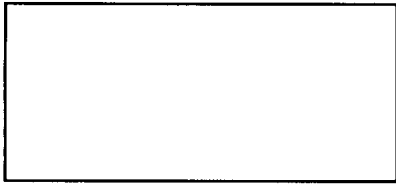


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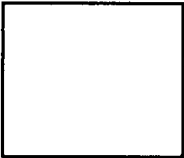
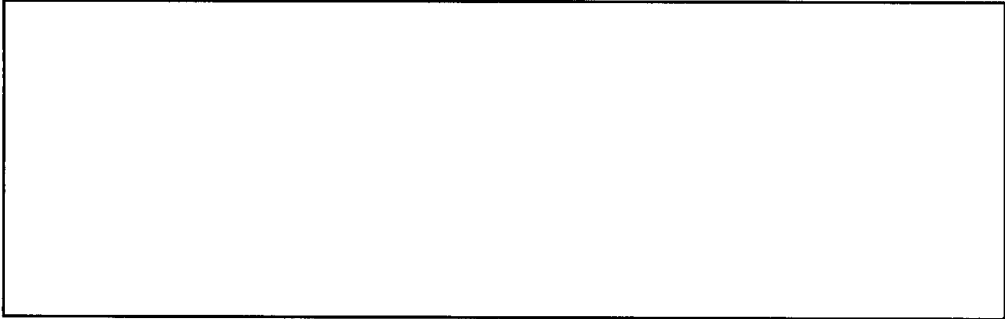
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West Berlin Morale

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Brandt's public statement on 10 December that many people in Berlin anticipated the Christmas season with anxiety or even despair reflected the general feeling of nervousness and uncertainty. He warned against allowing bitterness to give rise to acts of desperation and hopelessness. In order to avoid "misunderstanding" about the sentiments of Berliners, Brandt has again raised the question of a referendum in West Berlin in which Berliners would be asked to decide whether Allied forces should remain in the city and whether the present ties between West Berlin and West Germany should be modified.

Economic indicators of West Berlin morale continued mixed for the second half of November, with private sight deposits and short-term credits up but time deposits and savings deposits down. Bankers are worried over the modest but steady decline in commercial bank deposits, and there are some reported cancellations of industrial orders by West German concerns. Although industrial production for the first ten months of 1961 was over 10 percent above the same period last year, a comparison of production indices for the first half of 1961 with those in the period from July through October shows that the pace of growth is slowing down.

Aware of the growing pessimism in West Berlin, the Communists are planting "scare" stories as part of a war of nerves against inhabitants of the Western sectors. Allied officials have

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noted a sudden increase in rumors that the East Germans are planning to "do something"--perhaps at Christmas time. To date, the East Germans have not reacted to the decision of the Social Democratic Bundestag group to meet in West Berlin on 9 January, but they can be expected to protest strongly. [redacted]

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[redacted]

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