The Control of Germany and Japan

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THE CONTROL
OF
GERMANY AND JAPAN

BY
HAROLD G. MOULTON
AND
LOUIS MARLIO

Washington, D.C.
THE BROOKINGS INSTITUTION
1944
PREFACE

This investigation represents an unusual type of collaboration. In it a Frenchman and an American have pooled the results of many years of previous study and experience in very different environments in a joint effort to find a simple and practicable approach to the problem of making sure that neither the aggressor of Europe nor the aggressor of the Orient shall in the future threaten the peace of the world.

In analyzing the technical and economic aspects of this problem, the American author has built upon studies extending back to his earliest published work on European rail and water transportation, and including numerous publications of the Brookings Institution, especially those pertaining to the economic position of Germany, Japan, Russia, France, Italy, and the Danubian States, and to the financial and commercial problems resulting from the First World War. In bringing these studies to bear on the problem of postwar peace, he has received indispensable aid from the technical training and experience of his distinguished French collaborator.

Dr. Marlio, an engineer and industrialist of richly varied experience, both in government and in industry, is also a professionally trained economist. During his extensive business career, he has been associated with the chemical, metallurgical, electrical, and transportation industries. He has constructed industrial plants in a half dozen European countries, and for many years conducted business operations throughout Europe. He has served on Committees of the League of Nations and as chairman of the Railway Committee of the International Chamber of Commerce. He has been a member of the Council of State, and is a member of the French Academy (moral and political science division). He is the author of several books. One of these, Dictatorship or Liberty?, published in March 1940 was proscribed by the Nazis after the conquest of France. Dr. Marlio has been on the staff of the Brookings Institution since 1941.

This analysis of the crucial problem with which the postwar world will be confronted is offered in the hope that it may prove
helpful to the broad public, whose understanding and convictions determine the atmosphere within which public decision must be taken. For the final chapter dealing with American policy, I am solely responsible.

Washington
July 1944

Harold G. Moulton

PART I. APPLICATION OF ECONOMIC MEASURES TO GERMANY

CHAPTER II. REDUCING GERMANY'S INDUSTRIAL POWER

1. The Partition of Germany into Small States

This plan would have serious effects upon economic conditions and employment in Germany.

The economic consequences of the partition of Germany would be strongly felt in other countries.

2. The Creation of an Independent Rhineland

The establishment of a separate Rhineland state would have serious economic repercussions.

3. The Separation of East Prussia

This plan is interesting politically, but would not materially affect Germany's war potential.

4. The Isolation of Prussia

The crucial weakness of the plan is that it preserves the economic unity of the German Reich.

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Modern war weapons give a great advantage to the attacking nation.
Military preparedness cannot guarantee safety from attack.
The fiscal burden of an independent defense program would be intolerable.
The maintenance of an adequate national defense program would threaten the system of free enterprise.
INTRODUCTION

The victorious nations will be confronted at the end of this second world struggle with two distinct though related problems. The first, and crucial, task in the generation following the war will be to prevent Germany and Japan from again re-arming. The second is to devise a general international organization which will facilitate the adjustment of international problems of common interest and which in due course may become an instrument for the maintenance of peace throughout the world. The present study is limited to the first of these problems.

As a result of the analysis here made, the authors have reached the definite conclusion that we shall have a better chance of success if the problem of controlling Germany and Japan is administered separately from the development of a general association of nations—that an attempt to deal with the two problems as though they were parts of a single task would seriously prejudice the solution of either. The reasons for this conclusion will emerge as the analysis progresses.

While the objective of the study is thus limited, it is none the less significant. For if we can devise machinery which will prevent the two nations avowedly committed to war as a means of continuous expansion from re-arming, we shall have gone a long way towards ensuring general peace. Moreover, the lessons learned in this experiment would be of great value in the evolution of a universal peace system.

Current discussions of the enforcement of peace usually center on the possibilities of economic control devices. It has been hoped that by such means peace might be effectively maintained at relatively small cost and without bloodshed. Accordingly, our first task is to study the various types of economic controls which might conceivably be employed. In Part I we shall consider the application of economic measures to Germany, and in Part II to Japan. As a preliminary, however, it will be well to recapitulate very briefly the lessons learned from the experience following the First World War.