

George C. Marshall Foundation, Lexington, Virginia

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# THE MARSHALL PLAN

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President's Message to Congress

Public Laws and Accompanying Reports  
Authorizing Programs and Appropriating Monies

Testimony of General George C. Marshall  
and Others Before U.S. Congress



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PROGRAM OF UNITED STATES POLICY FOR EUROPEAN  
RECOVERY

MESSAGE

THE PRESIDENT OF THE UNITED STATES

PROGRAM OF UNITED STATES POLICY FOR EUROPEAN RECOVERY

December 18, 1947 - Received in the Senate on December 18, 1947  
as to be printed

To the Congress of the United States:

A principal concern of the people of the United States is the creation of a world of enduring peace throughout the world. In order to achieve this goal, the United States is committed to the principle that there will never be a World War III. In the words of the Charter of the United Nations, we are determined to prevent the recurrence of such a calamity and to secure the peace and security of all nations.

We seek lasting peace in a world where freedom and justice are secure and where there is equal opportunity for the well-being of all people.

To this end, the United States joined a leading role in the founding of the United Nations. We have supported the United Nations at all times to the best of our ability, and we have proposed a number of proposals for increasing its effectiveness in maintaining peace and security and in establishing the economic, social, and cultural foundations of peace.

We are working in the United Nations toward the achievement of the goal of disarmament and, in a step which is essential to the achievement of this goal, we have offered to place our most powerful weapons under international control, provided that other nations agree to do so and that the United States is assured the right to defend its territory.

The United States, in the conviction that a permanent and just peace in the world is the only settlement of peace, has been able to obtain fair and workable treaties of peace for former enemies and that they may resume their place in the family of nations.

PRESIDENT'S MESSAGE

George C. Marshall Foundation, Lexington, Virginia



PROGRAM OF UNITED STATES SUPPORT FOR EUROPEAN  
RECOVERY

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M E S S A G E

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

PROGRAM OF UNITED STATES SUPPORT FOR EUROPEAN RECOVERY

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DECEMBER 19, 1947.—Referred to the Committee on Foreign Affairs and ordered  
to be printed

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*To the Congress of the United States:*

A principal concern of the people of the United States is the creation of conditions of enduring peace throughout the world. In company with other peace-loving nations, the United States is striving to insure that there will never be a World War III. In the words of the Charter of the United Nations, we are "determined to save succeeding generations from the scourge of war."

We seek lasting peace in a world where freedom and justice are secure and where there is equal opportunity for the economic well-being of all peoples.

To this end, the United States played a leading role in the founding of the United Nations. We have supported that organization at all times to the best of our ability, and we have advanced a number of proposals for increasing its effectiveness in maintaining peace and security and in establishing the economic, social, and moral foundations of peace.

We are working in the United Nations toward the limitation and control of armaments and, in a step without precedent or parallel, have offered to place our most powerful weapon under international control, provided that other nations agree to effective and enforceable safeguards against its use for destructive purposes.

The United States, in the conviction that a prerequisite to peace in the future is the just settlement of past differences, has labored to obtain fair and workable treaties of peace for former enemy states so that they may resume their places in the family of nations.



The United States has taken the lead in world-wide efforts to promote industrial and agricultural reconstruction and a revival of world commerce, for we know that enduring peace must be based upon increased production and an expanding flow of goods and materials among nations for the benefit of all.

Since the surrender of the Axis Powers, we have provided more than \$15,000,000,000, in the form of grants and loans, for aid to victims of the war, to prevent starvation, disease, and suffering; to aid in the restoration of transportation and communications; and to assist in rebuilding war-devastated economies. This assistance has averted stark tragedy and has aided progress toward recovery in many areas of the world.

In these and many other ways, the people of the United States have abundantly demonstrated their desire for world peace and the freedom and well-being of all nations.

We must now make a grave and significant decision relating to our further efforts to create the conditions of peace. We must decide whether or not we will complete the job of helping the free nations of Europe to recover from the devastation of the war. Our decision will determine in large part the future of the people of that continent. It will also determine in large part whether the free nations of the world can look forward with hope to a peaceful and prosperous future as independent states, or whether they must live in poverty and in fear of selfish totalitarian aggression.

#### INTEREST OF THE UNITED STATES IN EUROPEAN RECOVERY

It is of vital importance to the United States that European recovery be continued to ultimate success. The American tradition of extending a helping hand to people in distress, our concern for the building of a healthy world economy which can make possible ever-increasing standards of living for our people, and our overwhelming concern for the maintenance of a civilization of freemen and free institutions, all combine to give us this great interest in European recovery.

The people of the United States have shown, by generous contributions since the end of hostilities, their great sympathy and concern for the many millions in Europe who underwent the trials of war and enemy occupation. Our sympathy is undiminished, but we know that we cannot give relief indefinitely, and so we seek practical measures which will eliminate Europe's need for further relief.

Considered in terms of our own economy, European recovery is essential. The last two decades have taught us the bitter lesson that no economy, not even one so strong as our own, can remain healthy and prosperous in a world of poverty and want.

In the past, the flow of raw materials and manufactured products between western Europe, Latin America, Canada, and the United States has integrated these areas in a great trading system. In the same manner, far eastern exports to the United States have helped pay for the goods shipped from Europe to the Far East. Europe is thus an essential part of a world-trading network. The failure to revive fully this vast trading system, which has begun to function again since the end of the war, would result in economic deterioration throughout the world. The United States, in common with other nations, would suffer.



Our deepest concern with European recovery, however, is that it is essential to the maintenance of the civilization in which the American way of life is rooted. It is the only assurance of the continued independence and integrity of a group of nations who constitute a bulwark for the principles of freedom, justice, and the dignity of the individual.

The economic plight in which Europe now finds itself has intensified a political struggle between those who wish to remain freemen living under the rule of law and those who would use economic distress as a pretext for the establishment of a totalitarian state.

The next few years can determine whether the free countries of Europe will be able to preserve their heritage of freedom. If Europe fails to recover, the peoples of these countries might be driven to the philosophy of despair—the philosophy which contends that their basic wants can be met only by the surrender of their basic rights to totalitarian control.

Such a turn of events would constitute a shattering blow to peace and stability in the world. It might well compel us to modify our own economic system and to forego, for the sake of our own security, the enjoyment of many of our freedoms and privileges.

It is for these reasons that the United States has so vital an interest in strengthening the belief of the people of Europe that freedom from fear and want will be achieved under free and democratic governments.

#### ORIGINS OF THE EUROPEAN RECOVERY PROGRAM

The end of the fighting in Europe left that continent physically devastated and its economy temporarily paralyzed. The immediate problem was to prevent widespread starvation and disease and to make a start toward economic recovery. In the first year and a half after VE-day, the people of western Europe, by their own diligent efforts and with the aid of the United States and other nations, made remarkable progress toward these objectives.

At the beginning of 1947, however, they were still short of the goal of economic recovery. Their difficulties were greatly increased during the present year, chiefly by a bitter winter followed by floods and droughts, which cut western Europe's grain crop to the lowest figure in generations and hampered production of many other products.

Nevertheless, it was clear by last spring that Europe had achieved sufficient political and economic stability to make possible an over-all plan for recovery.

European recovery is essentially a problem for the nations of Europe. It was, therefore, apparent that it could not be solved, even with outside aid, unless the European nations themselves would find a joint solution and accept joint responsibility for its execution. Such a cooperative plan would serve to release the full productive resources of Europe and provide a proper basis for measuring the need and effectiveness of further aid from outside Europe, and in particular from the United States.

These considerations led to the suggestion by the Secretary of State on June 5, 1947, that further help from the United States should be given only after the countries of Europe had agreed upon their basic requirements and the steps which they would take in order to give proper effect to additional aid from us.

In response to this suggestion, representatives of 16 European nations assembled in Paris in July, at the invitation of the British



and French Governments, to draw up a cooperative program of European recovery. They formed a Committee of European Economic Cooperation. The countries represented were: Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxemburg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom. Although western Germany was not formally represented on the committee, its requirements as well as its ability to contribute to European economic recovery were considered by the Committee.

#### THE RECOVERY PROGRAM PROPOSED BY THE EUROPEAN COUNTRIES

The report of the European committee was transmitted to the Government of the United States late in September. The report describes the present economic situation of Europe and the extent to which the participating countries can solve their problem by individual and joint efforts. After taking into account these recovery efforts, the report estimates the extent to which the 16 countries will be unable to pay for the imports they must have.

The report points out that the peoples of western Europe depend for their support upon international trade. It has been possible for some 270,000,000 people, occupying this relatively small area, to enjoy a good standard of living only by manufacturing imported raw materials and exporting the finished products to the rest of the world. They must also import foodstuffs in large volume, for there is not enough farm land in western Europe to support its population even with intensive cultivation and with favorable weather. They cannot produce adequate amounts of cotton, oil, and other raw materials. Unless these deficiencies are met by imports, the productive centers of Europe can function only at low efficiency, if at all.

In the past these necessary imports were paid for by exports from Europe, by the performance of services such as shipping and banking, and by income from capital investments abroad. All these elements of international trade were so badly disrupted by the war that the people of western Europe have been unable to produce in their own countries, or to purchase elsewhere, the goods essential to their livelihood. Shortages of raw materials, productive capacity, and exportable commodities have set up vicious circles of increasing scarcities and lowered standards of living.

The economic recovery of western European countries depends upon breaking through these vicious circles by increasing production to a point where exports and services can pay for the imports they must have to live. The basic problem in making Europe self-supporting is to increase European production.

The 16 nations presented in their report a recovery program designed to enable them, and western Germany, to become economically self-supporting within a period of 4 years and thereafter to maintain a reasonable minimum standard of living for their people without special help from others. The program rests upon four basic points:

- (1) A strong production effort by each of the participating countries.
- (2) Creation of internal financial stability by each country.
- (3) Maximum and continuing cooperation among the participating countries.



(4) A solution of the problem of the participating countries' trading deficit with the American continents, particularly by increasing European exports.

The nations represented on the European committee agreed at Paris to do everything in their power to achieve these four aims. They agreed to take definite measures leading to financial, economic, and monetary stability, the reduction of trade barriers, the removal of obstacles to the free movement of persons within Europe, and a joint effort to use their common resources to the best advantage.

These agreements are a source of great encouragement. When the representatives of 16 sovereign nations, with diverse peoples, histories, and institutions, jointly determine to achieve closer economic ties among themselves and to break away from the self-defeating actions of narrow nationalism, the obstacles in the way of recovery appear less formidable.

The report takes into account the productive capacities of the participating nations and their ability to obtain supplies from other parts of the world. It also takes into account the possibilities of obtaining funds through the International Bank for Reconstruction and Development, through private investment, and in some instances by the sale of existing foreign assets. The participating countries recognized that some commodities, particularly food, will remain scarce for years to come, and the diet they have set as their goal for 1951 is less adequate in most cases than their prewar diet. The report assumes that many countries will continue restrictions on the distribution of shortage items such as food, clothing, and fuel.

When all these factors had been considered, the European committee concluded that there will still be a requirement for large quantities of food, fuel, raw materials, and capital equipment for which the financial resources of the participating countries will be inadequate. With successful execution of the European recovery program, this requirement will diminish in each of the 4 years ahead, and the committee anticipated that by 1952 Europe could again meet its needs without special aid.

#### APPRAISAL OF THE EUROPEAN PROBLEM

The problem of economic recovery in western Europe is basically of the character described in the report of the 16 nations. A successful European recovery program will depend upon two essentials. The first is that each nation separately and all the nations together should take vigorous action to help themselves. The second essential is that sufficient outside aid should be made available to provide the margin of victory for the recovery program.

The necessary imports which the 16 countries cannot finance without assistance constitute only a small proportion, in terms of value, of their total national production—some 5 percent over the 4 years of the program. These imports, however, are of crucial importance in generating recovery. They represent the difference between ever-deepening stagnation and progressive improvement.

Most of the necessary outside aid, if it is to come at all, must come from the United States. It is a simple fact that we are the only Nation with sufficient economic strength to bridge the temporary gap between minimum European needs and war-diminished European resources.



We expect that other countries which have it within their power will also give what assistance they can to Europe. Canada, for example, has been lending assistance to Europe fully as great in proportion to its capacity as that which we have given. We also expect that international institutions, particularly the International Bank, will provide such assistance as they can within their charters. But the fact remains—only the United States can provide the bulk of the aid needed by Europe over the next 4 years.

It is necessarily a complex and difficult task to determine the extent and nature of this aid.

In some respects, the situation has changed significantly since the report of the 16 countries was completed. Some of these changes have been unfavorable, including price increases in the United States and other countries where Europe makes purchases, a serious drought in Europe, and aggressive activities by Communists and Communist-inspired groups aimed directly at the prevention of European recovery.

There have also been favorable changes. In the last few months coal production in the Ruhr district of western Germany has increased from 230,000 tons a day to 290,000 tons a day. Similarly, coal production in the United Kingdom has risen markedly in recent weeks. Iron and steel production has correspondingly increased. Such increases in production, which lie at the heart of industrial recovery, are of far-reaching importance.

Further changes in the situation, now unpredictable, are to be expected as European recovery progresses.

All our plans and actions must be founded on the fact that the situation we are dealing with is flexible and not fixed, and we must be prepared to make adjustments whenever necessary.

Weather conditions will largely determine whether agricultural goals can be met.

Political events in Europe and in the rest of the world cannot be accurately foreseen. We must not be blind to the fact that the Communists have announced determined opposition to any effort to help Europe get back on its feet. There will unquestionably be further incitements to strike, not for the purpose of redressing the legitimate grievances of particular groups but for the purpose of bringing chaos, in the hope that it will pave the way for totalitarian control.

On the other hand, if confidence and optimism are reestablished soon, the spark they provide can kindle united efforts to a degree which would substantially accelerate the progress of European recovery.

Despite these many imponderables, the dimensions of the necessary assistance by the United States can now be determined within reasonable limits. We can evaluate the probable success of a bold concept of assistance to the European economy. We can determine the principles upon which American aid should be based. We can estimate the probable magnitude of the assistance required and judge whether we can, safely and wisely, provide that assistance.

Extensive consideration has been given to these problems. Congressional committees and individual Members of the Congress have studied them at home and abroad during the recent congressional recess. The report of the European nations has been carefully analyzed by officials of our Government. Committees of the Execu-



tive branch and a group of distinguished private citizens have given their best thought to the relationship between Europe's needs and our resources.

#### PROGRAM FOR UNITED STATES AID

In the light of all these factors, an integrated program for United States aid to European recovery has been prepared for submission to the Congress.

In developing this program, certain basic considerations have been kept in mind:

*First.*—The program is designed to make genuine recovery possible within a definite period of time, and not merely to continue relief indefinitely.

*Second.*—The program is designed to insure that the funds and goods which we furnish will be used most effectively for European recovery.

*Third.*—The program is designed to minimize the financial cost to the United States but at the same time to avoid imposing on the European countries crushing financial burdens which they could not carry in the long run.

*Fourth.*—The program is designed with due regard for conserving the physical resources of the United States and minimizing the impact on our economy of furnishing aid to Europe.

*Fifth.*—The program is designed to be consistent with other international relationships and responsibilities of the United States.

*Sixth.*—The administration of the program is designed to carry out wisely and efficiently this great enterprise of our foreign policy.

I shall discuss each of these basic considerations in turn.

#### RECOVERY—NOT RELIEF

The program is designed to assist the participating European countries in obtaining imports essential to genuine economic recovery which they cannot finance from their own resources. It is based on the expectation that with this assistance European recovery can be substantially completed in about 4 years.

The aid which will be required from the United States for the first 15 months—from April 1, 1948, to June 30, 1949—is now estimated at 6.8 billion dollars.

These funds represent careful estimates of the cost of the goods and services which will be required during this period to start Europe on the road to genuine economic recovery. The European requirements as they were stated in the Paris report have been closely reviewed and scaled downward where they appeared to include nonessentials or where limited supplies will prevent their full satisfaction.

The requirements of the remaining 3 years of the program are more difficult to estimate now, but they are expected to decrease year by year as progress is made toward recovery. Obviously, price changes, weather and crop conditions, and other unpredictable factors will influence the over-all cost of our aid. Nevertheless, the inherent nature of this enterprise and the long-range planning necessary to



put it into effect on both sides of the Atlantic require that this Government indicate its plans for the duration and the general magnitude of the program, without committing itself to specific amounts in future years. The best estimates we can now make indicate that appropriations of about 10.2 billion dollars will be required for the last 3 years.

I recommend that legislation providing for United States aid in support of the European recovery program authorize the appropriation of \$17,000,000,000 from April 1, 1948, to June 30, 1952. Appropriation for the period from April 1, 1948, to June 30, 1949, should be made in time for the program to be put into effect by April 1, 1948. Appropriations for the later years should be considered subsequently by the Congress on an annual basis.

The funds we make available will enable the countries of Europe to purchase goods which will achieve two purposes—to lift the standard of living in Europe closer to a decent level, and at the same time to enlarge European capacity for production. Our funds will enable them to import grain for current consumption and fertilizer and agricultural machinery to increase their food production. They will import fuel for current use and mining machinery to increase their coal output. In addition, they will obtain raw materials, such as cotton, for current production, and some manufacturing and transportation equipment to increase their productive capacity.

The industrial goods we supply will be primarily to relieve critical shortages at a few strategic points which are now curtailing the great productive powers of Europe's industrial system.

The fundamental objective of further United States aid to European countries is to help them achieve economic self-support and to contribute their full share to a peaceful and prosperous world. Our aid must be adequate to this end. If we provide only half-hearted and half-way help, our efforts will be dissipated and the chances for political and economic stability in Europe are likely to be lost.

#### INSURING PROPER USE OF UNITED STATES AID

A second basic consideration with regard to this program is the means by which we can insure that our aid will be used to achieve its real purposes—that our goods and our dollars will contribute most effectively to European recovery. Appropriate agreements among the participating countries and with the United States are essential to this end.

At the Paris Conference the European nations pledged themselves to take specific individual and cooperative actions to accomplish genuine recovery. While some modification or amplification of these pledges may prove desirable, mutual undertakings of this nature are essential. They will give unity of purpose and effective coordination to the endeavors of the peoples of the 16 nations.

In addition, each of the countries receiving aid will be expected to enter into an agreement with the United States affirming the pledges which it has given to the other participating countries, and making additional commitments.

Under these agreements, each country would pledge itself to take the following actions, except where they are inapplicable to the country concerned:



(1) To promote increased industrial and agricultural production in order to enable the participating country to become independent of abnormal outside economic assistance.

(2) To take financial and monetary measures necessary to stabilize its currency, establish or maintain a proper rate of exchange, and generally to restore or maintain confidence in its monetary system.

(3) To cooperate with other participating countries to reduce barriers to trade among themselves and with other countries and to stimulate an increasing interchange of goods and services.

(4) To make efficient use, within the framework of a joint program for European recovery, of the resources of the participating country and to take the necessary steps to assure efficient use in the interest of European economic recovery of all goods and services made available through United States aid.

(5) To stimulate the production of specified raw materials, as may be mutually agreed upon and to facilitate the procurement of such raw materials by the United States for stock-piling purposes from the excess above the reasonable domestic usage and commercial export requirements of the source country.

(6) To deposit in a special account the local currency equivalent of aid furnished in the form of grants, to be used only in a manner mutually agreed between the two Governments.

(7) To publish domestically and to furnish to the United States appropriate information concerning the use made of our aid and the progress made under the agreements with other participating countries and with the United States.

The United States will, of course, retain the right to determine whether aid to any country is to be continued if our previous assistance has not been used effectively.

#### FINANCIAL ARRANGEMENTS

A third basic consideration in formulating the program of United States aid relates to the financial arrangements under which our aid is to be provided.

One of the problems in achieving the greatest benefit from United States aid is the extent to which funds should be made available in the form of grants as contrasted with loans. It is clear that we should require repayment to the extent that it is feasible and consistent with the objectives of the program, in order that no unnecessary burden be imposed upon the people of the United States. It is equally clear that we should not require repayment where it would impose paralyzing financial obligations on the people of Europe and thus defeat the basic purpose of making Europe self-supporting.

Recovery for Europe will not be achieved until its people are able to pay for their necessary imports with foreign exchange obtained through the export of goods and services. If they were to have additional burdens to bear in the form of interest and amortization payments in future years, they would have to plan for an even higher level of exports to meet these obligations. This would necessarily increase the requirements of the recovery program and delay the achievement of economic stability.



It is also important that an increasing portion of the financial needs of Europe be met by dollar loans from the International Bank and by the revival of private financing. This prospect would be seriously jeopardized if the United States, as part of the recovery program, were to impose all that the traffic will bear in the form of debt obligations.

I recommend that our aid should be extended partly in the form of grants and partly in the form of loans, depending primarily upon the capacity of each country to make repayments and the effect of additional international debt upon the accomplishment of genuine recovery. No grants should be made to countries able to pay cash for all imports or to repay loans.

At a later date it may prove desirable to make available to some of the European countries special loans to assist them in attaining monetary stability. I am not now requesting authorization for such loans, since it is not possible at this time to determine when or to what extent such loans should be made.

As economic conditions in Europe improve and political conditions become more stable, private financing can be expected to play an increasingly important role. The recommended program of United States aid includes provisions to encourage private financing and investments.

#### IMPACT ON THE UNITED STATES ECONOMY

A fourth basic consideration is the effect of further aid for Europe upon the physical resources of the United States and upon our economy.

The essential import requirements of the 270,000,000 people of western Europe cover a wide range of products. Many of these requirements can be met by the United States and other countries without substantial difficulty. However, a number of the commodities which are most essential to European recovery are the same commodities for which there is an unsatisfied demand in the United States.

Sharing these commodities with the people of Europe will require some self-denial by the people of the United States. I believe that our people recognize the vital importance of our aid program and are prepared to share their goods to insure its success.

While the burden on our people should not be ignored or minimized, neither should it be exaggerated. The program of aid to Europe which I am recommending is well within our capacity to undertake.

Its total cost, though large, will be only about 5 percent of the cost of our effort in the recent war.

It will cost less than 3 percent of our national income during the life of the program.

As an investment toward the peace and security of the world and toward the realization of hope and confidence in a better way of life for the future, this cost is small indeed.

A committee under the chairmanship of the Secretary of the Interior was appointed last summer to study the effect of a foreign-aid program upon the natural resources of our country. Its study has shown that our resources can safely meet the demands of a program such as I am now recommending. Such demands could not, however, be supplied



indefinitely. Our program of aid to Europe recognizes this fact. Our exports to Europe will decrease during the succeeding years of the program as trade is revived along realistic patterns which will make available from other sources an increasing share of Europe's requirements.

Actually, our position with respect to some raw materials of which we have inadequate domestic resources will be improved, since, under our program of aid to Europe, an increased amount of these materials will be made available to us.

During recent months the Council of Economic Advisers made an intensive study of the impact of foreign aid on our domestic economy. The Council concluded that a program of the size now contemplated is well within our productive capacity and need not produce a dangerous strain on our economy.

At the same time, a group of distinguished private citizens under the chairmanship of the Secretary of Commerce considered the extent and nature of foreign aid which the United States can and should provide. The conclusion of this group was that a program of the scope I am recommending is a proper, wise, and necessary use of United States resources.

The reports submitted to me by the Council of Economic Advisers and the committees under the chairmanship of the Secretary of the Interior and the Secretary of Commerce all emphasized that specific measures should be taken to prevent our foreign-aid program from imposing unnecessary burdens on our economy.

If the United States were to supply from its own production all the essential commodities needed to meet European requirements, unnecessary scarcities and unnecessary inflationary pressures would be created within our economy. It is far wiser to assist in financing the procurement of certain of these commodities from other countries, particularly the other food-producing countries in the Western Hemisphere. The funds we make available to aid European recovery therefore should not be restricted to purchases within the United States.

Under the proposed program of aid to Europe, the total exports to the whole world from this country during the next year are expected to be no greater than our total exports during the past 12 months.

This level of exports will nevertheless have an important impact on our markets. The measures I have already proposed to the Congress to fight general domestic inflation will be useful, as well, in cushioning the impact of the European-aid program.

The effect of aid to Europe upon our economy, as well as its financial cost, will be significantly affected by the arrangements we make for meeting shipping requirements.

The interest of the United States will be served best by permitting the sale or temporary transfer of some of our war-built merchant ships to the European countries. Because of world steel shortages, the sale or temporary transfer of ships should be linked with a reduction or deferment of the projected shipbuilding schedules of the participating countries. These arrangements should be consistent with their long-range merchant-marine requirements. They should also be consistent with our long-range objectives of maintaining an adequate merchant marine and shipbuilding industry for the United States.



Making these vessels available to the European countries will materially reduce the cost of United States aid both by lowering shipping costs and by reducing the use of scarce materials for new-ship construction overseas.

#### RELATIONSHIP TO OTHER INTERNATIONAL QUESTIONS

A fifth basic consideration is the relationship of our aid to the European-recovery program to other international questions.

I have already mentioned that the requirements and resources of western Germany were included in the considerations of the 16 countries at Paris. Our program of United States aid also includes western Germany.

The productive capacity of the highly industrialized areas of western Germany can contribute substantially to the general cooperative effort required for European recovery. It is essential that this productive capacity be effectively utilized, and it is especially important that the coal production of the Ruhr continue to increase rapidly.

Every precaution must, of course, be taken against a resurgence of military power in Germany. The United States has made clear on many occasions its determination that Germany shall never again threaten to dominate Europe or endanger the peace of the world. The inclusion of western Germany in the European recovery program will not weaken this determination.

As an occupying power in western Germany, the United States has a responsibility to provide minimum essentials necessary to prevent disease and unrest. Separate appropriations will be requested for this purpose for the period through June 30, 1949.

Above this minimum level, amounts needed to assist in the rehabilitation of western Germany are included in the over-all estimates for aid to European recovery.

Another significant area of the world which has been considered in developing the recovery program is eastern Europe. A number of the governments of eastern Europe which were invited to participate in the work of the Paris Conference on Economic Cooperation chose not to do so. Their failure to join in the concerted effort for recovery makes this effort more difficult and will undoubtedly prolong their own economic difficulties.

This should not, however, prevent the restoration of trade between eastern and western Europe to the mutual advantage of both areas. Both the report of the 16 nations and the program now submitted to the Congress are based on the belief that over the next few years the normal pattern of trade between eastern and western Europe will be gradually restored. As this restoration of trade is achieved, the abnormal demands on the Western Hemisphere, particularly for food and fuel, should diminish.

The relationship between this program and the United Nations deserves special emphasis because of the central importance in our foreign policy of support of the United Nations. Our support of European recovery is in full accord with our support of the United Nations. The success of the United Nations depends upon the independent strength of its members and their determination and ability to adhere to the ideals and principles embodied in the Charter. The purposes of the European recovery program are in complete harmony



with the purposes of the Charter—to insure a peaceful world through the joint efforts of free nations. Attempts by any nation to prevent or sabotage European recovery for selfish ends are clearly contrary to these purposes.

It is not feasible to carry out the recovery program exclusively through the United Nations. Five of the participating countries are not yet members of the United Nations. Furthermore, some European members are not participating in the program.

We expect, however, that the greatest practicable use will be made of the facilities of the United Nations and its related agencies in the execution of the program. This view is shared by all the participating countries.

Our intention to undertake a program of aid for European recovery does not signify any lessening of our interest in other areas of the world. Instead, it is the means by which we can make the quickest and most effective contribution to the general improvement of economic conditions throughout the world. The workshops of Europe, with their great reservoir of skilled workers, must produce the goods to support peoples of many other nations.

I wish to make especially clear that our concentration on the task in western Europe at this time will not lessen our long-established interest in economic cooperation with our neighbors in the Western Hemisphere. We are, first of all, a member of an American community of nations, in which cooperative action, similar to that which the European nations are now undertaking, is required to increase production, to promote financial stability, and to remove barriers to trade. Fortunately, we in the Americas are further advanced along this road, but we must not overlook any opportunity to make additional progress. The European-recovery program will require procurement of supplies in many nations of this hemisphere. This will act as a stimulant to production and business activity and promote the reestablishment of world trade upon which the prosperity of all of us depends.

While our present efforts must be devoted primarily to western Europe, as the most important area in the world at this time for the future of peace, we also have a special concern for the war-torn areas of Asia. In Japan and Korea, the United States has supplied extensive aid to support life and commerce reconstruction. Since the war's end we have provided China with varied and important assistance which has aided that nation substantially.

The United States should continue to do all it appropriately can to assist in the restoration of economic stability as a basis for recovery in the Far East. Extensive study has been given during the last few months to the means by which we might best aid in meeting the special needs for relief and rehabilitation in China. I expect to make recommendations on that subject to the Congress during its next session.

#### ADMINISTRATIVE ARRANGEMENTS

I have set forth several basic considerations which should govern our aid to the recovery of Europe. One further consideration which vitally affects all the others is the necessity for effective administrative arrangements adapted to the particular requirements of the program. If the work to be done is not well organized and managed, the benefits of our aid could be largely dissipated.



The administration of our aid will involve the performance of several major functions. The needs of the participating countries must be reviewed in close cooperation with them. Continued relationships must be maintained with the United Nations and with an organization of the participating nations. The requirements for each commodity or service under the program must be carefully evaluated in relation to United States supplies and domestic needs and to the resources of other nations which can help. Decisions must be reached as to the best means of supplying aid and the conditions of aid for each country. Assistance must be given to facilitate the procurement, transportation, and efficient use of goods. A constant review must be maintained over the use of our aid and the execution of agreements. The results of the program must be evaluated and reported to all concerned—the President, the Congress, and the people.

While these activities are complex, they are not comparable in magnitude or in character to our wartime supply activities. Under this program, most of the operations can be carried out through private channels and existing Government agencies.

Nevertheless, the scope and importance of the program warrant the creation of a new organization to provide central direction and leadership. I therefore recommend the establishment of a new and separate agency, the Economic Cooperation Administration, for this purpose. It should be headed by an Administrator, appointed by the President and directly responsible to him. The Administrator should be subject to confirmation by the Senate.

The Economic Cooperation Administration will sponsor the European-aid requirements as they are reviewed and adjusted, with other governmental agencies, to form a practical program in the light of available supplies and capacities. The Economic Cooperation Administration will be responsible for initiating the approved program project by project and nation by nation and for regulations as to supervision, cooperative assistance, and other policy matters which will guide the program at every point. In keeping with the importance and nature of its task, the new agency should have flexibility in the determination of operating methods, the use of funds, and the hiring of key personnel.

The relationship of the Economic Cooperation Administration to the existing governmental establishment is of crucial importance. In the determination of programs for the several countries, the assessment of individual projects, and many other matters involving our activities abroad, the Economic Cooperation Administration must work closely with the Department of State. Similarly on many actions affecting our domestic economy the Administration must work with, rather than supplant, existing agencies. For example, the Department of Agriculture should be relied upon for any required Government action in the procurement and allocation of food, and the Department of Commerce for the allocation of certain other commodities in short supply and for continued administration of export controls. The facilities of these agencies will in some cases need to be strengthened, but no major changes in governmental organization to perform important domestic functions will be required.

Under these circumstances, I expect that the Economic Cooperation Administration will need only a small staff. No vast new agency or



corporation is needed to perform functions for which Government facilities now exist.

It is essential to realize that this program is much more than a commercial operation. It represents a major segment of our foreign policy. Day in and day out its operations will affect and be affected by foreign policy judgments. We shall be dealing with a number of countries in which there are complex and widely varying economic and political situations. This program will affect our relationships with them in matters far beyond the outline of the program itself. Its administration must, therefore, be fully responsive to our foreign policy. The Administrator must be subject to the direction of the Secretary of State on decisions and actions affecting our foreign policy.

The United States activities in Europe under the program will constitute essentially an extension of our present relationships with the participating countries. In order to maintain unity of United States representation abroad, our ambassador in each country must retain responsibility for all matters requiring contacts with the government to which he is accredited, including operations under this program. Some additional personnel, technically qualified to perform specialized functions arising out of the program, should be placed in the embassies to represent and carry out the responsibilities of the Economic Cooperation Administration abroad.

In addition, I recommend that provision be made for a special United States representative for the European recovery program. He would represent the United States at any continuing organization of the participating countries, and he would exercise general coordination of our operations in Europe under the program. He should be appointed by the President, subject to confirmation by the Senate, and have ambassadorial rank. Because of the joint interest of the Secretary of State and the Administrator in his activities, the special representative must serve both as the President may direct. The activities of this representative in promoting mutual self-help among the European nations will be of the utmost importance in achieving the success of the European recovery program.

The administrative arrangements I have described are in keeping with the character of the job to be done and will provide the most efficient and economical means for its performance.

#### CONCLUSION

In proposing that the Congress enact a program of aid to Europe, I am proposing that this Nation contribute to world peace and to its own security by assisting in the recovery of 16 countries which, like the United States, are devoted to the preservation of free institutions and enduring peace among nations.

It is my belief that United States support of the European recovery program will enable the free nations of Europe to devote their great energies to the reconstruction of their economies. On this depend the restoration of a decent standard of living for their peoples, the development of a sound world economy, and continued support for the ideals of individual liberty and justice.

In providing aid to Europe we must share more than goods and funds. We must give our moral support to those nations in their



struggle to rekindle the fires of hope and strengthen the will of their peoples to overcome their adversities. We must develop a feeling of teamwork in our common cause of combating the suspicions, prejudices, and fabrications which undermine cooperative effort, both at home and abroad.

This joint undertaking of the United States and a group of European nations, in devotion to the principles of the Charter of the United Nations, is proof that free men can effectively join together to defend their free institutions against totalitarian pressures and to promote better standards of life for all their peoples.

I have been heartened by the widespread support which the citizens of the United States have given to the concept underlying the proposed aid to European recovery. Workers, farmers, businessmen, and other major groups have all given evidence of their confidence in its noble purpose and have shown their willingness to give it full support.

I know that the Members of the Congress have already given much thoughtful consideration to the grave issues now before us. I know that the Congress will, as it should, consider with great care the legislation necessary to put the program into effect. This consideration should proceed as rapidly as possible in order that the program may become effective by April 1, 1948. It is for this reason that I am presenting my recommendations to the Congress now, rather than awaiting its reconvening in January.

I recommend this program of United States support for European recovery to the Congress in full confidence of its wisdom and necessity as a major step in our Nation's quest for a just and lasting peace.

HARRY S. TRUMAN.

THE WHITE HOUSE, *December 19, 1947.*





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