MARSHALL PLAN

GOALS and GAINS

as reported by

OTTO ZAUSMER

in

THE BOSTON DAILY GLOBE

Published for the ECA Public Advisory Board
Economic Cooperation Administration
Washington 25, D.C.
Foreword

This series of articles on the Marshall Plan and the Economic Cooperation Administration has been written by Otto Zausmer, foreign affairs expert of The Boston Globe, to present to Americans a clear and comprehensible idea of what the Marshall Plan has accomplished to date and seeks to accomplish in the future.

Mr. Zausmer is eminently qualified for the assignment. Before the recent war he was a writer on economics and newspaper editor in Vienna. During the war he took leave of absence from The Boston Globe to serve as Deputy Chief of the Office of War Information, Intelligence Section, in London. He remained in Europe for nearly a year after the war as a European correspondent for The Globe. And he returned to Europe last year to observe at first hand the progress of ECA.

These articles first appeared in The Boston Globe in 1949, and have been completely revised and brought up to date by Mr. Zausmer for this publication.

(Economic strength is military strength. In this first article, written several weeks after the communist aggression in Korea, Mr. Zausmer says that rearmament and recovery have to proceed on parallel roads.)

Marshall Plan: Investment In Prosperity and Security

Europe Must Be Armed For An Emergency; She Must At The Same Time Produce For Peace.

SHOULD we not stop distributing that Marshall plan “cake” abroad, while our own “daily bread” becomes more expensive?

The question must have occurred to most of us lately and the temptation to answer it in the affirmative is very strong.

But should we do so? More than that: Can we afford to do so?
Obviously, to drop the Marshall Plan now, after it has passed the halfway mark would jeopardize the entire project. It would probably also destroy more than has been accomplished since 1948. The costs for the last two years, 1951 and 1952, will be about one-fourth of what Congress has approved so far.

Finally, it has become clear by now, and becomes clearer as the war clouds grow, that the Marshall plan is not a charitable affair but a considered investment in European AND American prosperity, if peace can be preserved. It is an investment in European AND American security, in case of war. Far from being a "cake" handed to the poor relations across the Atlantic so that they, too, can have tasty dessert once in a while, it means daily bread for them and it would assure us of our own daily bread here—should war come.

Even today, two years before completion of the undertaking, important tangible results have been achieved. If war broke out next week, Western Europe—which was close to starvation before the Marshall Plan—could probably feed herself without imports from the United States and Canada. This would preserve important shipping space for troop transports and war supplies. Therefore, another "lend-lease" project would require very much less food than during World War II, thus leaving more for American consumption and cutting our expenses.

This has been accomplished not only through a fertile rain of dollars but also through advice, machines, new methods and skills borrowed from this country. Take Italy as an example. Hybrid corn—a product of Harvard laboratories—has been a tremendous success. Conquest of the malaria-spreading mosquitoes on the island of Sardinia permits colonization "at home," a big step toward filling the Italian food basket. Or, American engineering is transforming old sea marsh land into dairy pasture and truck gardens. Altogether an area three times the size of Rhode Island is to be reclaimed. This is a big addition for a country like Italy where they treasure a square foot of land.

Of course agriculture alone is not enough in peace or in war. But the Marshall Plan has also done a great deal for Western European industry. Total industrial output of the participating countries now is 24 percent greater than before World War II. What this means not only in terms of living standards but in terms of armament potential is easily told in a few figures. Steel production is 52 percent higher than in 1938; coal output is up 17 percent.

Such improvements in key industries have been indispensable for defense, too. True, the Marshall
Plan countries strengthened their economies with eyes on better homes, furniture, cars, refrigerators and baby carriages. They did not plan on tanks and guns in the past. They have only now started to reconvert some of their plants from consumer goods to weapons. This can be done. One still remembers that often-told—probably fictitious—story of the German mother who complained to a mail-order store that no matter how she assembled that baby carriage, shipped in parts, the end product was always a machine gun. But without the building up of basic industries since 1948 no conversion for defense purposes would have been possible.

Largely due to the Marshall Plan, many of Western Europe's industries are now vastly superior to those of the Soviet Union and her European satellites. They produce almost twice as much steel, one and a half times as much coal, five times as much electricity. Their transportation system is far better and the number of highly skilled workers is considerably greater.

Take two key countries as examples. Britain produces 16 million tons of steel (compared with 12.7 in 1946). She is investing 20 percent of her national income in capital assets (more than twice the investment between World War I and II). She has doubled her electric power output since 1938. One might add as a footnote significant for the entire Marshall Plan that Western Europe as a whole has doubled its electric production and 95 percent of the investment capital came from Europe, 5 percent from the United States.

Germany, though handicapped through war damage, military occupation, dismantling of factories and restrictions, still turns out more chemicals and more synthetic rubber than before the war; She has a production capacity of 14.5 million tons of steel. Thus—not counting any other Marshall Plan nation—Germany and Britain alone could provide as much steel as the U. S. S. R. and her satellites together.

The war in Korea and the prospect of more Communist aggression elsewhere have made it imperative that some of these basic industries which the Marshall Plan helped to build up for peace, be put in the service of rearmament.

Naturally, this means fewer baby carriages and more tanks, fewer houses, schools, hospitals, fewer luxury goods for home consumption and for export which would bring precious dollars and reduce the need for American assistance.

The paramount question of today is: Just how much of money, raw material, plant space and labor should be diverted from recovery to rearmament?
The decision must not be taken hastily. It involves much more than merely the military problem of security. It also involves economic, social and political stability. Europe must be in a position to defend itself because, as Mr. Churchill rightly warned, there will be little left for liberation if the Soviets swarm over the continent. Besides it would remain to be seen whether liberation from Communist control would be even physically possible. The costs of such an undertaking for the United States defies description.

Thus Europe must be armed for an emergency. But she must at the same time also continue to produce for peace. This double-track activity is one of the supreme and one of the hardest tasks imposed on the free world by the Soviets. Suppose the Marshall Plan countries (and the United States for that matter) shifted their production to an all-out war effort. Russia could overnight drop her war-like attitude at least for a while, just as she has done several times in blockading Berlin. This would make the full conversion from recovery to rearmament a waste in time, money and material. Consequently, full conversion to war production would strain our economy, lower our living standard and upset the timetable of economic and social progress in Europe for years. This is why the Western world must do its utmost to attain a minimum defense potential, enough to stall and stop an aggressor. We must match or outdo the Communist Empire in production capacity and in the quality, not in the quantity of finished weapons.

It is essential to keep in mind that the Kremlin's main objective is the triumph of Communism by whatever is the most convenient means. If the Russians have to use military might they might use it eventually. But they would prefer to achieve their aim without the risk of a war, now or later, simply by undermining economic and social advance in the non-Communist world.

The warning example of Asia, especially the Far East, shows how successful this method has been. The Communists can easily promise the impoverished, unemancipated masses money or land and the overthrow of the traditional rule by oriental or occidental bosses. The Bolsheviks simply dispossess upper and middle classes and exile or execute the ruling clique. It is too late when the poor peasant or worker discovers that he has changed his status as tenant or hired hand to that of a slave and when he finds out that the Commissar is worse than the old-time political boss.

Stalin, like any aggressor, has forced the democracies on the defensive, militarily. Economically and socially, however, they can—indeed must—assume the offensive. They did so in Western
Europe through the Marshall Plan less than three years ago. The result has been not only more butter but also more political stability and the capacity to forge the guns if necessary.

The danger point now is Asia. A new Marshall Plan mission was established in Indo-China recently. Others are planned in Indonesia, Burma and Siam. The financial requirements there are much smaller than they were in Europe; the need for advice and assistance is much greater. One could hardly imagine a greater contribution to the security of the Western world than repetition of the European Marshall Plan success in the Orient. Here and there rearmament and recovery have to proceed on parallel roads. It is a tremendous task. But there is no shortcut to survival.

Has Marshall Plan Done Any Good?

In the past 27 months Uncle Sam has allotted nine-and-a-half billion dollars among the free nations that take part in the Marshall Plan program. The Congress has authorized about three billion dollars to be spent during the next 12 months; and another two billions have been promised conditionally for the last year of the Marshall Plan.

Why do the Europeans need the money?
How have they spent it?
Above all: has it done any good?

Was it just a friendly gift of the rich Uncle so that the poor relations across the ocean could enjoy themselves for awhile? Or was it a well-calculated risk, a business-like investment that could bring dividends?

The answer is that the Marshall Plan paid before it was fully under way.

But the most important results are those which we are only beginning to see because the money spent since the Marshall Plan's inception was a kind of "seed" and it will take time to harvest the crop.

However, the Marshall Plan already has brought a number of very important achievements of a very real nature:
It maintained the flow of vital raw materials and prevented an economic collapse with all its devastating political consequences.

It prevented starvation in France, Germany and Italy in 1948.

To a very real degree, it has put Europe back on its feet. Two years ago, Europe’s broken factories were producing at only a fraction of prewar capacity.

Farmers raised little more than enough to feed themselves.

The transport system was in too sad a state of disrepair to carry surpluses to the under-nourished city people even if the farmers would sell—which they wouldn’t because they had no faith in local currencies.

Misery was rampant and only the Communists were making hay; they found this kind of dislocation exactly suited to their opportunistic bids for power.

Today? Industrial production has been lifted, not merely to prewar levels but 24 percent higher.

Harvests are almost on a par with 1938.

Trains are running again.

Currencies are stabilized.

In human terms: Europeans are eating, they have jobs, they are working and working hard. The accomplishments of the past two years have been described as “almost a miracle” by General Marshall himself. That miracle was wrought by men and women—270 millions of them—who, with our aid, have made the most courageous comeback in history.

But despite these gratifying gains there can be no relaxation of the recovery effort. In fact it must be pressed even more vigorously, for these countries are now required, as they gather economic strength, to make themselves militarily strong. The war in Korea, with its portent of possible Communist aggression elsewhere, has made immediate rearmament of the United States and her allies in Western Europe obligatory for the security of the free world.

And even were they not required to assume this massive burden, these countries could not stand on their accomplishments to date. While their industrial production is higher than before the war, they cannot get along today on a prewar level of production, or even a little better.

For one thing, there are more people. For another, Europe’s resources are less; many of the overseas investments upon which Europe as a capitalist earned a profit have been swallowed up by the costs of war and the transition of colonials like India and Indonesia to the status of a free people.
Europeans realize today that if Europe is to survive they must create a vastly different Europe—above all a united Europe, a continent with pooled resources and with a well-devised plan for cooperation. They know that they must change their working habits, their worn-out machinery, utilize all resources to the maximum and adjust their economies to each other's needs.

So far the Europeans have shown a remarkable ability to work together. Each country has drawn up a thorough report of its resources and its needs. Together they have huddled around a council table in Paris, working out a fair distribution of the available Marshall Plan funds without envy or selfishness. They have agreed on what should be done with the money so that it would do the most good for all of them.

Now they stand on a new threshold. In two great strides they aspire to enter a new realm of cooperation. Those steps are known as the Schuman Plan and the European Payments Union.

The Schuman Plan was launched as a scheme to pool French and German steel production. Soon other nations cottoned to the idea, asked to come in. Currently, not only France and Germany but The Netherlands, Luxembourg, Belgium and Italy are working out ways and means of breaking down trade barriers between themselves so that the raw products of steel—coal and iron—and the steel itself and its products could move freely from one country to another. This would create a greatly expanded market for Europe's basic industrial products, would raise production and cut costs. It would aid efficient producers, encourage inefficient producers to become efficient, and should put an end to the archaic European cartel practice of dividing markets, controlling production and holding up prices.

The European Payments Union is a smashing attempt to break up the trade-throttling barter or bilateral trade system that developed in Europe in the 30's as a result of a shortage of gold. It is in part a gigantic clearing house—or it might better be called an international central bank—that keeps track of the credits and debits between nations. These pluses and minuses are toed up in a new, non-circulating, international currency called an eeu (European Currency Unit). But the European Payments Union is also an incentive system. For its eeu's are to be backed by $600 million in hard money furnished by the Marshall Plan. When a trading nation earns a fair share of eeu's, it is allowed to convert a large percentage of them into dollars. When the nation earns a disproportionate amount of eeu's, the percentage convertible into the badly wanted dollars is cut
down. Thus the nations of Europe are encouraged
to trade evenly amongst themselves. Moreover,
because of the clearing house system and the ease
of paying off and being paid off in eeu’s, trade can
return to a multilateral basis. After the Marshall
Plan ends in 1952, the EPU is expected to be so
strongly entrenched that it can continue indefi-


citely under its own steam.

These changes which the Europeans are trying
to work out represent perhaps the most gigantic
planned revolution in world history, a “super-

retooling” job of a plant that spreads from the
Arctic Circle to the Mediterranean and from the
Iron Curtain to the British Isles. And it is more
than a revolution in terms of factories, machinery
and currencies; it is an attempt to carve out a new,
freer way of life.

While managers and employees are taking stock
and retooling, Uncle Sam has promised to help
them out with the Marshall Plan. They were
given until 1952 to finish the reorganization and
must then start a new enterprise that can support
itself.

*How have the Europeans been spending the
money?*

More than one-third of the Marshall Plan funds
in the first year went for food, feeds, fertilizer and
other agricultural commodities. But the “grocery
bill” will be smaller as time goes on. The Euro-
pean countries have been producing more food
themselves and have freed larger Marshall Plan
sums for reconstruction and modernization of their
industry. During the first year they earmarked a
little less than one-third of the total funds for raw
materials and half-finished products. Nearly one-
third was used to buy fuel, machinery and various
kinds of vehicles. The rest was spent for “miscel-


cellaneous.”

During the second year the monthly average
spent on food, fertilizer and feed was only slightly
more than half the amount the Marshall Plan had
to provide for the same items in 1948. But the
funds granted for fuel, raw materials, machines
and vehicles were either the same or somewhat
larger.

*Where did they buy the commodities?*

More than half the money was spent in the
United States; one-quarter of the goods purchased
came from Canada; the last quarter in almost
equal parts from Latin America, the Marshall Plan
countries themselves and the rest of the world.

*How big a share of American industry is needed
for the Marshall Plan exports?*

Less than one would expect. About 2 percent
of the United States coal production, 1 percent of
the synthetic nitrogen, 1 percent of the steel, 5
percent of the wheat and 1 percent of the lumber produced in this country.

*Does Uncle Sam simply plunk the money on the table and let the Europeans take it?*

No. First of all they have to account for every penny they receive. They must agree among themselves and then seek approval of the ECA before they can spend a dollar.

Secondly, the money is not all a gift. Most of it is given as a grant and the receiving country must set aside an equal amount in its own currency. This so-called counterpart money can be used for repair of war damage, reconstruction or any other purpose, provided the United States approves. Or it can be simply withdrawn from circulation in order to reduce inflation.

A smaller share of the Marshall Plan funds are loans.

Finally, another small part is called conditional aid. A country which receives such conditional aid from the United States in dollars must agree to sell other Marshall Plan countries certain goods which they need and accept their currencies in payment.

*And why did Europe need the American dollar aid in the first place?*

The most obvious reason is the war which left Europe impoverished. The resources of Marshall Plan countries were smaller because of the war and changed world conditions.

Uncle Sam may have his own headaches, but he is vastly better off than his European relations. For example: there are three acres of farm land per capita in the United States as compared with less than one (0.8) in the Western European countries.

All the Marshall Plan countries, with about twice the population of the United States, have not quite half our national income. In other words the living standard of the average American is about four times as high as that of the average person in Marshall Plan Europe.

The national income of the United States is a little less than half the national income of the rest of mankind.

That is why Europe needs American help. But it is well to remember that enormous as the Marshall Plan program is, the three billion dollars now being sought in Congress are only from 2 to 3 percent of the national incomes of the E. R. P. countries. However, these 2 to 3 percent coming from the United States is just the margin which will decide success or failure in rebuilding the old world.
Springboard for Britain

MERRIE ENGLAND has had little reason to be merry for more than a century. Ever since 1841 her exports have not paid for her imports. The handwriting could be seen on the wall in big red letters which grew larger year by year. Interest on investments abroad and the sale of British services paid the deficit for some time.

But in the decade before World War II, Britain could pay her way only by selling annually investments worth several hundred million dollars. Still worse: she invested only one-fifth of what a healthy economy requires. Then during the war she had to sell or pawn even more of her furs and jewels. When peace came, she was left with a tight-fitting old-fashioned garment, the cloth worn and the buttonholes frayed. The garment is austerity.

Something had to be done, done immediately. It is being done right now. The British people are doing it with American financial aid; they are building a new England which will have a good reason for being merry. The England of tomorrow will not be a pompous Victorian mansion but a comfortable middle-class home, whose owners won’t have to worry about the grocery bill.

They have found out what was wrong with their country yesterday and they have decided to do better now.

For example, they discovered that in a certain factory in the United States there are 25 "non-productive" to every 100 "productive" workers; in a similar plant in Britain there are 79 non-productive to every 100 productive workers.

Or, the manager of a British factory reported at a meeting of Midland manufacturers that he had bought some special American machinery but was getting only one-third of the output of a comparable plant in the United States. The main reason for the striking difference was—according to the British industrialist—"the better rhythm" of work in America. For instance, he said, it took four hours to change the tools in one of the complex machines in Britain; it takes only an hour and a half over here.

The Midland manufacturer told his colleagues that the American achievement was "due to the high training of a team of workers who are drilled to do this job whenever called upon; each man knows exactly what his task is, there is no debating, no hesitation. This conception of work like a fire brigade is little known in British factories, and workers will not be quickly persuaded to accept it."

British economists studied the costs of an engineering project in the United States and at home. They found that on a similar project in America costs were one-third lower than in Britain, even though workers’ wages were three times those in
England. But the overhead in the United States was only 23 percent, as compared with 44 percent in Britain.

These were examples of the practices which, together with the tremendous war losses, put England on the toboggan. In the change from riches to rags, there was no way of hiding deformities of the industrial body. The weaknesses of the bones became obvious to anybody who did not shut his eyes. The British people saw it too, and they have taken energetic steps to cure it.

Austerity, the decision to forego luxuries for a while, only set the stage for the cure. More and more, efficient production has followed. Perhaps the British motor industry is about as good an example as any. Passenger cars are more or less a luxury; thus production has been boosted only 20 percent over the prewar level. But the output of trucks is up 104, motorcycles up 115 and tractors up 128 percent.

Modernization and mechanization are the key words. The number of tractors per acre on British farms is already greater even than in the United States. Food output is almost one-fifth higher than before the war and still rising. Steel works have been modernized and production is 50 percent above 1938.

Coal is another vital industry. When the Government took over, they ran up a $100,000,000 deficit in 1947. In 1948, the mines yielded a small profit. Last year the profit was almost thirty million dollars.

True, neither overall production nor the average miner’s production has passed the 1938 mark, but new machinery and new methods being steadily introduced are likely to yield returns. This is most important, because coal can quickly be turned into dollars; and Britain needs dollars for recovery. The more dollars she can earn, the quicker will she overcome that dangerous weakness of the bones and the better are the chances of success of the Marshall Plan.

It would do little good if the Government realized that fact while the people failed to understand the seriousness of their position. Fortunately, the British people have become more and more aware of the cold fact that this is their last chance. Either the country will pull itself up by the bootstraps (provided by Uncle Sam) within the next few years, or Britain will become a beggar nation. So the British people decided to pull, and they have pulled very hard. The number of days lost through strikes since 1945, for example, are about 90 percent fewer than in the years after World War I. There are no loafers in Britain today. The Government could now compel “drones” to work. But there is little need for compulsion. Since the new
labor "direction" law has been enacted, Employment Exchanges have filled 4,500,000 jobs and only 29 of them were filled "by direction."

This remarkable discipline of a democratic nation that does not want and does not need totalitarian methods is the strongest promise of success. The trade deficit has been more than halved. Higher production for home consumption and export, careful buying abroad, and husbanding of material as well as human resources are supposed to wipe out the remaining annual deficit of $1,100,000,000 within the next few years. The blueprints for this last stretch of the road to British recovery are ready. Its completion will depend on the hard labor of the British people, on American aid and on the "political weather" while the construction work continues.

Why Didn't Germany Grab?

In the Spring of 1948 Uncle Sam put a large pile of dollars on the table—more than $500,000,000—and told the Germans to buy what they needed in order to make the Marshall Plan a success in their country. But at the beginning of 1949 contracts for less than one-fourth of the allotted share had been placed and those who held the purse strings in Washington wondered why the Germans did not rush the counter.

Some officials in the Pentagon suggested that Germany could not digest all the golden eggs Uncle Sam has offered her. After all, she received about $1,000,000,000 for food and raw materials from the British-American occupation authorities. An extra $400,000,000 from the Marshall Plan was just too much for the moment.

Or, asked others, had Germany made such a remarkable comeback last year that she simply did not need all the E.R.P. money?

There was a third group in Washington which had still another explanation. They believed that leaders of big business in Germany had no confidence in their country. Why? For a number of reasons. First, they partly hope for and partly fear a war between the United States and Russia in which Germany would be a battlefield. That is why they are hesitant to invest too much money.

Britain in Brief

| Marshall Plan allotment for 1949/50 year of operations: | $919,800,000. |
| Area: | 94,300 square miles. |
| Population: | 50,600,000. |
| Recovery index (100 represents the 1938 level): |
| Cost of living, first half of 1950: | 182. |
| Weekly wage rate: | 184. |
| Exports, first half of 1950: 167—as compared to 151 in 1949. |
| Imports, first half of 1950: 89—as compared to 88 in 1949. |
| Industrial production, first half of 1950: 142—as compared to 132 in 1949. |
Then there is the uncertainty of ownership of industry—for example, in the coal and steel plants of the Ruhr.

The United States has so far opposed nationalization. But the British occupation authorities would not object. The German Federal Government stands for free enterprise, but there are state Parliaments which want to see big industry nationalized. The margin of votes which the Conservatives hold over the Socialists is only slim. This is another reason why German investors have followed a policy of waiting and delay. The currency reform—which came at just about the same time as the Marshall Plan in 1948—also skimmed off a good deal of the available cash. One year later the situation is essentially the same.

Perhaps one might add also that E.R.P. had a late start in Germany and only around the end of 1948 had progressed from the planning stage to that of business transactions. It seems that the success in reviving German economic life is remarkable compared with the desolate situation when the United States Army took over after the war. But business is still a very long way from normal, even a long way from the achievements chalked up by Germany’s neighbors.

In order to reach the target of self-support Western Germany must double her present exports before 1952. Her vital coal production is still millions of tons short of the prewar mark, her steel output has not even reached the 11.1 million ceiling which the Allies set for reasons of security.

In other fields of industrial production Germany has reached and often even surpassed the level of 1936. This has made her “report card” look good. The proud tutors can point to an industrial production index only a few points below that of 1936. But conditions then and today can hardly be compared. For example, almost 10,000,000 newcomers from the Eastern, Soviet-occupied areas have settled in Western Germany, increased the population, swelled the labor force for which employment, food, clothing, shelter and the tools of production must be found.

The Marshall Plan has done a great deal to improve the lot of the individual German and the lot of the entire nation. But the Marshall Plan alone can no more solve the problem in Germany than in any other country. The real solution, the real recovery must be the work of the people and their Government. There are two major tasks ahead in the immediate future: to find capital for investment and to increase the output per man-hour.

At present the average worker or peasant accomplishes about one-fourth less than he did before the war. This makes for low incomes and high prices, it reduces the purchasing power of the individual
and prevents the "baking" of as big a pie as would be needed to serve the vastly increased population.

The reason for this failure is not alone the loss of the Eastern territories or the lack of living space. United Nations investigators demonstrated not too long ago that before the war Eastern Germany was far less important for the Western provinces than has been assumed. Marshall Plan and Military Government experts have made it plain that even on the limited living-space, Western Germany could produce from 15 to 20 percent more food within eight years—provided drastic social and economic reforms were carried through. So far they have been blocked by political leaders in Western Germany.

The other difficulty is lack of investment. With all the destruction in towns and cities, there should be no limit to the boom of the building trades. Unfortunately, the building trades have gone through a real crisis. They have one of the highest numbers of unemployed. Brick yards slowed down or stopped production at the height of the season in 1949 because there was an oversupply of bricks despite the fact that the industry had run well below capacity.

At the beginning of 1950, unemployment in Western Germany increased almost 250,000 within two weeks to about 1,800,000, or 11 percent of the available labor force. This economically, as well as politically, serious situation was brought on not only by the continuous stream of refugees, coming from the Russian zone across the green border at a rate of about 1,000 a day, but also by the lack of capital. Investments in German industry amounted to barely half the twenty billion Deutsche Mark needed last year. To make it worse a considerable part of those investments were spent on projects which did in no way improve the national economy. It seems that economic recovery in Germany is impossible unless the country succeeds in a long-delayed reorganization of its administration, its civil service and the whole strata of the German society. Germany must reform before she can recover.

**German Federal Republic in Brief**

Marshall Plan allotment for the 1949/50 year of operations: $65,700,000 (this includes $196,700,000 allotted by the U. S. Army).

Area: 55,000 square miles.

Population: 50,600,000.

Recovery index (100 represents the 1938 level):

- Cost of living: 149 in mid-1950. This is 5% below the cost of living in mid-1949, and identical with the figure of 1948, when the currency reforms went into effect.
- Exports, second quarter of 1950: 80—as compared to 40 in 1949.
- Imports, second quarter of 1950: 75—as compared to 73 in 1949.
- Industrial production, second quarter of 1950: 89—as compared to 75 in 1949.
Poverty-Stricken Greece

ONE does not have to be a professor of economics to see that Greece is worse off than any other E.R.P. nation. Just consider this:

Even before the war Greece had the lowest per capita income in Europe—one-seventh of the average Englishman's, only half that of the average Italian.

At the same time, the Greek rate of population increase has been the biggest on the continent.

The dollar shortage which threatened other nations after the war has been a chronic disease in Greece. The country has never been in a position to pay its way. She depended heavily on gifts from Greek emigrants abroad. For example, in the last year of normal peacetime conditions, 1938, about $25,000,000 came alone from Greeks in the United States—an enormous sum for poor Greece, because this was more than twice the earnings of the country's merchant marine and that merchant marine was one of the bright hopes of Greek economy.

* * *

What makes Greece so poor?

Here are a few hints.

Only 25 percent of the soil is arable. There are 150 farms to a square mile.

Farmers traditionally work only 130 days a year; the country's present crop could be raised with half the manpower employed now.

Urban skilled workers work only an average of 217 days a year.

On top of such bad conditions came the ravages of war. On the day of liberation from the Nazis there was not one undamaged bridge in the country. All ports were smashed. Only 400 miles of railroad tracks were usable (about the distance from Boston to Washington), and only 618 units of rolling stock were intact. Of the entire merchant marine, which formerly was so important as a dollar-earner, only three sea-going vessels were left.

Is Greece not entitled to reparations from the former Axis nations? Of course. But Russia is holding her protecting hand over Bulgaria, so Greece does not get anything from that Soviet satellite. Very little is to be expected from Germany or Italy, either.

Then there was the expense and damage of the costly, only recently ended civil war, which made every tenth citizen a displaced person. Naturally, this, too, has played havoc with the national economy.

* * *

Is Greece beyond hope?

No. She has assets, promising assets. But it will
take a long time and very hard work to take full advantage of them.

With the help of the Marshall Plan, Greece hopes to increase her arable land by one-tenth between now and 1952. She hopes to add an agricultural area about six times as large as the state of Rhode Island.

The climate is favorable. New methods introduced by Marshall Plan experts and agricultural machinery provided by Marshall Plan funds should greatly improve the farm situation. New crops that would save dollars—sugar beets, for example—are going to be introduced. If the program can be fulfilled, the Food and Agriculture Organization of U.N. estimates Greece can triple her productivity and her national income within one generation.

Fishing, too, has been a major factor in the past and it is supposed to be increased by more than half before the Marshall Plan comes to an end in 1952.

Then FAO proposed more industry. There, too, Greece has many assets. She has iron ore, zinc and lead in quantity and in accessible locations. Her magnesite deposits would be large enough to take care of the needs of all Marshall Plan countries; it's the only such magnesite reserve outside of the Soviet orbit in Europe. Her nickel deposits are also larger than any other outside the Soviet area in Europe and her chrome reserves are surpassed only by neighboring Turkey.

Thus Greece is not a hopeless case. But her hope lies in peace first, continuation of the Marshall Plan second, and in hard work combined with drastic administrative changes. Failure on any of these three points might doom her.

---

### Greece in Brief

Marshall Plan allotment for the 1949/50 year of operations: $156,300,000.
Area: 51,000 square miles.
Population: 8,000,000.
Recovery index (100 represents the 1938 level):
- Industrial production: 109 by May, 1950, as compared to 90 in 1949.
The Plan—and Norway

If the 3,000,000 people of Norway want to make a living they must earn about $200,000,000 abroad every year. But they have nothing to sell unless they dig it out of their rocky mountains or take it from the ocean off their shores.

Thus they have started to work and they are working hard. Throughout 1949 the country had only a single strike. It occurred in the chemical industry and lasted two weeks.

Within the next few years the Norwegians hope to boost their fishing returns about 40 percent compared with prewar days. This would give their economy a great lift because a large part of their modest fortune has always been in the ocean. Though one of the smallest nations in the world, they have the biggest whaling fleet. Now Norway has regained her prewar whaling tonnage despite heavy war-time losses.

Since the beginning of the Marshall Plan, Norway has added two big floating whale oil factories to her fleet. One of these vessels—built in neighboring Denmark—can take care of a 2000-ton catch daily. It has a 100-ton blue whale ready for the rendering tank 90 minutes after the giant is hauled aboard. The oil and meat such boats bring home after six months in the Antarctic account for a substantial part of Norway's income. Herrings and sardines, though smaller in size, are equally important because of their huge numbers. Last year was an exceptionally good one. So the canning industry was busy and left-overs went into cattle feed.

Then the Norwegians make a neat pile of money abroad by running an efficient "express company" of the sea. Soliciting transport business all over the globe, Norwegian sailors used to bring home enough money to pay for one-third of the country's entire imports before World War II. But when the fighting ceased in 1945, Norway had only remnants of a once proud fleet left. Her bill for raw materials went up sky high because prices on the world market were out of line. But freight rates could not be boosted in proportion.

The Norwegians gritted their teeth and went on "digging." The Marshall Plan has kept the wolf from the door and given the Norwegians the strength to dig still more. They have rebuilt their fleet to 5,100,000 tons, which is more than they had before the war. True, many vessels are over age. But by the time the Marshall Plan ends in 1952, they will have a huge fleet of 5,600,000 tons and will make up in volume for what they have lost on freight rates. Still, all this won't cure the headache which they have brought home from an unwanted war. Like most Europeans, they de-
pended on Germany for much of their imports—about 20 percent. Britain was another important business partner. Dollars were not needed for trade with Germany and the British pound sterling was easily convertible into dollars. Now it's the other way around. Pounds earned cannot be exchanged into dollars, but dollars are needed for imports.

Once upon a time, Norway's forests, too, helped to improve the trade balance. If she could use her existing wood-processing plants to capacity, Norway could make several million dollars. Unfortunately, she must hold down her timber consumption in order to make up for war losses, and she must set some of the timber aside for rebuilding what the Nazis destroyed. Therefore the wood-processing industry is working below capacity but producing one-fifth more than before the war. Thanks to the Marshall Plan, Norway can wait.

She does not wait idly but makes the most of other assets which she can dig up in her rocky soil. There is waterpower for example. Today, Norway has 16 percent more electric power than she had a year ago. One power station—built with Danish money—is selling electricity to Denmark and thus helping another Marshall Plan nation to get back on its feet. Within the next five years the Norwegians hope to boost their electricity supply by about 40 percent and even then they will have barely tapped the enormous reservoir of waterpower; the potential capacity is perhaps ten times the present output. This electricity comes in handy for the production of nitrogen and aluminum. They hope to take care of the largest part of European aluminum consumption as soon as they add more and more plants.

Above all, there is their iron ore. Right now a huge steel center is going up at Moi Rana (near the Arctic Circle), where both ore and waterpower are available. It will be the world's largest electrosteel plant and yet only one among many projects of one of the world's smallest nations. And this is why that small nation is not worried, provided it can have peace and the benefit of the Marshall Plan.

---

**Norway in Brief**

Marshall Plan allotment for the 1949/50 year of operations: $90,000,000.

Area: 124,550 square miles.

Population: 3,260,000.

Recovery index (100 represents the 1938 level):
- Cost of living, second quarter of 1950: 168.
- Exports, first quarter of 1950: 110—as compared to 84 in 1949.
- Imports, first quarter of 1950: 131—as compared to 116 in 1949.
- Industrial production: 151 by May, 1950—as compared to 132 in 1949.
France Must Readjust

A little over a year ago two prominent diplomats and economists—one American, the other British—told this writer in different conversations but in almost the same words: "France has become another Spain, and she does not know it."

What they meant was that France, once a wealthy world power, has lost her wealth and power; she is going down, the way Spain has gone down since the days when the Spanish flag waved over the oceans and other continents.

The French people know that their credit is pretty low in certain circles in Washington and London. Their over-all production has surpassed the 1938 total and they insist the future will show that France can regain what she has lost. But it will have to be a different France, they add.

* * *

For example, there has been a long dispute with Britain over what France could give the British in payment for her imports from across the Channel. Austerity-conscious Socialists in London said they had no use for French fashion or perfumes, no matter how world-famous they are. The French, on the other hand, maintained that fashion and perfume were old and unique trade marks which they could not junk without destroying important assets of the past and of—they hope—a less austere future. After all, perfumes, laces, costume jewelry, china, clothing, notions and other luxuries account for about one-third of French industry. It would be impossible to discard such a vital part of the national economy, wasting the skill of millions of workers and the cash value of established trade marks.

On the other hand, the French know they must integrate their economy with other European countries, and they must adjust their production to the demand of the market. They will continue to produce luxuries for nations with a pocketful of dollars; they will cut down on items that are not profitable. For example, the French textile industry intends to specialize on goods which can be produced cheaper than in other countries. Since the French automobile industry has discovered that its passenger car production is no longer lucrative, output has been cut, certain models have been dropped. Right now, for example, the production of trucks is almost three times what it was before
the war, while passenger car output lags slightly behind the 1938 figure.

In this way France is concentrating on vital, profitable ventures, while easing the pace on "luxuries." She will probably put more emphasis on one type and leave it to her neighbor Italy to turn out another. This would eliminate wasteful competition in a restricted market. It would also make for more economical production.

At the same time France is trying to slash her dollar needs for imports. With the help of the Marshall Plan funds, hydro-electric power stations are being built, taming and harnessing Alpine water resources. Many trains are already running on electric power and completion of the electrification of the Paris line to Lyons in the south, has again saved large quantities of coal. This is the more important since coal has created two bottlenecks in the French economy. Very little of it is produced in the country and before the war 45,000,000 tons had to be imported from Britain, Germany and Belgium. Today none of the European coal suppliers has much to spare; besides, they won't sell unless paid in dollars, and France, like everybody else, must husband her small dollar re-
serves. Thus she cannot buy more than half of her prewar coal imports, a situation which slows down industry and yet cuts deep into the dollar reserves. Consequently, almost five years after the end of the war, Paris still rations electricity for householders. There are severe fines for using more than one's electricity ration.

The situation would be worse were it not for imports of Polish coal. The French need the coal badly, the Poles have plenty of it. Nevertheless Poland has curtailed her coal shipments to France during the past twelve months for political reasons. Here, as in many other instances and in many other countries, the cold war has interfered with East-West trade in 1949—to the detriment of both sides.

Despite this handicap France has been forging ahead. Last year industrial production increased and agricultural output has been most satisfactory. For the first time France has harvested enough wheat so she does not need to import any; this was primarily due to machinery and fertilizer supplied by the Marshall Plan.

French farmers, workers and industrialists are doing well. But they must produce more, and above all at lower cost, in order to find markets abroad and earn the money which will help the nation to recover from the gigantic losses of war and occu-
pation ($96 billion). This is the only way that France can retain her prominent position in a greatly changed world.

### France in Brief

Marshall Plan allotment for the 1949/50 year of operations: $673,100,000.
Area: 212,659 square miles.
Population: 41,800,000.

Recovery index (100 represents the 1938 level):
- Cost of living: 1,555 by mid-1950.
- Exports, first half of 1950: 155—as compared to 133 in 1949.
- Imports, first half of 1950: 110 as compared to 104 in 1949.
- Industrial production, second quarter of 1950: 126, as compared to 123 in 1949.

---

### Belgium's Customs Union

The Belgians are a lucky people. They have not only dollars, but also courage. Unfortunately, that is not enough. If the Marshall Plan puts Belgium's neighbors on their feet again, Belgium, too, will be all right; if Germany, France, Holland and England across the Channel go down, they are bound to drag Belgium with them. The well-to-do little nation is a good example of the strong interdependence of European countries.

Naturally, their huge and rich colony in Africa is a big help, though not so big a help as many people believe. At home the Belgians have only one raw material, coal; thus they depend more on their resourcefulness than on their resources. They must trade if they want to live. Therefore, they are trading with everybody who has something to offer or wants to buy from them. Politics don't interfere with their business. Though about as keen on free enterprise as anybody else, they have trade agreements with practically all Communist countries; unfortunately, business with the East has not been too good last year.

On the other hand, the Belgians are looking to-
ward the West. Many Europeans are afraid of foreign capital; they fear it would "enslave" them; not so the Belgians. They are calling for more investments from abroad.

For example, they realized long ago it would be wasteful to compete with the giant American automobile manufacturers. Thus, since they could not lick them, they have joined them. Now there are plants of American automobile concerns in Belgium. The parts are brought over from the States and assembled in Belgium and about one-third of the sales price stays in the country in the form of wages for native labor.

Being primarily businessmen, the Belgians are flexible. There is little demand for the famous lace industry (Brugge) in an impoverished Europe. So they have doubled their efforts to conquer the American market. Hothouse vegetables used to bring a pretty penny before the war, but there is no place for such luxuries while "austerity" remains the keyword on the continent. So the industry has reduced its output.

High-class textiles, too, used to be an important factor in foreign trade. Today, few people in Europe want to spend precious dollars on such luxuries. Thus the Belgians might change from clothing to upholstery and still save the industry. Moreover, they have reduced production costs by installation of modern equipment and by specializing on certain types of textiles.

Depending so much on the well-being of their customers in Europe, the Belgians are deeply interested in the success of the Marshall Plan through better specialization of production in all countries, in the unification of markets as a result of cooperation in the European Marshall Plan organization, OEEC, and in tariff agreements.

In this respect they have again taken the lead by agreeing to a customs union with The Netherlands and Luxembourg. Full economic union is being planned. But, despite the many ties which naturally bind the three so-called Benelux countries together, there are many obstacles in the way of full economic union. Will it materialize? The Belgians are keeping their fingers crossed and all of Europe is watching anxiously. This will be the first test of that much bigger project, the economic or political unification of Europe.

It is perhaps only fair to add that Belgium has had plenty of good luck, too. She was the first Western European nation to get rid of the Nazi occupation forces and had a long headstart for recovery. Besides, the American Army, using Belgium as a base during the closing phase of the war, repaired ports and the transportation system and bolstered the country's economy with hundreds of
millions of dollars for services rendered. The effect of this windfall can hardly be overrated.

Despite all her good luck and effort, Belgium has realized that she needs Marshall Plan help. She does not accept grants, as most other nations do. But she receives loans and so-called “conditional aid” from ERP. That means the United States gives Belgium importers a credit of somewhat more than $300,000,000 for raw materials, fats and machinery. The Belgians pay that amount in their own currency into a fund of the European Marshall Plan nations so that ERP countries can buy Belgian-manufactured goods without spending dollars.

****

There is a similar situation in Switzerland. But the little mountainous country is even more fortunate than Belgium. In fact, Switzerland is an exception in many respects. She takes part in the Marshall Plan more in order to cooperate than in order to get assistance. She receives neither grants nor loans and wants no financial aid from the United States.

Switzerland was spared war losses. Her production facilities are intact. Her monetary system rests on a sound basis. The balance of payments shows no deficit. Neither does she suffer a dollar shortage like the rest of the world. Actually, Switzerland has more than twice the gold reserves she had before the war. In fact, her gold hoard has grown bigger last year and the year before. She is easily the happiest, luckiest nation in Europe.

Even so, Switzerland can see problems ahead—if not tomorrow, perhaps the day after. Being practically devoid of natural resources except such intangibles as a beautiful landscape and a highly-skilled people, she must import all raw materials and much of her food. Her imports cost about twice the returns from exports. So far the difference has been made up from “invisible earnings” such as tourist income and large capital investments abroad.

Thus it is true of the Swiss if it is true of any nation that “their business is business.” They cannot prosper in an impoverished world. While they don’t need American aid now, they have every reason to cooperate in the Marshall Plan and to help
the Europeans back on their feet again. It is in their own interest.

**Belgium in Brief**

Marshall Plan allotment for the 1949/50 year of operations: $220,000,000 (this includes the Grand Duchy of Luxembourg).

Area: 11,775 square miles.

Population: 9,050,000.

Recovery index (100 represents the 1938 level):
- Cost of living: 366 in mid-1950, as compared to 378 in 1949.
- Industrial production, first quarter of 1950: 117 — as compared to 116 in 1949.
- Exports, first quarter of 1950: 107, as compared to 97 in 1949.
- Imports, first quarter of 1950: 108, as compared to 101 in 1949.

---

**Italy to Train Workers**

ITALIAN recovery under the Marshall Plan or under any other plan depends on the "export" of 4,000,000 to 5,000,000 people. They are clever, industrious, handy and gifted people, but they are "too many." Every year the nation grows by about another 400,000 people and there can be no prosperity unless they find homes somewhere outside the old country.

There are from 10 to 15 percent too many people on the country's payroll and there are about as many unnecessary hands on the payrolls of many industries. This is one major obstacle to the streamlining of Italian production. Why streamline, why rationalize, if that would only further reduce the number of hands required and increase the host of unemployable workers?

* * *

Faced with this peculiar difficulty, the Italian Government is desperately trying to solve this human problem. In 1949, about 160,000 Italians emigrated or found at least seasonal jobs in other European countries. But what to do with the rest?
During the half-century before World War I, the United States alone absorbed 4,000,000 Italians, which indicates that the problem is an old one. Today, there can be no possibility of such an enormous influx to this country. Negotiations are under way with Latin American republics, where Italians may have relatives who could help them along in the beginning and there are vast empty spaces of underdeveloped areas.

Much of this planning is still in an embryonic stage. But preparations are being made to avoid further delay if and when agreements are reached with governments in South America, with Canada and Australia.

Meantime, schools are being set up in Italy for the training of tens of thousands of new skilled workers, mechanics and technicians so they can qualify for jobs abroad.

A special investigating committee recently studied the immigration possibilities in Latin America and will advise the Italian Government on opportunities for emigrants, requirements and training of potential candidates.

Nature forgot Italy when she distributed coal, oil and other fuel. A comparatively small amount of coal was mined in Istria, but most of the rest had to be imported. The bulk of it came from Germany and could be paid for in fruit, vegetables and other Italian surpluses. But the war cost Italy her Istrian coal mines; they belong to Yugoslavia now. Germany has had little coal for sale since the war and up to last year Italy depended almost entirely on the United States for fuel imports. (In 1949, however, Germany began to resume coal shipments to Italy on a small scale.)

Fuel for the human machine, wheat, used to come from Eastern Europe. Since the war a large quantity has had to be brought over from the United States. All these and other war-caused changes have drained the small dollar reserves with which the Italian Republic started out. And in addition to all these difficulties, Mussolini and his King left the country saddled with a reparations debt of $300,000,000, payable over a period of seven years plus the cost of reconstruction of war-devastated country.

There is no assurance that Italy will win the deadly struggle against poverty even with American help. But there is a good chance if she can solve the "human export" problem and if she can carry out some of the agricultural, industrial and social reforms the government proposed with financial assistance of the Marshall Plan.

Long-delayed land reform and higher efficiency on farms as well as in factories top the list. Too few individuals own too much of the precious soil
on the narrow Italian peninsula. Too many peasants live in abject misery because they have too little land on which to grow food for their families. Backward methods also hold down Italian production. Many farmers—particularly in the poor South—still cling to primitive methods of agriculture, because they lack modern tools and machines and because they have not been trained properly.

Marshall Plan dollars—about 550,000,000 of them in the first year—supplied the Italian people some of the tools and raw materials to finish the job. Within three years they were planning to reclaim about 2.5 million acres of fertile land, an area more than three times the size of Rhode Island. They intend to provide proper irrigation for an area almost twice the size of Rhode Island and thus boost the number of people employable on the land by about 200 percent.

Hybrid corn is another project. It should increase production of a vital staple food by about 50 percent. But the farmers are still hesitant. It will probably take some time to convince them that hybrid corn, which proved such a success in the United States, would be equally good for their country.

Experiments with it in Italy have been highly successful and it is planned to use hybrid corn on a large scale.

If successful these projects would go a long way toward a better and bigger food basket filled at home. This would leave more exports to pay for fuel and raw materials from abroad.

Another hopeful start was made in 1948; trade with the East developed well and accounted for one-fifth of Italy’s entire foreign business. Unfortunately, the cold war put the brakes on in 1949. There are still trade agreements with a few Iron Curtain nations, goods still flow in both directions but more slowly than the year before.

The most ambitious commercial project is the customs union with France. Negotiations are being carried on in secret and it will probably take years before they can bring concrete results; in fact many people doubt that the plan will ever become a reality. A French-Italian customs union would not only benefit the two countries, but would also set an example for better integration of economic resources in the rest of Europe, which is one of the main objectives of the Marshall Plan.

However, all this will remain temporary patchwork, no cure of the Italian ailment, unless these changes are accompanied by drastic reforms of taxation, tax collection and general administration. This part of the treatment cannot be accomplished
with dollars. It is up to the Italian leaders. So far they have been hesitant.

**Italy in Brief**

Marshall Plan allotment for the 1949/50 year of operations: $389,900,000.
Area: 116,300 square miles.
Population: 46,600,000.

Recovery index (100 represents the 1938 level):
- Cost of living, first half of 1950: 4,747, as compared to 4,884 in 1949.
- Exports, first quarter of 1950: 90—as compared to 85 in 1949.
- Imports, first quarter of 1950: 128—as compared to 118 in 1949.
- Industrial production: 124 by mid-1950—as compared to 104 in 1949.

**Austria Needs Development**

It was not a real explosion, just a kind of "puff," when the big, economically almost self-sustaining Austro-Hungarian Empire burst like a soap bubble three decades ago. The non-Austrian parts left the "commonwealth" and set up their independent states, and what had been an empire of 50,000,000 the night before was a 6,000,000 republic the day after. To make it still worse, about one-third of the entire population of the new Austria lived in the capital, and the "doctors" quickly wrote down their diagnosis: the baby was suffering from hydrocephalus. Its "head" (the capital) was much too big for the "body" (the rest of the country). The poor little misfit would not live long, they predicted.

It really looked pretty grim. The infant acquired almost every disease a child can have; the guardians made many mistakes in bringing him up. But, just as things started to improve slowly after the depression, came the Nazi invasion and the little country was integrated into the Greater German Reich; boundaries were erased, ancient ties cut through, and the whole economy was made over and pressed into the mold of Hitler's empire.

After less than a decade, that Nazi Reich went to pieces. Austria was independent again, once more a small state with "hydrocephalus," and badly
with dollars. It is up to the Italian leaders. So far they have been hesitant.

**Italy in Brief**

Marshall Plan allotment for the 1949/50 year of operations: $389,900,000.

Area: 116,300 square miles.

Population: 46,600,000.

Recovery index (100 represents the 1938 level):

- Cost of living, first half of 1950: 4,747, as compared to 4,884 in 1949.
- Exports, first quarter of 1950: 90—as compared to 85 in 1949.
- Imports, first quarter of 1950: 128—as compared to 118 in 1949.
- Industrial production: 124 by mid-1950—as compared to 104 in 1949.

Austria Needs Development

It was not a real explosion, just a kind of "puff," when the big, economically almost self-sustaining Austro-Hungarian Empire burst like a soap bubble three decades ago. The non-Austrian parts left the "commonwealth" and set up their independent states, and what had been an empire of 50,000,000 the night before was 6,000,000 republic the day after. To make it still worse, about one-third of the entire population of the new Austria lived in the capital, and the "doctors" quickly wrote down their diagnosis: the baby was suffering from hydrocephalus. Its "head" (the capital) was much too big for the "body" (the rest of the country). The poor little misfit would not live long, they predicted.

It really looked pretty grim. The infant acquired almost every disease a child can have; the guardians made many mistakes in bringing him up. But, just as things started to improve slowly after the depression, came the Nazi invasion and the little country was integrated into the Greater German Reich; boundaries were erased, ancient ties cut through, and the whole economy was made over and pressed into the mold of Hitler's empire.

After less than a decade, that Nazi Reich went to pieces. Austria was independent again, once more a small state with "hydrocephalus," and badly
smashed up as the result of the war. Hitler had ruthlessly grafted Austria onto the German economy. Now Austria was cut off and isolated. Finally, she was divided into four parts, each of them occupied by a different army, American, British, French and Russian.

The effect of these political difficulties on economic recovery is obvious. Take the tourist industry. With its scenic beauty, Winter sport tradition and famous Summer resorts, Austria’s income from foreign tourists used to pay for one-fourth of the total imports. Today, four major hotels in the world-famous festival city of Salzburg are still held by the American Army, and in Vienna, where all four powers have their headquarters, most of the high-class hotels are reserved for occupation officials. The saddest part of the story is that even without those hotels the available accommodations are adequate, because the large masses of well-paying former visitors have not yet begun to come back to Austria. Neither can the Austrian government invite whomever it wants, because all visas are still being “checked” by the occupation armies.

* * *

Saddled with these and many more difficulties, Austria realizes that she must snap out of it soon or go bankrupt financially as well as morally. She cannot indefinitely depend on the United States to provide half the food for every man, woman and child in the country. But the unpleasant fact remains that Austria never produced more than 75 percent of the food required, and today is only about 40 percent self-supporting. Moreover, the small reserves of the past are gone. When Hitler “liberated” the Austrians in 1938, he also “liberated” about $100,000,000 in gold and the bonds held in Austrian banks. When the Allied armies liberated the country in 1945, there was not a trace of the gold and there were no other assets left in the banks. Then the Germans took over many major Austrian industries. When the Soviets moved in, they labelled such plants and business firms “German assets” and seized them. They have remained in Russian hands and are no longer a part of Austrian economy.

Under such circumstances, recovery has been slow. Austria’s main source of food supplies used to be the countries which are now Russian satellites. They are still delivering a small amount of foodstuffs, but strictly on a cash or barter basis, no credits.

Where can Austria earn the money to pay for her imports? One of the best sources still remains the tourist industry. It will have to be adjusted to the present conditions in Austria and to the
changed international situation. Similar drastic changes will have to be brought about in other equally important fields in order to make the Marshall Plan a success. For example, Austria used to have six major automobile factories. But the impoverished country has no market for passenger cars. On the other hand, there is a market all over Europe for tractors, ball-bearings and spare parts. This is the new field to which the Austrian automobile industry has switched.

There are also limited surpluses of mineral resources and luxury goods available for export. And finally, there is Austria’s “white gold,” her water power. Before the war, electricity from her Alpine plants used to go to the Ruhr and Rhineland in Western Germany. Today, Germany is again a customer; France, Luxembourg, Switzerland and Italy are also anxious to buy electricity. Therefore Austria intends almost to double her electric power production before the end of the Marshall Plan. This will by no means exhaust her possibilities. Her majestic mountains hold the potentially largest waterpower reservoir in Europe. It could make a substantial contribution to the recovery of a country with hardly any coal or other fuel. (The oil production is not too big, but would be some help if it were not in the hands of the Russians, as a former “German asset.”)

How much progress could Austria make under such conditions? And how much has she made?

A few figures will supply the answer in brief.

Production of consumers’ goods is still considerably below the prewar level, while general industrial production has surpassed it by about one tenth. However, this was achieved only through employment of more workers, which in turn increased the costs and consequently boosted prices.

Output per hour (of the average industrial worker) is from 15 to 20 percent lower than before the war. Farm production is even somewhat worse. The average acre yields about two percent more bread grains than in 1938 but other farm products such as sugar beets, potatoes, coarse grains, cattle or hogs are from 10 to 40 points short of the prewar figure, which in itself was not sufficient to meet the country’s needs. It covered 75% of the need; today the overall figure is below 60.

Austria—perhaps more than most other countries—must export in order to live; but her export prices went up roughly 80 percent in 1949. The stores are full of goods and particularly of delicious food; but the average Austrian cannot afford to pay the prices. For example, per capita consumption of certain important food items is considerably smaller than even during the lean 1930s; per capita consumption is down four percent for
sugar, 51 percent for meat, 22 percent for lard, 41 percent for albumen.

Thus summing up Austria's hopes briefly, one might say that in no other country does the success of the Marshall Plan depend so much on internal and international political developments as in Austria. She is the only Marshall Plan nation which, despite a central government and elected Parliament, has a four-power occupation. She has always been on the crossroads between East and West. Oftentimes this focal location on the European map has been a blessing and a curse. It remains the same in this decisive period of reconstruction. East-West cooperation across Austria could make the country a thriving small state; an East-West tug-of-war across Austria would destroy what little has survived the three revolutionary changes of 1918, 1938 and 1945.

**Austria in Brief**

Marshall Plan allotment for the 1949/50 year of operations: $166,400,000.
Area: 32,369 square miles.
Population: 7,030,000.
Recovery index (100 represents the 1938 level):
Cost of living: 419 by mid-1950, as compared to 455 at the end of 1949.
Exports: 110 by March 1950, as compared to 83 in 1949.
Industrial production, first quarter of 1950: 127, as compared to 113 in 1949.

**Denmark and Sweden**

Denmark’s problem and hope of survival can be summed up in one sentence: The little country with a population slightly smaller than Massachusetts and an area about twice that of this Commonwealth has almost the biggest foreign trade per capita in the world. It's hardly an exaggeration to say that all nature gave them for that trade has been their ingenuity and their untiring industry. If the Danes are a prosperous nation, they owe it only to themselves; if they are in difficulties, it's not their fault.

Speaking of Denmark we think of butter, bacon, eggs, a thriving farmers' nation. But Denmark could not even grow grain without importing fertilizer; she has to buy most of the oil cake and other food for her livestock abroad. All in all, half of her imports are for the use of her agriculture. This is why the Danes don’t speak of “agriculture,” they speak of their “food industry,” stressing the all-important fact that they have to import the “raw material” for their agriculture as other nations do for their industry.

During the war this Danish agriculture was hard hit not only by Nazi exploitation but also by the loss of the main sources of fertilizer, cattle feed, etc. At the end of the war, Denmark's best cus-
tomers were broke. Germany had to be written off completely. Great Britain posed an even more serious problem. The British used to buy about 75 percent of Denmark's total food exports. They paid in pounds sterling and with those pounds the Danes could buy anything and everything anywhere in the world.

But after the war, nobody wanted to take British currency. People demanded dollars. Up to about the time when the Marshall Plan began two years ago, the Danes had to accept "soft currencies" for their produce but had to pay in dollars for the imports which kept their agriculture and industry going. To make matters worse, since the war has left the Western Hemisphere as the only well-supplied storehouse in the world, the Danes had to buy six times as much from the United States and Latin America as they used to buy before the war. No wonder they ran short of dollars.

This was not the whole misery. Nature has compelled them to use their resources to the last ounce, so the Danes built up a thriving industry out of agricultural waste or by-products. When their farmers ran into trouble, important industries such as beer, yeast, insulin and hormone production suffered simultaneously.

Finally, the productivity of the average citizen—which is of paramount importance in such a country with hardly any natural resources—fell below the prewar level. Why? The Danes had not become lazy. But because of the dollar shortage they had to use peat instead of oil in their furnaces. Digging peat tied up many people who used to do more productive and better-paid work before. And they could not spare enough dollars for their famous shipbuilding industry. But they could not afford to let the skilled workers desert the shipyards while waiting for raw materials.

This is where the Marshall Plan came in. It has provided the dollars for "fuel," that is, literally, the oil for the furnace and fuel for the huge agricultural machinery which makes the country tick. But the Marshall Plan must do much more. It must help Denmark's customers, Britain and Germany, above all, to get back on their feet. Then Denmark, too, will be all right.

The Danes were ready to do their share. They have proved it during the past two years. They not only have worked harder but they have also adapted their production to the needs of a changing world. Before the end of the Marshall Plan they intend to reduce their beef and veal output somewhat and to raise the rest of their agricultural output about one-fourth. The program is already well under way.
They have also practically wiped out inflation which was brought upon them by the Nazi occupation. An importer who wants to buy something with Marshall Plan funds must deposit the equivalent amount in Danish currency in the National Bank. (This is called the "counterpart fund.") From there the bills go straight to the paper mill; they are never issued again. Thus one major objective of the Marshall Plan has been accomplished, the victory over inflation. But the Danes continue to destroy most of the "counterpart money," in an effort to reduce the internal debt and to make sure that inflation has been banned for good.

The Danes believe they are on the road to recovery and if they could establish lasting trade relations with Eastern Europe despite political difference, if Uncle Sam would cut some of his tariffs, they have full confidence that the end of the Marshall Plan will find a happy, healthy Denmark contributing to the shaping of a better Europe.

* * *

The Swedes take part in the Marshall Plan as they took part in the war. They tried to stay away from the European conflagration. But some of the sparks singed parts of Sweden's roof. Now the rain is coming through.

Sweden did not see any actual fighting during the war. But toward the end she found herself deeply involved in underground assistance to her neighbors on both sides of the battle front, the Norwegians and Danes who opposed the Nazis and the Finns who fought with the Nazis against Russia. Similarly Sweden hoped that she could confine herself to friendly cooperation with the Marshall Plan, but would not have to ask for aid. In 1948 she had to change her mind. Being in a better position than most other European countries, she still does not request grants, but she applied for loans and "conditional aid," which means that the United States pays for some of the purchases of other ERP nations in Sweden.

Ordinarily Sweden might have extended such credits to her poorer European relations herself. But today she also is feeling the pinch. Before the war Germany used to be Sweden's best customer and at the same time the biggest supplier of coal, which is the most badly needed raw material. There is hardly any of it in Sweden.

* * *

When German coal failed to arrive during the war, Sweden had to burn wood. This taxed her
forests to the limit and she could no longer rely on the income from pulp exports as she used to do. That was a body blow, because wood is the magic wand in the Swedish economy. It provides the raw material for a long list of important products, such as paper, glue, soap, liquor (schnapps), sugar, fodder, medicines, rubber and plastics from which they make, for example, telephone instruments.

That's what explains the temporary calamity. But the Swedes insisted it was just temporary. And they were right. Today, there are no more emergency restrictions on timber. The iron ore output has increased considerably in 1949 and there is a good deal more electric power to work the ore than there was a year ago.

In the meantime the Swedes have built up other businesses which will still pay dividends when the damage caused by the flying cinders of World War II has been repaired.

They have made great strides in agricultural research and particularly hybridization of plants. Two new types of wheat alone have added many million kroners' worth to the annual grain production. A huge electric smelting plant, begun about three years ago, is already partly in operation. It will help exploit one of Sweden's greatest assets, her high-grade iron ore. If they can go on forging precision tools for peace instead of their world-famous arms, the people of Sweden feel confident that they will be on top again before the Marshall Plan ends in 1952.

---

**Denmark in Brief**

| Marshall Plan allotment for the 1949/50 year of operations: $87,000,000. |
| Area: 16,576 square miles. |
| Population: 4,290,000. |
| Recovery index (100 represents the 1938 level): |
| Cost of living, first half of 1950: 174. |
| Exports, first quarter of 1950: 108, as compared to 93 in 1949. |
| Imports, first quarter of 1950: 132, as compared to 107 in 1949. |
| Industrial production: 164 by May, 1950, as compared to 93 in 1949. |

---

**Sweden in Brief**

| Marshall Plan allotment for the 1949/50 year of operations: $48,000,000. |
| Area: 173, 347 square miles. |
| Population: 7,070,000. |
| Recovery index (100 represents the 1938 level): |
| Cost of living, first half of 1950: 158. |
| Exports, first quarter of 1950: 114—as compared to 103 in 1949. |
| Imports, first quarter of 1950: 96—as compared to 90 in 1949. |
| Industrial production, first half of 1950: 167—as compared to 157 in 1949. |
Ireland to Boost Production

YOU don’t need a pencil and paper to figure out why Ireland requires Marshall Plan aid badly. Under normal conditions, Ireland sells 90 percent of her total exports to the United Kingdom. But she buys only half her imports there. If the English pound sterling could still be converted into dollars, as it was before the war, Ireland would have no difficulty. She could take her export returns and her revenues from foreign investments, which are almost exclusively in Great Britain, and be happy. But one can no longer convert pounds into dollars freely. That is why Ireland’s difficulties are grave today.

Under these circumstances, Ireland’s dollar earning consists mostly of remittances from emigrants in the United States, of legacies and of the funds tourists spend during their stay in the country. The United States is not much of a customer. In 1947—before the Marshall Plan became operative—the total sales of merchandise to the United States and Canada amounted to only $1,200,000, and all dollar earnings together for that year did not exceed $27,000,000, while the vital imports for which Ireland had to pay in dollars ran into more than five times that amount—$141,000,000.

Add to this calamity that Ireland, far from making money on the war as other neutrals did, lost about 30 percent of her exports; could not stop the deterioration of her main asset, the soil, for lack of fertilizer; and had to watch the number of pigs, poultry and cattle drop because of the feed shortage. Neither did peace bring an end to her troubles. In the last year before the Marshall Plan, 1947, Ireland was still not able to get more than half the concentrates she needs normally for her agriculture.

With half the entire working population of the country engaged in agriculture, this persistent shortage was a dangerous handicap. The production of wheat, oats, barley, turnips, mangels and potatoes dropped well below the normal peacetime level. The same was true of pigs, eggs and cattle. In the third post-war year the output was still 17 to 54 percent short of the pre-war mark.

This is why Ireland must have Marshall Plan aid. She has a good plan for the use of these dollar credits. The program for the next year sets the goal high but not beyond reach of a realistic, hard-working nation which is determined to win out over its undeserved misery.

Agriculture will naturally continue to play the major part in Ireland’s national economy. Food exports will have to pay for the necessary imports, just as in the past. Therefore agricultural production will be boosted 11 percent above the 1929-
30 average and agricultural exports will be one-quarter higher than before the war.

While the number of cows may not increase much, a considerable improvement in milk yields is expected from richer fertilization and fodder, provided by the Marshall Plan. Total milk production in 1952-53 should be 530,000,000 gallons, as compared with 431,000,000 one year ago. Butter, cheese, condensed milk, dried milk and chocolate crumb production will also be proportionately higher. With the growing number of pigs and chickens, bacon production will be exactly twice what it is today, and poultry production will be up more than one-third.

Next there is a big reforestation program. During the war Ireland's stock of soft wood was depleted by about 60 percent. So far comparatively little has been done to improve the situation. In recent years tree planting has been carried out on about 6000 acres of state forest annually; but the aim is a total of about 1,000,000 acres of new trees. It is to be achieved within the next two decades. This will provide an annual return of 88,000,000 cubic feet of sawn timber when the program is completed.

Shipping, too, must be stepped up. About two years ago the entire deadweight tonnage of the Irish merchant marine was roughly 50,000. Today it is considerably more, and in another two or three years the tonnage is expected to be three times as large as before the beginning of the Marshall Plan. This, of course, won't mean a big merchant marine by American or British standards. But it will provide Ireland with increased freight earnings of about $3,000,000, and that's a lot of money for a small country whose entire dollar earnings were only $27,000,000 before the beginning of the Marshall Plan.

On top of all this, Ireland plans to push exploitation of what minerals there are, land drainage and reclamation on a large scale, electrification particularly of rural areas, and industrialization. Naturally, there has been a tendency to set up new factories near the capital, but the program for the next few years foresees the erection of plants and mills in small towns and villages where the labor supply is plentiful and electric power available. This, it is hoped, will arrest the dangerous flight from the country to the city and even the high emigration from Ireland to England and America. In the last decade the number of people who emigrated from Ireland was bigger than the total number of people employed in the country's industry—185,000. Unfortunately there has been little improvement in this respect. Emigration proceeds at almost the same rate. But Ireland
hopes to lure back its skilled workers who went to Britain during the war. It would help the country’s recovery considerably if they returned home.

On the other hand, the farmers can point to remarkable achievements during the first twenty-one months of the Marshall Plan. They have increased production of pigs about 100 percent, butter 32 percent, eggs 30 percent, milk eight and cattle seven percent.

These are big strides toward the completion of an ambitious program. But ambitious as it is, the past year proved that it can be done and the people of Ireland are determined that it will be done.

**Ireland in Brief**

<table>
<thead>
<tr>
<th>Marshall Plan allotment for the 1949/50 year of operations: $44,900,000.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area: 26,601 square miles.</td>
</tr>
<tr>
<td>Population: 3,050,000.</td>
</tr>
<tr>
<td>Recovery index (100 represents the 1938 level):</td>
</tr>
<tr>
<td>Industrial production, first quarter of 1950: 151, as compared to 144 in 1949.</td>
</tr>
</tbody>
</table>

**Holland Needs Germany**

The Dutch may not like their German cousins any more than do the Scandinavian nations; they cannot forget that most of their misery was “made in Germany.” But just like the Scandinavians and many other Europeans, they understand only too well that a sizable part of their recovery, too, could be “made in Germany.”

For example, Hitler’s lust for power cost the Dutch more than 1½ times their entire annual national income. Much of their wealth floats on the Rhine River because they guard its exit into the sea. Unfortunately, when they tried to gather what means of rehabilitation five years of Nazi occupation and fighting had left, the Dutch found out that the Germans had ruined every large barge in the country by rebuilding the vessels for the invasion of England, which never took place. It was a terrific blow.

But the Dutch are sober people, and don’t waste time crying over spilled milk. They want to go to work to save what can be saved. But they insist that too much milk is still being spilled—in Germany. The Marshall Plan must help stop the waste, or Holland will not have enough to eat.

Traditionally, Germany was The Netherlands’ largest source of supply in the industrial field. Today, Germany has little to sell and Holland must
turn to other business partners, particularly the United States. If Germany were in better shape, Holland would not need so many dollars. When the Germans started to turn the nearby Rhineland and Ruhr area into a huge center of heavy industry in the 19th century, they neglected food production there. That suited the Dutch fine. They developed a highly profitable vegetable trade with their neighbor and bought what they needed in German machinery, chemicals and steel. After World War II the Germans needed those vegetables more than ever. They want them, too. But military government did not want to spend foreign exchange. About 200,000 tons of Dutch vegetables were about to go to waste when the occupation authorities, finally, permitted a last-minute deal in order not to interfere with the Marshall Plan.

On the other hand, military government in the British-American zone of Germany insisted on dollar payments for all coal, lumber, potash, or whatever else The Netherlands wanted to purchase in Western Germany.

The Marshall Plan has changed this. In recent months the Dutch have sold Germany more than they bought there and they no longer have to pay precious dollars for German coal, timber and potash.

But Holland has made progress not only in trade with Germany. Exports of agricultural products in general increased about 50 percent last year; sales of certain items—such as bacon, canned milk, powdered milk and cheese—were four to five times as big as the year before.

The Dutch are also greatly interested in a healthy Germany, because they own part of the Ruhr and Rhine industry and the revenues from such investments are a welcome income.

Still another source of income has dried up since the collapse of Germany. In the good old days of peace, the Germans used to bring grain from their eastern provinces to the Rhine and put it on Dutch barges for shipment through Dutch ports. On the return trip the Dutch vessels brought raw materials to German inland ports for reloading on freight trains. This was a good arrangement, made possible by the free navigation pact of the Rhineland nations. But when military government took over, only German skippers were allowed to land on the German side of the Rhine. That took the frosting right off the Dutch cake. Last year an agreement was reached on Rhine-shipping but Dutch vessels still need special permits for stops at German ports and the Germans are still using their own ports of Hamburg and Bremen, combined with the expensive reloading on trains, rather
than routing imports through the Dutch ports as they did before the war. This saves Germany dollars but it creates a critical situation for Holland. Thus the Marshall Plan must contribute indirectly to Dutch recovery by putting a peaceful Germany back on her feet. A financially strong Belgium should be another indirect aid. Before the war, Holland could buy her textiles and glassware in Czechoslovakia and the Czechs were glad to take Dutch money. Today Czechoslovakia does not have much to offer; Holland must turn to her neighbor, Belgium. Despite a close friendship, the Belgians want payment in dollars or gold. Improvement in Belgium’s own economic situation through the Marshall Plan and “conditional aid,” a complicated three-corner Marshall Plan credit system (for example, United States-Belgium-Holland) should eventually relieve the Dutch dollar shortage.

Directly, the Marshall Plan is expected to tide Holland over until her former customers are in a better financial position again. She needs better markets for her products above all. In 1948 exports paid only for 54 percent of the imports. Last year they paid 85 percent; that’s a remarkable improvement. But it is not enough. The reason for the still existing gap is not that the Dutch failed to produce the goods. Their total output is higher than before the war.

But productivity per man is lower because of the misery “made in Germany.” During the war the Germans stripped the industrial plants bare; they took the electric cables of the Dutch railroads, whose main lines are running on electricity, and they carried the railroad tracks off to Germany. In the Summer of 1945 a trip from The Hague to Rotterdam, which used to take about 20 minutes by train, took four hours because there were no railroads and the trip had to be made by a horse-pulled flat-bottom boat. Things have improved a great deal since. Traffic is back to normal. But the worn-out machinery has not been replaced fully for lack of dollars. These are vital services the Marshall Plan has rendered and is expected to render in the future.

But there have been problems which cannot be blamed on Germany or anybody else and in which the Marshall Plan could not help much. One was the Dutch war against the former Netherlands East Indian colonies which cost about as much as Holland’s share in the Marshall Plan. The unfortunate chapter is closed; the East Indies have become independent; Holland must no longer waste her limited resources on that colonial campaign. On the other hand she will miss her revenues from
the East Indies. The cold war has hurt her, too. A good deal of The Netherlands' grain imports used to come from Eastern Europe. Unfortunately, the former flow has become a trickle and Holland must buy her grain in the United States now which means she must pay with dollars.

Then there is the steadily growing population. Holland's population is growing at a faster rate than that of any other Marshall Plan country. The money needed for capital investment in order to uphold the traditional living standard in the country despite the growing population comes close to half a billion dollars a year, or more than Holland's Marshall Plan allotment.

These are problems for the Dutch people to solve. Success or failure on their part will materially affect the success of the Marshall Plan in The Netherlands.

What Marshall Plan Teaches Labor

ONE OF THE greatest difficulties the European Recovery Program (Marshall Plan) has to overcome is the wrong impression created by its name.

It makes people believe that the gigantic $15,000,000,000 undertaking is primarily concerned with recovery, repair of war damage. It would be a colossal, expensive failure if it did just that.

The Marshall Plan is much more, it is a social, economic—and in a way a political—revolution, a carefully controlled revolution of unparalleled dimensions.

This might have been clear at the beginning, but it has become even more obvious after two years of successful operations in which most of the war damage has been repaired. What remains now is to complete that revolution. And this is as much a problem of psychology as it is an economic problem. The next step is not to patch up houses, repair railroad tracks, replace worn out machines, but to change people, “remake” them, their outlook on life and business, their trade practices and their methods of work.

This is the task for the next two years and it is incomparably more difficult than was the task of repairing war damage.
Take Great Britain. The much-discussed dollar shortage is not a product of the war. It has been a result of changed economic conditions, mistakes and negligence that started way back in the 19th century. Britain’s exports have not paid for her imports for more than 100 years. Profits from foreign investment and services made up the deficit for some time. But even before World War II Britain had to sell investments, to live on her substance, in order to exist at all.

Or take Italy. The most burning problem is how to find work for a rapidly growing population and how to distribute what little arable land is available so it will be worked and not wasted. Neither—nor most of the other problems to be solved—can be blamed on the war. They have plagued the Italian people for centuries.

There is another difficult hurdle which must be taken. The Marshall Plan countries now are producing more than before the war. But production alone is not enough. It must be efficient in order to keep prices reasonable. This calls for new machines and new production methods. Both involve revolutionary changes in thinking as well as in acting.

Between the two world wars British industrialists, for example, shortsightedly neglected modernization of their plants by investing less than half of what a normal healthy economy would have required. Since the war investments have been increased considerably, partly with British money and partly with Marshall Plan aid. But there is another great difficulty. Many workers are opposed to new machines and they have to be persuaded now, as in the beginning the industrialists had to be convinced. This, of course, is not a typically British problem. It can be found everywhere. For example, the organ of the Austrian Socialist party warned its readers in a leading editorial recently: “It must be stated frankly at this point, that there is a certain amount of resistance on the part of labor unions and on the part of many workers. Distrust against every improvement of the plant’s organization or against rationalization of production is understandable in the light of past experience, but it must be overcome nevertheless. . . . The main point is how to reduce the costs of production which are much too high in Austria. Only through a reduction of the costs of production can be prevented what workers dread most when they hear the word ‘rationalization,’ namely, unemployment. . . . It would be truly tragic if we failed to understand this.” In another editorial the same Socialist party organ appealed to farmers for similar changes in their traditional attitude toward new equipment and new methods.

Thus the question arose: How could one persuade the workers? One of the most successful ap-
proaches has been to let them see things for themselves. The Marshall Plan administration has insisted that workers as well as executives come to this country to study machines and methods. Above all, they must come together, as teams. This has proven extremely helpful. It does not do much good if managers come back from America full of enthusiasm, and the workers distrust their recommendations, seeing behind the suggestion a scheme to increase the owners’ profits. But when their own labor union leaders return and talk about their experiences in the United States, the workers listen. The common experience has taken a good deal of the chill out of the relationship between European employers and their employees. An incident which occurred not long ago is perhaps characteristic of the effect of these team study trips to the United States. Shortly after arrival and after visiting a few plants here, a Danish labor leader was asked how he liked what he had seen. He was quite impressed. But there was one thing he did not like. “At home,” he said, “we don’t talk back to our boss the way you people do. We are too polite.” Several weeks later, before returning to Europe, he was asked again whether he felt the same way. “No,” he said, “when we come home we shall talk back to the boss, politely.”

What he meant was not that he would refuse to take orders from his boss but that he would think for himself, take personal interest in his work, consider himself no longer just a hired hand but a part of the “team,” just as he had been a member of the labor-management team while studying here.

Finally, aside from all economic effects on trade and production, there is one more achievement of the Marshall Plan which becomes more striking every day. Millions of Europeans wondered whether it was true—as the Communists claimed—that the Marshall Plan was nothing but an American capitalist plot to enslave the old world. Appointment of prominent American labor union leaders as chiefs of the mission in countries with Socialist regimes—such as Sweden and Norway, for example—has done a great deal to remove that misconception. The returning European labor leaders who came over here as members of the study teams, have done even more. They have learned that workers can obtain high living standards in privately owned industry; and they have been telling their union members about it. They are trying to adopt and adapt their American experiences at home now. Thus the Marshall Plan has become the greatest and most successful advertising campaign for the system of free enterprise as we know it here.

This alone may turn out to be well worth the investment.
Europe in 1952—Competitor, or Partner of U. S. A.?

If it had not been for the Marshall Plan Europe—perhaps even other parts of the world, too—would probably be the scene of chaos and catastrophe today.

Most economic observers agree on that point. But there is less agreement on the equally important follow-up questions: What will happen when the Marshall Plan comes to an end in 1952? Will Europe—put back on its feet with American help—become a business partner or a dangerous competitor for the United States?

The Marshall Plan countries have had to cut their imports from the United States as far as possible. Economists here believe it highly probable that the end of the Marshall Plan aid will see systematic discrimination against United States goods in Europe. At the same time those experts do not think that this is a case of "biting the hand that fed you." They consider it a natural consequence of higher European productivity then, and of the dire necessity to keep European imports and exports balanced.

But while the new situation after 1952 is likely to cause businessmen and government officials many hours of painful headaches, it is not beyond cure.

There are three possibilities of dealing with the "post-Marshall Plan" problems. First, the United States could embark on a permanent Marshall Plan. This, of course, is impossible. It would be simply camouflaged subsidy. Secondly, there would be the possibility of open subsidies; the government might buy up surpluses and sell them abroad at a price below the domestic price here. This is hardly a satisfactory solution.

The best way of dealing with the problem would be to increase imports from abroad and by doing so, to enable the Europeans to earn dollars with which they could buy what they need in this country. This is the suggestion of Professor Lincoln Gordon of Harvard who has served as top-level advisor for the Marshall Plan in Washington and Paris. He is considered one of the best authorities on the Marshall Plan in the country.

Prof. Gordon’s recipe is briefly this: higher imports; smaller exports; greater "invisible" imports such as, for example, money spent by American tourists abroad; and finally, investments in European countries.

Imports, economists agree, must be increased if the United States wants to export in normal times. Those experts add that in addition to semi-luxuries, which constitute the bulk of American imports now, greater purchases of raw materials would
fulfill two purposes: they would make it possible for the dollar-hungry countries abroad to earn the money for orders placed here and also permit Uncle Sam to hold down to a minimum the exploitation of slowly dwindling raw material reserves in the United States.

For example, before the war this country used to buy much more in Southeast Asia than it sold there. But the dollars which flowed to the East made it possible for the Asiatic nations to buy what they needed in Europe. The money returned to the United States when the Europeans made their purchases in this country.

In addition to such measures restoring the foreign trade balance, economists believe that the post-Marshall Plan period will see changes in American production, reorganization and structural adjustments in American industries similar to those now being undertaken in Europe in the course of the Marshall Plan. It is believed that these adjustments will be less sweeping, but they will probably have to come.

There are still another 18 months before the Marshall Plan comes to an end; as time goes on some of the problems will perhaps emerge more clearly and suggest their own remedy. But it is well to face the fact that there are many serious problems ahead and that they must not be ignored because it has become obvious between the two world wars that isolationism does not work. Prof. Gordon has summed up this lesson in a few sentences in a most enlightening article in the February 1949 issue of the Harvard Business Review. He writes: "Any development in the European economic position has its counterpart in American foreign trade; indirectly it also affects the level and composition of domestic American activity. On the political side, it need hardly be pointed out so soon after two world wars with their principal origins in Europe that developments across the Atlantic may be the most potent determinants of our well-being."