out except 6, with the exception of what is in Berlin. They will be transferred to the Laender in accordance with Control Council Directive 50. With respect to the German state, as you know, within the last two months, Military Government Law No. 19 was passed and provided in general terms that these properties would be transferred to the Laender in which they are situated. At the present time, we only have 137 of such properties left valued at 290 million marks, so this program is 97 per cent complete as to number and 91 per cent complete as to value. In this situation,

RG	260
Entry	PROPERTY CONTROL
File	PH-129
Box	11

we again have gone as far as we can go because about 137 units are units which are exempted from operations under the law, such as iron, steel and coal industry units, all on HUFA.

MR. CASSODAY: HUFA are 83 or 85 in the Zone.

MR. HARTZCH: So thus, you see, the program has been 100 per cent successful.

DR. DORN: In some of these units.

MR. HARTZCH: In HUFA, yes. We had a ridiculous situation in I.G. Farben where, at one time, 8 agencies all thought they were running the thing. We just held the bag in case anything went wrong so we got out of that situation.

DR. DORN: Now, come to I.G. Farben. We handled 168 units valued at 785 million marks. At the present time, we have none of these units under control. As you know, they have all been transferred to trustees, various economic groups that were split and various trustees appointed for each economic unit. So far as Property Control is concerned, it is out and the trustees are handling it. That, briefly, is the history of what happened in Property Control, and three-quarters of it happened since that report was written. Now, there are certain things in my opinion which handicapped us quite a bit, mistakes which, if we had to do it again, and I hope we never have to, I think retarded the program quite a bit as it is. I think it was wonderfully thought out by the men in Washington before we ever came here because most of the policies which they predicted and planned were carried out, the manner of handling properties, the manner of controlling, etc; however, I made a few notes yesterday--

DR. DORN: May I ask you, those policies were already being shaped by the Economic Board?

MR. HARTZCH: They were. It was probably the Economic Warfare Group. They did some of the planning.

MR. CASSODAY: The general governmental planning all came into SHAEF headquarters for implementation; in other words, I know there was the Treasury and State and FEA and, I think, Justice was even in on that, the Property end of it. They all submitted what they were interested in, but I am pretty sure that it all ended up with Bernstein's outfit in G-5 of SHAEF, which later became G-5 in USF. In the early Military Government Manuals, the first time, it was all written down in '44 and that was what they were teaching in these Military Government Schools.

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

DR. DORN: You have a feeling that the early planning was excellent?

MR. CASSODAY: It has not been implemented much.

MR. HARTZCH: JCS 10-67, that was our Bible which later became Law 52, the part which pertains to Property Control; however, the early handbooks which Mr. Cassoday mentioned, the detailed manner of handling property, your reporting, your not permitting long leases, your continued payment of custodians, all those things which make up Property Control, were all in the early manuals. We have changed them because some of them didn't quite fit the situation, but the basic thinking was extremely sound. Talking about reporting, for instance, in the early manuals, you had to get a monthly report, but we found out that the time lagged and in handling nearly 110 thousand properties which was our peak in one time in a wide area, it was ridiculous to require monthly reports, so we cut that down to quarterly and semi-annual reports. Another thing which we would change, if we had to do it again, and I assume we would do it, would be the handling of the personnel problem. I had another thought in mind, but I am coming to this one since I had it written here. In the early days, we were taking properties right and left and just when we had our experienced Military personnel well placed, they were all redeployed. The men who had studied at universities, they were sitting in England for a year or six or nine months and just as business got good, they went out and strangers came over who didn't know a thing about it. Our peak in taking properties under control was May and June,

DR. DORN: '45?

MR. HARTZCH: '46. At that time, we took ten thousand in May and 14 thousand in June and dropped off to 5 thousand in July and went down. During that time, when everybody was redeployed, I came over, in April. They were almost out and they brought over a new bunch that didn't know anything about it, so naturally that lead to a lot of difficulty and there, my recommendation would be that they have some arrangement that after they take these beautiful training courses, they stick a year and a half after they get on the ground, rather than leave three months later when they have enough points.

DR. DORN: ^{Hitting} leaving everybody amidships.

MR. HARTZCH: Another problem which we had in the early days was getting satisfactory custodians. Your manufacturer's associations in the States did a wonderful job. I don't know if you are familiar with the forms, but Singer

RG	260
Entry	Cassoday's
File	PH-129
Box	11

Sewing Machine had a plan over here. They filled out this form for their own association--Jones is a good engineer and we trust him and if you can get him in as a custodian, we would appreciate it. That is the background, but that was not official, so I would recommend the next time when they have anything like a TFR 500 form, you remember that was a form where everybody declared their foreign assets, if he had anything to do with real estate, even as a supplement, they should say that. We should get them to state who they would recommend as a custodian and if they could not get him, who else they recommended. That comes up to decontrol. We wouldn't have to go through this period of UN problems, of asking these people to decontrol. We would merely say, when the time is ripe, we will return this property to you and assume the agency you recommend as your agent is satisfactory. That would save a terrific amount of expense and time. We could send the individual letters, the owner, at least three times and there could be press releases. etc.

MR. CASSODAY: After all that, they got to Paris and the foreign ministers came up there and said that they really wished that the Occupation authorities would take some steps to allow the owner to return to the management of those properties and would they please give us a list. We were all set for them.

MR. HARTZCH: So that, in that case, we would make that recommendation with regard to US properties and then have our planners ask Allied nations to get similar information from their nationals. That would save a good deal of time and lots of unfavorable publicity because one of the big headaches was having someone ask, why did you put John Schmultz in as custodian. He was no good. Obviously, when you are taking 10,000 properties in a month, you are going to make some mistakes and that would be avoided and it would save an awful lot of time.

MR. CASSODAY: In connection with that same planning, when you take control, all during this decontrol program, we had troubles. We started with one of Bernstein's programs we had. We took control and kept control and worked for the owner until June 1946 when communications first became open. It was then first possible for a person to mail a letter to someone in Germany and say, get a license and do this for me. We announced our decontrol program within a week. We had it ready in a day and there ^{was} only a mechanical holdup. It was all approved and within a week, we announced a whole program and wrote to each of the owners and it then became evident that a lot of owners didn't want to

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

decontrol. They felt in asking them to sign a release, it was releasing us from liability during this period. It appeared that we had suddenly become in a position of acting for them and having to account for them and we couldn't get out from under control and it was an attitude, I am not speaking of every one, an attitude that has held up the whole thing and if we can--

MR. CASSODAY: And those people who said, why don't you let me appoint my agent, they have been the last to appoint agents. A person came into our office before we announced that program and he said one of the greatest things you can do for the American owner of business is to allow him to appoint his agent and run his business in the normal course. I said, by the time you get back to New York, you will be able to do that. He came back three years later. In line with these comments, I think, it would be a good idea, when we take a census in a country that that census is forwarded to us by the government. This business of taking control for protection purposes, that information that Fred suggested should be included. If we take it on any other basis, as a letter from that individual, we should write back a letter at that time, saying that at such time as transactions of communications are allowed, we will give him three months in which to decontrol his property to an agent of his own choosing, at the end of which time, if he has not picked his agent, we will give it to a custodian he has nominated, and if one is not nominated, we will take it to a court. In other words, we will tell them that if we take control, it is temporary to protect him. Don't you think that would be a big help?

MR. HARTZCH: Along that line.

DR. DORN: That essentially did develop.

MR. CASSODAY: It took us 4 or 5 years to do it. They would rather have us take the responsibility.

DR. DORN: Of course, Berlin is a situation where they would have Military Government running it just because of the Russians. There they had an excuse, but down in the Zone, they used the same excuse.

MR. HARTZCH: Briefly, the recommendation is that when they get the information they could get just a little bit more and then it could be used by the Property Control Research group.

MR. CASSODAY: The Property Control should be advised who it is and what he has to do on it.

MR. HARTZCH: Another headache we had, not in too many cases, but enough

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

to annoy us, was a case of UN properties being allocated as DP camps. We have had some beautiful homes turned over to DP's and what they have done to them, is a matter of record. It would appear that when a Commanding Officer assigns camps for DP's, that there would be some way he could check to see if the United Nations owned it. Obviously, the illwill created and much of it was, could be avoided. I mean that that was a case where you could get trouble all the time. During the war, these people said, you can use it because I can't. I had to go home because things were threatening. Now we have won the war and it is tied up for 3, 4 or 5 years with DP's who do not protect the property, but strip it down to a point where it is absolutely worthless. There again, we could have taken a little precaution ahead of time. We have numerous other records which would show that. I think it was a big mistake.

MR. CASSODAY: Of course, here's one thing in justification of that. When we took over the compound in Frankfurt, they took over the houses in there for billeting. There wasn't any DP's, we were using it for the U S Army, but some Americans don't care whether they take care of furniture or not. I heard of one fellow who moved out and took the whole household of furniture with him. Anyhow, they had to take over certain areas and sometimes, they needed every house that was standing, but as Fred pointed out, it was a source of friction which, if it can be avoided, it would be worth avoiding.

DR. DORN: In some of these cases, you wouldn't admit it could have been avoided.

MR. CASSODAY: In some cases where a man found a nice house out in the country and decided he wanted that one, well, it could have been avoided. They could have paid attention to it and still gotten enough billets.

MR. HARTZCH: Another problem was that of the early days of accounting where all these monthly reports were all forwarded to the Deputy Chief of Property Control. As you know, later we decentralized to Land level. That broke continuity, was poor management and, eventually, we did decentralize to Land level. It would appear better, if we had to do it over again, that certain areas be mapped out and that area that is occupied, a central accounting office be set up there, rather than taking the entire country. Because of the loss of time in transmittal, alone, it sometimes took two months from the controller to the DCP. Something is going wrong and that is what they are supposed to detect quickly from their statements. They would be too late. First of all,

RG 260
 Entry PROPERTY DISPOSITION
 File PH-129
 Box 11

the accountant got his reports in three months after the event. Then it takes two months in transmission. By that time, the cows are stolen and the barn is empty; whereas, if they had a smaller area like the Land, the chief accountant could quickly analyze the statement and call right back and that's what we did a year and a half afterward.

DR. DORN: '46.

MR. HARTZCH: '46 and it went into early '47. Well, offhand, until somebody else refreshes my memory, that is our story and, at least, the headaches that I could think of since I was notified of this yesterday.

MR. CASSODAY: One thing, I think that in the nature of accomplishment, I guess Fred was the only one in on that one and that is that back in '46, everybody said you can't let the Germans do this or ~~that~~ ^{administer} that. Well, I don't know what got us to do it, but it was one of the luckiest breaks that Finance and Property Control ever had.

MR. HARTZCH: I know what got us to do it. You recall the Property Disposition Board.

DR. DORN: Yes.

MR. HARTZCH: Their recommendations came out in March of '46 and the preliminary thinking was done in the latter-part of '45 and by June of '46, the entire plan was crystalized and in operation, but the Property Disposition Board made the final recommendation and we got the go-ahead signal.

DR. DORN: Did the Laenderrat play a role?

MR. HARTZCH: They sent a Dr. Pollock a letter in which the recommendations of the Property Disposition Board were outlined to him and the Laenderrat was asked to come up with numerous things for a program accepting control of properties, interim awards law which they accomplished, restitution law 59 which never really was completed but, as you know, they started.

DR. DORN: We had to impose that.

MR. HARTZCH: That's right because they couldn't give us quite the program we wanted and also they were asked to tell us how they disposed of every category of property under control and whether the people who wrote the laws know it or not, their recommendations were largely followed. It is amazing when you think back, that was early '46 that their recommendations, for instance, giving us these things to follow, but that was a result of your Property Disposition Board. Then it went to the Laenderrat and then they came up with

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

early recommendations.

DR. DORN: That happens in so many fields because there you might say, here's an institution that was set up for that with a very deliberate purpose and fairly responsible to Germans, ^{located in} ~~made~~ at Land level, still, ~~the~~ operation was in full force, Military Government operation.

MR. CASSODAY: I was going to say that up in Berlin, we had everybody in managing property. If a fellow came along looking for an assignment in the Army, they would say, you go over to Custodians in Military Government, so we were not getting the best experienced personnel, and, at the same time, we were costing the American taxpayer a lot of money. I think that our experience in turning it over to the Germans as soon as we did, within a year after the end of the war, has turned out well enough so that it can be recommended highly again and even today, we are fighting sometimes, other policies. They say we can't get the Germans to do it, but we did it with a hundred thousand properties and you are worrying about 100 properties. Now, then, you have to know what the Germans are doing and as we had our reporting system set up, they have to let you know enough facts to find something wrong.

DR. DORN: Do you know what kind of an experience the British have had in this matter?

MR. CASSODAY: They have never turned it over.

DR. DORN: That's why they needed so many officers. They still have 12,000.

MR. HARTZCH: Furthermore, they have no statistics. They admitted that. We tried to exchange statistics with them, but they have no idea how many properties they have under control and the amount, no idea and they have no central statistical office. I don't think very highly of it and I wouldn't suggest repeating their system. I have one more thought that comes to mind and that is the terrific difficulties in getting anything promulgated and agreed. I suppose it is necessary redtape, but we have examples where a paper has been delayed and we were unable to get the necessary concurrences, either because people were overworked or something, where it took 8 to 10 months to get something through. In the early days, it was awful hard to dispose of property when your own organization is holding it up, so I should think that there is some way of getting legal concurrence, have a person attached to the division from the Legal Division, on Legal payroll rather, but somebody who would be assigned to the important branches of Military Government.

RG	<u>260</u>
Entry	<u>PROPERTY DIVISION</u>
File	<u>PH-129</u>
Box	<u>11</u>

DR. DORN: Didn't you have a Legal Advisor?

MR. HARTZCH: Well, he still wasn't attached to Legal and everything that went out was under Property Control.

MR. DANIELS: You mean, eliminate the necessity of getting formal concurrence.

MR. HARTZCH: Eliminate it or have him do the legal work and anything he says regarding Property Control, the chief will okay because that has been a ridiculous situation because we have had things here as high as six months and where time was of the essence and it is ridiculous. There again, this program would have been completed, in my opinion, at least six months ago if some such system were followed.

DR. DORN: That is one advantage we had in Denazification ^{Coordinating} Committee.

MR. CASSODAY: In that case, he could go and talk the legal point of view to the Director.

MR. HARTZCH: I didn't know another organization used that, but I should certainly recommend it.

MR. CASSODAY: I think you were the only one with it.

DR. DORN: They are doing it now with BICO down there. *Are they not?*

MR. CASSODAY: I came from Kirk Reynolds. He is the Legal Advisor there.

There have been a lot of people, for instance, Forest Hammar was a Legal Advisor.

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

MR HARTZCH: The point is to have somebody in Legal Division who can concur with them. It is easy to figure out how much it would have saved.

MR CASSODAY: Another thing that we have noticed in the last year that I think everybody in the room will agree with, before that, when you get to the top of the headquarters, like General Clay, to approve a long time program with the idea of accepting a certain result, well, then you get things done faster than you can possibly by working on your own and suggesting them, and it is always hard for someone or other to come up with an original idea and sell it all the way to the top unless the necessity is there. We had to wait for the time Property Division was formed. It went out of business. Up to that time if you had tried to sell the idea of getting properties out of control, it would have been much more difficult than if we had gone up to General Clay and said here is our plan for going out of business. I don't know how you can carry that out because you can't blame it on the General because he never had got it up there before, but there is just a certain amount of putting first things first and letting long time planning go. That would only be carried out by requiring each division to outline six months periods in advance or something like that, what they planned to do in the next year or six months.

DR DORN: Of course, that is a problem that confronted Military Government at every stage.

MR HARTZCH: I think they tried to do that with functional programs whereby we tried to forecast what we were going to try to do in the next six months, the theory being that if the powers that be thought, they could criticize.

MR CASSODAY: What became of it nobody knows. You were never held to that program, and another thing, of course, that has always been the trouble on a lot of individual points, is that it requires a major policy decision, can we tell a UN owner now is the time you are going to do something. Now, let's go to the State Department. If the time is not right, State sits on it six months or a year. I don't know whether it is State; it is Washington, State or War or what. They hold up the decision on it.

DR DORN: Didn't you have pretty close relations with POLAD?

MR CASSODAY: Oh, yes, we always worked very close with them, but there were certain policy decisions that were hard to get. Would you agree with that?

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

MR MILLER: Yes.

MR CASSODAY: What I mean I had in mind a couple ^{of months} in restitutions that we actually waited seven or eight months for acceptance, two cables. We were withholding the property. We couldn't retribute it.

DR DORN: An appeal to Murphy didn't produce action?

MR CASSODAY: Well, he knew it, that is, not personal appeal. This plan was all for concurrence and so forth, and as I say, if something, I don't know the answer myself, but if something can be done with establishing time schedules and sticking to them with respect to getting those programs and those time schedules approved where change of policy was necessary. I don't think we could have gotten rough with UN property owners in 1946, when we were talking about turning over to the Germans. Nothing was going to happen to the property. We were going to withdraw a little further from the property. We were never going to get the American representative to okay so many transactions. We had to extend it. General Clay was on our side. I mean the time wasn't right, and if you got those things approved and announced them six months in advance to the people, got all that preliminary work out of the way, had six months to do it, you could accomplish programs faster. Once it got to General Clay that something was to be done, then we could get it done in a hurry.

DR DORN: It is a problem of what things should come first?

MR HARTZCH: Basically. I think the program went along extremely logically.

DR DORN: I have the notion that it is one of the most remarkable operations of Military Government.

MR HARTZCH: Provided that special care would be given to UN properties. Obviously we had to insist upon approving certain things, otherwise those agreements meant nothing. When you consider the volume of work done and in General Clay's words, it dwarfs the Alien Property Custodian's operation to accomplish this in an orderly fashion in a few years, I think it is well done.

DR DORN: That is my feeling. I think that it has that reputation among Germans ^{that} ~~who have~~ preserved Nazi property with a great deal -

MR HARTZCH: I think it has prevented an awful lot of chaos, and the property we preserved of Nazis who were guilty, we preserved it so payments could be made to the oppressed, so in the long run I think the program did an

RG	260
Entry	Cassoday Division
File	PH-129
Box	11

awful lot to stabilize things and the Nazis who were declared innocent, assuming they were just decisions, -

MR CASSODAY: One thing we did which if we had to do over again, the number of properties we took under control as a protective measure, but not necessary after 1946, because I don't know how many the total amounts to, you found a car on the street that belonged to an American, not a property control matter in ordinary times, taken off the street and if not called for, liquidated according to the local laws; but we had all sorts of stuff like that. There wasn't anybody else around to do it. I think personally we could have gotten out of that program a little sooner.

MR HARTZCH: I would rather have that comment in small print because it was a tiny part of our program, probably percentagewise you couldn't figure it except in thousandths as a percentage in value. I wouldn't want it to get an undue portion of this report. It was annoying, but not the main problem. The average size was 100,000 Marks. Then as the decontrol program developed after six months the average size dropped to 60,000, so you see we are still dealing with big properties. There were about 800 tiny properties which were annoying but infinitesimal.

MR CASSODAY: It increases your work. One example is, and we had this early, we had a lot of bombed out buildings. The only possible control there was the protection of bricks that were left. The valuable stuff had been looted or bombed out. It isn't worth a custodian.

DR DORN: May I put a question to you in that connection. I was down in Frankfurt some time ago. I was trying to get an answer to the question why hasn't Frankfurt cleaned up, why hasn't Frankfurt started out on a building program like Stuttgart. I was given the answer, whether correct or not, I don't know, so much of this property was under control, so much of it was Jewish property, and Jews had meanwhile left Frankfurt. Is that thing so important that it could serve as a drag?

MR HARTZCH: I wouldn't say that except that we must admit that Frankfurt was a -

MR CASSODAY: 14,748 in Hesse.

MR HARTZCH: There is an awful lot of Jewish property in Frankfurt, and naturally if an owner has the feeling that he is going to lose that property

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

through a lawsuit under Law 59, I know you and I would both be reluctant to remove the debris until I knew where I stood, so it might have some merit to it.

DR DORN: I have heard it from one source.

MR HARTZCH: I believe Frankfurt next to Berlin was the largest Jewish city. It is also true that Hesse has 43,000 duress properties, had at least at one time units under control, wait a minute, 14,000, and I would venture it is safe to guess to say at least half of that is in Frankfurt, so that might have some merit.

DR DORN: You are very skeptical.

MR PORTER: I am very very skeptical about that because actually in Stuttgart the whole program of rehabilitation, reconstruction, removal of debris, and everything else went ahead regardless of properties under control. Bricks were piled up, removed, and arrangements were made to safeguard those. Workers were actually supplied. I saw the same thing happen in Mannheim.

MR CASSODAY: That was city work not individual.

MR PORTER: It was a regular program. The understanding I had of the situation in Frankfurt is they have never developed a program along definite lines to eliminate the debris.

MR CASSODAY: If it is a problem.

MR PORTER: We can work that out.

MR CASSODAY: Get out a memorandum any expense in connection would be a legitimate expense and would be reimbursable.

DR DORN: There would be a thousand different ways for intelligent people to get around that.

MR HARTZCH: I noticed one thing politically in Hesse. Whenever we have anything to do with Nazi properties which was in their favor we got terrifically quick action. It is amazing what statistics will show. Whenever we had anything to do with UN properties, we got extremely slow action.

DR DORN: From the same people.

MR HARTZCH: From the same organization. So, for my observation, Hesse is extremely pro-Nazi, and it might also indicate some merit to this argument, because in Wuerttemberg-Baden we had percentages, you would see the percentages

RG	260
Entry	PROPERTY Division
File	PH-129
Box	11

there were no different between UN properties and Nazi properties. You take Hesse and you will find that 98 per cent of Nazi members' properties were released from control in a very short time compared to only 74 per cent for UN properties, which is the lowest in the entire zone, except Berlin; however in Wuerttemberg-Baden it is about 90 per cent in every category. I have noticed that right through the minute we issued an order favoring Nazis, it went out quick. It came quick within one month from last to first, within one month, as soon as they found it out. The whole organization down there annoyed me. This might be another reason. I don't know whether it is the administration. According to the statistics that would be my impression, and they went right to work right down to the very end, and I honestly think this terrifically strong drag-heels program in Hesse applies to everyone but Nazis. That is why I am saying if you use Stuttgart and Wuerttemberg-Baden for an example, everything is good as far as property control, is good; in Hesse some of it is awful.

MR PORTER: I know in Stuttgart they gave a lot of thought to start with to the matter of reconstruction, rehabilitation, cleaning up the city, before they started; but when they started, they started on a very well organized basis; and the same was true in a number of cities in Wuerttemberg-Baden, and I haven't seen anything comparable to that in Frankfurt or Hesse. I have heard from German sources that not very serious consideration has been given to the actual matter of cleaning up Frankfurt.

MR CASSODAY: I think that is another thing, a PWA project of keeping people employed during the blockade. That is a city-wide thing paid by the taxpayers. I think that is probably true in Stuttgart.

MR PORTER: They used prisoners, forced labor of some of the prisoners. They actually worked out their sentences by cleaning up the streets, but they worked out a definite program.

MR CASSODAY: There is another suggestion I would make the next time, that we definitely set a minimum value and we will not take under control, we can't bother with French cars and old clothes, asking restitution, the time and money spent on it isn't proportionately worth it, American money, leaving out German custodian time and the letters are not worth what the object is.

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

MR HARTZCH: That is interesting. I agree to that 100 per cent. I would mention in that report the Germans in their allied property custodian instructions -

DR DORN: The pre-collapse?

MR HARTZCH: When they never took anything less than 60,000 Reichsmarks. Obviously that meant the other items might have been blocked, but that is all. Such a rule would also be very valuable.

MR CASSODAY: Of course another thing we suggested very late that if you are going to set it anywhere near 50,000 Duetsche Marks instead of 1,000, to take under control, but to liquidate the interest for the benefit of the economy and the owner rather than hold it. We took stuff that we could have sold for at Reichsmarks and converted at much more than their present value now no longer scarce. Just a few cases, they are the little ones that bother you where you have got a stock of goods necessary to the economy, the owner can't export them and can't use Marks. We have Congressmen writing about it, all this expense, for something not worth a lot of money. If we do take into control something worth protecting for the owner, we ought to have the authority to liquidate.

DR DORN: I would like to put another question that is irrelevant but on which I think you people have an opinion with respect to the factories put under control and put back into operation, have any of you had a feeling that denazification was a major or serious deterrent to recovery or getting these plants into operation again?

MR HARTZCH: Well, I feel definitely that we had some plants where all of the experienced men were mandatory removals and we had to start out with terrific handicaps.

MR PORTER: - Law Number 8 especially.

DR DORN: In September, 1948.

MR PORTER: We had terrific difficulty. We had people we were moving and a number went to the British zone or French zone, were cleared, and put into important positions, and we were looking for technicians to run these plants. I happened to be in the field at that time, and it was hard to find men to take over enterprises. You could always find butcher, baker, candlestick-maker. When you required technicians, chemists, engineers, and so forth -

RG 260
 Entry PROPERTY DIVISION
 File PH-129
 Box 11

DR DORN: Didn't the temporary license system help?

MR PORTER: No. In the administration of what whole procedure we found that nobody was approved. We put in applications to make exceptions until we could find competent men. In most cases we were bogged down.

MR HARTZCH: We had a similar terrific handicap coming back to reports. In the early days we were required to get a certified statement a few times a year. Every certified public accountant less one per cent was a Nazi, so we finally eliminated that requirement by accepting any bookkeeper's statement.

MR PORTER: Except for the annual statements.

MR HARTZCH: Except for that we couldn't get them certified. It came in two years late. There is another along the same lines we were talking where this denazification thing hampered us at the very beginning.

DR DORN: How long was it a serious deterrent?

MR PORTER: As far as I recall it was a deterrent until the latter part of 1946.

MR DANIELS: I would say even longer than that, maybe not directly, but our property control was one of the main instruments in enforcement of denazification. You had thousands of properties taken under control, the owner taken out, the property managed by some stranger, and generally in many cases not handled as well as the owner would handle it himself, not interested in it, and with all kinds of opportunities for ways of the custodian helping himself a little at the expense of the owner of the property. We held that three years with the result of turning it back to the owner. Nothing was accomplished by all that. That could have been avoided, and I think it could have been in the denazification procedure by some other method than by giving these presumptive classifications.

DR DORN: Ordinary labor.

MR DANIELS: You can't take that many properties. The accumulated effect of that must be something.

MR CASSODAY: Here's one thing. We got 74,000 total under control in that category, and we confiscated about 1800. There are 3,000 left. Let's say all the bad ones are left. We have got about 4800 properties that were rightfully taken under control and 70,000 that were not. If you went in on an attachment in the States and did the same thing, the courts would not issue

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

attachments on the percentage of wrong indictments. I think it gets into the question, maybe the fault of the district attorney, maybe the fault of the Spruchkammer undersentencing the persons, some place between the two we had 70,000 properties where the only punishment was the effect on the economy in the American zone as opposed to the British and French zone. The effect was that we threw out of those plants the competent men to run it where they were not touched in the British zone, so during this three-year period these others were building up and getting ahead of our factories. They were not able to change policy or methods. It was just kept status quo. That is, I think the only thing a plant suffers from being under property control. It will not go into new risks will not go into new lines of business, will not keep up with the times or make long time commitments. They are in the preservation business. That is where you suffer.

MR DANIELS: Besides all the ill will and hard feeling we made by kicking a man out of his property and he finally gets denazification, fined 1,000 Marks or less than that, and he says what were you holding my property for?

DR DORN: I have a feeling we seized too many properties.

MR DANIELS: The only purpose or justification is here we have got it to turn over to the confiscating authority. That only happened so rare that we were never -

MR CASSODAY: It wasn't our fault. It is a fact that should be considered next time. In other words, I would personally recommend that except in I don't know how you would define it -

MR HARTZGH: Major offenders.

MR CASSODAY: We had all major offenders except in those cases of well known notorious cases where you would be in a bad shape to let somebody get away with his property preference pending denazification, you wouldn't be in as bad shape. That is a bad way from a justice point of view, to use rule of thumb, but let them manage their own business. That gets into your Law 8 stuff again, and keep our custodian out, and make it a criminal offense for him to sell it.

MR PORTER: You would have gotten the same result. The majority of cases will say we expect to be around. Another matter of it is the amount of the fine. They would have actually submitted the reports, any requirements we

RG 260
 Entry Currency Division
 File PH-129
 Box 11

imposed.

DR DORN: Isn't it a fact that our thinking has changed in three years?

MR CASSODAY: In 1945 I was all for and still am all for the idea that a person who profited while Nazis were in power, we can't expect the people who are anti-Nazi to develop democratically as long as the same Nazis are getting along as well under us. I don't know what the fault is. I don't know how many Nazis there were.

MR PORTER: Actually I felt pretty much that way. I didn't think the approach or method of controlling that, imposing certain restrictions was as soundly thought out as it might have been.

DR DORN: It was tied up with denazification policy.

MR CASSODAY: As long as you had Law 8 it was a good thing. We were protecting it for the owner while the owner was out. Now, then, if you are going to have Law 8 -

MR DANIELS: It is the only way you can enforce it.

MR CASSODAY: If you are not going to remove him, I think blocking is good enough.

DR DORN: Law 8 went into ^{Art.} ~~Law~~ 58. ^{The instruction here} Just as a kind of concluding comment on that, before I left in 1947, I was worried by that question that denazification was holding up business recovery. Our special branch field inspection unit made a close investigation of 90 firms without identifying themselves as denazification representatives, saying we are economists, we want to know what is holding up your production. The answers were lack of essential raw materials, lack of coal, lack of electric power, manpower, and denazification fifth.

MR DANIELS: Of course you were talking to our appointed custodians.

MR HARTZCH: Not only that -

DR DORN: In some cases.

MR CASSODAY: And also you were talking in 1947, not 1948, when the main holdup came. Since currency reform things have moved fast. Right now, since last June, let's say September, when currency reform started to have effect and things started to move and you could notice the difference in the zone, since that started to move, then the retarding effect came out.

DR DORN: By that time all these people were back again.

MR CASSODAY: No, we had 8,000.

RG 260
 Entry PROPERTY Division
 File PH-129
 Box 11

MR HARTZCH: I think what this survey showed is perfectly logical. These people probably went to the larger plants. They were within, we might have taken under control, they did not go to the small baker or the one-man business or the 20-employee business. The 5,000 we admit should have been taken under control and the other 65,000, say less than 100 employees, I think you would find where it depends on one or two. Obviously Krupp had a lot of men who knew their responsibilities who were not Nazis.

DR DORN: The railways where we got out 75,000 in three months. *done by 1946*

MR HARTZCH: Less than 100 employees let him run it, and submit reports. The big ones which were confiscated are being held because they were the tough nut cases. They were the big businesses. We had 65,000 smaller businesses, one-man businesses, two-man businesses, partnerships. On these others Krupp obviously needed raw materials, and I think this thing you say is perfectly logical. I think both of them are perfectly logical. I think the lesson is in your railway. We take the big ones under control, the ~~small ones~~ ^{cannot} be managed until the man is sentenced. These little firms although they are tiny are a big factor in a small town.

MR CASSODAY: Let me add one thing in that connection. We are in a lot of business because of somebody else saying somebody has to protect I G Farben. Duress properties, of course we handle both ends there. Duress properties, external loot. If when that condition exists, the group which does not have the problem itself, but the properties are being added always by another division, if they have to justify the retention of those things under control in six months periods, I think I G Farben has sat back and not worried themselves, we would say we have got to take a cut of personnel, we have got to get rid of properties, if they have got to justify retaining control, it might help. When we had 70,000, if every six months denazification had to come up with a justification, somebody would decide why don't you get going? There is an awful lot of that we are not responsible for but we are doing it as a service.

DR DORN: I think this is awfully useful when you get people from various divisions together on this. I think your comments are very much to the point on that. There is another question I would like to ask. How do you think the Germans are operating their internal restitutions organization?

MR PORTER: Actually I think it is a bit too early to tell. At this

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

point we have agencies existing under the law.

DR DORN: 59.

MR PORTER: Have been in existence approximately one year and actually I am giving you now a little bit of background to explain the slowness with which they have gotten started and functioning. Some of these cases involve the manner of serving notice upon interested parties that involves a period of two or three months, resident here in Germany or resident abroad. Actually they are beginning to handle cases in many instances and also they have been concerned with personnel problems, getting facilities, and handling the volume of claims that have been coming through from our central files agency. 200,000 claims are going through the mill. The agency as of the last report have received 32,000 of these claims. The Land Central agency, ourselves, the American agency set up to distribute these claims, are snowed under with this volume of work. It is going to be a case of moving those along.

MR CASSODAY: On the first of December we had 10,000 and at the end of December 216,000. Part of the delay has been due to the claimants themselves waiting until the last day of the deadline.

DR DORN: The British have a more generous one.

MR CASSODAY: They have just got a law now.

MR PORTER: They have been following our experience and trying, in fact, they are still very much in communication with us trying to learn what our experience has been. They have got a law but haven't set up agencies or courts yet. They have received only 25,000 claims so far. When they heard what we had received, they immediately sent out notice to their agencies to gear themselves to a volume of claims. They have a deadline of December 31, 1949.

MR CASSODAY: Although they just had a law a month ago, they have had General Order 10 since about 1947. They have had it for a year and a half and they have got only a few claims. There is a reluctance to file claims until the last minute. Our agencies have disposed of some 800 cases so far. There are 4,000 in the mill now.

MR PORTER: I think it is slightly over that.

MR CASSODAY: Of the 10,000 we are almost half through with the program as of the first of December. The flood is slowing up the work on those a little,

RG 260
 Entry PROPERTY DIVISION
 File PH-129
 Box 11

although number wise while you say we have had restitution law a year and a half and we have got 216,000 claims, we have only settled 800 and it sounds very low, when you consider six months ago we had 20,000, we have disposed of 800 and have 4,000 in the mill, I think the Germans are doing a very conscientious job on it. I got a stack of opinions. So far I haven't heard of any abuses in the courts sabotaging the program. If you disagree with the restitutions agency, there is a separate chamber of the ordinary courts.

DR DORN: Is it under special scrutiny or is it just part of the ordinary German judicial system?

MR HARTZCH: It is part of the German judicial system.

DR DORN: I am frightened with the bogey of renaissance.

MR HARTZCH: That argument has been advanced a lot and at this point you couldn't say.

DR DORN: In my opinion the general opinion given by people who are sober careful judges is that these judges, even though former FGs are now, while public opinion is charged, lean over backwards and avoid Nazi concepts or Nazi favorable decisions.

MR DANIELS: I think they do their duty and enforce their laws as well as under the circumstances anyone can be expected.

MR CASSODAY: Here is one thing I am surprised at, talking to German lawyers Schwenk and that gang, they say it is surprising about the ethics of the American lawyer. They are very ethical and proud of their ethics and having a judge even suspected in the States of being, currying favor by giving decisions one way or the other, that is unheard of, they just don't think of doing it. By and large I understand the bar is very good even though in Nazi time they carried out things that were legal but they were more or less working under threat, they took the smooth way out. They were not the kind who disregard their ethics, as that was the law and they knew they would get reversed higher up. We have heard that. We have this board of review on top of it. If it gets to being abused, the board of review -

DR DORN: Have there been very many appeals?

MR PORTER: Amicable settlements. Cumulative report as of the end of June we had 985 petitions; granted in appeal; 103; dismissed; 506; withdrawn cases; 572. There is a total of final decisions 2,198.

95

13 Jul 49

319125

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

MR CASSODAY: Out of the original 10,000.

MR HARTZCH: How many appealed to the top court?

MR PORTER: Appeals we have 8 pending.

MR CASSODAY: In the board of review restitutions chamber we have 1,078.

MR PORTER: In the Oberlandesgericht 42. Eight in board of review, 2 in transit.

MR DANIELS: I mean the fact that so many are settled, withdrawn, dismissed without appeal is very encouraging. It shows the persons must be pretty well satisfied that their case is so weak that they got a fair trial.

DR DORN: It is in just such cases that you will get an answer to this question that is troubling McCloy right now.

MR CASSODAY: We have not yet received any reports which can be backed up indicating that any place in our restitutions or property control that criticism is breaking forth. We have got this one report we cannot substantiate.

MR PORTER: There is nothing we can pin down, nothing actually manifested itself to such an extent that it seems to indicate that the administration of the law is breaking down. We are satisfied.

MR CASSODAY: We have got gripes. Kennedy. The administration can handle his case.

MR PORTER: That's been settled now with a little commendation to us.

MR CASSODAY: We don't want to lead you to believe that nobody has criticized. We haven't found anything in the administration that would indicate any sabotage or anything like that.

DR DORN: Is there anything -

MR CASSODAY: I have one other little thing here. We found after we started checking down these guys down to find out what property they have, I have a large mortgage on this German place -

DR DORN: A United Nations national?

MR CASSODAY: So I think we have got a lot of things under control just with the idea of doing the utmost to protect UN interests. I think the next time, with Russia or Nicaragua, the government might say explicitly to all citizens exactly what rights would be protected and what wouldn't, in line with a minimum amount, not automobiles, hunting them up. Protecting a mortgage

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

is all right if the person is going to sell out and ruin the security behind the mortgage. Most of them is real estate and all he can do is sell the property. I think that now we found out certain things that if it had come up we would probably have said after the first year or so -

MR HARTZCH: We did correct that in our second Title 17. We put in there a provision that no mortgaged property would be taken under control due to the simple fact that there was a mortgage on the property unless the mortgage was more than 65 per cent of the value of the property as it stands today. In other words, if due to partial destruction the man had a terrific mortgage on it and there was an equity which would be wiped out and the mortgages would stand a loss, we would take that property under control. Where the building was good, the mortgage well protected, we did not take it under control. That was put in in February, 1947. We wrote it in November. It took four months to get it through the Control Office. At that time Colonel Robinson was there, and he just didn't like a detailed Title 17. It was four months to get it through. We had it round and round.

MR CASSODAY: There is another thing you might mention when we turn things over to the Germans you can't tell them what to do. We finally snuck the thing through, and I think we are glad we did it. We gave them detailed instructions and said these will be supplanted when the German government comes through with an approved method of operation if they didn't agree or take ours if they were good enough.

MR HARTZCH: They worked for about four months on a revision of Title 17 and finally threw up their hands and said we are satisfied with the way it is going. They had the privilege of changing.

MR CASSODAY: So in connection with this turnover to the Germans I don't think it is so bad to allow detailed instructions with freedom to change them. These were just rules of reason in most cases. In other words, they were not imposing anything on the Germans, a guidebook for uniform practices. He is getting approximately the same treatment in any Land. One that we got through that turned out all right. If we had been forced to cross out all the details, we would have lost the uniformity, the continuity. We knew approximately how it was being handled without examining each case. One think that I think has

13 Jul 49

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

been a great help is that we have had people in our Laender offices we could rely on.

DR DORN: Lord in Munich.

MR CASSODAY: We get a complaint in, a letter from Congress. My constituent has been kicked around by your man down there, denied his rights. Please investigate and report to General Clay. It was nice to know damn well he had a good reason for doing it. I would say 90 per cent of the complaints we have got that our guys have turned out on the right side. As a result we have been able to let them go on their own because they were not afraid to make a decision. I think that holds true for the LCH's, the German counterpart. They have been more or less on their own and they don't go in and question each case. I think it is important to get personnel and let them make their decisions because you can't run the whole damn thing. That is one thing that contributed very largely to our success. Speaking about turning over to the Germans being successful, I think the best example came about a week or so ago when we were trying to get the records at Bremen cut down and turned over to the Germans. We were told the Germans' offices had the records for the last two years. They have done a successful job. The Germans had actually been running it up there for two years. The German does the work. I think it has been damn successful in turning it over to the Germans. In all the dealings I have had with that man up there he can't be possibly accused of sabotaging anything.

MR PORTER: There is always a difference of opinion and so forth, but he is satisfied.

DR DORN: Have you any further comments on this property thing?

MR CASSODAY: You haven't said anything.

MR MILLER: I haven't anything.

DR DORN: How about this Safe Haven program?

MR MILLER: Safe Haven department is one I think represented by Mr Cassoday among other gold hunters who came over here, I guess they were camping in Versailles on the 8th of May. Now, the foundations of the Safe Haven program were laid in Washington, and Cass was working with them, and our people who came over had been working with the Treasury in Washington during the early war years and had developed a pretty well thought out plan as to the search for

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

German external assets and assets in other countries and their own. The Treasury had gone to some pains I guess with the Foreign Funds Control Group to lay out plans for the location of Germany's assets abroad and the treatment of them once they should be discovered. And it is true that all of our plans, I mean ours not because I was associated with the operation but as a country, our plans were then for the discovering and investigating of external assets and interests and wiping out the economic power of Germany in all parts of the world. It was I think a much too idealistic plan; nevertheless, the plans were laid and I think that the first operation or the first direction in Germany was in the form of the Potsdam Agreement in which the reparations aims of the victors were made known and as you know we divided the field in two parts, the Soviets taking for the satisfaction of their claims the reparations to be found in their zone of Germany and other appropriate external assets.

MR CASSODAY: May I add one thing there that helps make things a little clearer. When we started in foreign funds in Washington, State Department, EW, Economic Warfare, State Department, with commercial attaches in each South American country and neutral countries, and Treasury Department, there was no interest in reparations. Their whole economic warfare program was to wipe out both during the war and for the future their ability to wage war, the economic control that the Germans had. The reason I want to put this is that at Potsdam it first took on this reparations aspect. A list was made out of firms which cooperated with the Germans during the war. Put them out of business. Force them to the wall. It was successful to the extent that Brazil and some of the others who were trying to cooperate with us came to us and asked us to relax the restrictions because it was hurting major interests in the country. It wasn't a question of getting money. It was to put them out of business.

DR DORN: As an instrument of economic warfare.

MR CASSODAY: With the idea in the future of keeping that wiped out so that I G Farben or its successor couldn't take the place in South American that I G Farben had or Siemens. It fits in successfully with the cartel thing and was part of that same division in 1945. I wanted to say that those activities after 1945 and after the Paris Agreement of 1945 took on double purpose, one of collecting money for paying war debt and the other was the continued interest

RG	260
Entry	Cherry Lane
File	PH-129
Box	11

of the US and Britain up to the time that they finally decided that they had to reestablish their foreign trade regardless of who they were dealing with, their economy was suffering too much, they had up to that time with us the idea of continued economic warfare against the possibility of rebuilding for the purpose of waging war.

DR DORN: What Rose calls to seek security and reparations.

MR CASSODAY: To see the different approach in going through. To see the dual purpose.

MR MILLER: So according to Potsdam the Soviets were going to get their reparations from their zone of Germany and from their zone of Austria, eastern zone of Austria, and also from assets to be found in Finland, Poland, Hungary, and Rumania, and they renounced all interest in assets located elsewhere. And conversely the western allies were to take their reparations from the western zones of Germany and from those countries which had not been renounced by the Soviets, in other words the rest of the world theoretically. Shortly after the Potsdam agreement in October, 1945, the Control Council met and enacted Law Number 5, which very ambitiously purported to vest in a creature of the Control Council the German External Property Commission, all right, title, and interest to German assets located outside of Germany and also to those properties which were owned by companies outside of Germany which were owned under German law or had their principal branches in this country. The law purported to be extraterritorial and as you know has failed miserably short of the effectiveness that was intended for it; however, it did not purport to invest properties in the big four countries, USSR, France, or the UK and the US, on the theory as it has been subsequently stated that a vesting of those assets had already been effectively done by the four countries during the war so that that was not needed. The German External Property Commission member was Mr Cassoday, who is still the American member.

MR CASSODAY: A big problem here is how do you appoint a successor in a defunct organization.

MR MILLER: That got off to a fairly good start, but it pretty soon became apparent that contrary to the language used by the Control Council in creating it, it was never going to actually take title to the properties which were said to have been vested in that commission, so within the period of a

RG	<u>260</u>
Entry	<u>PROPERTY LOSS</u>
File	<u>PH-129</u>
Box	<u>11</u>

couple of years it became a body that debated certain issues as to the location and treatment to be accorded German assets, but it never actually took title to those assets or disposed of any.

MR CASSODAY: The closest we ever got to property was to send some powers of attorney to Turkey and Spain. We got the German record owner to issue the power of attorney and send an okay. In one case I think a Frenchman or a Russian said the power of attorney had to go through GBC because to do otherwise would recognize some title left in the German, so we compromised and sent both and said use the one that will get the most results. That was in Turkey in 1946. That is the closest we came to property. When you say debate, I think that is too strong a word. It is obvious that every delegate, the Russian, British, French, and American, were under instructions not to take any position vis a vis external assets. Nobody could even set up an argument, so when you say they fell short it is really true. DBC was only a formality as far as barring the Germans from anything with respect to foreign assets. You might as well abandon GBC.

MR MILLER: Actually it is what was done with reference to the assets which were vested by the Control Council. The next thing that happened I think chronologically was the sitting of the 18 members of the Interallied Reparations Agency at Paris at the end of 1945 and their agreement as to their 18 countries entitled to reparations from Germany, they would cooperate to locate German assets and liquidate them.

RG 261
 Entry Procedural Division
 File PH-129
 Box 11

MR. MILLER: That they proceeded to do assuming they hadn't already done so and they also agreed to a percentage division of the proceeds so that theoretically the proceeds of German external assets found within those countries and liquidated would be thrown into a common liquidation pool and each country would be accountable for its proportion charged to its reparation account against Germany. Our percentage as you know was 28% and I guess the British was also 28% and the French 16% and the rest dwindled off to nothing. However, we can say a little bit more about that later. Then in addition to that there were also pursuant to the act of Paris some accords with the neutral countries, notably Switzerland, Sweden, Spain, and Italy, after the -- well, actually before the Italian peace treaty, and an attempt with Portugal which to date I don't think has fully materialized. In any case those accords were signed by Britain, United States and France representing the other nations and they were simple agreements with these countries who didn't recognize the Control Council Law 5, but say, "We will do business with you people on a practical basis. I don't think that the terms of those accords are necessarily relevant to what we have done in Germany and so I don't suppose it is necessary to dwell on them. I want to tell you a little bit about the organization that we found here or which was developed here formed for the purpose of locating those assets or of establishing proof to the existence of assets which would exist abroad and which were believed to have been German owned. The Treasury had sent its people over here and when I got here in November '45 I was introduced into this -- --

DR. DORN: ^{Col.} General Bernstein?

MR. MILLER: Just after he had left.

MR. CASSODAY: Or before he resigned.

DR. DORN: Do you know anything about the background of that debate between the -- --

MR. MILLER: It was a -- --

MR. CASSODAY: I don't know anything besides hearsay. He went home in October and he had consultations with the War Department and as a result of those consultations -- wait a minute, after the consultations and in the opinion of a lot of people around here as a result, resigned from the Army and quit as head of the G-5 Finance or then it was head of the DICEA, Division of Cartels and External Assets, and Russ Nixon was appointed acting Director of the division and he went home about two weeks after that and quit the government, and Johnny Banning was

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

appointed Deputy Director.

DR. DORN: He quit as a result of conviction, didn't he?

MR. CASSODAY: I don't know what the basis was, but I was in Nuernberg all during that time and I came up here after everything had happened so I just got in on the rumor.

DR. DORN: I wonder whether it involves any major policy discussions.

MR. CASSODAY: I can't tell you who around here would know right now either because most of the people who were with Finance Division at that time have left.

MR. MILLER: Cass, it certainly has effected Dexter. He was very much perturbed I think at the attitude of the State Department and at least reading from Time Magazine and the newspapers which is the only written evidence I saw at the time he felt as I recall it that our efforts at the pursuit of German wealth wherever it was and decartelizing with which he was then associated were not nearly vigorous enough, and felt that at least -- at least he was reported to have said that we were falling far short of our objectives.

DR. DORN: I think ^{Nuern} he testified. I've seen that little booklet of hearings before a House committee.

MR. CASSODAY: He went home and before a week was testifying before a House committee; and I think you can get his side of the case and probably Bernstein's from that thing.

DR. DORN: I have seen it.

MR. CASSODAY: I had one other thing. Bernstein has always been connected with the delivery of the plates for the money to the Russians, which is a big controversy whether that was right or wrong, and it turned out bad. That was also in the air about the time and that may have had something to do with Bernstein aside from anything to do with the property measures or the external asset measure or anything like that. I just point that out because it was in the air at the time.

MR. MILLER: Well, in any case that was the DICEA that Mr. Cassoday spoke of, which was a very short-lived division. It had been formed in September, I think, of '45, and by January it had already been dissolved. Banning was not director of it but the Finance Division was at that time set up in Berlin.

DR. DORN: I remember going up from Frankfurt.

MR. MILLER: So then the program for the external assets having been divorced already from decartelization was assigned to the Finance Division and at that

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

time the division had -- I think its largest branch at that time, it was always a pretty close balance between Property Control and External Assets. The branch consisted of over forty people most of whom were investigators, and one of the sections of the External Assets Branch was the United States Census Section, which had a deceptive title because the census that was conducted was a census of German assets located in foreign countries but to be reported by persons within Germany. So I think that you can break down the activities of the External Assets Branch in three major groups. One was the investigation within Germany, spot investigation actually, assigned investigations. The other was this systematic census of those assets which were reported by persons pursuant to Law 53, Military Government Law 53. And then there was an Intelligence Section which was disassociated from both the activities but the objectives were similar and it also dabbled pretty heavily in denazification.

DR. DORN: Szuliz was on that, wasn't he?

MR. MILLER: And Salthagen was prominent in that for a long time and Dirks, whom you may remember.

MR. CASSODAY: Dirks was a separate branch for awhile.

MR. MILLER: That's right, but I regard the activities of the branch as twofold. The conduct of assigned investigations and the conduct of a census, both of which were very large programs. The assigned investigations were conducted by almost exclusively by German-speaking personnel, and by chance it seems that most of those investigators were men who had been over here at the end of the war in the Army, former Germans. I suppose refugees who were thoroughly familiar with the language and who were very well acquainted with the country.

MR. CASSODAY: We had two Swiss didn't we?

MR. MILLER: Yes, but in general -- --

MR. CASSODAY: I just mention that we had one Swiss banker and so --

(Off the record.)

in which
MR. MILLER: The way/the investigators worked, the out and out investigators, was on the basis of requests for information which generally originated with our State Department missions in various parts of the world and more particularly with missions which might be located in the eighteen IARA countries, later nineteen countries, in Western Europe principally, which had the big stake because of the former commercial connections with Germany in the assets which were located there. I think that those are the two main sources of requests for information that were

RG 260
 Entry PROPERTY Division
 File PH-129
 Box 11

received by our people and then later as the accords were concluded with the neutral countries inquiries likewise came in from those countries and are still coming in.

DR. DORN: It was largely a servicing operation?

MR. MILLER: That's what it was, yes. It was not a matter of going out and going on a chase on the basis of rumor or other assumption, but specific requests. An instance, I think, will illustrate it very well. In Switzerland with whom we had concluded an accord there were assets which were known or reported to be German. The Swiss within their own borders had conducted a census of such properties and had required their citizens to declare them, so then they came to the point where they wanted to establish proof that they were German assets and because it was a very common device in Germany and I guess in Europe in general to cover agreements with reference to foreign holdings in the form of verbal agreements, verbal understandings, it became extremely difficult to prove what we were alleging to be the case, and that of course was heightened by the fact that during the war years and even preceding the war years the Germans having once burned their fingers weren't going to be caught the same way again, so they had their agreements worked out. One was on paper and said that this is an agreement which gives to Mr. X in Switzerland all right to title and interest to this plant. Okay, so they keep that in the drawer in the event that Germany loses the war. However, the two gentlemen got together and said, "That's very fine, but what we really mean is that that is an interest, a German interest, and that while the legal title is in the Swiss, inconsideration for services as a German I will reserve control of the property and even disposition of the property." And it became extremely difficult to prove and in some cases there would be in existence duplicate documents. It is needless to say that these things were planned in advance for the very purpose of anticipating the outcome of the war in either of two ways and were extremely difficult to prove; but that was the job that our people had to run down. We had to locate witnesses. In some cases we had to arrange _____, we had to take depositions, we had to round up all the evidence that was possible to find here and then transmit it through channels to Switzerland where it could be used.

MR. CASSODAY: I was going to say when you say it was in somebody's head, I haven't been in the investigation field over here but in Washington we had the same kind of deal and we always found, we always suspected that if we would look far enough we found that they wouldn't trust each other far enough so they had

13 Jul 49

319135

RG	260
Entry	Consolidated
File	PH-129
Box	11

always wanted something signed by the man and they always had something to go into court with in case they had to. I don't know if they had the same experience in Germany but we found too many of them to make it a matter of gentlemen's agreements.

MR. MILLER: I think that illustrates the nature of the operation; as it was obvious it was extremely difficult in many cases because of the wholesale destruction of records, and the boys that worked in External Assets were certainly pushed to the ends of their resources in many cases to get evidence that would hold up.

DR. DORN: They couldn't ever get any evidence from the Reichsbahn because the Russians had it?

MR. MILLER: Yes, the records of the Devisenstelle, many German records were searched quite systematically. That I failed to mention was one of the operations of the branch. There was a section called the Ministerial Records Section which made it a matter of its business to determine what records might be useful and to exploit them to examine them and they did actually take into custody many of those records over long periods of time.

DR. DORN: We made a pretty good sweep of the Devisenstelle?

MR. MILLER: Not too good. We never did get our hands on all of them.

DR. DORN: I raise the question because I saw one ^{Devisenstelle} completely intact in the city of Strassbourg in the Autumn of '44.

MR. CASSODAY: Once in a while just to show you that the arrogance of the Germans -- in the approval of the foreign transaction given by the Devisenstelle they would say this transaction is approved by the express condition that this is a transfer of title for a period of years or a certain happening and that the transfer will be made back after the event. They weren't even secret records. So we did get a lot of proof right there from their records. It was the same thing down in the Nuernberg trial. Many of the exhibits were found in the secret document room where they were just admissions of everything they had done that they were preserving to make their own history. And they confessed their own atrocities and everything else and fired back against them. It was the same proposition here. They were willing to go along as long as they weren't giving anything away.

MR. MILLER: We don't know what is the actual value of the work that was done by this group of people and that is true for two reasons, depending upon the objective toward which they were working. If it were to uncover a certain number

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

of dollars worth of assets you can value it with some accuracy. We have placed a figure of 75 to 80 million dollars on the assets which we have proved to have been owned by this group of investigators, numbering from its forty down to its present size of four men. But that does not take into account things which it is impossible to value, patents, licensing agreements, good will, intangibles that simply cannot be accurately valued. So that when I mention 75 million dollars it is a figure which does not take into account the intangibles but which I think is a very safe figure and one which we have labored over fairly carefully to establish.

MR. CASSIDAY: It doesn't take into account what was found and confiscated on the basis of the MG census.

MR. MILLER: Well, that, I think, briefly indicates what the external assets investigators as a team did. They are still working, as I say, to the tune of four men, and they are still producing very satisfactory results, and it appears as though their needs to be continued because some of it, well, at least two of the accords with neutral nations are just getting off. The one with Spain was concluded within the last year, and the one with Switzerland, although it is quite old has not yet developed to the point of real liquidation of assets; and Italy is working very actively so that we find it a very substantial percentage of the requests for information are coming right from that part of the world right now. Well, the other big part of the external assets program in Germany was the census and that was a program which was undertaken pursuant to Military Government Law No. 53, which required all persons in Germany owning or controlling directly or otherwise foreign property to declare it to Military Government on a prescribed form. Now in our Zone there were over 750,000 of those reports received. And unfortunately at the time that the law was first implemented in the fall of '45 there was no idea, I think we can say that pretty safely, of what was the purpose of the execution of this law, what we were going to use it for when we got it and in what form it could be summarized so it could be of use to all of the countries in the world where it might be disseminated. It took a remarkably long time to arrive at a conclusion on that point, but nevertheless we were continuing to receive these reports. There must have been at least 300,000 of them submitted by persons who were expellees and refugees, Sudetan Germans, persons who had to flee from Eastern Germany or its occupied countries; and in many of those cases their reports consisted of nothing more than what their household equipment or perhaps bank accounts that they had in Czechoslovakia or Sudetanland or Austria

RG 260
 Entry PROPERTY DIVISION
 File PH-129
 Box 11

if they came from there, or Poland if they were chased out of Poland. So far the real purpose of stamping out German economic influence abroad those things had little effect and after we saw how many of them we were going to get we decided not to take them into account but again that took us quite a little while to realize too. Nevertheless we did get a substantial body of useful information which we tabulated in IBM form and which required three years to do. It took much too long and one of the reasons was as I say that we didn't know what we were doing when we started out. If we had known and were given the proper guidance as to the distinct objectives of the execution of Law 53 we could have minimized the number of reports. We could have summarized them in a much quicker period of time and we could have disseminated them before the whole tempo or feeling about Germany had changed. In 1945 and '46 we had distinct ideas which were reflected in Control Council Law 5 to wipe out Germany's foreign economic connections. But by the time we got through with this tabulation finally in '47 when we had the first big result and in '48 a very large supplement, we found the statements from the State Department says, "As far as we are concerned you can forget about that because we are no longer interested in it." After having spent three years on it.

DR. DORN: The idea was, the thought or rumor that Goering had invested all his money and so on.

MR. CASSODAY: Before we got this pretty blunt statement from State Department they were no longer interested we were working at cross purposes really within OMGUS because Finance Division, which was charged with the external assets at that time and cartelization which is part of Econ were working still along the line of wiping out the German external influence. Economics on the other hand was working hard to build up the foreign trade. Well, it was just natural that every German wanted to renew trade contacts, so we would get dispatches in through POLAD. One example from Brussels in which the Embassy at Brussels were still working hard to put a _____'s firm out of business and along came what was later to be JEIA to execute a big export contract with them. So I took that up with a big tall fellow from Boston -- well, anyhow he is in Trade and Commerce, and he could see the point all right.

DR. DORN: Symchek?

MR. CASSODAY: No.

DR. DORN: Wynett. John Wynett.

MR. CASSODAY: He said, "I see the point, but which one are we working at?"

13 Jul 49

319138

RG	<u>260</u>
Entry	<u>Primary Source</u>
File	<u>PH-129</u>
Box	<u>11</u>

So we got a cable off and never got an answer to the cable. Evidently they were being handled by two different people in the State Department and we could never until we got the statement through our own on our own problems we could never find out that State wasn't really interested in wiping out external influence anymore. So there again is one of those things that if we could get a direct statement of which is to be the primary objective, why it would be very helpful. I know one case came up under the trade mark situation. We in OMGUS could not agree between the two divisions and one branch in one division as to whether we would allow Zeiss and _____ and Bayer to use their trade marks, which were a very strong method of controlling the world market. And Eoon was all for it. Decart-elization Branch of Eoon was against it, and Finance was against it. And there again we referred it to State and they came back and they said to submit it. They did go along in kicking out IG Farben mark and Bayer mark, but they weren't ready to say to forget the trade mark program and so forth, and they weren't ready to say go ahead and wipe them all out. And dealing in the drug trade alone there were 66,000 trade marks. We figured we couldn't refer each one to State. And a lot of cross purposes were due to a lack of a definite statement as to the use to be made of things or the relationship between two programs. I'll tell you about the Goering thing after he finishes up there.

MR. MILLER: I think the reason was because we had never won a war like this one before. We didn't face the situation in 1918 that we faced in 1945. Here we had one of the most powerful countries in the world and we were trying to make a book inventory of its foreign assets. The British and French having been a couple of laps behind us on this program looked and saw what we were doing and in addition to that we had all the IBM machines, so they decided they would use a similar system of tabulation under 53 and in fact they did do that and what we resulted with was an identical tabulation from each of the other two zones. Well we were on the lead in that all the way through and they took the benefits of our experiences and mistakes. They were completed late last year. And that was also done to include Berlin. So what we have then is a compilation of the assets reported by Germans in three zones and these have been mutually exchanged and in addition to that they have been sent to each of the countries where the assets are located and although I have talked down the value of them and exaggerated the mistakes and deficiencies I think they have been of tremendous value and they have been indicated by various countries to that effect. For instance the Alien Property Custodian in Justice in

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

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

RG	260
Entry	Cassoday's
File	PH-129
Box	11

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 up ^{it} 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

RG	260
Entry	PROPERTY LOSS
File	PH-129
Box	11

economic ties and I think that, if I can view this thing impartially, I think our objective has been quite unselfish because we get no return from countries, to any of the countries to which we gave statistics prepared at the expense of the American government, but we'll never get anything for that. And as a matter of fact we didn't even get their cooperation. They wouldn't advise whether they had liquidated the assets and at what figure so that we could talk business with the Germans. We got I would say very little cooperation and I think that can be particularly emphasized on the IARA countries who gave us nothing in return and in fact took all the information that we produced and in some cases denied there were any assets there.

MR. CASSODAY: I think we ought to distinguish that. We are talking about IARA countries. IARA and IARA countries are two different things.

DR. DORN: By IARA you mean the Brussels organization?

MR. CASSODAY: Yes. They have been cooperative. The countries they represent have not been cooperative.

MR. MILLER: A country of course has an interest in wanting to keep its cards close to its chest. If we show them assets of a million dollars and if they can find them and not charge them to their reparations they are much better off. That is my private opinion but I don't think without basis.

MR. CASSODAY: I think that will come out some day if and when we get a compensation law here because when they file a claim in Germany for a loss in Holland we can get a figure and they will have to prove that they lost that asset but they get no compensation from Holland. We will then get a figure from Holland. If that figure alone is higher than Holland reports then is the time -- it could be time for IARA to go back and say, "Look here, we have paid out more money in Germany compensating these people than you have reported. Where is the discrepancy?"

MR. MILLER: I think my conclusions on this program are that we were inexperienced. That we had never confronted such a situation before and we didn't know exactly what we wanted to do, that we bit off much more than we could properly chew and that we would have been much wiser had we as in the case of property control fixed our sights much higher, picked out things that could be clearly demonstrated to be of greater value, and then give them expert attention. Whereas over here, and I think I can include that within my observation, we took what we had in hand in the way of personality at the end of the war. We were trying to

RG	260
Entry	Cassoday Division
File	PH-129
Box	11

deal with some of the most intricate industrial complexes that the commercial world has seen and we didn't send experts over here to my knowledge with very few exceptions.

MR. CASSODAY: They came over in '45.

MR. MILLER: And went home, too, in six months. And we took the people who were closest at hand; and I say that knowing what I am saying because when I came over here in '45 I came over when I was in the Army and I got out of the Army at the end of '45 and it was just a case as you probably know of going down a hall and sticking your head in the office and getting a job. They didn't ask me if I knew anything about it. I got a job and by one means and another I hung onto it. I don't think that is a very intelligent way for a country to run a program of this size. I think that's a pretty serious mistake that was made that in view of all planning that was done in foreign funds in '40, '41, '42, '43, that we should have taken people with years of training in precisely this kind of work and had them come over here. I think that Justice has done that much more consistently than we have.

DR. DORN: It was Justice that sent Jimmy Martin, wasn't it, and Treasury that sent Bernstein over here?

MR. CASSODAY: He was in the Army. He was a Division of the Treasury man. It gets back to the same thing. There they trained a group and set them over and didn't keep them here. They had two things. They recruited hard in Treasury among the people that had the experience and probably about, oh, altogether one time or another about fifty people came over, outside of people like Jack Bennett. The original bunch that came over in '45 that stayed around more than about six months.

(Off the record.)

MR. CASSODAY: When they came over they only came over on a six-month basis and there wasn't any regular training program that they were to train some new people in the theater to do it, and as Frank said, they picked up to replace these people what they could. And I would say that we had a very high percentage --

DR. DORN: I think you seem to have done rather well in this outfit.

MR. MILLER: I think under the circumstances the results were very good.

MR. CASSODAY: I would say that about over half of them were damned good men, the kind that after a little training that you couldn't have got much better from people that were trained before.

RG	260
Entry	PROPERTY Division
File	PH-129
Box	11

MR. MILLER: Oh, I can name the gold-brickers.

MR. CASSODAY: I can name a dozen, too, but what I mean is that we did get pretty well in personnel and we we have had in the last year or so have been pretty good.

MR. MILLER: As the group grew smaller the best men were retained. I think the surprising thing is the good work that has come out considering the way in which the recruitments were made.

MR. CASSODAY: I think one of the biggest mistakes is the Law 5 as it was passed was fine except there weren't any exemptions, so in this report we got household furniture, stored clothes, and there wasn't a minimum of 1,000 or 5,000 or 10,000 dollars. The IFR program in the United States was everything over \$10,000. The whole damn bulk would have gotten rid of, 85% of the reports.

MR. MILLER: We had experience to work on from home, but we simply threw it overboard. Here you were up against a problem that if you leave a loophole for the German he will say he didn't think it was worth anything. But I think we could have counteracted that. If we had a penal system in the early years and fined a few examples and really go after them. There is no question that we fell down because we were in charge of determining everywhere we could through the census reports, violations of law 53, and I think the number of actual court punishments was miserably deficient and the Germans found that out and they get away with murder. If we had set our requirements pretty high, 5,000 or 10,000 Marks and given them the opportunity to cheat if they wanted to, but to really let them have it upon violation, I think that we would have been on the whole much more successful and would have had our job completed in one year.

MR. CASSODAY: Less than that because you would have been dealing with only 75,000, because you don't get as many duplicate reports, the small bank accounts, and so forth. As you say, the foreign obligations, that accounted for a large amount. If you get it down to something you were dealing with something commercial in that nature then you could go into court and say this guy has a lot of money and he has failed to report it and you get some sympathy, whereas here you ask, "Have you got a trunk down in Switzerland filled with clothes?" and you walk in with a guy who hasn't reported and you try to prosecute against him, they say, "You have asked for too much." In other words in Treasury in the United States we had a \$500 a month living allowance for ordinary living expenses. Everybody could come in and say, "\$500 a month, look what they can do with it." We got rid of all the

41

13 Jul 49

319144

RG	260
Entry	PROPERTY DIVISION
File	PH-129
Box	11

big problem by general license and had time to concentrate on the others. The same thing here. Right now there is still pressure to get out from under these reparations program, external assets program, the small things, the little house or cottage on the lake in Switzerland. We don't want it. It's not external influence. We want the corporations.

MR. DANIELS: You have the German woman who worked for a household as maid in Switzerland and saved up those few little francs and then risked her life hiding it from the Nazis and then we come along and grab it. That should have been left out, too.

DR. DORN: The Swiss haven't been very cooperative with us?

MR. CASSODAY: We are hoping to make them more cooperative in the next month or two.

MR. MILLER: I think a mistake that could be corrected should the occasion arise again would be to require of any country to whom we furnish these statistics either in the way of a general census report or in the way of inquiries which we make for them, require from them as a condition that they be accountable for the disposition of information received so that if we give them information on 50,000 properties we should be entitled to ask at a reasonable time thereafter what they found, was there anything there or wasn't there. And I think if we hold the material back until we get such an agreement we would be in a much better position than we now find ourselves.

MR. CASSODAY: Especially confiscation.

DR. DORN: That problem is going to come up sooner or later.

MR. MILLER: That is all I can think of generally.

MR. CASSODAY: One thing I was wondering what your recommendation would be if we have a bi- or tri- or quadripartite occupation again would you suggest that the census be centralized under uniform conditions or work out under separate tripartite.

MR. MILLER: My experience has been that it worked very satisfactorily separately.

MR. CASSODAY: We kept egging the Russians, "When are you going to have yours done?", and they said 1st of December or some odd date like that, so we tried to convince them they should put it in the IBM and we would do it for no cost if they would give us their declarations. So they hummed and hawed and meanwhile we organized a trip out to Templehof to show them how an IBM worked and after going

RG	<u>260</u>
Entry	<u>Emergency Person</u>
File	<u>PH-129</u>
Box	<u>11</u>

around all of the afternoon with their nose in the machine their piece de resistance was the one -- what was his name?

MR. MILLER: Hendricks.

MR. CASSODAY: Hendricks said through the interpreter, he spoke German too once in awhile; finally through the interpreter he said, "Would you like to find out how this stack of cards, what German assets there are in Hungary?" And ~~their~~ eyes brightened up and in two minutes out come these cards and he puts them over on the printing machine and he hands it to them and they all smiled like this and he said, "We have machines just like this in Moscow." (Laughter.) We never did get them to cooperate on it and we never figured out how they did it, but they did meet their deadline and did the whole damned thing by hand; and they asked whether we wanted it in Russian or German, so they had to translate it.

MR. MILLER: They did a good job all by hand.

DR. DORN: Well, I didn't know that they offered assistance to you through the material that had to be registered in the Reichsbahn.

MR. MILLER: They didn't.

MR. CASSODAY: This is a result of their census. This comes from individuals and banks and so on. We never got what was in the Russian Sector.

DR. DORN: Oh, you didn't. That was one place you could have gotten all the information.

MR. MILLER: That was one mistake of gigantic proportion that was related to it actually because many of these very documents that would have furnished the basis of the declaration or under our Berlin order which corresponded to ~~it~~ ^{it} ~~the~~

just disappeared and we can't find out at all even though we promised Sam Rose. He went over one day and ^{they} said, "What records are you talking about? We never heard of it." The records that were previously available in Berlin which would have assisted us, of incalculable value to us. It was just typical of other instances of cooperation. They just weren't available to us.

MR. CASSODY: If you're through I'll just add that one thing. He pointed out that we didn't go on any wild goose chases, but I think during the fall of '45 there were some investigations made that weren't necessarily wild goose chases but absolutely unproductive and we knew they were going to be unproductive. Some of them were these combination decartelization and external assets investigations where they put a whole team into Krupp or Farben and investigated everything. And

RG	260
Entry	Cherry Lane
File	PH-129
Box	11

when you get a bunch of amateurs and a few experts in name -- quote, unquote -- trying to find out what a bunch of smart Germans that for years didn't want you to know, even though you had the right to go in there and all the records were there you weren't going to find an awful lot. They went in to see if they could find out anything and to that extent it was a wild goose chase. But one thing about this story of Goering and the rest. During the war, especially from about 1943 on, we continued to get reports through the Safe Haven program of all the transfers of capital to neutral countries and to foreign countries. But the neutrals were the only place they could really operate then because it was too dangerous to get into an enemy country and also a sale of assets that were immovable especially patents and patent rights. They suddenly started selling their patent rights, making exclusive contracts, converting into something that was easily concealed. And so the British or French government in exile and the Americans -- I mean the French representative, they weren't a government in exile -- and some of the others got together and they advised each of the neutrals that they would be putting them on notice that they would take all steps necessary to destroy the effect of any transfer made by Germans in order to conceal their external assets. We didn't know how far it would go but some of the reports we got the governments did start to worry because most of these cloakings were done in connection with this Swedish firm or a local firm and if we just actually blocked all their assets in the United States or England because of the German interest it would take a long time to straighten out and hurt the economy. So it did have an effect of retarding it. But it also tied in with the whole question. The Swedes and the Swiss, which were two of the countries involved, didn't know exactly what conditions the funds in the United States would be unblocked; so we kept getting these reports of some of these things and then Izzy Stone started riding it. He had personally talked to the person who had seen Goering's famous painting on exhibit down in Argentina and it was there for safekeeping and so forth. So when we came over here to Germany in '45, here is the point. There were so many of them that we couldn't possibly have answered any Congressional inquiry or anybody else's question by saying we didn't bother to investigate them, but we knew that some of the boys were smart enough that they weren't going to write a letter and send a photostat to the bank and say transfer so many francs to my account. They weren't

RG	260
Entry	Cassoday's version
File	PH-129
Box	11

going to make it that easy. We started out with Goering. We had more information and hit the Von Ribbentrop case and the German Foreign Ministry case, which was supposed to be a big method of them getting it out for official persons and for future use, and we touched on Hitler. We hit those first two cases pretty thoroughly and went down on every lead and we found exactly what we expected to find which was nothing. But we satisfied ourselves that when you got in to find the records and find the witnesses on these rumors that when you filled in the rumor everything in the rumor was true but there wasn't enough there, so you drew the wrong conclusion. And two or three of the things that I worked on they were things that Goering was interested in and they were selling everything else and when you got to the end of it, when you found out that it was a good legitimate business transaction they had to have Goering in to help swing it with the foreign country, but we never found out side of two possibilities anything that looked like it was tangible. And those two were around the end of our rope in Germany. All these art deals so far as we could find out, why, Goering was selling art in Switzerland that was true, but then he was using the Swiss francs to buy art and bring it back and put it in his collection. And we found records that balanced it out and they had the pictures that he got and the things that he was selling were more or less junk and he was trying to buy good stuff for the junk. We didn't ever expect to find anything because it would mean for the guy anything lower than Goering or Hitler or somebody that they were robbing the Nazis' government of foreign exchange and they would therefore have to conceal it from them. It would be bad publicity for them. So they would have to conceal it pretty well. So we got down to the point where it was just trying to find the matter in writing that was confided to somebody to allow him to establish an account or whatever was going to be necessary and he had no interest in revealing it with Goering being tried, with the death sentence over his head he could probably go south with the money himself. So it was a wild goose chase. But with much substantial truth to the rumors.

DR. DORN: Is there anything else?

MR. CASSODAY: Is there anything you can think of?

MR. BURGESS: You have covered everything.

DR. DORN: I wanted to be sure to bring up everything that may help us to get a perspective.

MR. HARTZCH: Can't think of anything else.