

The Marshall Plan Bill
Statement to Speaker Joseph W. Martin,
House of Representatives
March 24, 1948

Washington, D. C.

The Honorable Joseph W. Martin, Speaker
House of Representatives
Washington, D. C.

My dear Mr. Speaker:

I have your request that I give to you my views and recommendations upon the Marshall Plan Bill as reported out of the House Committee on Foreign Affairs.

On January 18th, at the request of Senator Arthur Vandenberg, I made an analysis of and recommendations as to the legislation originally presented by the Administration. Many members of the Congress, myself, and others urged its support in principle because of world conditions, but recommended that certain additional safeguards be introduced into the legislation. We believed these would make for more efficient administration, less drain upon the American taxpayer, less strain on our economy, and at the same time deliver the same volume of commodities to the Marshall Plan countries.

I have now compared the bill as passed by the Senate and the House Foreign Affairs Committee; have had the advantage of the able reports of the Herter Committee and the discussions before the Congress and their Committee reports. While claiming no credit for amendments so ably perfected by the Senate and by the House Committee, it seems to me that the most clear presentation of my personal views and recommendations as to the legislation would be: First, to review the suggestions made in my letter to Senator Vandenberg (likewise made by others) which have been adopted or incorporated in part; and Second, to suggest some further recommendations which I urge for adoption.

**I: PREVIOUS RECOMMENDATIONS ALREADY ADOPTED
BY BOTH SENATE AND HOUSE COMMITTEES OR INCORPORATED IN PART**

1. We proposed that there be set up a business administration under a separate Administrator, yet coordinated with the State Department. This has been done effectively.

2. We urged that a non-partisan board of citizens be created to advise and consult with the Administrator with respect to basic policy matters. This has been done.

3. We suggested that there be organization coordination in all government agencies involved in financial relations with the Marshall Plan countries. This has been accomplished, in effect, by enlarging the National Advisory Council on Monetary and Financial Problems to include the Administrator.

4. We recommended that all government relief organizations for the Marshall Plan countries be consolidated under the Administrator. This has been done by committing to the Administrator any remaining funds in other accounts.

5. We proposed that there must be protection against excessive exports which would injure American economy. The bills are intended to safeguard this.

6. We urged that private channels of trade be utilized to the fullest extent and that partial guarantees be given by the Export-Import Bank to private enterprise. This idea, apparently limited to Americans, was incorporated in the Senate bill and has been strengthened further by the House Committee.

7. I suggested that amounts equivalent to any relief to any particular country be deposited in the currency of that country in a trust fund to be administered jointly by the Administrator and the country concerned for the internal benefit of that country. This has been done. And such sums arising out of previous relief activities have also been transferred to the new administration.

8. We urged that increased production and economic cooperation between countries receiving aid, with monetary and budgetary reforms were vital conditions of success of any plan. That has been made a prominent part of the Administrator's duties and an implied condition of continued support.

9. We recommended that as part payment the countries under aid furnish us, for stockpiling purposes, such commodities as we do not possess sufficiently for future defense. This has been made an implied condition of support in the House bill.

10. We suggested that the petroleum products provided under the original program could not be furnished from the world's present supplies. The act now provides that the world shortage makes undesirable the expansion of petroleum-consuming equipment in the Marshall Plan countries (which originally had been contemplated) where alternate fuel sources are practicable. This provision is most essential until Persian Gulf oil can flow freely to Europe. Thereafter it should be contemplated for many other sources of energy.

11. I proposed that the Congress define more clearly the areas of grants (gifts) from the areas of loans; that all capital goods provided from the United States be made as loans from the Export-Import Bank or private enterprise that all consumption goods from the United States be made as gifts. The reasons were that the former could be repaid out of the increased productivity they create, and that the latter would never be paid because we cannot receive this volume of European goods in return without creating unemployment at home. The House Committee has effected this, to some extent, by dividing the aid into \$1 billion of loans through the Export-Import Bank and \$4.3 billion of unspecified grants and loans. Both bills require consultation with the National Advisory Council in the determination between loans and grants.

12. We urged that no moral commitment be made to the proposed 4-year plan beyond the first period (now one year), with a view to giving complete freedom of review by the Congress at the end of

that period. The plan still stands as a four-year program, but the standards of progress and of performance to be made by the Marshall Plan countries have been emphasized more strongly, and these, no doubt, will be taken into account by the Congress in determining the volume and kind of aid beyond the first year. The House Committee has strengthened the Congressional control of such extensions by an express statement that no implied commitment has been made to any country and a requirement that further assistance shall be authorized as well as simply appropriated as in the Senate bill.

13. We suggested that the Marshall Plan countries should participate in the cost of the program by using the assets of their private citizens in the United States, reimbursing those citizens in their own currencies. This has not been required, but the Administrator is directed to locate and implement such resources and to secure their use, as far as possible.

14. We recommended that definite action be taken to restore German production, particularly steel and machinery, so much needed by the Marshall Plan countries, and to stop removal and demolition of plants. This would relieve the drain upon the American taxpayers, which arises both from shipment of such goods from the United States and by necessary feeding of idle German workmen in the meantime at the expense of our taxpayers. The House bill makes partial provision looking to this end.

II: MY PRESENT RECOMMENDATIONS

1. I originally urged that all relief operations, not only to the Marshall Plan countries, but to China, Germany, Japan, Korea, Greece and Turkey, be consolidated under the Administrator. This would prevent overlap in procurement and enable better coordination of policies. The House Committee has made such provisions as to Greece, Turkey and China. Relief to Germany, Korea and Japan should be incorporated when those appropriations are made later on.

2. I do not recommend a decrease in the authorized total in the House bill for the first year. No doubt the Appropriations Committees will review the effect of decreased prices; the effect of possible savings to be made by guaranteed loans through American citizens, through possible credits of other Western Hemisphere countries; the reduction in such estimated prices as Argentine wheat of over \$4.50 per bushel; the reduction in amounts of proposed commodity shipments which cannot be provided now because of scarcity; etc.

3. Certain new provisions in the House Foreign Affairs Committee bill seem to me to be most advantageous. Chief among these are:

- (a) authority to the Administrator to create a corporation to facilitate operations;
- (b) assistance to Trieste;
- (c) chartering American vessels to Marshall Plan countries when available;

- (d) equitable access of Americans to the development of strategic materials;
- (e) the encouragement of better use of manpower and displaced persons;
- (f) aid to Greece, Turkey and China; and
- (g) the appropriation to the International Children's Emergency Fund, which is reconstruction at its very base. I hope these will be adopted by the Congress.

4. It seems to me that Section 117 (d) is too strongly drawn. If the Marshall Plan countries are to become independent of relief, they must trade with the satellite countries. A provision against munition shipment would appear to be sufficient.

5. It would seem to me that the provision in the Senate bill for a committee of seven members each from the Senate and House to work in conjunction with the Administrator is much more effective than merely reports to the Chairman of Committees, as in the House bill, and should be restored.

6. I urged from the beginning that the other countries in the Western Hemisphere take part in these burdens. The President is authorized to make such a request in the legislation. To bring this about more effectively, and to reduce the drain on the American taxpayers, I suggested that Western Hemisphere countries extend credits for, say, ten years to the Marshall Plan countries, and that the United States guarantee such credits up to 70 % and advance dollars to that amount to the credit-extending Western Hemisphere countries. A permissive authority to the Administrator to make such arrangements was included in the Senate bill. I regret this provision has been deleted from the House Committee bill. The provision in the legislation for guaranteed loans is apparently limited to United States citizens.

This plan is all the more feasible by reason of the fact that most American supplies (consumption goods supplied) must be gifts. The dollar exchange arising out of imports by the United States from the Marshall Plan countries would be free for their purchases in other Western Hemisphere states, thus minimizing the extent of such credit.

I am convinced that a number of countries in the Western Hemisphere are in a position to extend such credits. Because their natural trade is exchange of surplus agricultural products for manufactured goods, to and from Europe such credits can be repaid to them in the course of trade without hardship because they can absorb European manufactured goods without creating unemployment. The increased productivity in Europe would render this possible. As an example, under the State Department program of commodities to be shipped over the four years from other Western Hemisphere states, at the expense of the American taxpayer, is about one billion dollars worth of coffee. Coffee is a comfort, not a nutrient. It would seem that a country desirous of selling its coffee surplus would be willing to deal on a dollar-credit basis, especially if the United States guaranteed 70% of that credit.

I strongly urge the restoration of this guarantee provision, as it could save the American taxpayer a great deal.

IN CONCLUSION

I realize that many approach this gigantic experiment with great apprehension and a realization of the sacrifices it will mean to our people. All legislation must be the result of compromise. However, if it should produce economic, political and self-defense unity in Western Europe, and thus a major dam against Russian aggression, it would stem the tide now running so strongly against civilization and peace. The plan, if well devised and under a capable Administrator, stands a good chance of success. I believe it is worth taking the chance.