Economy of Berlin

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IN THE HALLS of the Kommandatura the joke is often heard that one never meets an ordinary economist. He is always a "distinguished" economist. I wish to make it quite clear, gentlemen, that although I have the privilege today to address a group of the distinguished economists, I make no pretense of being a legitimate member of this elite.

I come merely as a soldier who through no fault of his own has become deeply engrossed in the economic problems of the City of Berlin with no special qualifications beyond a general college course and some experience as a parachutist. The latter experience is not irrelevant, I might point out, because an economist frequently needs to jump quickly and display nimbleness of foot. Certainly in the economies of Berlin there is ample field for talents of this sort.

The few words which I would say today deal with the new outlook on world economy which is apparent in the postwar period. Although I speak primarily as an American, I believe my observations apply generally to the other free countries of the world.

World War II and its aftermath brought a general realization of the indivisible quality of world economic relationships. The war had brought about a great destruction of productive power in many nations which was soon felt among victors and vanquished alike. We were reminded that the reduction of production in any one country is a net loss to the world economy and that many nations must pay for this loss. World economic forces show little respect for national frontiers.

IT IS THIS REALIZATION of the inherent economic unity of our world today which has caused a drastic revision of the attitude shown by my government in its relationships to the other free nations of the world. This changed attitude has led us to abandon the traditional isolationism which marked our foreign policy. It has led us to establish relationships based upon co-operative effort and mutual assistance.

This attitude does not seek an integration of the economies of all countries, even though in certain areas, such as Western Europe, a certain integration may be desirable. Certainly there is no tendency to favor that type of integration which exists behind the Iron Curtain where weak and small countries are dominated and exploited economically for the exclusive benefit of the senior partner.

The establishment of truly sound economic relations among free nations is predicated upon the realization of a series of measures, many of which are in the course of implementation in Western Europe. Let me mention a few of them.

First of all there is the liberalization of trade and trade practices as a means of increasing production and world trade. Then there is the elimination of trade barriers between countries — barriers which were erected in the years following the first world war and which had the effect of reducing the volume of trade between all nations.

Also we need an expansion of foreign investments as a means for increasing production and for permitting the more advanced nations economically to assist those which are less favorably situated.

ANOTHER ELEMENT in sound economic relationships is the establishment of appropriate values of currency. We all know the difficulties which have existed in this field in many nations since the war. The correction of the over-valued currencies has required mutual understanding and good faith. It has required that countries not troubled with currency difficulties display economic enlightenment, and refrain from taking advantage of the situation of neighboring countries which have had to revalue their currency.

Another action required for sound postwar relationships has been the establishment of a new mechanism for the settling of international balances. In the old days, of course, this was done through the operation of the gold standard. Now this is no longer the case and it has been

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necessary to work out new methods which are applicable to the conditions of international trade as they now exist.

Thus we see that the conditions which followed World War II have called for a readjustment of economic relationships on the basis of friendship in recognition of the fact that we live in a world which is an economic entity. The United States in this period has contributed its best to promote this new outlook, the development of which arises from the changing conditions of the world as a whole and from the changed position of the United States in relation to the Western nations.

Perhaps the most important measure taken by the United States in this period is the Marshall Plan. The significance of this plan to the countries participating in it and its importance to the United States are too well known to warrant elaboration.

Here in Berlin we have evidences of the effects of the plan on all sides. In spite of the losses arising from the dismantling by the Soviets as well as the direct effects of war, the city has been able to start a far-reaching program of reconstruction by grants of Marshall Plan counterpart aid.

The retooling of Berlin industry which is resulting will in the long run reduce production costs and improve the competitive position of Berlin vis-a-vis West German and world markets. The progress made in Berlin is suggestive in miniature of the return to prosperity in the many lands participating in the many trade programs.

Apart from the Marshall Plan, the United States has used its efforts to secure a liberalization of trade among free nations. At the same time it has liberalized its own economic regulations and has reduced customs duties through the reciprocal trade program. This program started as long ago as 1934. Our government has taken many steps to encourage import of goods to the United States. We have recognized at last that inescapable economic fact that trade cannot flow in a single direction. He who would sell must also buy.

In this connection we have encouraged European countries to send trade delegations to the United States in order to investigate and develop markets there for their own goods. As you know, Berlin recently participated in the Chicago Fair and with the most happy results.

The United States has looked with great sympathy upon Great Britain and other European countries in their difficulties to maintain an adequate supply of dollar currency. Our government is constantly studying and considering measures to achieve a balance between imports and exports of the Marshall Plan countries and thus eliminate the dollar gap. Although the problem is not simple, definite progress is being made.

Another American measure is the so-called Point Four Program of President Truman. This was first proposed by the President in January 1949 as a means of assisting underdeveloped areas of the world in raising their standards of living. Implementation of this program is now in progress. The program is not only of importance to the countries which would be the direct beneficiaries of the aid, but also to the industrialized countries of Western Europe.

In receiving dollar aid, the underdeveloped countries thus obtain the means with which to purchase capital goods and other products in Western Europe. In addition to direct financial assistance, the backward areas will also receive technical advice and guidance in developing their economic potentialities.

Thus, we see that in the countries of the Western world there is more and more a pooling of economic resources. The development of this economic family of nations is becoming more and more a co-operative effort.

Nowhere is international co-operation better typified than in the efforts here for the economy of Berlin. I do not need to emphasize the serious disabilities under which this city is laboring. The inescapable facts of geography make it extremely difficult to develop a normal economy in Berlin. Nevertheless, in spite of these difficulties, Berlin is advancing in nearly every aspect of its economic life. That success is attending this restoration is due to the efforts of many nations in support of the city.

First there is the work of West Berlin itself, particularly of the patient, industrious and skillful Berlin worker combined with the managerial ability of the Berlin producer. This combination, however, would not be enough without help from other sources. Fortunately this help is forthcoming first from the West German Government and next from the United States and the Western Allies.

All of these people are working together for the common purpose — to guarantee the economic existence of Berlin. In so doing, they typify the new outlook upon world economy which marks the present era.

The example of Berlin suggests one final point upon which I should like to close. While it is true that neither prosperity nor want can be restrained at national boundaries; while it is true that plenty and famine are
not compatible or even possible neighbors in our present integrated world, it is equally true that in the long run a sound economy cannot contain members who permanently give and members who permanently receive.

It is unhealthy for both the giver and for the receiver to perpetuate any such relationship. I know that here in Berlin the proud citizens look forward to the day when their city can no longer be known as a “deficit area.” All recipients of Marshall Plan aid must redouble their efforts to regain complete independence and free themselves from the need of outside assistance.

Here in Berlin where we must live by outside orders, a similarly aggressive attitude must be developed to distribute our exports throughout the Western world. A step in this direction has been taken in the creation of the Berlin Absatz-Organisation (Berlin Sales Organization) to which many of you gentlemen have contributed. Offices have already been established in Western Germany and plans are under way to set up branches in New York, Paris, London and the other principal commercial capitals.

This development comes at a particularly opportune time when the increase of defense orders permits Berlin to hope for important orders. Only by an aggressive sales campaign can Berlin hope to regain its former position in the markets of the world.

Fortunately, the reconstruction of Berlin is aided by the new economic outlook which is the theme of this talk. Aided by this concept and by the skill of its own workers and producers, Berlin can set an example to the Western world.

That example will be one of stern insistence upon a rapid restoration of economic independence to this brave city which is determined to become once more a respected and contributing member to the economic brotherhood of the Western world.

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**Berliners Elect to Remain in Berlin**

MORE THAN HALF of West Berlin families (as compared with 29 percent of those in major cities of the US Zone) reported an income of less than DM 200 per month, and more than three in 10 stated at least one member was looking for a job. Of those interviewed in a recent poll, 37 percent — as against 27 percent in August 1949 — declared that general lack of money, resulting from currency reform, lack of credits and invested money, was chiefly responsible for Berlin's unemployment problem.

Other main reasons given were the lack of materials (Berliners said that too many manufactured goods are sent to the city and their factories aren't receiving contracts), and the disparity between the two currencies, the Deutsche mark of western Germany and the East mark, with everyone trying to buy in the East sector because of the favorable exchange rate (more than six to one in recent weeks).

Most West Berliners felt that the most effective method of coping with the unemployment crisis would be through credits and financial help, such as long term credits and foreign investments; through intensification of a construction program which would guarantee work for years; and the importation of greater quantities of raw materials rather than finished products.

Most West Berliners were skeptical that increased unemployment would lead to an expansion of communism. And of those who thought that communism might gain ground (23 percent of those polled), only a small minority, seven percent, thought the end result could be communist control of the city.

Although the economic situation was held to be critical, West Berliners compared it favorably with the past. In expressing hope for the future, eight out of 10 interviewed said that their personal situation is better today than it was before the blockade was lifted. About an equal number expressed no disappointment or letdown at the rate of progress made in Berlin since the lifting of the blockade.

Of the minority who were pessimistic about the future, the largest number saw no possibility of reaching an agreement with the Russians, and others pointed to the unemployment situation, lack of money, lack of trade and difficulties resulting from the two currencies.

OF THOSE INTERVIEWED, only 20 percent said they would leave the city if they had the opportunity as compared with 39 percent at the beginning of 1949 and 43 percent in July 1948, early in the blockade.

Berliners were almost unanimous in saying that the Americans will remain in Berlin as long as they stay in Germany. Although 99 percent declared that American rather than Russian prestige has gone up in Berlin, not everyone is totally in agreement with Western policies.

Hope that Berlin will get a united city government in the near future declined considerably. However, almost all of those who expect a united government thought it will be under the influence of the West Berlin Magistrat (City Council), rather than the East.

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