

CONFIDENTIAL
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4-0124

11 May 1953

MEMORANDUM FOR: [redacted] Chief, EE

Please see the attached papers left with me by [redacted] and let me have your views. You might also wish to discuss them with someone at State. I did not give [redacted] any encouragement that CIA could get into this type of operation.

SIGNED

ALLEN W. DULLES

Encls.

AWD:at

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PERSONAL & CONFIDENTIAL

May 7, 1953.

Mr. Allen W. Dulles
1308 29th Street, N.W.
Washington 7, D.C.

Dear Allen:

I enclose a memorandum which summarizes the highlights of the German expellee problem in relation to the great new pressure of refugees into Berlin, still flowing at the rate of 2,000 a day. Although few of the facts and suggestions will be new to you personally, this summary (as well as the attached charts) may be helpful to you in explaining the importance of this problem to any of your government colleagues who may not be familiar with it. I want, however, to add a personal and more confidential word here, and explain a specific proposal I have to make.

As you are aware, the problem of the German expellees may play a crucial part in the coming German elections and their influence may well be the decisive factor in determining whether Germany resists any blandishments the Soviet peace offensive may offer. Friends of mine who are close to Chancellor Adenauer have repeatedly stressed their anxiety over this issue and, as you know, the Chancellor himself asked for some help on this problem in his discussions with our government. The question is whether the United States can do something, even if it is only in the nature of a token gesture, to increase hope among the expellees that they will receive further help and recognition in the West. The time for preparing such a gesture is pressing if it is to affect election attitudes.

I have one such gesture to propose in connection with the Expellee Bank, described at the end of the enclosed memorandum, which could very well be used to handle any new grants and loans from a technical point of view.

The idea would be to appoint, at least for the next crucial months and preferably for a longer time, an American who would act as a kind of private or semi-official ambassador of good-will with the various expellee groups. In closest cooperation with Dr. Conant he should be able to go into the field and to work well with the existing organizations. He should have an amount of \$5,000,000.- equivalent in D-Marks at his disposal to be used a fond perdu, or

- 2 -

as credits, at a number of very obvious key points to help in setting up expellee groups in gainful employment, in small industries and business concerns and to provide retraining facilities.

The beneficial results of this plan would be speedily felt. The mere appointment of such an emissary would give the expellees and refugees a sense of international recognition for which they have long pleaded. Moreover, the Western and particularly the American interest would thus be shown in actual performance.

The extremists among the expellees, of course, make radical demands for temporary assistance while basing all their future hopes on eventual return to their homelands. Such radical leaders try to prevent the expellees from becoming integrated and satisfied members of the West German community. But most of the expellees and many of their leaders are eager to accept anything that gives them hope - whether increased job opportunities within Germany or opportunities for work abroad.

One of the main sources of bitterness among them, which has been encouraged by the extremist leaders, is the feeling that their problem has never been recognized by the West as an international problem, in contrast to the non-German Displaced Persons. Therefore, any move which shows a new American interest, such as the establishment of the fund outlined above, will strengthen the hands of their moderate leaders out of all proportion to the actual amount of money involved. Larger loans or M.S.A. assistance should also be worked out but that will take time, whereas this smaller project could be started immediately. If you are interested in this idea, I have a good man to suggest who might be willing to undertake the proposed good-will mission at least for the present critical period.

Another reason why such special U. S. help to expellees may be of special interest to you is the protest of German expellee groups against some of the Czech and Polish broadcasts and broadcasters on Radio Free Europe in Munich. As you know, some of the extreme leaders have repeatedly brought pressure in Bonn against any broadcasts from German soil which are critical of the expellees. Doubtless there may have been some justification for certain of the criticisms, but the extremists will never be satisfied by any moderate compromise. The only way to reduce the volume and influence of these protests is to weaken the influence of the extremist leaders by showing American interest in finding new work opportunities for the expellees.

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It is clear also that the larger the number of expellees who can be permanently resettled and absorbed in West Germany, or elsewhere, the less violent will be the German demand for the restoration of every square mile of pre-war German territory east of the Oder-Neisse line, hence the easier it will eventually be to arrive at some final frontier compromise which a free Poland could be induced, however unhappily, to accept. In the meantime everything which increases friction over the future between Germans on the one hand and Poles and Czechs on the other, is of course grist for the Communist propaganda mill.

Hoping that you may find these suggestions of some use and with best regards,

Cordially yours,

P.S. President Eisenhower's proposal to admit 250,000 Europeans this year, with special emphasis on refugees including expellees, would also be a most hopeful gesture, but I understand there is slight prospect of this being passed in time to affect the German elections.

CONFIDENTIAL MEMORANDUM
on the
PROBLEM OF GERMAN REFUGEES AND EXPELLEES

Introduction

One of the greatest problems facing the German Government and the allied Governments in Western Europe today is the great influx of refugees from East Germany through West Berlin, which almost amounts to a mass migration. Over 100,000 refugees have come to West Berlin in the last three months alone, and the flood continues at the rate of 2,000 a day.

What makes this new influx even more difficult to cope with is the tremendous unsolved problem of the 10,000,000 refugees and expellees already in Western Germany before this new flight from Soviet terror began. It is almost unknown outside of Germany that over one-fifth, or 22%, of the West German population are refugees who entered an area where over half the housing had been destroyed. Hence this memorandum is concerned not merely with this new emergency but with the basic refugee problem as a whole, which decisively affects the German economic and political future.

The burden of the refugees is the key factor in determining the amount which Western Germany is able to pay either for the occupation costs of the allied armies or for prospective German rearmament. It also increases the dangers inherent in the rise of neo-Nazism and Nationalism in Germany. It may well be the decisive factor in determining whether Germany continues the great experiment of a United Europe, or succumbs to the blandishments of the Soviet Peace offensive. For if between now and the elections next September nothing is done to improve the refugees' situation, or at least to give hope of such improvement, the danger of defeat for the Adenauer Government and for the whole pro-Western policy he repre-

sents will be greatly increased.

Although the German refugees have benefited indirectly from various forms of generous U. S. aid to Germany, no international government help has been given. From the start the expellees were officially described as a purely German problem, and they were specifically excluded from any assistance from international organizations such as UNRRA, IRC, and International Children's Fund of the U. N. It was not until 1951 that the UN Commissioner for Refugees, Dr. Goodhart, recognized that this problem concerned not only Germany but the whole free world; but that view has not yet been implemented. This feeling of neglect and discrimination has made many of the refugees susceptible to the reckless promises of extremists.

The strenuous efforts of the German Federal and State Governments, plus the spectacular recovery of the German economy since currency reform in 1948, have so far prevented or at least minimized the disastrous social, economic and political consequences which appeared inevitable. But although this encouraging fact has tended to obscure the refugee problem, it has not solved it. Despite phenomenal recent progress, the German economy still lags behind that of other West European countries because it had more ground to make up. The measure of recovery already achieved still remains on a fragile basis, but only because the ten million refugees represent a great relief load on German economy, but because of the large debt payments Germany has assumed under the London Agreement of 1952, as well as to Israel. It is also true that the German economy, like that of the rest of Europe, has benefited indirectly from the Korean war boom which may now be over, and that German industry, unlike that of other Western countries, has been able to concentrate on winning export markets for civilian goods without diverting production to armaments.

The combination of the new refugee influx through Berlin, plus the increasing efforts of the German radical parties to exploit the discontent of the refugees, demands that something more fundamental should be done now. It must be begun at once if it is to affect the results of the approaching German elections, which may decide the fate of Europe for the immediate future.

The total of nearly ten and a half million refugees now in West Germany can be broken down into about 2,000,000 escapees from the Soviet Zone of Germany (increasing now at the rate of 40,000 a month); plus a hard core of about 200,000 former DP's who remained after the dissolution of the International Refugee Organization; plus approximately 50,000 recent non-German refugees from Communism, who escaped from Czechoslovakia, Hungary, etc.

Finally, the largest single group is that of the 8,124,000 expellees. This group consists mainly of German citizens who were compelled to leave their homes in pre-war German territory East of the Oder-Neisse line, plus ethnic Germans who were expelled from other countries now behind the Iron Curtain, in 1945/46. Three and a half million came from Czechoslovakia alone, the so-called Sudetan Germans.

Possible Solutions

Germany has two possibilities for solving the problem of her refugees and expellees:

- 1) Economic integration
- 2) Emigration

Emigration can only be of secondary importance as far as Germany is concerned since the immigration countries above and beyond other restrictions, have so far generally fixed an upper age limit (35 years in most cases).

It is, however, in the younger age group of 23 to 40 years that Germany has lost three and one-half million men through the war. As a result of this loss, Germany has today in the 35-year-old age group, for example, no more men than in the age group of 66-year-olds. Compared with the annual influx from the countries beyond the Iron Curtain, emigration from Germany in terms of numbers plays an insignificant part and will continue to do so in the foreseeable future.

The main task thus remains the integration of the expellees within the West-German economy. In this context the Federal Republic was faced with a three-fold problem:

- 1) Rebuilding of the dwellings and enterprises destroyed by war.
- 2) Closing of the gaps caused in the economic structure of the Federal Republic by the partition of Germany into Eastern and Western halves.
- 3) Provision of dwellings and jobs for 10 million expellees and refugees over and above the 1939 level.

Since currency reform in 1948, the integration of the expellees and refugees within the Federal Republic has been pursued with great energy. By 1952, 1,200,000 new dwellings had been built and two million additional jobs provided. More than 6,000 artisan and industrial enterprises were newly established. More than 40,000 farms were distributed to expellee farmers. In the years after 1945, the German people have spent, so far, 25 billion Marks (six billion dollars) for the maintenance and integration of the expellees and refugees. As against this, 1.5 billion of Marshall Plan aid was received in the years 1948 to 1952.

In spite of these tremendous efforts it has so far been possible to integrate only 35% of the expellees. Another 45% could only find employment below the social standard of their former work. Public assistance authorities must look after the remaining 20%.

A German-U. S. Commission of experts which met under the chairmanship of Hans Christian Sonne in 1950, assessed the costs of the integration at 12.3 billion DM, or three billion dollars. The Bonn Government passed the Immediate Aid Law to bridge over the interim period pending a final law on the equalization of burdens. In August, 1952, an Equalization of Burdens Law was passed which provides for the mortgage of up to 50% of the value of any kind of property, and for the retirement of the mortgages by 3% annual interest-bearing instalments. These annual payments are collected in a fund outside the normal budget of the Federal Republic, for the purpose of paying compensation to expellees and to other persons who suffered material loss as a result of the war.

Notwithstanding these great efforts undertaken on the German side, there are still hundreds of thousands of expellee families whom it has not been possible to assist through the measures already taken. The West German Government, however, has made clear its determination to continue the integration of expellees and refugees by every available means.

Since the expellees in West Germany entered an area suffering from a critical housing shortage and came with few, if any, possessions except the clothes they wore and what they could carry, assimilation into the economic stream of West German life has been extremely difficult. When the flight of expellees from the East began, naturally most of them were settled in the more

remote agricultural parts of Western Germany, including Bavaria and Schleswig-Holstein -- where the fewest houses had been destroyed simply because there were fewer worthwhile bombing targets. Needless to say, however, the places where most housing was available were the very places where fewest jobs were available.

So there is a great need, not simply for increased housing, but for housing in industrial areas. The normal population increase requires the building of 200,000 new dwelling units a year. The persistent housing shortage, despite record building during the past two years, still limits the effectiveness of refugee redistribution programs, which called for the transfer of 300,000 persons per year in the fiscal years 1949/50 and 1950/51. Although the movement of refugees from rural areas to areas offering employment opportunities is considered a vital link in plans to utilize the available manpower, only 320,596 had moved from 1949 to 1951.

Some success has been achieved in resettling on farms many of the refugees formerly engaged in agriculture, although the relative scarcity of farm lands in the Western Zones makes this undertaking a difficult one. The question of farm resettlement is especially important, because to feed over 22-1/2% more people there is only 40% of the total food-raising area which was Germany's before the war. The other 60% of the farm land is now under Soviet-Polish control, producing food for the Soviets. It is as if the total population of Denmark and Switzerland, completely destitute, had to be absorbed into Western Germany. While Germany in 1939 had to meet 20% of her food requirements by imports, the import requirement has now risen to more than 40% as a result of the influx of refugees and the loss of Eastern Germany.

In all cases where no assistance can be given within the scope of the measures initiated by the German authorities, it is either because adequate funds are not available or because certain other prerequisites do not exist, such as collateral security to cover the credit applied for. In this connection there is, however, the possibility of rendering, by means of amounts which in the individual cases are comparatively small, a really decisive assistance in building up new livelihood, in preserving a threatened existence, in facilitating study, or in the training of young people, etc.

Capital investment, particularly for small concerns employing specialized skills, is a requirement which is beginning to receive increased attention. In the Spring of 1950 the Federal Ministry for Expellees created the Expellee Bank, based on an initial grant of DM 20,000,000 from ERP funds, and further financed by inducing local banks to take 10% of the risk involved in non-secured loans, while the Land (state) banks took 60% and the Federal Government 30%. Dr. Middelmann, assistant to the Minister for Expellees, stated, "It is to the interest of the German Federal Government to utilize the capital of skill, to reduce the welfare payments, and to enable those who formerly collected welfare payments to earn enough to be able to pay taxes for the help of new refugees."

By January, 1952, this Bank, in conjunction with other credit institutions, had financed 1,473 investment loans, amounts to DM 50,348,000 and had guaranteed 1,174 operating loans, amount to DM 48,422,000.

Help from abroad granted for such objects can be used to best advantage in various ways and by various means. Insofar as the grant of loans to industrial or agricultural enterprises is considered, the Expellee Bank would seem to be the best medium for such loans, and for residential building, and for grants-in-aid. The German Federal Government would welcome a trustee of foreign lenders to participate in the allocation of funds from foreign lands.

**SOME FACTS
ABOUT EXPELLEES
IN GERMANY**

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ABOUT EXPELLEES
IN GERMANY**

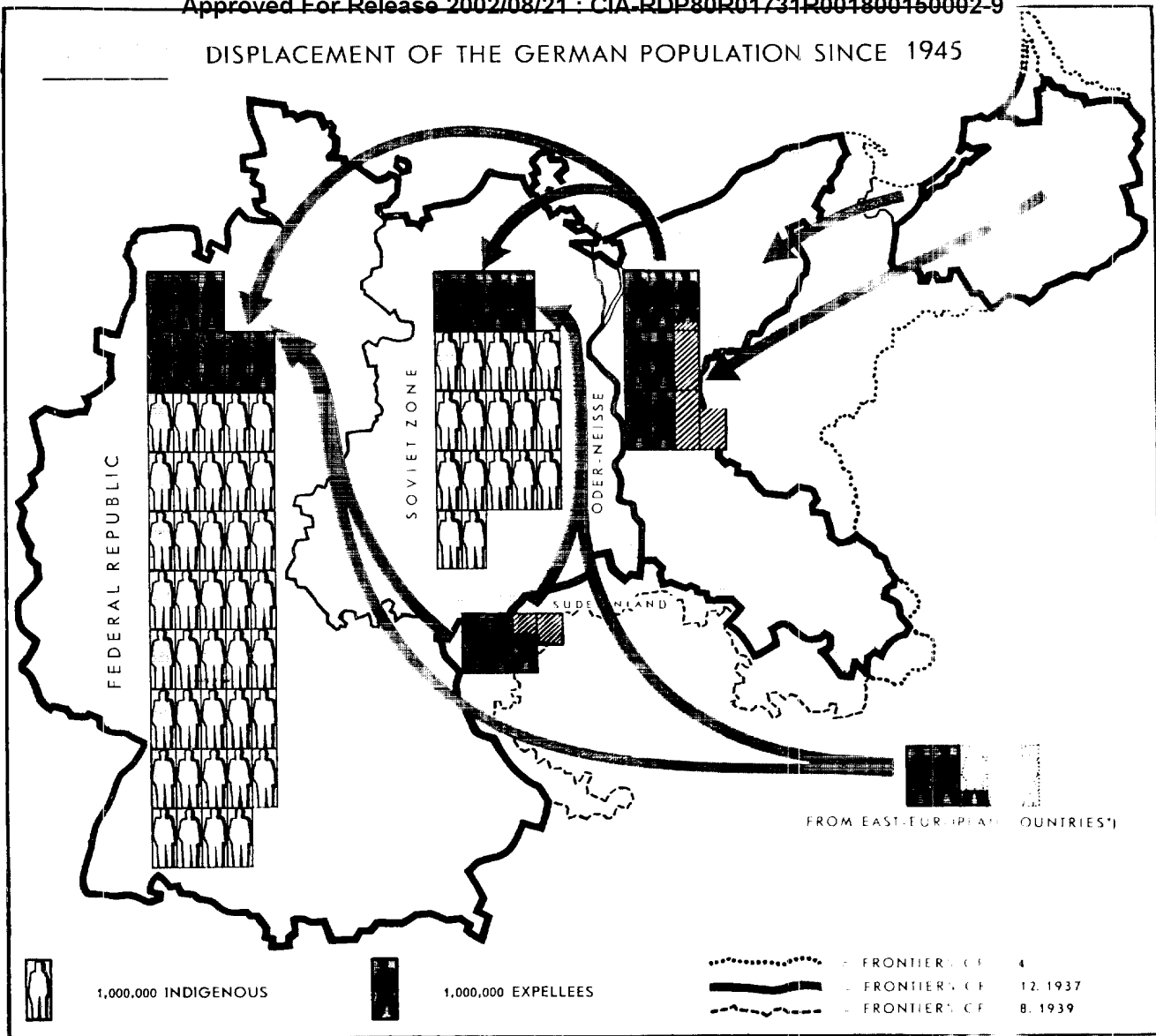
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PUBLISHED BY FEDERAL MINISTRY FOR EXPELLEES, BONN

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DISPLACEMENT OF THE GERMAN POPULATION SINCE 1945



EXPELLEES

(i. e. Germans expelled from the territory east of the Oder-Neisse Line, as well as from Czechoslovakia, Poland, Hungary, Roumania, Jugoslavia, and other countries)

1951:	Number of expellees living in the Federal Republic of Germany	10,000,000
(including surplus in birth's since 1945)	in Berlin	1,500,000
	in the Soviet Zone	1,000,000
		<hr/>
		12,500,000

1939:	Number of inhabitants of:	
	Germany east of the Oder/Neisse Line	10,600,000
	Sudetenland	1,500,000
		<hr/>
		12,100,000

Of these, in 1950 there were living		
in the Federal Republic of Germany	6,100,000	
in Berlin	1,000,000	
in the Soviet Zone	3,200,000	10,400,000
		<hr/>
		11,700,000
persons remaining in their native land		11,400,000
persons missing		300,000

*) There are no final figures as yet available in respect of the extent of ethnic Germans from other countries; the total number of missing persons is therefore, considerably higher than has been computed above.

SOME **9.6 MILLION** PEOPLE,
FORCED TO LEAVE THEIR
HOMES, FOUND REFUGE
IN WESTERN GERMANY.

In addition to some 8 million German expellees, there are some 1.6 million refugees in the Federal Republic of Germany:

Displaced Persons (DPs) [formerly cared for by IRO]:

Displaced Persons are non-Germans, mainly from Eastern European States, who had been brought to Germany as labourers during the Hitler régime or had preferred to go to Germany after 1945, in order to avail themselves of IRO protection. They were unable or unwilling to return to their former homes.

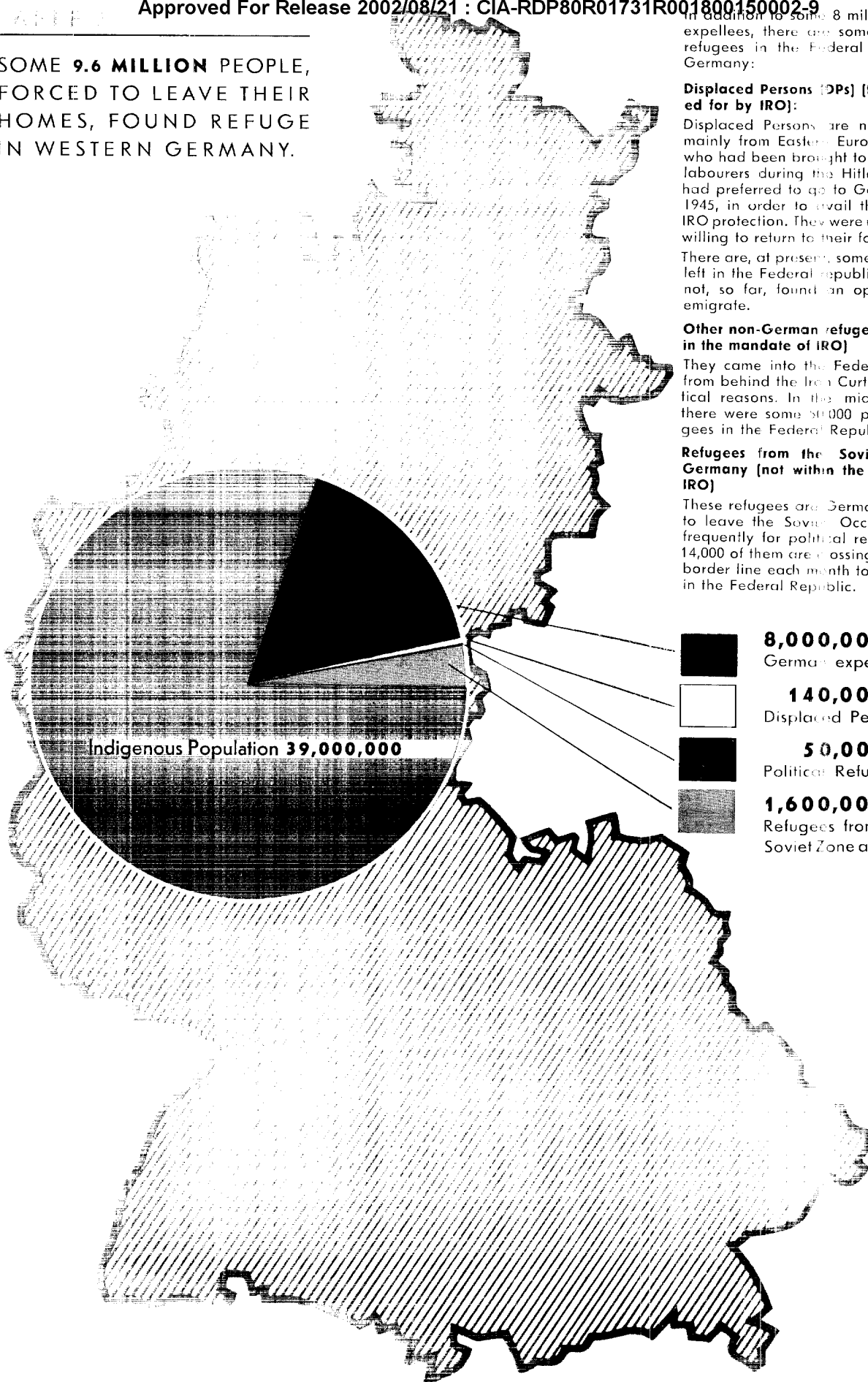
There are, at present, some 140,000 DPs left in the Federal Republic, who have not, so far, found an opportunity to emigrate.

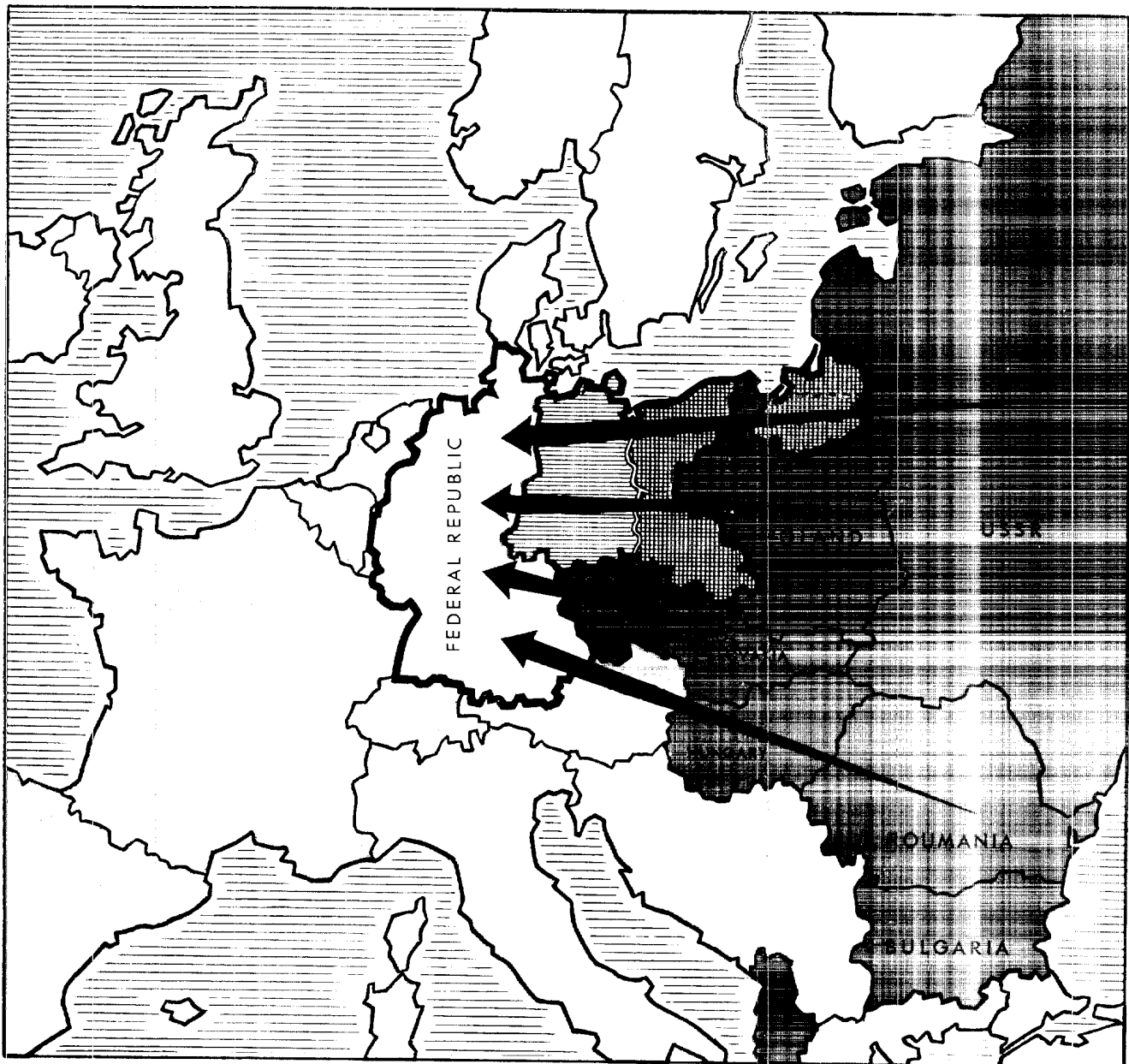
Other non-German refugees [not within the mandate of IRO]

They came into the Federal Republic from behind the Iron Curtain, for political reasons. In the middle of 1951, there were some 50,000 political refugees in the Federal Republic.

Refugees from the Soviet Zone of Germany [not within the mandate of IRO]

These refugees are Germans who had to leave the Soviet Occupied Zone, frequently for political reasons. Some 14,000 of them are crossing the eastern border line each month to seek refuge in the Federal Republic.



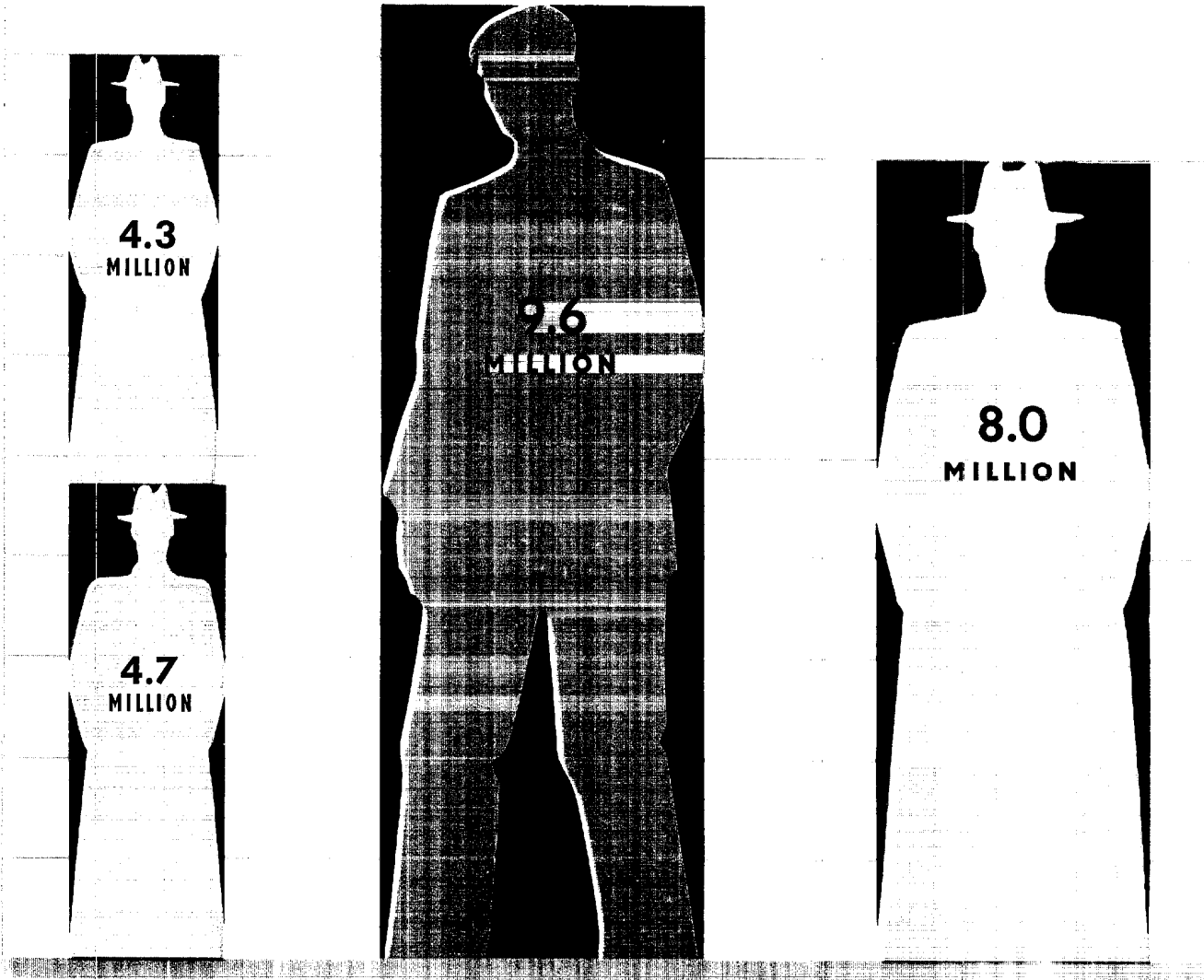


More and more political refugees are seeking protection and asylum in Western Germany. They leave their homes for fear of being persecuted by the governments of their countries.

At present, the German Federal Republic harbours some

50,000 NON-GERMANS

who have left their homes since the end of the war for political reasons. — The major part of these refugees came from the Baltic States, from Poland, Czechoslovakia, and the Ukraine, whilst the rest came from Hungary, Roumania, and the Soviet Union.



Population of
DENMARK
and
SWITZERLAND:
9.0 million

Expellees and refugees from
the Soviet Zone and Berlin
in the Federal Republic
of Germany:
9.6 million

Population of
AUSTRALIA:
8.0 million

The situation is about the same as if more than the total population of Denmark and Switzerland, completely destitute, had to be absorbed into Western Germany

or as if

TABLE 4a



... considerably more people than the total population of Australia were compelled to find accommodation, work, and a living in the Federal Republic of Germany.

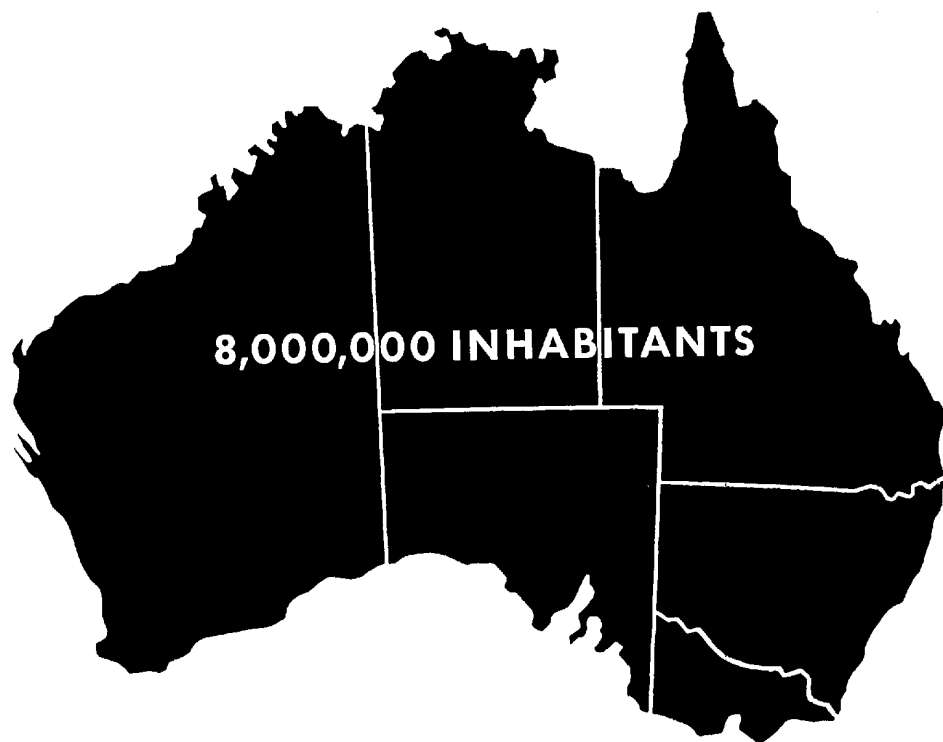
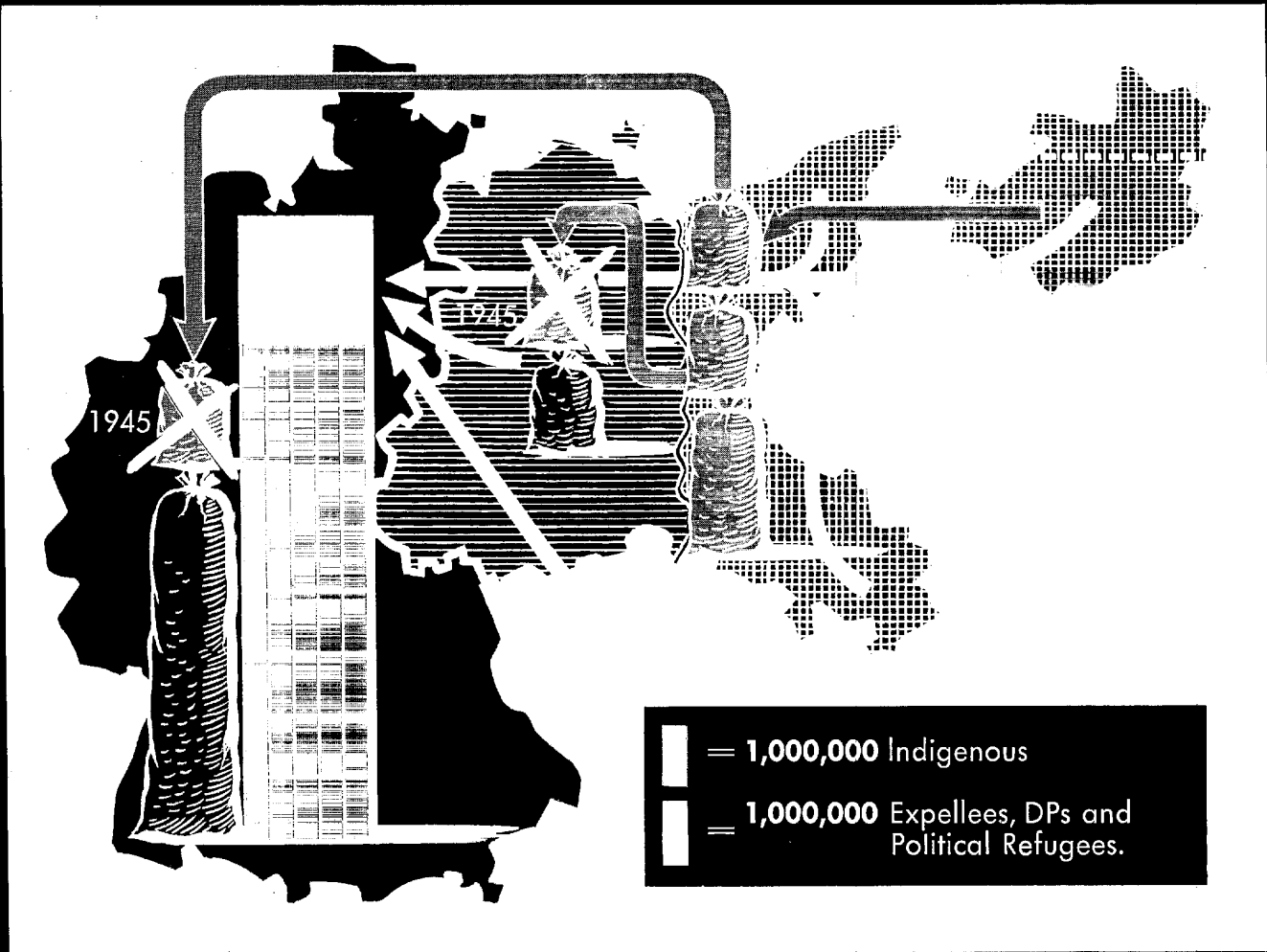


TABLE 5



MORE CONSUMERS – LESS FOOD

1939: The German territory east of the Oder/Neisse Line produced – under normal conditions – food for **15,400,000** people which fed its own population of **9,600,000** " and yielded a surplus for **5,800,000** people

1950: The German Federal Republic lacks this surplus food for **5,800,000** people while its consumers, including Western Berlin, have increased by **9,900,000** people.

The non-availability of this food surplus, plus the tremendous increase in population, require a corresponding increase of food imports into the Federal Republic.

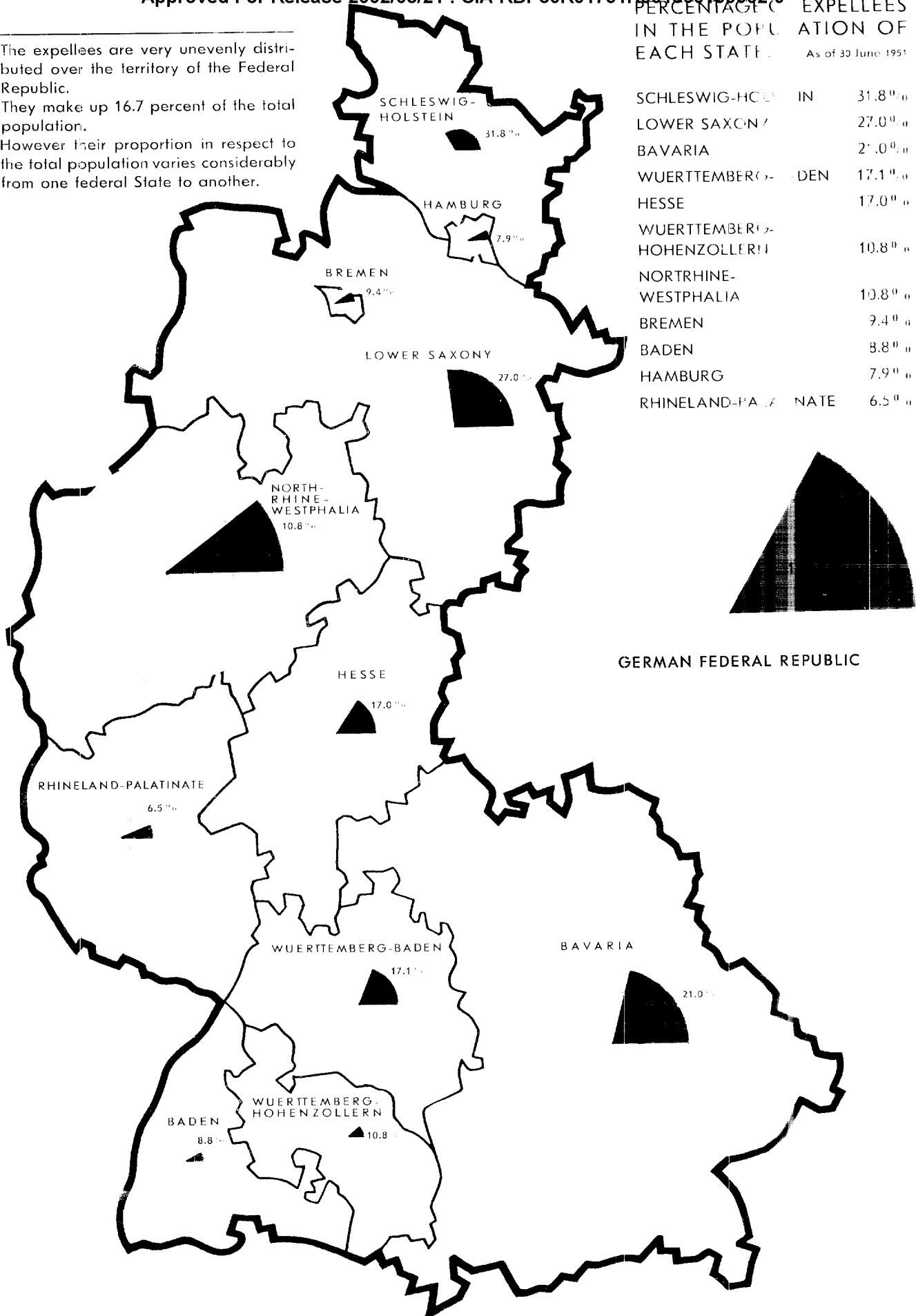
The expellees are very unevenly distributed over the territory of the Federal Republic.

They make up 16.7 percent of the total population.

However their proportion in respect to the total population varies considerably from one federal State to another.

PERCENTAGE OF EXPELLEES IN THE POPULATION OF EACH STATE As of 30 June 1951

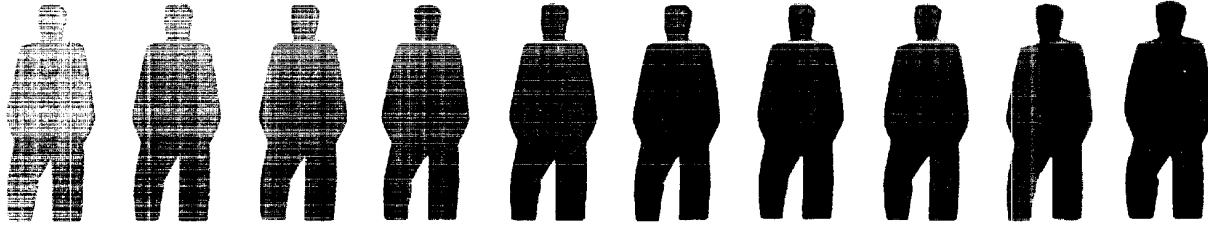
SCHLESWIG-HOLSTEIN	31.8%
LOWER SAXONY	27.0%
BAVARIA	21.0%
WUERTEMBERG-BADEN	17.1%
HESSE	17.0%
WUERTEMBERG-HOHENZOLLERN	10.8%
NORTHRHINE-WESTPHALIA	10.8%
BREMEN	9.4%
BADEN	8.8%
HAMBURG	7.9%
RHINELAND-PALATINATE	6.5%



GERMAN FEDERAL REPUBLIC

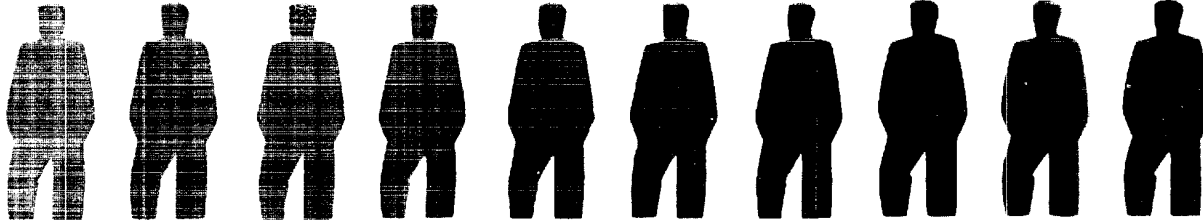
TABLE 7 EXPELLEES AND THE LABOUR MARKET IN WESTERN GERMANY

A. TOTAL POPULATION OF THE FEDERAL REPUBLIC:



Of each 100 inhabitants, 16.7 are expellees.

B. PROPORTION OF EXPELLEES TO TOTAL UNEMPLOYED:



Of each 100 unemployed, 32.3 are expellees.

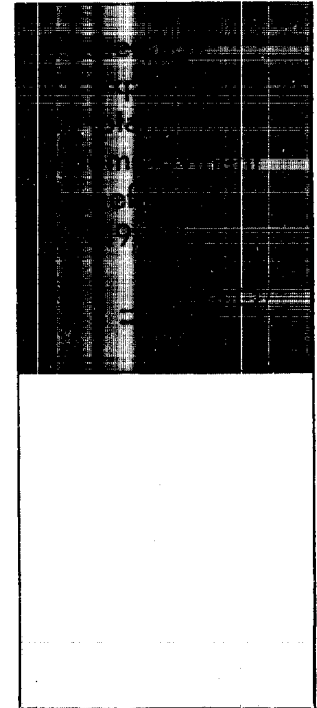
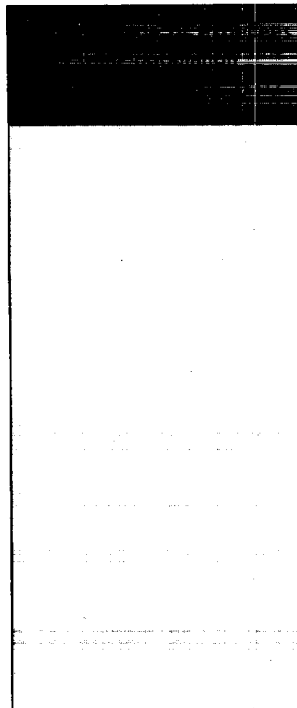
C. PROPORTION OF EXPELLEES TO TOTAL PERMANENTLY UNEMPLOYED:

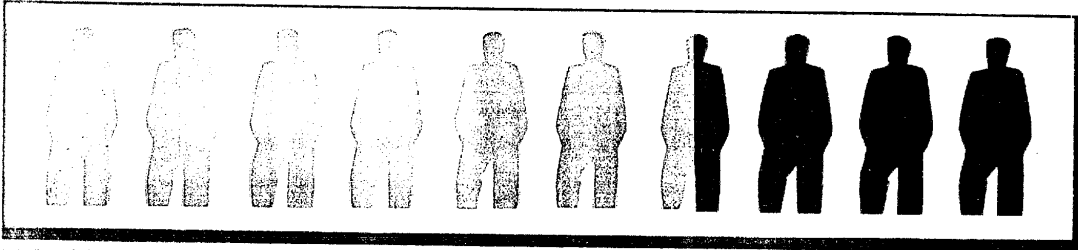


Of each 100 persons who have been unemployed 18 months or longer, 51.5 are expellees.

UNEMPLOYMENT BENEFITS:

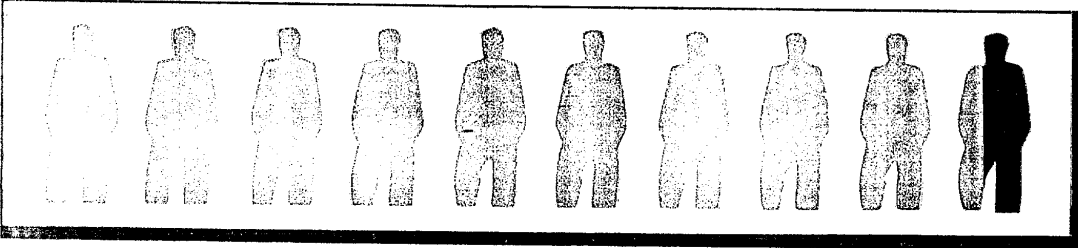
	Total Paid Out:	Share Paid to Expellees:
1949	649.8 million DM	375.8 million DM
1950	942.5 million DM	450.0 million DM
	1592.3 million DM	825.8 million DM





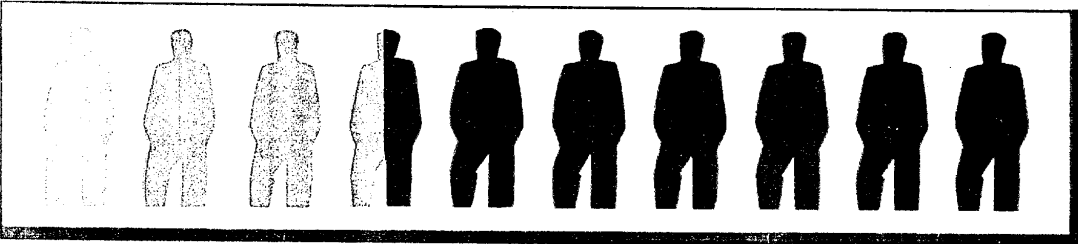
FORMERLY:

Of each 100 gainfully occupied expellees, **35** were independent or unpaid family workers.



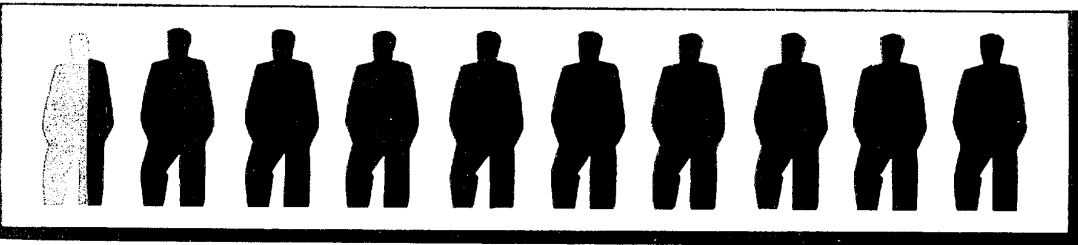
TODAY:

Of each 100 gainfully occupied expellees, **7** are independent or unpaid family workers.



FORMERLY:

Of each 100 gainfully occupied expellees, **65** were wage-earners (civil servants, employees, workmen).



TODAY:

Of each 100 gainfully occupied expellees, **93** are wage-earners (civil servants, employees, workmen).

An analysis of the category of gainfully occupied expellees according to their economic and social position reveals a sharply pronounced social decline in comparison with the corresponding categories of the indigenous population:

Annual income tax paid by the average independent indigenous person: **DM 743.00**

	700	
	600	
	500	
	400	
	300	
	200	
	100	

Annual income tax paid by the average independent expellee: **DM 220.00**

Annual wages tax paid by the average wage-earning indigenous person: **DM 180.00**

	200	
	100	

Annual wages tax paid by the average wage-earning expellee: **DM 39.00**

The percentage of expellees among those employed in these various occupations is lower in proportion as weekly wages paid are higher.

GROSS WEEKLY WAGES
 EARNED IN:

PERCENTAGE OF EMPLOYEES
 WHO ARE EXPELLEES:

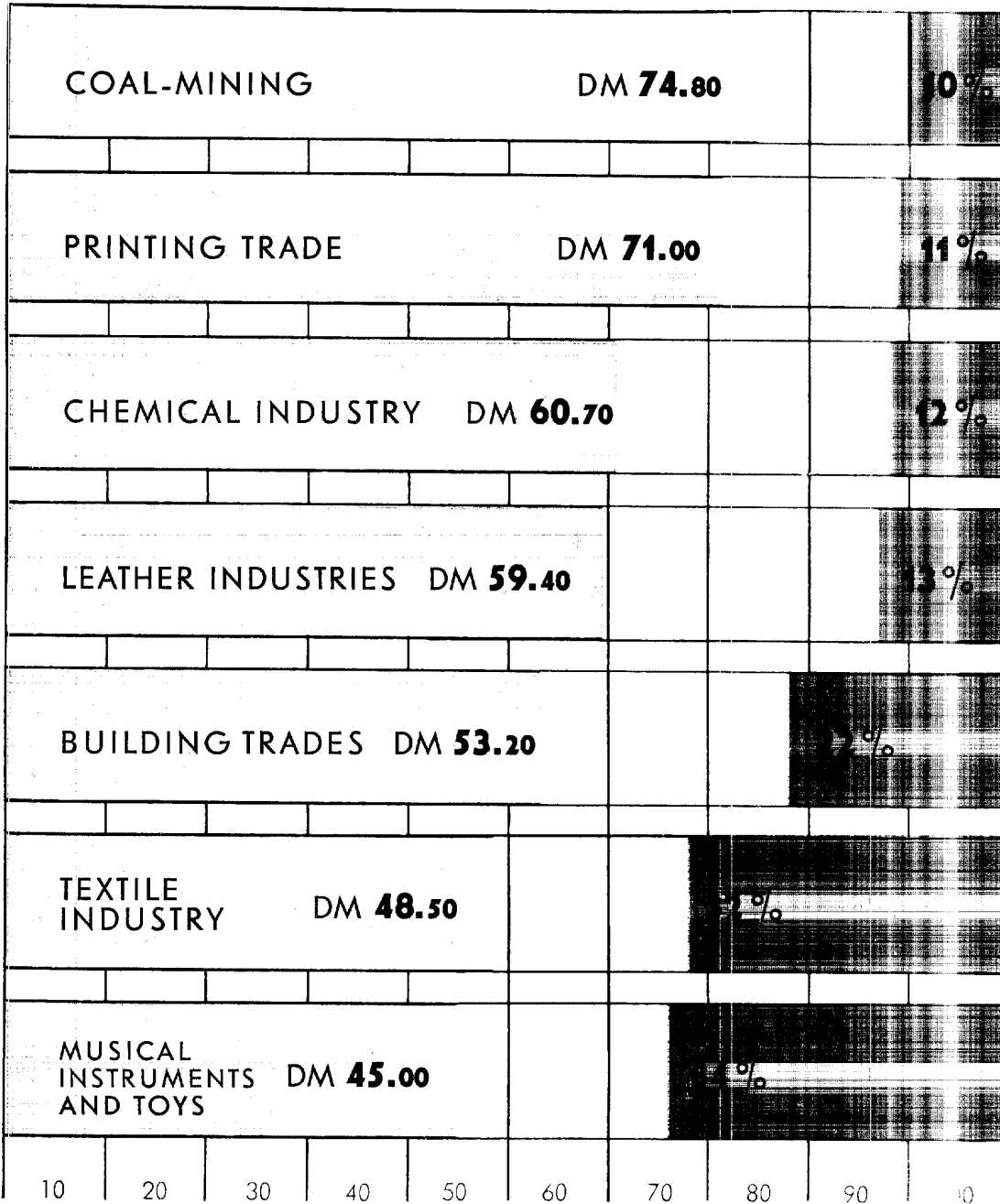
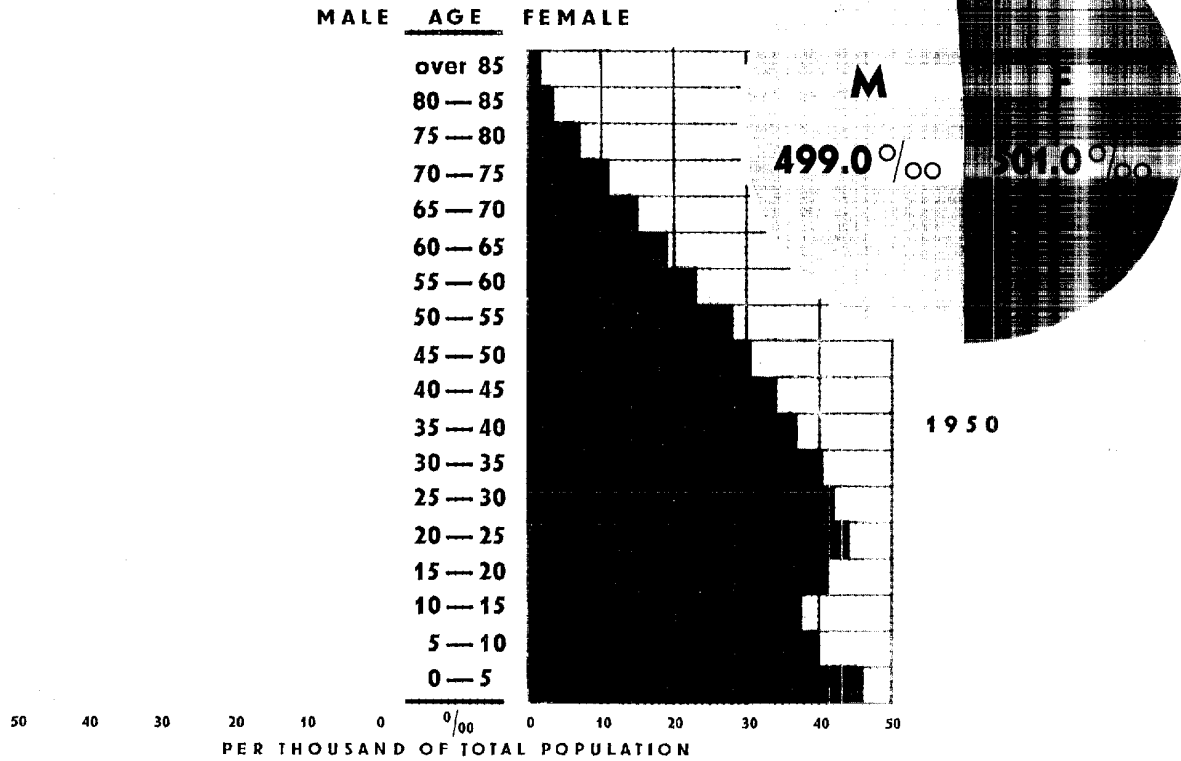
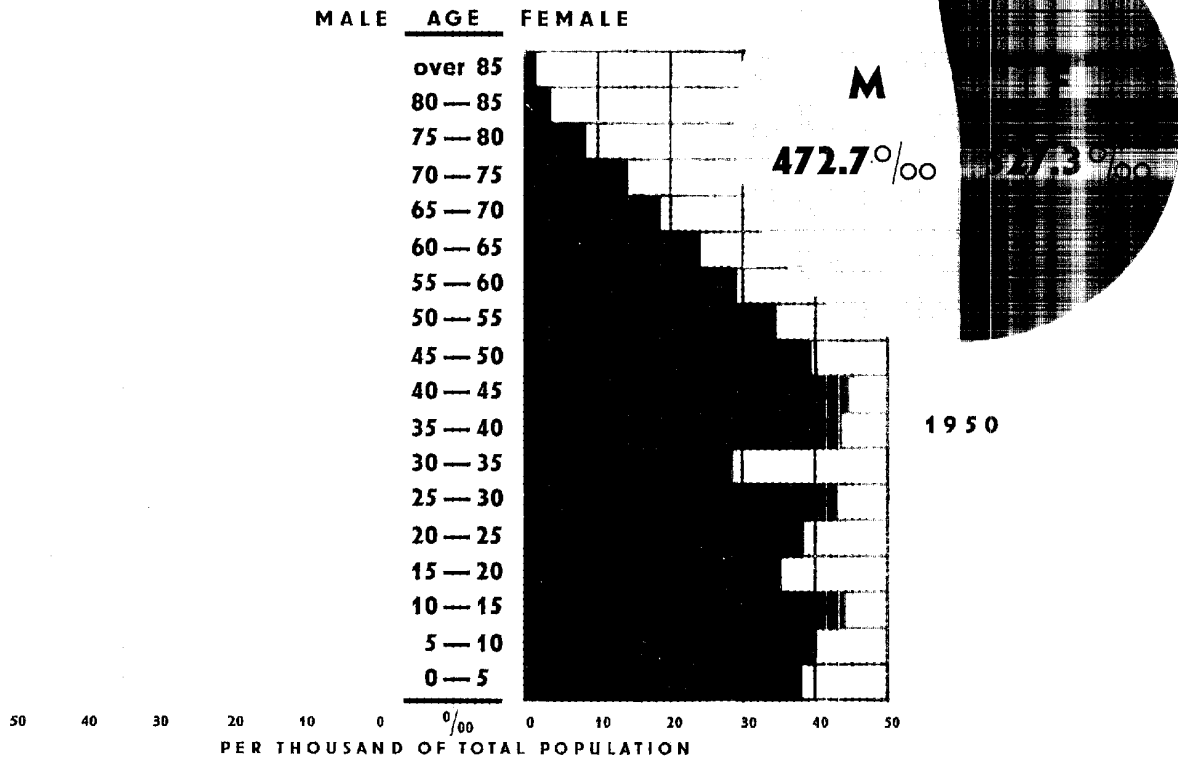


TABLE 9

AGE GROUPS IN THE USA:

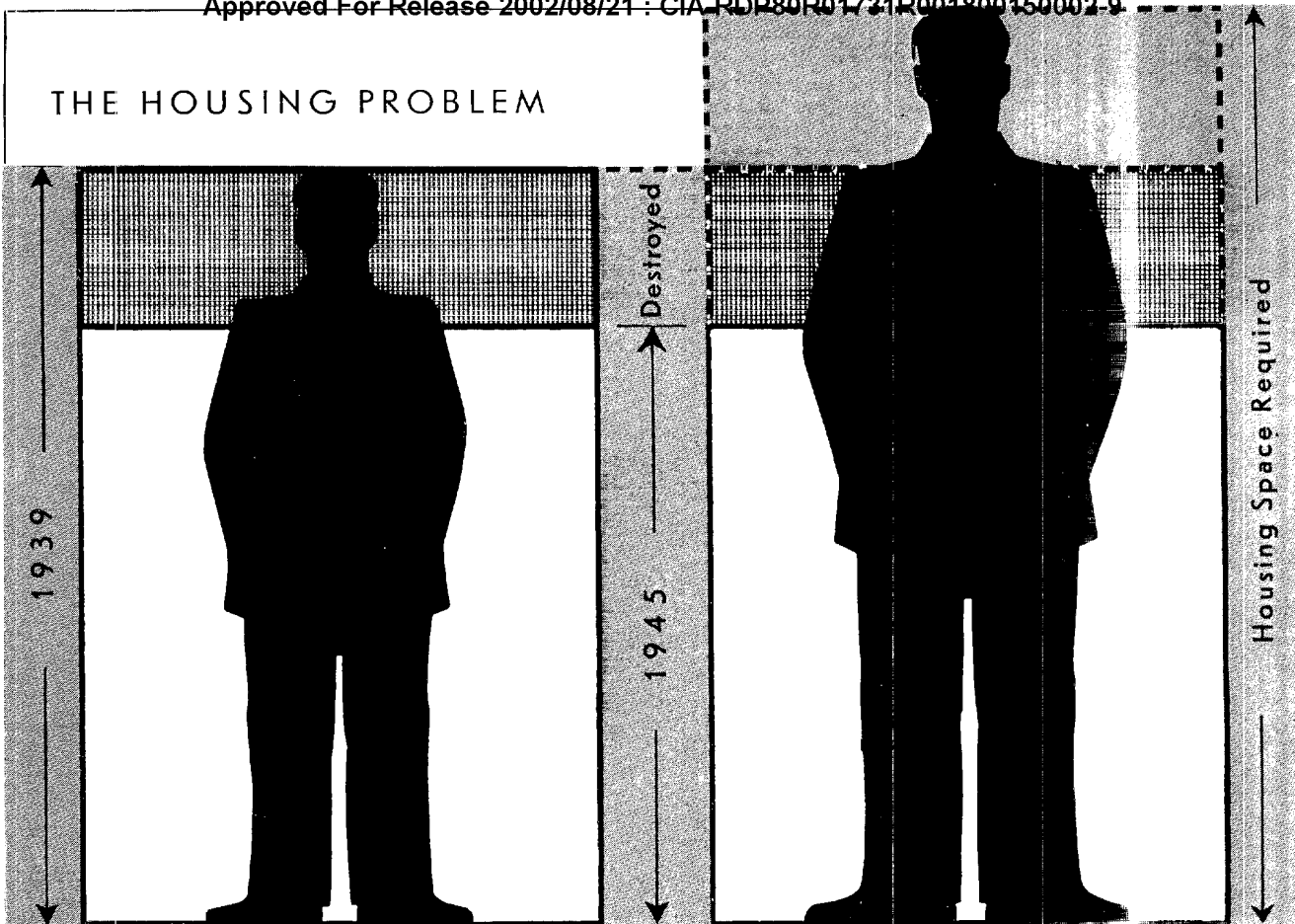


AGE GROUPS IN WESTERN GERMANY:



AGE GROUPS IN THE USA AND WESTERN GERMANY 1950

TABLE 9a AGE GROUPS	PER THOUSAND OF TOTAL POPULATION MALE		PER THOUSAND OF TOTAL POPULATION FEMALE	
	USA	WESTERN GERMANY	USA	WESTERN GERMANY
0 — 5	48.0	40.7	46.1	37.9
5 — 10	41.4	42.0	39.9	39.9
10 — 15	38.7	45.3	37.6	43.9
15 — 20	42.2	37.1	41.2	35.1
20 — 25	43.1	36.5	43.9	38.1
25 — 30	39.9	31.7	42.1	42.9
30 — 35	38.5	21.0	40.3	28.7
35 — 40	35.9	34.2	36.8	43.5
40 — 45	33.4	37.6	34.0	44.3
45 — 50	30.6	36.9	30.6	39.6
50 — 55	28.5	28.6	28.0	34.6
55 — 60	24.8	22.4	23.9	28.9
60 — 65	19.2	19.6	18.9	24.0
65 — 70	14.4	16.0	14.8	18.5
70 — 75	10.2	12.3	11.0	14.1
75 — 80	6.1	7.1	6.8	8.2
80 — 85	2.8	2.8	3.3	3.6
85 —	1.3	0.9	1.8	1.5
	499.0	472.7	501.0	527.3



1939: Housing space available in Western Germany 10,628,000 dwellings
 Destroyed during the war 2,202,000 dwellings 20.8 percent
 8,426,000 dwellings

Despite this tremendous loss in housing space, the population of the Federal Republic of Germany increased from 39.5 million to 47.9 million, i. e. by 21.7 percent. Thus, requirements expanded to 121 percent must be "satisfied" by only 80 percent of the housing space formerly available. Consequently, average occupancy per dwelling has increased

5.1 persons per dwelling (1953)

Before the war, every room fit to live in was occupied by 1.2 persons on the average, whereas today 2 persons on the average must share each room (in numerous cases as many as 3 persons). Sociologists consider an average occupancy of two persons per room as overcrowding, and this as a condition of cultural and social emergency.

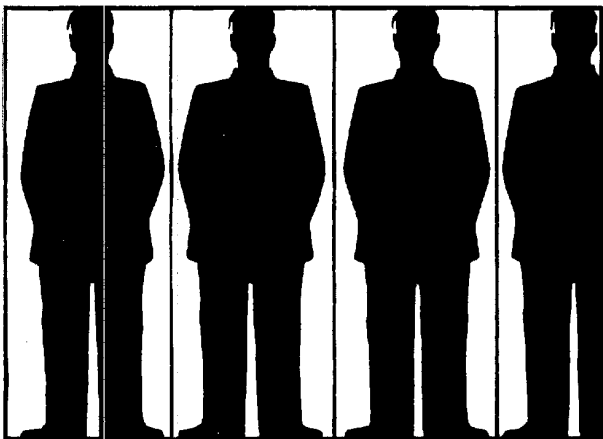
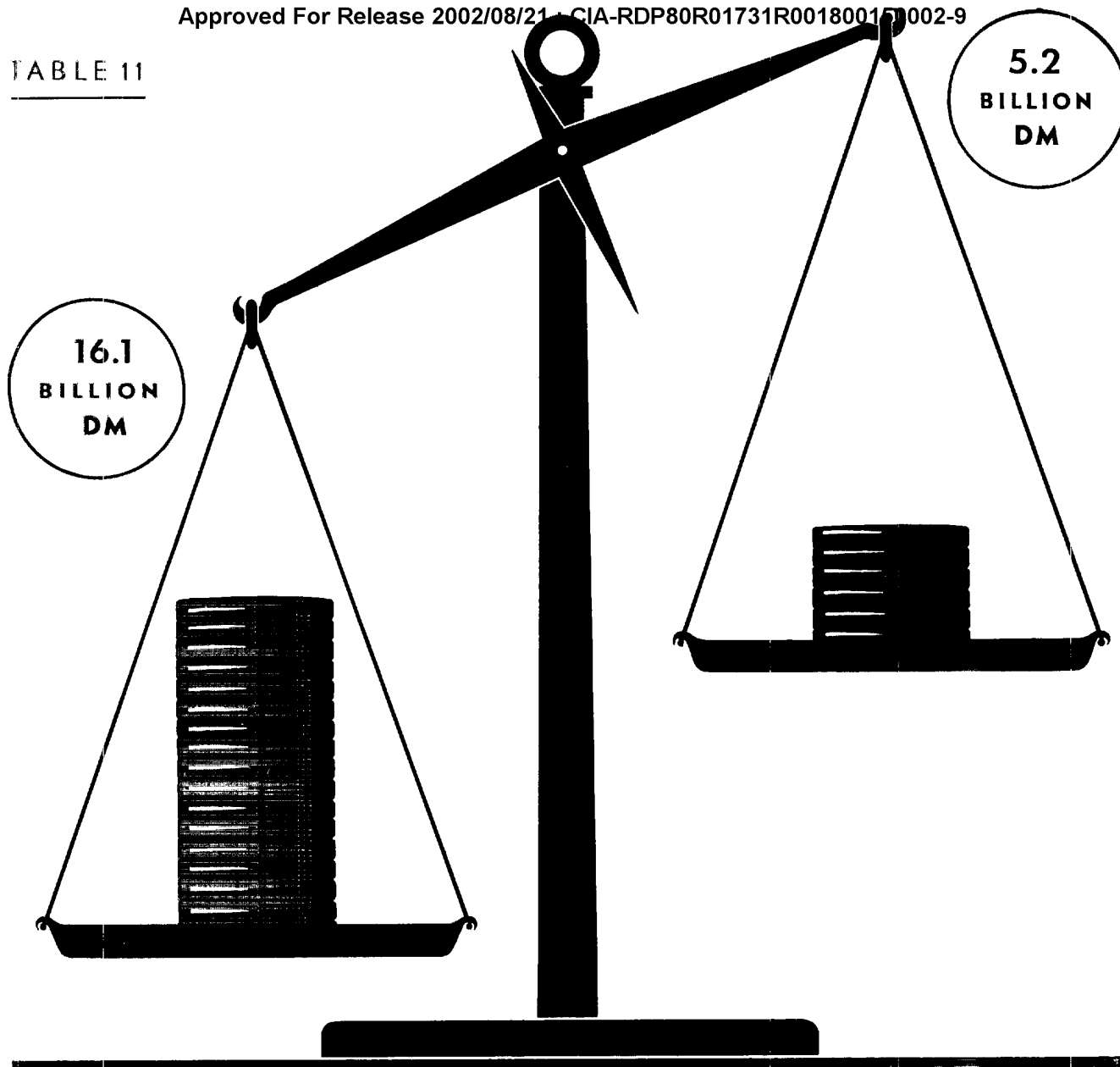


TABLE 11



Whereas occupation costs for **1949, 1950 and 1951** amount to **16.1 billion DM**, direct expenditure on expellees for the same period amounts to only **5.2 billion DM.**

Direct expenditure on expellees comprises:

- a) Individual welfare assistance
- b) Communal welfare assistance
- c) Maintenance grants to expelled former professional Wehrmacht members
- d) Pensions for expelled war invalids
- e) Unemployment benefits
- f) Pensions for widows and orphans of expellees.
- g) Dwelling and transit camps, resettlement, emigration, and productive refugee welfare.

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