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EUROPEAN RECOVERY PROGRAM

George C. Marshall Foundation, Lexington, Virginia



# EUROPEAN RECOVERY PROGRAM

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## HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE

EIGHTIETH CONGRESS

SECOND SESSION

ON

UNITED STATES ASSISTANCE TO EUROPEAN  
ECONOMIC RECOVERY

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### PART 1

JANUARY 8, 9, 10, 12, 13, 14, AND 15, 1948

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THURSDAY, JANUARY 8, 1948

UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D. C.*

The committee met, pursuant to call, at 10 a. m., in room 318, Senate Office Building, Senator Arthur H. Vandenberg (chairman) presiding.

Present: Senators Vandenberg (chairman), Capper, Wiley, Smith, Hickenlooper, Lodge, Connally, George, Thomas of Utah, Barkley, and Hatch.

Also present: Senators Lucas, Millikin, and Baldwin; Hon. Lewis W. Douglas, Ambassador to Great Britain.

The CHAIRMAN. The committee will come to order.

The committee has before it the proposed legislation for European recovery. The first witness will be the Secretary of State, Mr. Marshall. Mr. Secretary, will you take the stand?

Mr. Secretary, we will be very glad to have you proceed in your own way to present this subject.

### STATEMENT OF HON. GEORGE C. MARSHALL, SECRETARY OF STATE

Secretary MARSHALL. On December 19 the President placed before you the recommendations of the executive branch of the Government for a program of United States assistance to European economic recovery.

This program will cost our country billions of dollars. It will impose a burden on the American taxpayer. It will require sacrifices today in order that we may enjoy security and peace tomorrow. Should the Congress approve the program for European recovery, as I urgently recommend, we Americans will have made a historic decision of our peacetime history.

A nation in which the voice of its people directs the conduct of its affairs cannot embark on an undertaking of such magnitude and significance for light or purely sentimental reasons. Decisions of this importance are dictated by the highest considerations of national interest. There are none higher, I am sure, than the establishment of enduring peace and the maintenance of true freedom for the individual. In the deliberations of the coming weeks I ask that the European recovery program be judged in these terms and on this basis.

As the Secretary of State and as the initial representative of the executive branch of the Government in the presentation of the program to your committee, I will first outline my convictions as to the extent and manner in which American interests are involved in European recovery.



Without the reestablishment of economic health and vigor in the free countries of Europe, without the restoration of their social and political strength necessarily associated with economic recuperation, the prospect for the American people, and for free people everywhere, to find peace with justice and well-being and security for themselves and their children will be gravely prejudiced.

So long as hunger, poverty, desperation, and resulting chaos threaten the great concentrations of people in western Europe—some 270,000,000—there will steadily develop social unease and political confusion on every side. Left to their own resources there will be, I believe, no escape from economic distress so intense, social discontents so violent, political confusion so widespread, and hopes of the future so shattered that the historic base of western civilization, of which we are by belief and inheritance an integral part, will take on a new form in the image of the tyranny that we fought to destroy in Germany. The vacuum which the war created in western Europe will be filled by the forces of which wars are made. Our national security will be seriously threatened. We shall in effect live in an armed camp, regulated and controlled. But if we furnish effective aid to support the now visible reviving hope of Europe, the prospect should speedily change. The foundation of political vitality is economic recovery. Durable peace requires the restoration of western European vitality.

We have engaged in a great war. We poured out our resources to win that war. We fought it to make real peace possible. Though the war has ended the peace has not commenced. We must not fail to complete that which we commenced.

The peoples of western Europe have demonstrated their will to achieve a genuine recovery by entering into a great cooperative effort. Within the limits of their resources they formally undertake to establish the basis for the peace which we all seek, but they cannot succeed without American assistance. Dollars will not save the world, but the world today cannot be saved without dollars.

The Paris Report of the Committee of European Economic Cooperation was a notable achievement. For the first time in modern history representatives of 16 nations collectively disclosed their internal economic conditions and frailties and undertook, subject to stated conditions, to do certain things for the mutual benefit of all. The commitments each made to the other, if faithfully observed, will produce in western Europe a far more integrated economic system than any in previous history.

The report revealed the measure of outside assistance which in their judgment would be necessary to effect a lasting recovery of the participating nations. The executive branch, with help and advice from a great many sources, has developed from this report a program of American aid to Europe which gives substantial promise of achieving the goal of genuine recovery. The program is not one of a series of piecemeal relief measures. I ask that you note this difference, and keep it in mind throughout our explanations. The difference is absolutely vital.

I believe that this measure has received as concentrated study as has ever gone into the preparation of any proposal made to the Congress. The best minds in numerous related fields have worked for



months on this vast and complicated subject. In addition, the best economic and political brains of 16 European nations have given us in an amazingly short time their analyses and conclusions.

The problem we face is enormously complex. It affects not only our country and Europe, but almost every other part of the globe.

We wish to present to you in the simplest possible way a full explanation of the executive branch recommendations for aid to Europe. Our presentation will entail the appearance of high officials from the agencies of the Government intimately concerned. Others will give you more detailed information on the many factors to be considered.

I will confine my remarks to the three basic questions involved: First, "Why does Europe need help?" Second, "How much help is needed?" And third, "How should help be given?"

The "why": Europe is still emerging from the devastation and dislocation of the most destructive war in history. Within its own resources Europe cannot achieve within a reasonable time economic stability. The war more or less destroyed the mechanism whereby Europe supported itself in the past and the initial rebuilding of that mechanism requires outside assistance under existing circumstances.

The western European participating countries, with a present population almost twice our own, constitute an interdependent area containing some of the most highly industrialized nations of the world. As a group, they are one of the two major workshops of the world. Production has become more and more specialized, and depends in large part on the processing of raw materials, largely imported from abroad, into finished goods and the furnishing of services to other areas. These goods and services have been sold throughout the world and the proceeds therefrom paid for the necessary imports.

The war smashed the vast and delicate mechanism by which European countries made their living. It was the war which destroyed coal mines and deprived the workshop of sufficient mechanical energy. It was the war which destroyed steel mills and thus cut down the workshop's material for fabrication. It was the war which destroyed transportation lines and equipment and thus made the ability to move goods and people inadequate. It was the war which destroyed livestock herds, made fertilizers unobtainable and thus reduced soil fertility. It was the war which destroyed merchant fleets and thus cut off accustomed income from carrying the world's goods. It was the war which destroyed or caused the loss of so much of foreign investments and the income which it has produced. It was the war which bled inventories and working capital out of existence. It was the war which shattered business relationships and markets and the sources of raw materials. The war disrupted the flow of vital raw materials from southeast Asia, thereby breaking the pattern of multilateral trade which formerly provided, directly or indirectly, large dollar earnings for western Europe. In the postwar period artificial and forcible reorientation to the Soviet Union of eastern European trade has deprived western Europe of sources of foodstuff and raw material from that area. Here and there the present European situation has been aggravated by unsound or destructive policies pursued in one or another country, but the basic dislocations find their source directly in the war.



The inability of the European workshop to get food and raw materials required to produce the exports necessary to get the purchasing power for food and raw materials is the worst of the many vicious circles that beset the European peoples. Notwithstanding the fact that industrial output, except in western Germany, has almost regained its prewar volume, under the changed conditions this is not nearly enough. The loss of European investments abroad, the destruction of merchant fleets, and the disappearance of other sources of income, together with increases in populations to be sustained, make necessary an increase in production far above prewar levels, even sufficient for a living standard considerably below prewar standards.

This is the essence of the economic problem of Europe. This problem would exist even though it were not complicated by the ideological struggles in Europe between those who want to live as freemen and those small groups who aspire to dominate by the method of police states. The solution would be much easier, of course, if all the nations of Europe were cooperating. But they are not. Far from cooperating, the Soviet Union and the Communist parties have proclaimed their determined opposition to a plan for European economic recovery. Economic distress is to be employed to further political ends.

There are many who accept the picture that I have just drawn but who raise a further question: "Why must the United States carry so great a load in helping Europe?" The answer is simple. The United States is the only country in the world today which has the economic power and productivity to furnish the needed assistance.

I wish now to turn to the other questions which we must answer. These are "how much" aid is required and "how" should that aid be given.

Three principles should determine the amount and timing of our aid. It must be adequate. It must be prompt, it must be effectively applied.

The objective of the European recovery program submitted for your consideration is to achieve lasting economic recovery for western Europe; recovery in the sense that after our aid has terminated, the European countries will be able to maintain themselves by their own efforts on a sound economic basis.

Our assistance, if we determine to embark on this program to aid western Europe, must be adequate to do the job. The initial increment of our aid should be fully sufficient to get the program under way on a broad, sound basis and not in a piecemeal manner. An inadequate program would involve a wastage of our resources with an ineffective result. Either undertake to meet the requirements of the problem or don't undertake it at all.

I think it must be plain to all that the circumstances which have given birth to this program call for promptness in decision and vigor in putting the project into operation. The sooner this program can get under way the greater its chances of success. Careful consideration and early action are not incompatible.

The interim-aid law which the Congress enacted last December was designed as a stop-gap measure to cover the period until April first of this year. In the meantime it would be possible to consider the long-term recovery measure which we are now discussing. Unless the program can be placed in operation on or soon after April 1, there



will undoubtedly be a serious deterioration in some of the basic conditions upon which the whole project is predicated.

It is proposed that the Congress now authorize the program for its full four and one-quarter year duration, although appropriations are being requested only for the first 15 months. Annual decisions on appropriations will afford full opportunity for review and control. But a general authorization now for the longer term will provide a necessary foundation for the continuing effort and cooperation of the European countries in a progressive program of recovery.

The amounts, form, and conditions of the recommended program of American aid to European recovery have been presented in President Truman's message to the Congress on December 19, 1947. They were further explained in the proposed draft legislation and background material furnished to this committee at that time by the Department of State. Taking as the basis genuine European cooperation—the maximum of self-help and mutual help on the part of the participating European countries—the program aims to provide these countries, until the end of June 1952, with those portions of their essential imports from the Western Hemisphere which they themselves cannot pay for. These essential imports include not only the food, fuel, and other supplies but also equipment and materials to enable them to increase their productive capacity. They must produce and export considerably more goods than they did in prewar times if they are to become self-supporting even at a lower standard of living.

During the first 15 months, exports from the European countries will provide current revenue sufficient to cover almost their entire import needs from sources outside the Western Hemisphere and also about one-third of their requirements from the Western Hemisphere.

It is not proposed that the United States provide aid to the full extent of western Europe's remaining trade deficit with the Western Hemisphere. Funds from sources other than the United States Treasury are expected to carry part of the load. These will be, principally credits and other forms of assistance from other countries in our hemisphere, loans from the International Bank and private sources, and a further slight reduction in European reserves. It is the final deficit, after all those other means of financing essential imports have been utilized, that it is proposed be covered by American aid.

In each succeeding year of the program, increased production and increased trade from Europe is expected to reduce the amount of assistance needed, until after mid-1952, when it is calculated that the participating countries will have recovered ability to support themselves.

The recommended program of \$6,800,000,000 for the first 15 months reflects a searching and comprehensive investigation by the executive branch of European needs and of availabilities in the United States and other supplying countries, taking full account of the findings of the Harriman, Krug, and Nourse committees.

The program of the \$6,800,000,000 for the first 15 months has been computed with precision. I wish to emphasize that this amount does not represent a generous estimate of requirements. It is not an "asking figure" based on anticipated reductions prior to approval. It reflects



a rigorous screening of the proposals developed by the CEEC and a realistic appraisal of availabilities. In our judgment, American assistance in this magnitude is required to initiate a program of genuine recovery and to take both Europe and this Nation out of the blind alley of mere continuing relief.

The total estimated cost of the program is now put at somewhere between 15.1 to 17.8 billions. But this will depend on developments each year, the progress made, and unforeseeable variations in the weather as it affects crops. The over-all cost is not capable of precise determination so far in advance.

In developing the program of American assistance, no question has been more closely examined than the ability of the United States to provide assistance in the magnitudes proposed. Both in terms of physical resources and in terms of financial capacity our ability to support such a program seems clear. Representatives of the executive branch more closely familiar than I with the domestic economy will provide further testimony on this issue. But I should like to remind you of the conclusions of the three special committees which explored this matter in detail during the summer and fall.

The proposed program does involve some sacrifice on the part of the American people, but it should be kept in mind that the burden of the program diminishes rapidly after the first 15 months. Considerations of the cost must be related to the momentous objective, on the one hand, and to the probable price of the alternatives. The \$6,800,000,000 proposed for the first 15 months is less than a single month's charge of the war. A world of continuing uneasy half-peace will create demands for constantly mounting expenditures for defense. This program should be viewed as an investment in peace. In those terms, the cost is low.

The third main consideration which, I feel, should be borne in mind in connection with this measure is that relating to conditions or terms upon which American assistance will be extended. It is the obvious duty of this Government to insure insofar as possible that the aid extended should be effectively used to promote recovery and not diverted to other purposes, whatever their nature. This aspect of the program is perhaps the most delicate and difficult and one which will require the exercise of a mature judgment and intelligent understanding of the nature of the problem faced by the European governments and of our particular position of leadership in this matter. We must always have in mind that we are dealing with democratic governments of sovereign nations.

We will be working with a group of nations each with a long and proud history. The peoples of these countries are highly skilled, able, and energetic and justly proud of their cultures. They have ancient traditions of self-reliance and are eager to take the lead in working out their own salvation.

We have stated in many ways that American aid will not be used to interfere with the sovereign rights of these nations and their own responsibility to work out their own salvation. I cannot emphasize too much my profound conviction that the aid we furnish must not be tied to conditions which would, in effect, destroy the whole moral justification for our cooperative assistance toward European partnership.



We are dealing with democratic governments. One of the major justifications of asking the American people to make the sacrifice necessary under this program is the vital stake that the United States has in helping to preserve democracy in Europe. As democratic governments they are responsive, like our own, to the peoples of their countries—and we would not have it otherwise. We cannot expect any democratic government to take upon itself obligations or accept conditions which run counter to the basic national sentiment of its people. This program calls for free cooperation among nations mutually respecting one another's sincerity of purpose in the common endeavor—a cooperation which we hope will long outlive the period of American assistance.

The initial suggestion of June 5 last, the concept of American assistance to Europe, has been based on the premise that European initiative and cooperation are prerequisite to European recovery. Only the Europeans themselves can finally solve their problem.

The participating nations have signified their intention to retain the initiative in promoting their own joint recovery. They have pledged themselves to take effective cooperative measures. They have established ambitious production targets for themselves. They have recognized the need for financial and monetary stability and have agreed to take necessary steps in this direction. They have agreed to establish a continuing organization to make most effective their cooperative work and the application of American assistance. When our program is initiated we may expect that the participating European countries will reaffirm as an organic part of that program their multilateral agreements.

The fulfillment of the mutual pledges of these nations would have profound effects in altering for the better the future economic condition of the European Continent. The Paris Conference itself was one major step, and the participating nations have not waited on American action before taking further steps, many of which required a high order of practical courage. They have moved forward toward a practical working arrangement for the multilateral clearing of trade. France and Italy, whose financial affairs suffered greatly by war and occupation, are taking energetic measures to establish monetary stability—an essential prerequisite to economic recovery. British coal production is being increased more quickly than even the more hopeful forecasts, and there is prospect of the early resumption of exports to the Continent. The customs union among Belgium, the Netherlands, and Luxemburg is now in operation. Negotiations for a Franco-Italian customs union are proceeding.

Our aid will not be given merely by turning money over to the European governments. The European countries will prepare periodic statements of their needs, taking into account the developing programs of mutual aid worked out through the CEEC continuing organization. After review by the specialist economic cooperation officers in each country and by the special United States Ambassador to the continuing CEEC organization, they will be transmitted to the Administrator of the American agency carrying out our program of assistance.

The Administrator, in collaboration with other appropriate agencies of the Government, will determine to what extent the European



requirements are justified and to what extent they can safely be met. The Administrator will also decide which specific requirements from among the over-all requirements will be financed by the United States, taking into account the ability of the country concerned to pay for some portion or all of its total needs. For those needs which cannot be paid for in cash, the Administrator will further decide, in consultation with the National Advisory Council, whether aid will be provided in loans—where a sound capacity to repay in the future exists—or in outright grants. When the program has been determined in detail, the Administrator will either advance requisite funds to the participating country concerned to enable the purchase of the approved imports or, more generally, he will reimburse the countries when they have procured and received these import items.

A substantial amount of the essential needs of Europe must come from countries of the Western Hemisphere other than the United States. In some cases the quantities required will not exist in the United States, in others the impact on the American economy will be greatly relieved if commodities can be procured elsewhere. A sizable proportion of the funds appropriated for the European recovery program should therefore be available for the financing of purchases made outside the United States.

The application of American assistance will be in accord with the bilateral agreements to be negotiated with each of the participating countries. The terms of these proposed agreements are outlined fully in the documents submitted to your committee on December 19 last.

The administration of the program will demand the best talent and the greatest efficiency that our country can muster. The organization bearing the central responsibility must be small and select. It must hold the full and complete confidence of the American people and of the Europeans. It should combine efficient, businesslike administration and operation with the qualities of judgment and discrimination necessary to achieve quick and lasting recovery in Europe at the least long-term cost to the American people and with the least impact on our economy.

The organization must fit into the complex mechanics of our world export picture. American food, steel, and other products are being exported to many areas other than Europe. In many categories American output represents the major source of shortage goods in the world. There is at present workable machinery in the Government for determining total export availabilities in the light of domestic needs and for allocating these items among the many bidders. We propose that this machinery be continued.

The organization must be granted flexibility in its operations. In my judgment this is the most vital single factor in effective administration. Without flexibility the organization will be unable to take advantage of favorable developments, to meet adverse emergencies, or to cushion the impact of the program on the domestic economy.

It has been suggested in some quarters that the administering agency should be established in the form of a Government corporation. It is claimed that a corporation can be vested with broader powers and flexibility than an independent executive agency. I do not believe that this is necessarily so.

The legislation establishing an agency can clothe it with any or all of the beneficial attributes of a Government corporation. On the



other hand an executive agency under the responsible direction of one man, and fitted into the existing machinery of Government, will be better able to meet the requirements of the situation than a corporation directed by a board. This task of administration clearly calls for administration by a single responsible individual.

Finally, the operation of the program must be related to the foreign policy of the Nation. The importance of the recovery program in our foreign affairs needs no argument. To carry out this relationship effectively will require cooperation and teamwork, but I know of no other way by which the complexities of modern world affairs can be met. It should, I think, be constantly kept in mind that this great project, which would be difficult enough in a normal international political climate, must be carried to success against the avowed determination of the Soviet Union and the Communist Party to oppose and sabotage it at every turn. There has been comment that the proposed organization, the Economic Cooperation Administration, would be completely under the thumb of the Department of State. This is not so, should not be so, and need not be so. I have personally interested myself to see that it will not be so. The activities of this Administration will touch on many aspects of our internal American affairs and on our economy. In the multitude of activities of this nature the Department of State should have no direction.

But the activities of the ECA will be directly related to the affairs of the European nations, political as well as economic, and will also affect the affairs of other nations throughout the world. In this field, the constitutional responsibility of the President is paramount. Whether or not he chooses to ignore or eliminate the Secretary of State in the conduct of foreign relations is a Presidential decision. I think that in our effort to restore the stability of the governments of western Europe it would be unfortunate to create an entirely new agency of foreign policy for this Government. There cannot be two Secretaries of State. I do not wish to interfere in the proper operations of the ECA. The organizational structure we have proposed provides a means for giving appropriate direction and control in matters of foreign policy to the Administrator of the ECA with least interference in the businesslike conduct of his task. In this connection he must coordinate his affairs with the legal responsibilities charged to the Secretaries of Commerce and Agriculture.

The man who accepts the challenge of the great task of administering the European recovery program must be a man of great breadth, ability, and stature. I have no qualms but that with such a man, and the able aides he will choose, I and my staff can form a smoothly working team for handling the complicated problems in foreign relationships which will arise in the course of the programs. In my judgment, the organizational proposals which have been put forward represent a sound and practical arrangement of functions and a framework for successful administration.

What are the prospects of success of such a program for the economic recovery of a continent? It would be absurd to deny the existence of obstacles and risks. Weather and the extent of world crops are unpredictable. The possible extent of political sabotage and the effectiveness with which its true intentions are unmasked and thus made susceptible to control cannot be fully foreseen. All we can say



is this program does provide the means for success and if we maintain the will for success I believe that success will be achieved.

To be quite clear, this unprecedented endeavor of the New World to help the Old is neither sure nor easy. It is a calculated risk. But there can be no doubts as to the alternatives. The way of life that we have known is literally in balance.

Our country is now faced with a momentous decision. If we decide that the United States is unable or unwilling effectively to assist in the reconstruction of western Europe, we must accept the consequences of its collapse into the dictatorship of police states.

I said a moment ago that this program does provide the means for success, and if we maintain the will for success, I believe that success will be achieved.

I think it is of the greatest importance in considering this program that the people, as well as the Congress, thoroughly understand the critical situation. We have heard the comment several times that we won a victory, but we still have not won a peace. It goes much further than that. In some portions of the world there is more fighting now than there was during the war. You are aware of that. There is political instability. There are efforts to almost change the face of Europe, contrary to the interests of mankind in advancing civilization, certainly as we understand and desire it. The whole situation is critical in the extreme.

We happen to be, very fortunately for ourselves, the strongest nation in the world today, certainly economically, and I think in most other respects. There will be requirements in this program for certain sacrifices. But I feel that when you measure those sacrifices against what we are fighting for you will get a very much better idea of the necessities of the case.

I would like to close by saying that this is a complex program. It is a difficult program. And you know, far better than I do, the political difficulties involved in this program. But there is no doubt whatever in my mind that if we decide to do this thing we can do it successfully, and there is no doubt in my mind that the whole world hangs in the balance, as to what it is to be, in connection with what we are endeavoring to put forward here.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Secretary.

I have been somewhat perplexed regarding how we can proceed with committee examination of witnesses on this subject, because the subject is so utterly broad in its magnitude that it will be rather difficult for any one witness to undertake to encompass the field. I will just interrupt the proceedings long enough to make the following statement for the guidance of the committee in cross-examination to whatever extent it is applicable.

What I am saying is that the Secretary of State is to be followed by Ambassador Douglas, who is described in the State Department memorandum as the witness who will deal with essential elements of the program, the justification of the program, and the principles governing the operation of the program.

He will be followed by Secretary Harriman, who will be responsible for dealing with the details of the following subjects: Relationship to our foreign trade, effect of program on United States economy,



procurement under this program from other sources, effect on world trade, discussion of requirements and availabilities of machinery and equipment and iron and steel, the role of the Department of Commerce in the operation of the program.

He will be followed by Secretary of Agriculture Anderson, who is charged with the responsibility of dealing in detail with food requirements and availability, specifically referring to tobacco, cotton, fertilizer, timber, and agricultural machinery; and the role of the Department of Agriculture in the operation of the program.

He will be followed by Secretary of the Interior Krug, who will be charged with the responsibility for answering the committee's questions regarding the effect of the program on our natural resources and on the requirements and availability of coal and petroleum.

He will be followed by Secretary of the Treasury Snyder who, according to the State Department memorandum, is responsible for discussing the position of the NAC regarding financial aspects of the program, the question of grants and loans, the International Bank, the available assets of the participating countries, the stabilization fund, financial monetary measures to be taken by participating countries, the effect of the program on the United States budget, and the role of NAC in the operation of the program.

He will be followed by Mr. Martin, of the Export-Import Bank, to deal with the subjects there involved.

He will be followed by Secretary of the Army Royall, who is charged with responding to the committee's questions regarding the requirements of western Germany and the relationship of western Germany to the program.

He will be followed by Secretary of Defense Forrestal, who will discuss the relationship of the program to national security.

With that information in mind, I assume that the Secretary of State prefers to deal himself only with the general aspect of the problem, and to charge these other witnesses with the responsibility for details. I want only to suggest one or two questions, Mr. Secretary, that have been raised by your statement; then I will turn you over to my distinguished colleagues on the committee.

You have undertaken to discuss what you term the basic questions involved in this program. But I miss any discussion of what I consider to be one very basic question, and I think it is too basic to be relegated to the ultimate testimony of the Secretary of the Army.

What I want to ask you is for your comment as to whether there is any dependable hope for this program without a restabilization and integration of western Germany into the program.

Secretary MARSHALL. The inclusion, or integration, of western Germany into the program is essential. Coal alone provides one of the great essentials to the recovery program, and Germany is a major source of coal. I merely say that it is essential that western Germany be considered as an integral part of the program.

The CHAIRMAN. That does not quite go far enough, I think, for the purpose of our consideration. I would think that it was just as essential that we had a rather definite and hopeful program for the stabilization of western Germany without too long a delay as it is to have a program for any of the rest of these countries, and to whatever extent you are able to make the statement I should like your comment



as to the progress that is being made in that direction, and what the prospects are.

Secretary MARSHALL. We have just completed, or are in the process of completing, various agreements which relate to the economic recovery of western Germany, notably the coal agreement which has just been concluded. We are considering other steps in connection with the organizational administration of western Germany through more liberal use of Germans themselves. We are discussing with the French various moves which will improve the general situation, notably by removing the zonal barriers in one way or another to movement of individuals, ideas, and of commodities.

We are discussing a large number of related considerations, and are in the process of reaching conclusions, all of which we hope will have a rather prompt effect on the general economic condition of western Germany and its contribution to the general recovery program which we have under consideration for western Europe as a whole.

The CHAIRMAN. To get down to the bare bones of the thing, would it be fair to say that within the limitations of whatever four-power agreements are binding upon us, we are no longer proposing to await decisions of the Council of Foreign Ministers in respect to the mutual integration of the three other zones in Germany than the Soviet Zone, and that we are now proceeding in that direction without waiting for programs from the Council of Foreign Ministers, always intending, however, to leave our programs open to any who wish to subscribe?

Secretary MARSHALL. That is correct, Senator. We are going ahead exactly on that basis.

The CHAIRMAN. I assume that this program, as indicated in your own reference to the date in June when you made your address at Cambridge, really stems from the statement you made at that time, and for the purpose of the record I am anxious to get the fundamental chronology straight.

You said at that time, and I am quoting from your address:

It is already evident that before the United States Government can proceed much further in its effort to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. It will be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. That is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all, European nations.

Paraphrasing that, if I could, in just a word, I assume that you were saying at that time that from here out the problem of European recovery, although constantly tinged with a powerful American self-interest, is essentially a problem which they themselves must meet, and you were saying that from here out our relationship to the problem must be on the basis of their own determination to help themselves, and to establish their own programs for their own recovery. Is that correct?

Secretary MARSHALL. That is correct. The concept at the time of that suggestion was that only under the tremendous pressure of a



tragic situation would it be possible to have sovereign countries cooperate and make the necessary concessions among themselves to do things that would be of great importance in the economic rehabilitation of the general area; things that in normal peacetimes they would never concede to do; problems and conditions of their own sovereignty would prevent it, but under the circumstances it appeared to me that there was a favorable opportunity to secure a European cooperative effort among sovereign nations to an extent never before conceived; an effort that combined with such assistance as it seemed to be imperative they should be lent from the outside in this immediate period would make possible the general rehabilitation of the area within a reasonably brief period of time.

I might say for a little clarification that I was questioned in many ways and by many officials following that suggestion during the summer to indicate specifically what we had in mind. I declined to make any such suggestions or indications because it seemed to me—it seemed to the Government—that for us to lead off with our conception of just how this matter was to be handled would doom it to failure. It would be starting off by intruding on these sovereign nations exactly how we thought they ought to act, except in the most general way indicated in that statement, and it would deaden the whole procedure, because the suggestion was made in the hope that it would stimulate a mutual effort, the initiative being entirely on the side of the European nations.

And it was not until the latter part of August—I have forgotten specifically about when; I think about the last week in August; the Ambassador here can check me on that because he was a party to the proceedings—that Mr. Clayton and Mr. Douglas were empowered to discuss at all with the European countries just what we thought was a reasonable proposition. They had been told one simple thing early in the discussions—not all of them but enough so that the word had been spread—that the mere submission of a list of their required amounts of aid would not be acceptable. It would serve no practical purpose whatever except to kill the whole development.

So, to go back to your statement, Mr. Chairman, the initiative was put as clearly as we could with them.

The CHAIRMAN. And then you left the initiative with them from that point on?

Secretary MARSHALL. We left the initiative with them and never intervened until we came to the discussion of their tentative conclusions.

The CHAIRMAN. What happened over there as a result?

Secretary MARSHALL. The immediate result of the situation was an action, virtually a joint action, by the Foreign Ministers of Great Britain, Mr. Bevin; and of France, M. Bidault; who got together and decided on a basis of inviting the other nations to participate, and as you all are aware, they had a preliminary meeting which Mr. Molotov attended from Russian and which he left.

That left the question of how many nations would participate.

The CHAIRMAN. How many were invited in the first instance?

Secretary MARSHALL. All. All were invited. There was no limitation at all.



The CHAIRMAN. And the original response was from how many nations?

Secretary MARSHALL. It depends on what you mean by "response."

In the first discussion, the Soviet Union participated in the person of Mr. Molotov. There they were endeavoring to decide on the procedure to be followed. The others had not all come in. I suppose they had indicated privately their attitudes in the main. I cannot answer that specifically.

The CHAIRMAN. I mean, how many in the first instance agreed tentatively to attend the conference?

Secretary MARSHALL. I think there were 18; that is, including Czechoslovakia and Poland, I believe. Czechoslovakia sent in the actual formal acceptance and later had to withdraw. I think Poland indicated its intention to join in the affair, but never came forward with a formal acceptance. Czechoslovakia did accept and had to withdraw the acceptance.

The CHAIRMAN. Can we have in the record any official exhibit that indicates the reasons given for their failure to continue?

Secretary MARSHALL. I will endeavor to provide that.

(The information requested is as follows:)

[Excerpt from pp. 4, 5, and 6, Senate Doc No. 111, 80th Cong., 1st sess., the European Recovery Program]

#### THE BIG THREE CONFERENCE

On June 23, Foreign Secretary Molotov accepted the invitation to the conference of the Big Three scheduled for June 27 at Paris. When the conference opened the English and the French were eager to establish immediately a steering committee consisting of the Big Three and other states. Its function was to coordinate the work of the subcommittees charged with surveying the resources and developing the outlines of a European recovery program. Russia, on the other hand, demanded (1) that the United States be asked to specify the exact amount of help which she would be willing to grant; and (2) that each state should make its own surveys and estimates, because Russia viewed a steering committee with the functions contemplated in the English-French plan as a meddler in the domestic affairs of independent nations.

By this time Russian opposition to the recovery plan was rapidly crystallizing. For example, Poland, which had agreed on June 24 to cooperate in the plan, later decided not to participate. Pravda editorially (June 25) expressed concern over the limitations which the United States might place upon any aid which she contributed, and stated that the Marshall plan was designed to prolong the post-war boom in the United States and thus prevent the ultimate economic crisis which Russia and Russian propagandists expected to occur at any minute in this country. Tass (June 29) warned that the conference should not attempt to draw up any all-embracing program for European countries, and attacked the American European aid program as an interference in the internal affairs of that continent by the United States as another instance of "imperialism" on the part of the United States.

In an effort to counteract current misconceptions about the American proposal, Secretary of the Treasury John Snyder pointed out that "\* \* \* all that Secretary Marshall had done was to invite European countries to 'sit down and see what their problem is. He didn't say anything about letting the United States know how much is wanted.'"

Six days later, Secretary Marshall told the Women's National Press Club in Washington: "\* \* \* All the United States wants \* \* \* is that the aid be used for the purpose it is intended; that it should not be expended to serve selfish economic or political interests; that it should help to restore hope and confidence among the people concerned, that the world will know peace and security in the future."



## THE MEETING OF THE 16 EUROPEAN NATIONS IN PARIS

On the day following the break-down of the conference of the Big Three, brought about by Russia's veto on any concerted action, Foreign Secretaries Bevin and Bidault issued a joint communiqué inviting 22 additional European nations to meet in Paris on July 12 to consider a recovery plan. Czechoslovakia, which had at first agreed to participate in the conference, after a visit of Premier Gottwald and Foreign Secretary Masaryk to Moscow, said it would be impossible to accept the Franco-British invitation. The other Russian-dominated countries sent their refusals. When the conference convened at the Quai d'Orsay in Paris, 48 diplomatic representatives representing 16 countries were present. The countries in attendance were Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom. On the other hand, not represented were Finland, Poland, Hungary, Rumania, Bulgaria, Yugoslavia, Czechoslovakia, and Russia.

The conference immediately set to work and created a general over-all committee, known as the Committee of European Economic Cooperation (CEEC). After 4 days of sessions, four subcommittees were established, namely, for food and agriculture, iron and steel, transport, and fuel and power. This was the organization under which the reports of the 16 European nations were to be prepared for submission to the United States in September.

## THE RUSSIAN REPLY—THE "MOLOTOV PLAN"

The Russian reply to the Marshall proposal was not only verbal but also one of action. The Soviet Government immediately entered into a number of trade agreements with her satellite states. On July 12, Premier Gottwald and Foreign Secretary Masaryk brought back a 5-year trade pact between Russia and Czechoslovakia. On the same date Bulgaria completed an \$87,000,000 trade agreement with Russia for 1947-48. On July 17, Hungary signed a trade pact with Russia, and on July 18 Finland and Hungary concluded a trade agreement. On July 16, Bulgaria and Rumania entered into a power and transport, and territorial adjustment pact. On July 27, Russia granted Albania a small credit for machinery. On July 29, the Soviet Government and Yugoslavia announced a barter and credit agreement in Moscow. On August 3, Bulgaria and Yugoslavia signed an agreement covering customs, visas, and general foreign policy. These were only the first of a number of similar trade agreements. Supported by the Russian grain aid and barter arrangements, they constituted the so-called "Molotov Plan," which purported to be the Soviet reply to the Marshall plan. The net result of these agreements was to further tighten Russian control over the exports of the countries concerned and a diversion of their products to the east, most of which had previously flowed naturally to the west and to other areas outside Russia or the countries under Russian control.

## COMINFORM CREATED TO OPPOSE EUROPEAN RECOVERY PLAN

In her opposition Russia spoke for the Communist world. Any questions on this score evaporated when, on October 6, Pravda announced in Moscow that a new organization representing the Communists of nine nations, namely, those of Russia, Yugoslavia, France, Italy, Poland, Bulgaria, Czechoslovakia, Hungary, and Rumania, had organized for an all-out fight against the Truman plan, the Marshall plan, and United States imperialism. This was the Cominform, a new version of the supposedly defunct Comintern. Headquarters were located in Belgrade. The conference, at which the declaration had been prepared, had met in Poland and Communist representatives of all of the nine nations were in attendance. The program of this new organization was set forth by Zhdanov on October 22, as one calling upon the Communists everywhere to wreck the Marshall plan as an instrument designed by the United States to achieve "world domination by American imperialism." Acting Secretary of State Robert A. Lovett commented upon the Cominform program on October 8, stating that: "\* \* \* the Manifesto will carry to new lengths the distortion of United States policy \* \* \*. The parties and governments associated with this program have made clear their intention to prevent, if they can, the economic recovery of Europe."



The CHAIRMAN. I would like to have it nailed down, if possible.

So that left 16 nations, as follows: Austria, Belgium, Denmark, Eire, France, Greece, Iceland, Italy, Luxemburg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom.

I do not want to attempt to go into this phase of the matter in any detail at all at the moment, but I find a very widespread, shall we say, natural curiosity as to the role of such nations as Switzerland and Sweden and Iceland in this arrangement, inasmuch as they certainly are on a substantially self-contained stable economy. We know in general where France and Italy and the United Kingdom gear into the requirements. What is the role of these other countries like Sweden and Switzerland in connection with this enterprise?

Secretary MARSHALL. Well, in the first place, in some countries their financial situation, their economic situation very definitely is such that they need direct assistance very badly. There are other countries who are not in such a serious condition. Switzerland is a marked example of that. Iceland is a reasonable example of that. But all of those countries are related by various agreements, trade pacts, and movements, exchange of goods and matters of that sort, and in that way they come into the general grouping of those nations desiring to find a cooperative basis to further the development of a stronger economy in general.

The CHAIRMAN. In other words, their role in this relationship is that of cooperators rather than beneficiaries of our aid; is that correct?

Secretary MARSHALL. That is correct, sir.

The CHAIRMAN. In the course of the subsequent weeks since the arrangement was tentatively perfected which we now have before us, has the Soviet Union officially categorically declared war—let's say declared cold war—on the success of this program?

Secretary MARSHALL. In effect, by the statement of a responsible official of the Soviet Government—in connection with the Comintern—it made a declaration of antagonism and hostility to the program. Mr. Molotov has indicated very plainly his hostile attitude, the hostile attitude of the Soviet Government to the program. As I recall, there have been no formal communications to the American Government on this subject, or to the 16 nations' committees on the subject. There have been public statements by high officials of the government which reliably indicate the government policy.

The CHAIRMAN. May we have those put into the record Mr. Secretary, so that we can be specific about it?

Secretary MARSHALL. Yes, sir.

(See p. 14 where item is inserted.)

The CHAIRMAN. Senator Connally?

Senator CONNALLY. Mr. Secretary, I do not want to interrogate you but a very short period. I want to ask you some questions about the administrative set-up, and how this plan is going to be carried out. I thoroughly agree with you that there should be a single head, and that necessarily there must be elasticity and power to have discretion in these matters, but now, on the foreign-relations angle of it, and I have read your statement twice and will probably read it again, necessarily, the President of the United States is our functionary with regard to the conduct of our foreign relations.

Is it not true that this particular program is one of the most important aspects of our foreign relations at the moment?



Secretary MARSHALL. I would say, Senator, it is not one of the most important; it is the most important?

Senator CONNALLY. It is the most important?

Well, my point now is, you say that the State Department ought not to have any direction of the matter, and it is not your wish it should.

Secretary MARSHALL. Not quite that, Senator. In the draft of the bill that we submitted for consideration, the State Department is given the direction and the control of matters relating to foreign policy; that is, foreign relations.

I might say, so you will have a better understanding of the various pros and cons in the development of this draft, that it was felt by a great many outside the State Department that this agency should be directly under the State Department, as a section of the State Department. That was not the Department's view, and it was certainly not my view. There were many reasons why I thought that would be ill-advised. But it was so seriously proposed that I finally went to the President personally, or rather, after I had already talked to him personally, I communicated with him from London personally, to please to disapprove any such arrangement as that.

On the other hand, when it comes to the question of foreign policy, there has to be a coordinated arrangement, and it must be one that is not on such an uncertain basis that we would get into serious complications.

I noticed some of the comments that were made in the press and otherwise that this proposal that we were making would be merely a duplication of confusion they alleged had taken place during the war. Going back into what had happened during the war, I looked up the Executive orders of the President. To give you one specific example, I found that in one of the great war agencies it was stated in the Executive order that—

The functions of the Office of War Mobilization shall include the authority to arrange for the unification and coordination of the activities of the Federal Government relating to foreign supplies, foreign procurement, and other foreign economic affairs in conformity with the foreign policy of the United States, as defined by the Secretary of State.

I inquired into this to find out why that language was not satisfactory for our purpose, instead of the language actually used in the draft, which says:

Under the direction and control of the Secretary of State.

I was told that in this particular case, the ruling made by the Office of War Mobilization was that Mr. Hull could submit his views and they would consider them and use them or not as they saw fit, which is quite a different matter from a control of foreign policy by the Secretary of State. And therefore, the other language, "direction and control" was considered essential. That was the actual reason that determined this choice of language.

Now, here is another example, an extract from the Executive order for the Foreign Economic Administration:

The powers and functions of the Administration shall be exercised in conformity with the foreign policy of the United States as defined by the Secretary of State.

In this particular case, the interpretation by the Foreign Economic Administration was that Mr. Hull could submit his views. He was empowered to do that by this Executive order. But that is all the further it went.



That was not sufficient control of the foreign policy of the United States to keep it in a reasonable channel.

I might explain that in considering the matter of whether or not this agency would be put clearly under the State Department it was argued that there would be so much difference of opinion that an intolerable burden would be imposed on the President administratively to consider all these anticipated disagreements.

I don't agree with that. I felt that we could proceed on a reasonably clear course without imposing on him the necessity for deciding innumerable instances, not in themselves of major magnitude from the viewpoint of the responsibilities of the President of the United States.

In any event, under the terms of the proposed draft legislation, the President may have to make the final decision between the Secretary of State and whoever this Administrator is, because neither is barred from going to the President.

We have had our difficulties about foreign policies in connection with the administration of Germany, because it presents an immensely difficult problem there, with all sorts of outside influences. At the same time, you cannot confine considerations of the administration of Germany just to the local area. In some respects it affects all of Europe, and that immediately brings to the front the policy of the United States all over Europe at this time.

While I was in London I had an indication of the development that had to be met in France and Italy where there was a determined effort, which involved bloodshed, to defeat those governments in going ahead on the basis of liberalism and freedom and not a communistic control.

Those matters are certainly related in a most serious way to our foreign relations. You cannot have two people operating foreign policy in the same place nor can you expect the President to have the time properly to consider all the various factors involved in a disagreement under such conditions.

This program, for example, involves Latin America. There have been questions such as: "Why should not Latin-America at this particular time be involved in this program?" I will not go into any lengthy discussion of that now, other than to say that the situations are utterly different. Latin-America is under necessity for economic development, but on a much different basis than this. As a matter of fact this program involves a very great economic life to Latin-America because somewhere between two and three billion dollars will probably be spent in the first 15 months in Latin-America, and this will start the circulation of commodities and goods.

You can't have two operating governments at the same time and, as I have tried to indicate in this brief discussion of the matter, it did not seem advisable to set up an entirely new conception in our Government, but rather to accommodate this matter, this arrangement, to the existing instruments of the Government, but in such a way that there will be a minimum of confusion as to exactly what is intended.

This agency also has to consider the responsibilities and authorities that are charged to the Secretary of Commerce and to the Secretary of Agriculture regarding matters which are of major importance in the whole program, notably foodstuffs. The latter allocation is charged to the Secretary of Agriculture, because it relates to the home situation



even more than it does to the world situation, and that, incidentally, relates to foreign relations now, all over the world.

The Secretary of Agriculture and myself must get together frequently in order that the overseas allocation of foodstuffs, notably grains and commodities of that sort, has a proper relationship to international involvements.

We can't escape those relationships. Further the issue goes entirely around the world, and is not confined to the 16 nations involved here.

I am sorry I have been so lengthy.

Senator CONNALLY. Mr. Secretary, it seems to me that the foreign phase of the matter, the foreign relations, is the most delicate and at the same time the most important aspect of this whole situation. Do you adhere to the draft of the bill as regards the administrator, or have you changed your views?

Secretary MARSHALL. I adhere to the draft of the bill as it is.

Senator CONNALLY. When this Administrator is appointed of course he will be confirmed, before he can have it, by the Senate. If a matter of foreign policy should confront him, if the matter refers to our foreign relations, do you regard that your decision would determine the situation, or would the Administrator, after hearing you, go on and act on it on his own?

Secretary MARSHALL. My decision should determine.

Senator CONNALLY. Exactly. Your decision ought to determine.

Secretary MARSHALL. And I would act with proper consideration of all the various involvements on his side of the fence.

Senator CONNALLY. If it affected any other department of the Government, such as Agriculture or Commerce, you would consult them before you made your decision as to what should be done.

Secretary MARSHALL. We have that almost every week in connection with the Department of Agriculture.

Senator CONNALLY. But the final authority would be with you. That is what I am trying to get at.

Secretary MARSHALL. Unless the President decided otherwise.

Senator CONNALLY. Of course.

Secretary MARSHALL. And the Administrator could go to the President if he thinks he is being unduly embarrassed.

Senator CONNALLY. Of course, the President is the head of the Government and the head of foreign relations, and naturally he could overrule any action of any of his subordinates. But I assume that the disposition would be, between the Administrator and you, to save the President all the annoyances possible and accommodate yourselves insofar as possible in your views to each other. Is that correct?

Secretary MARSHALL. Yes, sir.

Senator CONNALLY. That relieves me of some concern because, on reading your statement, I was afraid that you were getting away from the draft set-up here about the appointment of this single Administrator.

As you suggested in your statement there have been some suggestions about having a corporation do this thing. I am glad you are not for that. It seems to me that there must be a single authority somewhere, subject to the President of the United States, to secure promptness and to secure efficiency, and the more boards you bring in and the more commissions you bring it, the more you will delay and complicate the administration of this program.



Secretary MARSHALL. As I understand business practices, the set-up of a board of directors would imply a certain limitation on the freedom of action of the Administrator. It might seem inconsistent, if one does not think the matter through, to say as I have said in the statement I have just read, that it is important, very important, that the Administration be headed by one man, and then at the same time, in the same breath as it were, to stipulate that the Secretary of State will have direction and control of such matters involved in this affair as relate to foreign relations. Also, though that was not my proposal because it is a fact of law, that the Secretary of Commerce and the Secretary of Agriculture have certain responsibilities and authorities in the matter.

Now, if you place a board of directors behind this individual and limit him to whatever "board of directors" implies, you have simply added to the complications because he has to operate within these necessary limitations. We cannot change the entire form of our Government for this one occasion and create a new foreign relations policy.

I might say, Senator, while we are on this subject, that we get into exactly the same involvement when we go abroad. The procedure proposed under this draft is that we have an ambassador, to be confirmed by the Senate, to be appointed on the joint recommendation of the Administrator and the Secretary of State, who in a sense is the Ambassador to the committee of the 16 nations. That is all right.

And then that man will be in the position of having to report to more than one person because what will be going on in many respects will be of as much importance to the State Department as it is to the Administrator. In most matters it will be purely business, which we in the State Department do not have to concern ourselves with.

Then you pass from that to what happens in each separate country. Do we set up an agency in each country, independent of the present State Department agency, the embassy in that country? Some might feel if you take a very efficient American businessman who is accustomed to getting action quickly, who is accustomed to acting directly, and you involve him in the meshes of diplomacy—we will call it that—you are limiting very much the possibilities of efficient operation.

I think it can be arranged otherwise. But at the same time I do not think you can have two separate agencies of the United States Government in a country dealing directly with that government. When it comes to dealing directly with the business interests that is one thing, and the coordination will come from back here, if there is any need for coordination which in most instances there probably would not be. But when you come to dealing directly with those governments you cannot set up a dual arrangement there without getting into a state of hopeless confusion.

We have to meet that situation. It cannot be evaded. So you make the best arrangement possible under the circumstances. You would have to depend, I think, on the Administrator and myself—if I happen to be Secretary of State at the time—with the guidance of the President, to see to it that we get the most efficient set-up and that the individual is not thwarted in what he is attempting to do. I am quite certain that the problem can be managed that way.

Senator CONNALLY. There is one point in particular, Mr. Secretary, that I wanted to interrogate you about.



The CHAIRMAN. Mr. Secretary, if the committee will permit I would like to pursue this question raised by Senator Connally just a step further because I think that is the heart and center of this whole venture.

I certainly agree with you that there cannot be two Secretaries of State at the same time. I said that upon a previous historical occasion. I judge from your own statement, however, that you put great emphasis upon the high importance of this assignment as civilian administrator of this enterprise.

You repeatedly reiterated the size of the task and the necessity of a man of breadth, ability, and stature, with all of which I am sure we all agree. That being so, what I want to ask you is, without attempting to indicate my own view on the subject, whether or not the language in your bill which says, page 4, line 6, "all those functions of the Administrator which affect the conduct of foreign policy of the United States shall be performed subject to direction and control of the Secretary of State."

I am asking you whether that is not complete authority? I agree it must be complete in essence, and yet would it not be possible to spell out a little more definitely a recognition of the fact that this total over-all authority is specifically confined to what, in fact, at top level, is foreign policy and is not an interference with the day-to-day business management of the Administrator of a business problem? Would it not be possible, even from your point of view and from the viewpoint of Senator Connally, to make that a little more apparent?

Secretary MARSHALL. It might be possible, Mr. Chairman.

The CHAIRMAN. Before you answer, may I add that I am moved to the question by the further fact that under sections 6 and 7 of the bill it looks as though the new Administrator would not possess the authority himself to hire any of his own staff operating outside of the United States because all such people would be appointed by the Secretary of State and inducted into the Foreign Service Reserve, or the Foreign Service Staff group, through the Board of the Foreign Service; therefore at that point it would appear that all of the field agents of the Administrator would have to be appointed by the Secretary of State. That just affects the fundamental question I am submitting to you, whether or not there is a way, without violating your premise, to make it plainer that it is intended that the economic side of this enterprise is going to be in the hands of the Economic Administrator?

Secretary MARSHALL. There are two different lines involved there, Mr. Chairman. I will take them one at a time.

To go back to page 4, and the sentence, "all those functions", as I said a few moments ago, I was endeavoring to modify the language "subject to the direction and control of the Secretary of State," to find if there was not some other way of putting it, that might be more in accord with the thought expressed by you in reference to this matter.

It was there that I ran into the fact that the previous Executive orders, which read very nicely to me, had proved wholly ineffective, because the light of history showed what had occurred, and what happens when you have a strong Administrator, which you must have. Immediately they ran into a complete impasse. It was not exactly an



impasse because the boards concerned went ahead with the business, and the Secretary of State was left to merely submit his views, and that was the end of his influence.

Now, to turn to the other question about appointment of these people under the Foreign Service, I went into that also and I will have to ask you to reserve most of your questions to the people that are experts on this. But in general I found, in connection with the drafting of that portion, that what the drafters were trying to do was to give these men a better standing, a better recompense, a better basis for themselves personally by putting them in the Foreign Service. It seems that since a recent development of foreign service which I think comes from the summer of 1946, maybe 1945, in the actions of Congress, they established for the first time a reserve. That reserve corresponds in arrangement somewhat to the military reserve corps, and I understand is composed of people who had demonstrated during the war special efficiency along certain lines that are related to Foreign Service activities.

The purpose of the draft was first to put these men, whoever they are, in the category of Foreign Service personnel because they derive individual advantages from that status. Then also to make particular use of this Reserve authority which had already been granted.

As I understood, and the experts can give you the details, having labored with these various technicalities under the law, the Administrator would still have the powers of selection sufficient for any reasonable development of his plan.

The language suggests a restriction just as you implied and this prompted me to examine into the matter to find why it was expressed in exactly that way. I cannot discuss the details of it because it is surrounded with many Civil Service and Foreign Service laws, and matters of that sort. But that is the general reason for the bill being drafted in the present form.

The CHAIRMAN. Of course, we could not take control of the foreign policy away from the President of the United States and put it somewhere else even if we wanted to. The Constitution would not let us. All I am suggesting is that I would like to see a further study of this problem that is involved and the two types of responsibility that are involved in this enterprise.

I have no quarrel whatever with Senator Connally's insistence that foreign policy shall stay where it belongs. We ran into much this same sort of a difficulty when we were writing the atomic energy bill, to determine how we could create civilian control and yet permit adequate consultation of national security through a military advisory committee. And as you know we finally reached a formula at that point where the civilian administration proceeds upon its own responsibility up to the point where it is proposing to do something which the military liaison committee thinks collides with the national security, at which point the military committee has the right of veto pending a decision by the President respecting the controversy.

I am just asking that you give some further thought to the possibility of spelling this out a little more plainly to indicate that while we do wish to preserve utterly undiminished control of foreign policy in the Secretary of State and the President we do also want to give this plan of great breadth, ability of stature that you are going to secure to run the business side of this thing, a chance to run it.



Secretary MARSHALL. We will certainly do so, Mr. Chairman. I have already discussed that very issue with Mr. Douglas who is charged with working on it.

The CHAIRMAN. Senator Connally?

Senator CONNALLY. I just want to say one additional word, Mr. Secretary. This whole problem, I am sure, was conceived by you as a matter of foreign relations and foreign policy. I want to say that I am absolutely convinced that the Secretary of State—of course, the President over him—should have the authority to determine and to tell this Administrator, not just to speak to him and say “How do you do; I am glad to see you”—to tell him when a foreign-relations matter comes up what he should do and what he should not do.

Of course, you may have to go to the President occasionally if this strong man Senator Vandenberg refers to, this strong character, insists sometimes. I think he will also meet a strong character in the Secretary of State, and the President may have to umpire the situation. It is absolutely essential that we do not have divided authority when it comes to the relations of this country to foreign nations. As I conceive it, that is the big question about this whole situation.

They talk about the business side of it. Well, the business side of it is, of course, important, but it is all tied in, and the Administrator will have competent assistants, I assume, as to the purely merchandising angle of this situation. But far and above the merchandising as to how many dollars we spend is this question of keeping our foreign relations under the control of the President and the Secretary of State.

We are going to spend billions of dollars on this thing, and it must be run properly; it must be run in conformity with our essential principles of foreign relations.

The CHAIRMAN. Senator Capper?

Senator CAPPER. No questions.

The CHAIRMAN. Senator George?

Senator GEORGE. Mr. Secretary, I want to ask you something further about the administrative side of this thing, the administrative machinery. You must realize, and sooner or later we will all realize, that the size of this appropriation that will be made will depend upon the effectiveness of the business organization which will administer these funds.

In other words, if the American people are convinced that appropriations are going to be conserved, and properly and effectively applied, it will go far toward strengthening the plea for European assistance and aid. But if they have grave and serious doubts about it, it will have exactly the opposite effect.

I want to ask you something about this Administrator. I looked at the bill and I listened very carefully to your explanation on page 7 of your prepared statement, where you say this:

Our aid will not be given merely by turning money over to the European governments. The European countries will prepare periodic statements of their needs, taking into account the developing programs of mutual aid worked out through the CEEC continuing organization. After review by the specialist economic cooperation officers in each country and by the special United States Ambassador to the continuing CEEC organization, they will be transmitted to the Administrator of the American agency carrying out our program of assistance.



You come to the Administrator in your statement and say:

The Administrator, in collaboration with other appropriate agencies of the Government, will determine to what extent the European requirements are justified and to what extent they can safely be met.

Let us suppose that we have arrived at a practical question. The Secretary of State has decided that as a matter of sound foreign policy aid and assistance will be given to country X for specific projects in country X. But let us suppose that the Administrator decides that those projects are impracticable and cannot be carried out without a loss of the money appropriated by the Congress under this act. Is your decision then to be controlling upon the discretion of the Administrator so as to rob him of any discretion and any power to say that this is not a feasible project, it is not self-liquidating, it does not intend to liquidate itself, and it will not strengthen the economy of country X.

There you come to a practical situation. You must either decide, in that event, that as a matter of sound foreign policy certain projects in country X must be constructive and carried out, or the Administrator's judgment must prevail.

Now, what is the situation there?

Secretary MARSHALL. The matter there, it seems to me, would require the intelligence and judgment of both the Administrator and myself. For purposes of illustration I can exaggerate the affair to the point of saying that there is little the Administrator could do in Europe that would not have some relation to foreign relations. In other words, I would have my hand in almost everything he did. I am using that as an exaggerated illustration.

That, however, partakes of the same problem of any two characters where there is a question of balancing between them. Who is going to make the final decision?

The hope of success for this program, and certainly that would be the high desire of the State Department, is that it operates smoothly. You cannot write, I believe, in the form of legislation, a directive of sufficient detail, absolutely and unmistakably clear, with the vision that is required about things that cannot even be guessed at at the time you write it, unless you take from one or the other any power in the matter. You would then have one man who determines the issues completely. In this respect, following your question, if the exclusive decision were with the Administrator, it would be a very unfortunate thing.

On the other hand, if the Secretary of State intruded himself into all manner of decisions regarding the administration which will be more or less commercial, that would be a very unfortunate business. However, you have to trust somewhat to judgment. You also must endeavor to lay down a sound basic organization.

In this particular instance you have involvements which cannot, I believe, be escaped, between the Department of Commerce, the Department of Agriculture, and the Department of State, in relation to this program.

In that particular example you gave it would be a question whether my judgment was sound that this particular matter was of great importance in the over-all situation. The Administrator has the authority to decide what is a grant, and what is a loan. That is correct, is it not?



Ambassador DOUGLAS. He has to consult with the National Advisory Council.

Secretary MARSHALL. He has that limitation also. But so far as the Secretary of State is concerned, the Administrator approaches the matter with a decision as to whether it should be a grant, or whether it should be some form of a loan, or some returnable basis.

There I would say would arise a problem, possibly, between the Administrator and the Department of State where he, in the opinion of the Department of State, was taking a rigid view in relation to a grant which we felt would be very damaging in its effect on the particular government in relation to the general situation developing in Europe and in the world generally.

We have had a recent demonstration of such issues in relation to France and its impact on the control of American-occupied Germany, which is just exactly along the line that you are bringing up now. We are trying to restore Germany's vitality sufficiently to make it self-supporting. At the same time we have to consider French reactions. The problem developed into a very critical state, very critical, at the time I went to Moscow. It has continued critical until it reached a peak with the overt action by the Communist groups in France.

German affairs intimately concern the French, and this requires guidance by the Secretary of State because you are dealing with a situation that goes beyond the mere occupation of Germany. The argument may be over, we will say, a hundred millions. The real involvement is in another direction. And it can spread to other considerations, interlocking, that go pretty much around the world.

I repeat this: You cannot, I believe, with the uncertainty of future events, draft a legislative control that would cover all these various complexities. You have to trust to a certain degree in the judgment of the people that are going to operate. The President is always the final determining factor. He has to decide whether or not, in his opinion, the international relationship angle is of more importance than the strict financial procedure of safeguarding the money appropriated by Congress.

You must have in mind that the individual who is confirmed by the Senate, who is authorized by this law to act, is to that degree responsible to the Congress and will be called up here to account before committees of Congress.

We are dealing with a world situation. You have to trust to a certain degree to the judgment of individuals. I recognize how difficult it is, where there is no clearly defined authority, to keep these matters in balance. I also recognize how difficult it is when you have a very strong character, which is needed and which I urgently recommend we secure, in a matter of this sort. I went through many, many experiences of a similar character during the war where a very strong character would get us involved in difficulties in very large matters, whereas the actual problem was a single lesser thing that he was intensely interested in and was putting through with his driving leadership and administrative ability. But you cannot avoid this. It is inherent in the situation.

Senator GEORGE. I recognize what you say, Mr. Secretary. But I am trying to understand this thing. I am foreseeing this: That if you have a very strong, robust, vigorous Administrator, he is going to say



that "Here are certain projects in country X which, at a policy level have been decided to be a proper function under this act, under the law, and under the appropriation. But my judgment is that the whole thing is impracticable; my judgment is that it will not work."

Then if Congress says to him, "Why did you spend so much of the appropriated funds for projects of this kind?" unless he has the responsibility his answer, of course, is that his judgment has been controlled by someone above him.

Secretary MARSHALL. Senator, that is a matter for the record, whether it is or is not.

Senator GEORGE. I know it is a matter for the record, Mr. Secretary. But here is your statement, and I think it is a very faithful statement of the act. Of course, this Administrator is to get all kinds of advice, he is to be rubbed thin with advice, and by all sorts of directors. Then you say:

The Administrator will also decide which specific requirements from among the over-all requirements will be financed by the United States, taking into account the ability of the country concerned to pay for some portion or all of its total needs. For those needs which cannot be paid for in cash, the Administrator will further decide, in consultation with the National Advisory Council.

and of course after listening to the Secretary of State—

whether aid will be provided in loans—were a sound capacity to repay in the future exists—or in outright grants.

It does not take any business experience or judgment to see that this Administrator is going to say that "You have outlined a series of projects in country X and country Y and country Z that I do not think are practical at all. I do not think they will add anything to the economy of country X, Y, and Z."

Now, is his judgment to have any weight, or is the State Department, with all due respect to the State Department, to have control of the expenditure of the money in the completion of an execution of those projects?

Secretary MARSHALL. As I tried to indicate, Senator, by exaggeration, you could conceive of the Secretary of State endeavoring to construe practically everything as a matter of foreign policy.

Senator GEORGE. No, Mr. Secretary. I do not exaggerate it, and I am sure——

Secretary MARSHALL. I was doing the exaggerating for purposes of illustration.

Senator GEORGE. It will keep you from descending into details of the ordinary business transaction. But here is a question of policy.

Secretary MARSHALL. I think you misunderstood me. I was exaggerating, for the purposes of illustration, that there is a possibility of the Secretary of State making such broad interpretations of what is foreign policy that it would be of great embarrassment to the Administrator. On the other hand, the problem is one where it is virtually impossible to define in advance exactly what limitation should be imposed in the matter.

Good judgment would indicate that only in matters where there is a very serious effect on the development of our foreign policy in this constantly changing situation should the State Department impose limitations on what is proposed by the Administrator.

I want to add this: The State Department does not initiate; the Administrator initiates. He initiates. And the State Department,



in a sense, takes exception if it feels that that particular proposal is going to be very unfortunate in its effect on the broad over-all situation.

The main complication for the Administrator, I think, is the National Advisory Council because he has to assure them. He has to win their agreement. That is a difficult thing because each member has to act in the light of how this is going to be explained at some future date, and that imposes a very difficult situation on the individual because his freedom is very much curtailed in that respect.

Senator GEORGE. Mr. Secretary, I have not any preconceived notions as to what machinery should be set up to administer any fund in aid of these European countries. None whatever. But I realize the absolute importance of having a machine set up, or machinery created, which will give confidence to the American people.

Secretary MARSHALL. I agree with you thoroughly on that.

Senator GEORGE. I know the difficulties of trying to work it out.

Secretary MARSHALL. It is an extremely difficult thing to do and it becomes even more difficult when you get into the embassies abroad.

Senator GEORGE. I appreciate that fully.

I believe that you said that this roving Ambassador over there was rather the Ambassador between us and the committee of the European countries that would be contacting our organization.

Secretary MARSHALL. That group of 16 nations has set up a committee and in the various processes that are involved in these transactions he would come in intimate contact with the whole matter, and particularly from the viewpoint of seeing exactly what is going on.

Senator GEORGE. And would he be the go-between between any 1 of the 16 nations and the committee of the 16 or our own administrator?

Secretary MARSHALL. He would be the representative of our own Administrator. But some of his observations, where they relate to the foreign policy, would come in also to the Secretary of State.

Senator GEORGE. I did not quite understand his functions.

Secretary MARSHALL. We did not want to trust to a number of separate agencies overseas. We want one man to represent the general trend of the affairs in its guidance from our side of the ocean.

Senator GEORGE. I think of far greater importance—I cannot help emphasizing it again—is an Administration. I am speaking now of the administration of the money that is to be voted by the Congress as an Administration in whose judgment there can be reposed reasonable confidence. And, of course, that would carry with it an Administration that would be attentive to the policies adopted by the State Department and by the President.

I understand that. But I cannot get away from one viewpoint and that is that unless the Administration will be charged directly with the expenditure of this money, that it is one that commends itself to the American people, we are going to have a great deal of difficulty, maybe not in the first appropriation, but certainly in the second or third.

Secretary MARSHALL. It may be, Senator, that my view is wrong, and that of most of my advisers are wrong. One answer to the questions you put up would be to do what I was strongly urged from many authoritative sources to recommend; to avoid the dilemmas you have been discussing by placing this administrative unit under the State Department. I declined that. I thought it was wrong.



As a matter of fact, unless you ignore foreign policy, which would be fatal in this procedure, you either have to do something of the character we have proposed here, I think, or you have got to put this agency under the State Department where you lodge the responsibility unmistakably in the Secretary of State. I thought that was bad business. I thought that despite the difficulties involved in putting the Administrator in the position we indicate here, outside of the State Department with certain checks and controls, that it was far better to do that than to put the agency within the State Department.

If you put it within the State Department you answer most of your questions immediately because there the unmistakable authority rests. But I think this is better than that.

It has its difficulties. Anything that you inject into this complicated and elaborate system of government we have is always extremely difficult, such as groups or commissions you set up for a particular purpose. And the more vigorous the agent of that group the more difficult the matter becomes, unless you get one of those rare individuals that can do pretty much what he wants and still get along with everybody.

Senator GEORGE. He is a pretty rare gentleman, I think.

I want to ask you one question on the broader question presented here by this proposal. I note with quite a deal of interest, and quite a deal of sympathy, that you put a very great emphasis upon the condition of the countries of western Europe, or of the countries of Europe, without regard to whether or not there was such a system known to us as communism, or any proponent of that system in Europe. If I correctly interpret your statement you still are insisting strongly, and the basis, the premise, on which you base the whole argument is that recovery of the European nations, war-torn, devastated nations of western Europe, does require some outside assistance, some assistance from outside sources in order to restore that economy.

Secretary MARSHALL. That is correct, sir.

Senator GEORGE. Regardless of any ideology of any particular nation in Europe.

Secretary MARSHALL. Our problem would be greatly simplified toward recovery—which is what we want because that means a healthy reaction and we feel pretty certain of what the healthy reaction would be—it would be greatly simplified if the other nations also would cooperate.

Senator GEORGE. And there is a noncooperative nation, I realize, and appreciate that. But you would still be willing to recommend something like \$6,800,000,000 for the first 15 months if all European countries were fully cooperating?

Secretary MARSHALL. We would have to survey that. But in general the conditions are that a large portion of this \$6,800,000,000 goes into foodstuffs. It just happens that in eastern Europe the crop situation is much better than in western Europe. As a matter of fact in eastern Europe, that portion of western Poland which is involved in the segment taken out of Germany alone provided one-fifth of the foodstuffs required by the entire German population.

In Czechoslovakia, and in Poland, and also now in most of the Balkan States, the food situation has greatly improved because of weather conditions, and they would be more or less in the position, if



they did cooperate in this matter, of providing foodstuffs which now they do not provide.

They, the western Europe, do get coal from Poland, from Silesia, the Silesian field, and they are gradually moving toward other trade positions. We had the recent British trade agreement with Russia for coarse grains in a considerable amount which helps the British situation to just that extent, and reduces somewhat to that same extent the necessity for our helping them out with these grains in short supplies.

It seemed to me in the United Nations conferences, particularly those individual calls that came to me, that there was a constant indication of an urgent desire, under the pressure of this proposed European recovery plan to make certain that their trade conditions were improved across the border line from the satellite states into western Europe. Whether or not that would have been the case, unless they saw some such program as this coming into effect, I do not know. But in brief, the general situation would be helped by the inclusion of more countries in the program.

In my statement of June 5, I said "a group of nations, if not all." I put the expression "if not all" in there purely to make clear that we should not drop the matter if we could not get a unanimous agreement. We should go ahead anyway. That was the reason for saying that.

Senator GEORGE. My interpretation of your statement of June 5, Mr. Secretary, was that implicitly in it was the willingness of European countries to help themselves and especially all those countries who have any ability to help themselves, and to help each other.

Secretary MARSHALL. Exactly.

Senator GEORGE. I have no further questions.

The CHAIRMAN. Senator Wiley?

Senator WILEY. Mr. Secretary, I understand from your statement this morning—and I want to compliment you and your statement of this morning—that you feel your statement at Harvard brought vigor into some of these countries and they have been going places since, in self-help. Is that it?

Secretary MARSHALL. That, I think, is absolutely correct.

Senator WILEY. The thesis of this bill is based upon the general premise that it is in the interest of the general welfare, of our welfare, and in the interests of our country, that we undertake this program. I presume that lays the foundation for the authority for levying taxes. Am I right in that conclusion?

Secretary MARSHALL. Yes, sir.

Senator WILEY. The general plan is, first, that we will make grants or gifts, and that we will make loans. Thirdly, that we will guarantee investments by private concerns. That is the general tone of it.

Secretary MARSHALL. Yes, sir. But your last statement I think should be carefully defined as to just what it means. I think the last item, the guaranty of private investments, should not just be left as a bare statement because the actual meaning of the law, the intended meaning of the law, is that we guarantee the convertibility into dollars of the return from the investment provided, among other things, that the project was initiated with the approval of the Administrator.

Senator WILEY. That guaranty runs for 14 years.



Secretary MARSHALL. Yes. But what I am getting at is this: Let us say that private investors go into this field and it is a complete flop. In other words, they lose all of their investment. The guaranty does not apply to that loss. But whatever they recover up to and not including the profits, we guarantee that it can be converted to a dollar basis.

That is correct, is it not?

Ambassador DOUGLAS. Yes. That is capital investment.

Secretary MARSHALL. It is confined entirely to capital investment.

Ambassador DOUGLAS. And then only if the return from the capital investment is sufficient to amortize it.

Senator WILEY. In connection with that thought I want to ask you several questions. First, apparently there is a recognition here that there is a field where private investment in these countries might profitably operate. Am I correct about that?

Secretary MARSHALL. Yes, sir. I think so. And I believe I am correct in this, although it is getting out of my field quite a bit, that as the program proceeds, assuming it is successful, the opportunities for private investment should increase.

Senator WILEY. Assume that Congress passes this bill and there is an authorization of \$5,000,000,000 for the first year, is it contemplated that guaranties would be over and above that?

Secretary MARSHALL. The limitation is 5 percent, I think, of the total authorization which may be granted.

Is that correct?

Ambassador DOUGLAS. That is correct; 5 percent of the total.

Senator WILEY. Over and above the authorization?

Ambassador DOUGLAS. No. That is not contemplated.

Senator WILEY. In other words, you mean that the amount would be authorized with a total guaranty plus the total expenditures?

Ambassador DOUGLAS. That is right, sir.

Secretary MARSHALL. That is correct.

Senator WILEY. Has this particular idea been gone into: We know that British capital largely built up America, to finance roads, and concerns. Have the governments, or the people in charge of governments in Europe, been approached as to the advisability—instead of our Government providing the money—that our capital be permitted to be invested, and that our Government then probably would have to make some guaranty for that? In other words, to follow the course to build up these countries, instead of the course we are now pursuing.

Secretary MARSHALL. If I understand you correctly, you are suggesting that we just reverse the earlier procedure of foreign capital providing money in this country for the railroads and other large projects, particularly out west, and turn around now with American capital to go into Europe so far as they can find a reasonable basis; and we interject this guaranty in order to meet the tremendous problem of any investor at the present time, which is that when you get the money you cannot bring it home; there is no basis of convertibility. It is over there, and it is not over here, and there is no basis for a continuing employment of profits, or even acquiring the profits, except in a very abstract manner. This, incidentally, is one of the greatest problems of the whole European situation. When one of those countries sells to another, the balance of currency earned over



and above barter transactions is often inconvertible. For instance, Italy accumulated \$80,000,000 worth of pound sterling in merchandise and other transactions with United Kingdom and other sterling areas.

Now, when this nonconvertibility issue arose last summer, then Italy could not get the \$80,000,000, and Italy was counting on it to buy foodstuffs and other things and coal from us.

So the whole procedure broke down on us. That is one of the great problems in the European situation—that there is no firm basis of trade settlement.

Senator WILEY. I understand that, Mr. Secretary. The point I am getting at is this: According to the statement that you ad libbed, instead of following your written statement, you made it very clear that you had faith in the ultimate constructive outcome of this act.

Secretary MARSHALL. That is correct.

Senator WILEY. You sensed that if we did this thing, in other words, if help were forthcoming now, first to combat the threat of hunger and disease, and so forth, and second, to antidote the Communist threat, that we would win through. I believe you felt that that is your conclusion and justification for this expenditure.

Secretary MARSHALL. That is correct.

Senator WILEY. I say, if that is true, if the same were accomplished by private investment instead of being a general charge upon the whole country here, that is, if the same sum of money were arrived at and were handled by private people as they handled it during the early days here when foreigners (British, Scotch, French, some German capital, some Belgian capital, some still in this country, by the way), helped to build up this country, I am wondering, if you pursue that thought, whether there is anything in it from your angle so that we would not be constantly increasing our own indebtedness.

There is another advantage in this. If we took \$5,000,000,000 of the people's money, invested it in Europe, it would take the pressure off what we have in this country. In other words, one of the claims for inflation is that we have got an extended amount of American currency, and if that were taken out from the pockets of the people here to invest it over there, we would have that much pressure taken off. I am asking whether that idea has been pursued.

Secretary MARSHALL. Yes, sir; I think we searched that out very carefully. I believe the answer I gave is reasonably pertinent to your question. If a successful beginning is made in this matter then the development of opportunities, the prospect of the development of foreign investments by our own people in Europe, would be steadily increased, and the degree to which that is increased would lessen the burden on the general tax problem for our citizens.

Will you add to that, Mr. Ambassador?

Ambassador DOUGLAS. Senator, the matter has, of course, been considered. I personally know of several American concerns at one time or another that have considered making capital investments in one or another of the European countries. But there are three present deterrents.

The first is the matter which the Secretary has referred to: The lack of confidence, indeed, under existing circumstances, the very serious



doubt that any profits made in sufficient amount to amortize the investment and to provide a return in addition, could be transferred back into American dollars and that therefore, from the point of view of the American owner, the investment made in dollars in the project would be a loss.

The second consideration, and it is an important one, is that in respect of one or two of the projects of which I have some knowledge an investment abroad would contemplate, necessarily, the purchase of additional raw materials in order to operate and fabricate the articles for which the plant was constructed. There is very serious doubt as to whether there is the convertibility of the exchange of the foreign country into the necessary currency to buy the raw materials.

There is still a third consideration, Senator, and this is quite characteristic of our own experience, that capital, private capital, does not seek investment when political conditions are unstable.

Now, the period to which you referred during the nineteenth century was one of the great periods of freedom and initiative. There was no question as to the ultimate foundations of society, the foundations upon which society rested, the political structure of society, nor had there been during that period any serious doubt cast upon the opportunities of individuals.

Hence, although we may have had some relatively minor economic disturbances, the North American Continent and other outlying parts of the world offered a great opportunity for the investment of capital and it flowed to those areas. Millions of dollars were invested by foreigners in the development of the cattle business in my own community, just as an example.

But that condition does not now exist in Europe, and it is a product of the war in a very large measure, combined with other forces that are operating, eating, eating at the foundations, the ancient and traditional foundations of that society.

Those are the three considerations.

Now, one of the great purposes as I understand it of the European recovery program is to provide the sinews, the financial sinews, with which political stability can be restored in western Europe, and with the restoration of political stability progressing parallel with economic stability, the creation of the environment which capital seeks will follow. That is one of the purposes of the guaranty.

Senator WILEY. I agree with that. Of course, that argument will always be presented if they can get us to furnish the money through the years to come. It will not be stable if we develop the least tenderness.

I would like to get the judgment of the Secretary on this. Is there any danger, by doing what we are doing, that we will create in them a thought that "here and now we have got a false feeling over yonder, and no matter what happens they will take care of us"?

Secretary MARSHALL. I do not think there is that danger. I think the general effect is exactly the contrary. That is what we were seeking in the suggestion made on June 5 last, to have them get together and make a combined, a cooperative, intelligent, aggressive, struggle to advance themselves.

I have heard it eloquently stated by a very distinguished person abroad—I am sorry, I cannot name him—that it was not merely the material requirements that were essential to the recovery of Europe, that even more important was the spiritual uplift from this condition



of apathy, this tribulation piled upon tribulation that they had to rise above.

This program, in effect, starts off by dealing with, we will say, sick people who are oppressed by their tribulations.

Senator WILEY. You think this is a spiritual cocktail or a material cocktail?

Secretary MARSHALL. I do not think it is a cocktail either way you take it. It is a very difficult problem, and one of vast consequence.

Senator WILEY. I say that, Mr. Secretary, because I am very serious about this, and I follow your idea.

Secretary MARSHALL. Will you allow me to finish this?

Senator WILEY. Yes.

Secretary MARSHALL. We are dealing with sick nations. Now, you do not get very much out of a sick man at the start. You first have to get him on his feet. You have got to get him started again. You have to give him a little faith in himself. That is what we started. You might say that that is the problem of the first 15 months we face, though as a matter of fact the mere suggestion of last June has had quite a psychological effect. It led a cooperative proposal of the 16 nations that is almost without precedent in history.

Your action in the Congress, of granting the intermediate aid which to them implied a stronger hope that a general program would go through, on a long-term basis, has been a tremendous stimulant and I think had a very large part in the successful resistance in France and in Italy, to the communistic effort made there last month to break down those Governments.

My own thought does not indicate a continued feeling of dependence on us. The reactions of the people will stop that, because there will always be at least an opposition party who will make various allegations against the party in control. One allegation, in the line of the suggestion of the propaganda of the Soviet Union, is that we are attempting to impinge on their sovereignty—which, of course, we are not—that this is a vast scheme, a Machiavellian scheme for imperialistic control in Europe.

This committee hearing would not indicate that. The effort to marshal public opinion in this country would not indicate that. We know that that is not true.

I think that we fail in quite a measure to appreciate the amount of national pride involved in this problem.

Senator WILEY. I want to say there, Mr. Secretary, that I have seen quite a bit that manifest and that I have heard quite a few people in Europe say that they hoped there would not be another gift. You have heard that, too, have you not?

Ambassador DOUGLAS. Yes, I have, Senator.

Senator WILEY. So we are contemplating building power plants, contemplating building up their transportation system and other things. Has that been worked out, as to what security Uncle Sam should have for building up those substantial improvements in Europe?

Ambassador DOUGLAS. May I answer that?

Secretary MARSHALL. Go ahead.

Ambassador DOUGLAS. In respect to power projects, it is altogether probable that the International Bank would be the instrumentality that would finance them. I cannot speak with authority because the



National Advisory Council would have at least consultative powers in the matter, and the International Bank would then, of course, advance the funds if it considered that the project was economically sound, and that it would pay out, amortize itself.

Senator WILEY. Has that been broken down, for instance, so that if you were to get general authorization of the total amount, \$15,000,000,000, or for the first year, \$5,000,000,000, that we will know that probably the International Bank would finance part of that \$5,000,000,000, or would it be on top of the \$15,000,000,000? Or what would it be?

Ambassador DOUGLAS. So far as the International Bank is concerned, it would be on top of, and in addition to, the amounts appropriated under this proposed legislation. The Export-Import Bank would operate in a different way.

Senator WILEY. I am interested in pursuing this question—and from what I have said I trust that no one will get the idea that I am opposed to helping the needy or doing more than that, if necessary, in helping some that are not so needy who are hard working and indicate a desire to build or construct. But I am, however, sensitive of the fact that we have, since the war, put into Europe something like \$22,000,000,000, and I would really like to have for the record an explanation by the Secretary and others as to the results, constructive or otherwise, to come out of that. If it is a question of a spirit being born—when I said spiritual cocktail I meant just that—if it has resulted in rebuilding courage back into the people and putting them in better shape so that we do not have to give them some more, I think we should have that story, and have it definitely.

It is suggested by the chairman of this committee that people in this country are saying to us in letters, "You are trustees of this money, these values in America; you are trustees of them, and the trustee had better use the best judgment he has when he invests our money."

I know they will say that next year, or this year, when a lot of folks run for office.

Any light that can be brought into this picture would be welcomed as far as I am concerned.

Secretary MARSHALL. I think the general indications of the program, Senator, show that it is supposed to reduce the demand on this country to zero at the end of 4 years. That is the hope, that is the purpose. Rather than let this condition drag out with its fateful consequences to the world, and on the form of governments as we know them, and particularly to our own security; we should do something to assist in getting the situation in reasonably healthy shape within a reasonable time.

I do not know whether it is wise to make a reference of this kind. But I heard an address, an offhand speech, by a Member of the Senate to a group of businessmen the other day, in which he commented on the South and its reconstruction period, describing what they had done for themselves, exclusively by themselves. The only thing he did not mention was the long stretch of years involved in the doing of it. If you try to compare that reconstruction to the present European situation, the fact must not be ignored that there were



no threats that imperiled the general world situation and the governmental structures upon which we wish to depend.

The interesting phase of the matter in the light of the present problem was the number of years that were involved in the partial, not yet complete, reconstruction of the South, left to itself virtually unaided. We cannot afford, the world cannot afford, to have Europe dragged through any such lengthy period.

Senator WILEY. You have not forgotten the RFC, have you? And the rest of the boys in the last war, this last war?

Secretary MARSHALL. I am talking only about the rehabilitation of the South.

Senator WILEY. I am talking about that too, sir.

Secretary MARSHALL. You were referring to a later time than I was. I will put it that way.

There was a long, distressing period when the impulses of the Nation had turned to the West. You must consider the number of years that were involved, and the slow, tortuous struggles back to a reasonable degree of prosperity, a reasonable standard of living. The destruction in Europe is incomparably greater than was that of the South, and its importance to us and the world is such that we cannot let matters drag on and on.

Senator WILEY. First, Mr. Secretary, it is your judgment, and I think of all the important men in Europe, that there is an imperative need for food, clothing, and sustenance. You agree to that?

Secretary MARSHALL. Yes, sir.

Senator WILEY. That I do not think any American objects to.

Secretary MARSHALL. I think, as you said, it is our duty as a good Samaritan to meet that call.

Senator WILEY. Now, I want to ask this question, and it may be a psychological one: Do you think we have reached a point in our thinking where we feel we can buy certain things with gifts or money that are not purchasable on that basis?

Secretary MARSHALL. I do not think this is a question of buying. What we are trying to do is to create a condition over there whereby they can regain a certain stability themselves. I do not even assume that there will be much gratitude that will be very impressive in this country. You always get in trouble when you give. I think that is a well-known fact of life.

Senator WILEY. Especially if you loan.

Secretary MARSHALL. I think you have more experience in that than I have.

Senator WILEY. Not personally, but the Nation has.

Secretary MARSHALL. So that is not the expectation we are seeking. We are trying to do, as nearly as we can figure it out—certainly in the State Department administration—what seems to be the right thing in the prevailing situation in the world. We want to terminate the continual necessity of giving this assistance, and to create a condition of stability which will favorably affect the entire world.

The Hitler Government had an expression that a certain section there was "the heart of western Europe." The satellite countries, too, are a factor in the world-trade situation. This heart of Europe has been administered a devastating blow. It affects the entire world. There is hardly any situation in trade or commerce that you touch



anywhere that is not affected by it. We are very much interested in the world. The type of world that develops from these conditions is of tremendous importance to us. From the financial viewpoint alone, a continuation of this unsettled state of affairs will automatically involve us in large expenditures that will be wholly nonproductive.

Senator WILEY. You have stressed a gamble, that if we win we may save ourselves from a third world war.

Secretary MARSHALL. If we avoid the threat of a third world war we will have saved ourselves from the necessity of tremendous appropriations for national security. National security is an expensive business and its requirements continue year after year. I have had considerable experience in the struggle for such appropriations, and the usual inadequacy of them until we actually got into this last war.

Senator WILEY. Yes.

The CHAIRMAN. Mr. Secretary, I think we will recess. It is 12:30. If you will be good enough to return at 2 o'clock we will resume the hearing.

(Thereupon, at 12:30 p. m., the committee adjourned, to reconvene at 2 p. m.)

#### AFTERNOON SESSION

(The committee reconvened at 2 p. m., upon the expiration of the recess.)

The CHAIRMAN. The committee will come to order.

Senator Wiley?

Senator WILEY. Mr. Chairman, I will not take much more time.

In view of what we have been told, Mr. Secretary, as to the situation in Germany—of plants that have been taken out, and so forth—I will just ask a general question whether, at this time, you could give an explanation so that the people who have had misinformation on the subject, people in this country, can know what the facts are?

Secretary MARSHALL. Are you talking about the removal of plants and matters of that sort?

Senator WILEY. Yes.

Secretary MARSHALL. We are in the process of continuing discussions with the British in our endeavor to arrive at an adequate arrangement or arrangements regarding any further shipments of dismantled plants to the east. We are also restudying the entire question particularly as it relates to the recent announcement that deliveries by the Soviet Union are imminent under the reciprocal delivery provision of the Potsdam agreement. That refers to the 15 percent of the total 25 percent entitlements to capital reparations returns under the Potsdam agreement.

We expect to be in a position to provide further information in this connection in the very near future.

As to the dismantling at this time, if any such dismantling or any such deliveries are now going on or in immediate prospect, they represent the tag ends of the plants previously allocated to the Soviet Union, the delivery of which was not suspended when the United States stopped further dismantling of general-purpose plants in May 1946.

These deliveries consisted largely of general-purpose equipment, some war plants, the retention of which in Germany has never been contemplated. We have asked for precise information which will be made available to the committee as soon as it arrives.



Because the retention in Germany would not assist the economy of the western zones, and no economic justification could be given for holding on to the remnants of the plants already substantially delivered, we went ahead on that basis.

It appears preferable to complete these deliveries which were not suspended when general reparations were halted in May 1946. Until a definite governmental decision is reached as to further deliveries it is desirable to avoid any action which might precipitate the whole issue and possibly invite reprisal by the Soviet Union. We can well afford, we think, to complete these relatively minor commitments until a firm decision has been reached as to our future course.

There has been no suspension of the general dismantling program. It is difficult to give a complete answer to the question without a full discussion of the reparations program. But there are two considerations which, in our judgment, make it exceedingly unwise to call a temporary halt to the program as a whole. The first is that to stop dismantling, and then try to resume, would have a very serious political consequence within Germany. The Germans of the United States zone have been promised that the dismantling would be promptly concluded and that that will be the end of the matter. In other words, they are now clear as to the situation, and what they have to do. They know where they are and can plan accordingly. If there is a stoppage there will be uncertainty and contention and the reparation issue will be again in the forefront. Any further delay by this Government will encourage political opposition within Germany.

The second reason is that the stoppage would seriously prejudice our relations with recipient governments, members of the Inter-Allied Reparations Agency. The disadvantages of a permanent halt apply in a large measure to even a temporary halt.

Those countries need the equipment now. I am talking about the particular group of mostly the western states. We are obligated to deliver it, by international agreement, and failure to do so would give propaganda material to the critics of the United States within those countries.

It is true that most of those governments are prospective recipients of assistance under the European recovery program. But their policies with respect to German reparations are dictated by many considerations which cannot easily yield to our desires. I do not wish to suggest that the Congress should not have a real opportunity to examine the reparations program. I hope that we will be able to provide all the data in the next few weeks.

The process of allocation and dismantling of plants is at best very slow, and I do not think the situation could change very much by the time the committee's studies are complete. Nor do I wish to appear to prejudge the committee's findings. But I venture to predict that when it has considered all the factors it will not desire to propose any radical revisions of our existing policy toward the signatories of the Paris reparations agreement.

Senator WILEY. Then I understand that what has been going on in relation to removal of plants is pursuant to agreements entered into with our allies with relation to reparations.

Secretary MARSHALL. Yes, sir; and General Clay has been very anxious to get the matter cleared up. The morale of the people in Germany with whom he is dealing is very seriously affected. The



whole business of rehabilitation of Germany to a self-supporting status is interlocked with reparations removals, and the longer the decision is delayed the more difficult his particular problem becomes.

Senator WILEY. If and when this becomes a program, I take it that besides the three subdivisions we spoke of today that there is also contemplated that this Government will see to it that adequate experts are provided in case machinery is furnished. I have in mind the information that I feel is correct, that there were some 8,800 tractors sent to Poland under UNRRA. A large percentage of these tractors have become useless because there is no technical aid given as to the operation, and parts are not available, and they are lying around there like so much useless war machinery, whereas they could be made to produce.

I presume that that will be borne in mind in furnishing technicians, in this whole picture.

Do you agree that one of the things that Europe now needs is experts?

Secretary MARSHALL. Yes, sir; and certainly in regard to our American techniques, machinery, and things of that sort.

Senator WILEY. I have particularly in mind a quotation in a letter that I received from someone several days ago, from someone just returned from Europe, and I quote the identical language:

I have seen too much industrial as well as agricultural machinery ruined because of a lack of experts or the lack of those who had authority to put into effect the proper method of operation.

Secretary MARSHALL. The bill authorizes that, Senator. But I think there is also another consideration that has to be taken into account; that is, certain human frailties.

I found during the war on both sides of the Atlantic, at times, a failure to use proper technical assistance and advice, and it generally flowed from the same reason. You could not tell the other fellow much, you could not tell our fellows enough. We always ran up against a self-satisfied attitude, and we encountered that as much among our own people as among foreigners.

I think that is always a factor; how you break that down and how tactful your agents are in introducing their special skill. We are all a little bit inclined to be resentful if somebody appears who claims to know a little bit more about something than we do. We ran into some serious and some amusing examples of this sort.

It was difficult for us, to get the proper understanding, for instance, regarding tanks, because our people were pretty hard to convince. It was very hard for us to tell the Europeans, British in particular, about their failings in tanks. They had, we thought, serious failure on the mechanical side, and they thought we had a weakness on the fighting characteristics. I think both of us were a little right.

Finally, under the force of circumstances we got together, but delays had resulted.

Regarding the Polish situation as to tractors, it would seem to be a very marked example of a failure, if the facts are exactly as stated.

Senator WILEY. You spoke this morning in your statement of the situation of these people that we are aiding. I wonder whether or not in this program there has been any consideration of the quid pro quo?

Secretary MARSHALL. There has been consideration of the quid pro quo specifically in relation to certain raw materials, where there



seemed to be a basis for an exchange which would lessen our burden, or would improve our situation. I think that has been taken into full account. Isn't that correct?

Ambassador DOUGLAS. The participating countries, under the bilateral agreements we propose to make with each one, will be required to facilitate the sale to the United States of those raw materials for stock-pile purposes which are in excess of their own commercial demands.

Senator WILEY. It is a known fact, is it not, that some of these countries, or the citizens of these countries, have assets in this country, considerable assets? Is there any thought that the money that the American people are advancing in this case will partially be paid back by gold and dollars of other countries?

Secretary MARSHALL. That has been looked into very carefully. I think you can get a much better statement in regard to that from Mr. Snyder than you can from me. He is familiar with the essential facts.

Senator WILEY. I realize from the statement the chairman of the committee made this morning that there will be many others, but I want to say, Mr. Secretary, that you have a unique position in the hearts and minds of Americans, and that, after all, you are credited for giving birth to this baby. I would like to know just what your ideas are on this subject.

Suppose a country X had \$3,000,000,000 in American gold and property, that is, the citizens had, are we going to ignore that fact?

Secretary MARSHALL. No, sir. I think I should answer that by saying that naturally you would want to get my view on as many of these details of this immensely complex affair as it is practicable for me to give; as to resources of this country; as to resources abroad; as to ability to do this or do that. My main concern was to make certain that I had the best minds available working on the problem, and then giving me, in the end, a summary of this and a summary of that. Solely within my own capacity it was utterly impossible for me to work out these details. In the first place I have not been here in Washington for much of my time; only a week or so at long intervals. And generally is not a very quiet period for me here when I do come back.

But in this particular case, as I said in my statement, I think we have had as searching an examination of all the facts as ever has been given any proposal submitted to Congress. It has been my effort to see that that was done, that the people who did it were capable people, and that the procedure they followed was a practical, cooperative, efficient procedure. I think all of that can be made very clear to you in these hearings.

Senator WILEY. I did not quite get the answer I wanted. We recognize, of course, that the major portion of the goods that we ship to Europe are in relatively short supply here. The economic effect or impact upon that situation, of course, is increased price levels here, is it not?

Secretary MARSHALL. I think it is more a question of production here than it is of increased price levels. I also think it is more a question of procuring elsewhere, where the items are available, those that are in short supply or completely lacking. This should occur in a good many instances.



The interim-aid bill gave us somewhat increased latitude to go outside of the country to get things in short supply. This present draft legislation proposes for off-shore procurement authority.

I looked into that specific question in relation to two factors. One was the effect of the European recovery program on Latin America, for example, to which I referred this morning, and another one was the effect on the European recovery program and our own situation in the United States, and of procuring supplies from Latin America.

Out of the first \$6,800,000,000 slightly over 2½ billion dollars goes for offshore procurement of which Latin America will receive a substantial share.

Senator WILEY. That particularly has reference to oil and other commodities.

Secretary MARSHALL. Wheat and things of that sort.

Senator WILEY. The picture is set up that way.

Secretary MARSHALL. In other words, we tried to seek out ways of lessening the burden, the impact on the American scene and particularly as relates to rising prices.

But again I say that I think the principal solution to that, so far as the European recovery program is concerned, is in increased production.

Senator WILEY. Has there been any consideration given to this idea that in view of the high shipping costs that nations like France, whose citizens have gold and American money, take care of the shipping costs.

Secretary MARSHALL. I am not quite clear on the latter part of your question. But I think I can answer it.

One of the provisions of this bill is in relation to the temporary chartering or the actual sale of shipping, in order to cut the excessive dollar costs of freight to Europe that are involved in the European recovery program.

Senator WILEY. There is a drastic power conferred giving you the right to take ships.

Secretary MARSHALL. Yes, sir. What I am getting at is this—

Senator WILEY. What I am getting at is, are there any nations that will look after the conveying of the goods from this coast to their recipient nations, and save us that expense?

Secretary MARSHALL. That is what I thought I was answering. It is expected that a large part of the shipping would be conveyed in foreign vessels without dollar cost. In order to avoid the tremendous dollar expenditures for freight still to be carried in United States vessels the charter and sales provisions have been proposed. I think coal in Europe that comes from the United States, not considering railroad charges, or river charges, costs \$24 a ton. I think something like \$14 is the ocean freight. Much of that is being paid in dollars.

By the provisions of this draft legislation these countries can charter a ship for a limited period after which it reverts back to us. This cuts down very considerably the dollar cost of the shipment of this material, these items, across the Atlantic. That, of course, introduces this factor instantly: certain American firms are operating those ships, and that money, instead of going to them, will go in a lesser payment to the new charter countries that are operating the ships.



It boils down, really, to this: Whether or not we subsidize as an item of the cost of this program, American shipping operated on the American basis with American costs, or whether we proceed, as indicated by this draft legislation, to charter on a temporary basis, these ships, or to actually sell them. Of course, when you go beyond charter, and go to sale, you come into the factor of our own security, meaning the ocean shipping that we had in being, which has a very pertinent part to play not only in our world trade but also in our naval strength. That is a very large issue which has to be discussed from those various points of view.

But we have endeavored to present a method of cutting costs by a very material amount in respect to shipping.

Senator WILEY. There is another angle to it, and that is that some of these countries have the assets to pay for shipping.

Secretary MARSHALL. Of course, the more they pay in dollars on the shipping cost the less they have for the other requirements of the European recovery program.

Senator WILEY. Is there any thought in mind now, after our experience with Panama, of seeing if, probably out of this program, there is a possibility of getting some outer bases?

Secretary MARSHALL. This program does not provide for anything like that. I think it is very important that in the business of this European recovery program we do not introduce factors of that particular nature because that would merely go to support the violent propaganda efforts against the whole procedure. We are not buying an advantage here for ourselves. We are trying to improve a very serious world situation which, in the end, it is of great importance to us that it be improved.

Senator WILEY. Mr. Secretary, I think I can agree with that statement. At the same time, as I said this morning, I feel that we have been drawn into two European wars and since the war we have spent billions and billions. In view of the advance in technological warfare which American ingenuity and invention have brought about, Greenland and the islands of the Caribbean are important places. I never thought that we could buy their friendship, but I think that Europeans have taught us the need to be practical, to approach every problem with a common-sense attitude, and I feel that maybe here is another opportunity that we lost some years ago. I just bring it up for consideration, that is all.

I think that this morning you brought out pretty strongly that the advantage of the program was to rehabilitate our friends in Europe and really see to it that they do not economically go to pieces and that they do not politically go to pieces.

We had your statement, I believe, that you thought that doing what we are doing will not play into the hands of the Communists, that it will just have the opposite effect.

Secretary MARSHALL. Yes, sir.

Senator WILEY. You intimated in your answer to my first question this afternoon that there would be forthcoming from General Clay or others a full picture in relation to Germany.

Secretary MARSHALL. Yes, sir.

Senator WILEY. This program contemplates, however, as I understand, definite steps in relation to resuscitating that part of Germany that the British and we are occupying.



Secretary MARSHALL. Yes, sir.

Senator WILEY. I want to ask a few more specific questions. This relates to Italy. I think it is generally conceded up to the time of Mussolini that Italy was beset with secret organizations like the Black Hand and under his rule he disposed of all those revolutionary elements. I want to ask if you feel that Italy is reverting to her former status or whether it is hoped that she will accept real democratic principles?

Secretary MARSHALL. It is certainly hoped very much she will accept democratic principles.

Senator WILEY. You think our previous contribution to Italy has aided in that direction?

Secretary MARSHALL. I think it has. I do not know what might have happened if we had not done what we did do. The battle there is still continuing, and it a very strenuous one, to create a completely confused situation greatly to the disadvantage of an orderly government.

Senator WILEY. I saw something recently to the effect that these recent wars, the two World Wars, have drained Europe of their investments in foreign countries and I think recent statements show that she is something like \$2,400,000,000 short between her exports and imports. Your theory is that by pursuing this course that differential could be wiped out?

Secretary MARSHALL. Certainly it can be greatly reduced. As a matter of fact presumably the impetus which has come out of the procedure of the summer in relation to this matter have all greatly accelerated, invigorated the British effort to do more in the way of production, in the way of work, which is urgently needed. The results in coal, as measured by the monthly statistics in the reduction of the degree of unfavorable trade balance, have already indicated this in a very marked way.

Is that correct, Mr. Ambassador?

Ambassador DOUGLAS. There has not been very much of a reflection in the diminution of the trade balance yet, Mr. Secretary. The reflection of the action of the Congress and of the United States Government has been more in the determination of the respective European countries which have been the recipients, to resist the efforts of other forces to seize power and they have been reflected also in certain of their own indigenous productive efforts.

But I think the drain on their balance of payments has continued in some of the countries unabated.

Secretary MARSHALL. I was speaking only of England.

Ambassador DOUGLAS. In England the drain on the dollar reserves has diminished principally because of a new program which the British Government adopted.

Secretary MARSHALL. What I was saying is that the impetus which was generated in the summer has begun to produce results of that character.

Senator WILEY. I think we saw that mainly in the coal production. I think the French production total has gone up.

What I am thinking about in that question is this: That you have got Europe now, even previous to the wars, able to maintain herself because of her foreign investments. Those foreign investments are largely gone so that there is not that income there. I am leading up to this question: Whether or not consideration was given, as there is



considerable consideration being given in England, to the proposition that, if western Europe and the white race in particular is to carry on, it has got to be done by a large development of natural resources and effort?

Secretary MARSHALL. There is no question but what that effort and development is very important to the general picture. That seems to be the tendency at the present time, and there is intense interest in that particular part of the world.

Senator WILEY. I think the statement the other day indicated that in spite of the war the population in Europe had increased by some millions, and that Europe was totally unable to take care of her own population and that no matter what her age was, that that condition would continue. Therefore, it calls for a broader vision; it means extension of the new colonial empire, if you want to call it that, by the nations in Africa where you really have production of raw stuff, and a resettlement of people there.

I want to know if that has been given any consideration and then I am through.

Secretary MARSHALL. It has been given consideration in relation to these displaced persons, for example, as to where they could be located. This would not only take that burden off Europe, reduce its density of population, reduce that particular character of burden, but it would also give these people a means of sustenance and at the same time develop resources that are at the present time untouched. That applies in Africa; it also applies in parts of Latin America.

Senator WILEY. That is all, Mr. Chairman.

The CHAIRMAN. Senator Barkley?

Senator BARKLEY. Mr. Secretary, speaking of the German situation, I suppose it is impossible to predict now, in view of what did not happen in London, the ultimate future of Germany as a whole; whether it will be possible to arrive at a peace treaty that adequately deals with Germany as a whole, or whether it will be necessary to organize a separate nation in western Germany.

In the consideration of this plan as it would apply to Germany, assuming that there would be a bilateral agreement between our Government and every recipient beneficiary government, what would be the machinery in Germany as it is now situated for such an agreement between our country and any responsible government in any part of Germany, or would that have to be an arrangement between the three nations occupying Germany—the United States, Great Britain, and France—or would it be an arrangement with our own occupation forces in the territory which we occupy? How would that be worked out?

Secretary MARSHALL. At the present time, in the present situation, just as occurred during the meetings of the 16 nations in Paris last summer, the report would come from the bizonal control. Of course, that implies that the British side of the bizonal agreement, and the American side of the bizonal agreement, in matters of very high policy, would get their authorizations from their home Governments.

But they have a charter and they have certain agreements on coal, and, level of industry, for example. Within the framework of those agreements they could proceed to do business, to go ahead.

There are also several Commissions, the United Kingdom Commission, for example, that are involved in this. Where we did have what we called "Echo," a coal commission, its duties have now been trans-



ferred to the United Nations Economic Commission for Europe. I have forgotten the exact technical designation. In that manner the bizonal British-American zone would be included. It is becoming a more clear-cut organization day by day.

The French zone would be dealt with through the French Government. However, in its operation I think we will find, as time goes along now, rather rapidly, that within that zone the procedure will more and more closely parallel the procedures in the bizonal agreement, which may eventually become a trizonal arrangement.

In dealing with those zonal organizations you must understand that they go back to their home governments regarding anything beyond the agreements that have already been approved for their interlocking commitments and responsibilities.

The question of those three zones would be of very direct concern to the British, American, and French Governments in relation to the 16-nation agreement, of which all are really a part. I do not anticipate any difficulties along that line.

To go into the larger problems that are implied in your question, I do not think now is the time to make decisions as to just what final action is to be taken in Germany.

What we are proposing now, in my opinion, and in the opinion of the State Department administration, is a program which, in effect, forces an issue in that it has the tendency probably to bring about agreements rather than to prevent agreements.

In other words, if we did nothing, if we had no prospective program of this nature, and took a rather negative attitude about the only agreement in prospect for the unification of Germany would be the Soviet proposals, roughly throughout, which we could not agree to.

This program tends to create a situation where I think in the end we are much more likely to get agreements than would otherwise be the case.

I would also say that to consider a peace treaty for only a portion of Germany would not be a desirable action at the present time. What is needed, to put it another way—and what I tried to give expression to when I was talking on the radio the other night—what is needed is to get the situation stabilized along very firm lines. Everybody then would be compelled to consider that situation and to decide then what, under the circumstances, would be best for them to do. I am referring only to the western countries, but more particularly to the eastern states.

If our procedure is firm, resolute, and reasonably successful it will exert a heavy pressure economically over all of Europe. But at the same time it will present the opportunity for other settlements.

In the midst of all this dissension, in the midst of these repeated refusals to go ahead in Germany with its unification, proposals are coming up all the time in regard to trade. These are healthy signs, I think.

Senator BARKLEY. I recall that a couple of years ago Mr. Molotov made a speech in which he held out the hope of German unification. Later Secretary Byrnes at Stuttgart made a speech in which he did the same thing. Of course, that unification politically—they had in mind political unification as well as economic unification which was really agreed to, I think, in one of the conferences, Potsdam or some-



where—anyway, that has not happened. It has not happened either economically or politically, so far.

You feel that notwithstanding that failure up to date to carry out those promises or fulfill those hopes held out, that there will be a way by which this plan can implement that part of Germany which is occupied by the Americans, the British, and the French, so as to afford it, within limitations, I suppose, as fair an opportunity to share in this recovery as it would be to the other countries.

Secretary MARSHALL. Yes, sir. Very much so. I do not think we have an issue there, for some time to come, which would excite the fears of the French, notably, and also the Italians and the other smaller states, of the revival of a Germany that would become a military threat. I do not think a possibility of that sort is in prospect for some time to come. What we have to be careful about is that we do not set up a system which establishes a precedent which would be very hard to depart from, and which in the long run would rehabilitate Germany in a way that would make her a renewed threat to the peace of Europe.

Senator BARKLEY. While the restoration of local government in Germany has proceeded rather satisfactorily, I think in the sense that cities now have their own elections, choose their own local officers and districts do the same, there is no general government in Germany that would have the authority to enter into a bilateral agreement with the United States or any other country.

Secretary MARSHALL. That is correct.

Senator BARKLEY. In view of that fact——

Secretary MARSHALL. I think with our own representatives that we have there we could go about the business satisfactorily. Possibly, in that respect, it would be a bit easier than if we were dealing with a sovereign government, though I would much prefer that we have the country organized.

(Further discussion was continued off the record.)

Secretary MARSHALL. The same applies in our discussions about the organization of Germany. There is so much between the lines, and so little in the lines, of the purpose, the reason for the oppositions. And when there is poured on top of that a tremendous flood of propaganda statements the water becomes so muddy that it is difficult to understand anything about it at all.

Senator BARKLEY. You spoke this morning about the suggestion which you made at Harvard on June 5, and later the invitation extended by Mr. Bevin and Mr. Bidault, having included all the nations of Europe, without exception. Sixteen of them accepted.

You do not have to express any opinion about this unless you want to. I am firmly convinced that most of the others, at least some of them would have accepted if they had been free to do it.

Secretary MARSHALL. I do not think there is any question about that.

Senator BARKLEY. Maybe all of them. I have in mind at least three which I am sure would have accepted. One of them did accept, and withdrew it. The others intended to. But if they had all accepted, or more of them had accepted, would there have been any material difference in the amount of the first year's appropriations which you were asking?



Secretary MARSHALL. I do not think there would have been any very material difference. It is conceivable that possibly it might have been a smaller amount.

Senator BARKLEY. That is my next question, whether the advantages of their full cooperation in the plan would have to some extent, or might to some extent, have lessened the requirement for the amount.

Secretary MARSHALL. I think that is correct. Of course one can go into the analysis of the figures and get varying results. But there is no question whatever that the more nations that engage in this cooperative effort the quicker the readjustment and rehabilitation would be achieved.

Also, I would say by the same token, the result of such general cooperation would probably have resulted in a great deal less difficulty in reaching decisions regarding Germany itself, and Austria.

You spoke of all the nations "without exception". Spain was not invited.

Senator BARKLEY. That is true. You spoke of the effort of the Soviet Union to prevent the operation of this plan, and so forth, although maybe no official documents are on file in the foreign offices regarding the matter. Is it fair to say that the activity of the Soviet Government in undertaking to prevent some of the nations in Europe, especially those under its influence, from going into the plan, and even compelling the withdrawal of one, is ample evidence of the fact that they are seeking to prevent its operation?

Secretary MARSHALL. The evidence I think is conclusive. If you wish me to read it into the record, I have here a public statement by Mr. Molotov, and also one by Zhdanov, in connection with the Cominform. I could turn it over for the record or I could read it into the record.

Senator BARKLEY. How long is it?

Secretary MARSHALL. Just two pages.

Senator BARKLEY. As far as I am concerned it could just be included in the record without reading it.

The CHAIRMAN. It will be printed in the record at this point.

Secretary MARSHALL. Both were members of the Politburo, which is composed of a very small group of people.

(The statement is as follows:)

JANUARY 8, 1948.

#### ATTITUDE OF THE SOVIET UNION TOWARD THE EUROPEAN RECOVERY PROGRAM

The suggestion contained in my speech of June 5 was directed toward the countries of Europe, including the Soviet Union. Shortly after that statement was made, the Foreign Ministers of the United Kingdom and France invited the Foreign Minister of the USSR to meet with them to consider this suggestion. At this meeting the Foreign Minister of the USSR refused to agree to the proposal to work out a cooperative program for European recovery. At that time, on July 3, Mr. Molotov issued a statement expressing the views of the Soviet Government in which he said:

"The Soviet Government, considering that the Anglo-French plan to set up a special organization for the coordination of the economies of European states would lead to interference in the internal affairs of European countries, particularly those which have the greatest need for outside aid, and believing that this can only complicate relations between the countries of Europe and hamper their cooperation, reject this plan as being altogether unsatisfactory and incapable of yielding any positive results."



Mr. Molotov also stated:

"The Soviet Government considers it necessary to caution the Governments of Great Britain and of France against the consequences of such action which would be directed not toward the unification of the efforts of the countries of Europe in the task of the economic rehabilitation after the war, but would lead to opposite results which have nothing in common with the real interests of the peoples of Europe."

The failure of certain eastern European countries to participate in the Marshall plan was due to the attitude toward the plan adopted by the Soviet Government. Czechoslovakia, which had actually accepted the invitation to participate in the Paris Conference withdrew its acceptance, after consultations in Moscow by Prime Minister Gottwald, with the statement that "Czechoslovakia's participation would be interpreted as an act directed against our friendship with the Soviet Union" (July 10, 1947). The official communiqué stating that there was "no possibility" of the Finnish Government's participating in the Paris Conference said that the Marshall Plan "has developed into a cause of serious conflict among the great powers," and attributed Finland's nonparticipation to a desire "to remain outside the political strife of the world" (July 12, 1947). Prior to the Polish Government's refusal of the invitation, the Polish Foreign Minister indicated to the United States Ambassador his personal conviction that Poland would participate and would be present at the Paris Conference.

At the end of September 1947 at a meeting at which the Communist organization known as the Cominform was established, a speech was made by A. A. Zhdanov, one of the leading members of the Politburo, the principal policymaking body of the All-Union Communist Party which is, under Premier Stalin, the final repository of power in the Soviet Union. In this speech Zhdanov stated:

"The Marshall plan strikes at the industrialization of the democratic countries of Europe, and hence at the foundations of their integrity and independence. And if the plan for the 'Dawesization' of Europe was doomed to failure, at a time when the forces of resistance to the Dawes plan were much weaker than they are now, today, in postwar Europe, there are quite sufficient forces, even leaving aside the Soviet Union, and if they display the will and determination they can foil this plan of enslavement. All that is needed is the determination and readiness of the peoples of Europe to resist. As to the USSR, it will bend every effort in order that this plan be doomed to failure."

He further stated:

"The exposure of the American plan for the economic enslavement of the European countries is an indisputable service rendered by the foreign policy of the USSR and the new democracies."

At this meeting of the Cominform the view of the Soviet Government as stated by Mr. Zhdanov was reflected in a declaration adopted at that meeting. I need only quote the following sentence:

"The Truman-Marshall plan is only a constituent part, the European subsection, of the general plan for the policy of global expansion pursued by the United States in all parts of the world."

I believe this record speaks for itself.

Senator BARKLEY. Is it fair for me to assume that the reason for this opposition was not motivated by any desire for economic advantages in Europe but political advantages to the objector?

Secretary MARSHALL. That is my very strong conviction.

Senator BARKLEY. On page 6, General, section 5 of the bill, where you provide for this ambassador, the special representative to Europe who shall—

(a) be appointed by the President—

and so forth, and—

(b) be entitled to receive the same compensation and allowances as a chief of mission, class 1, within the meaning of the act of August 13, 1946, and (c) have the rank of ambassador extraordinary and plenipotentiary. He shall be the chief United States representative to any European organization of partici-



pating countries to further a joint program for European recovery, and shall discharge in Europe such additional responsibilities as may be assigned to him with the approval of the President in furtherance of the purposes of this act.

is it contemplated that this ambassador who has been described as a roving ambassador is to be an ambassador to the governments of Europe, or to the organization set up by any government to carry out the provisions of this act or any aid given them?

Secretary MARSHALL. It is specifically the latter, and I presume at times it will be a bit of the former, though our local ambassador is the nominal representative. Where he is dealing with this group formation he would do that directly himself, by himself, but where he went to a government he would go in company with our local ambassador.

Senator BARKLEY. Let us assume that some country, instead of setting up an independent agency or organization, designated its own foreign office as it exists at this time to handle this problem so far as that country was concerned. Would there be any possibility of friction between our local ambassador to that country who deals with the foreign office and this roving Ambassador who would also have to deal with the foreign office in regard to this aid?

Secretary MARSHALL. I think there would always be some possibility of that, except that in the first place the group is in existence now, representing the 16 countries, where the over-all contact in this program comes in. But where it came specifically to a discussion, we will say, regarding one of the bilateral agreements, there he, the special Ambassador, would deal with the issue presumably in company with the local ambassador, though he himself might do all of the talking.

Senator BARKLEY. There have been instances in which some embarrassment arose because of a lack of understanding as to who had the right to speak, finally, in regard to those matters. You do not anticipate such a difficulty?

Secretary MARSHALL. The policies of procedure would be determined on this side. It would be a matter for determination between the Administrator and myself, if it was a foreign-policy affair. Their agreement on the procedure to be followed or the decision by the President in the matter would determine the matter for the guidance of the representatives on the other side.

Senator BARKLEY. Later on, in regard to this dismantling process which we will go into in some detail, I suppose, in view of what took place on the floor of the Senate recently, you will have all of that information in detail and specifically here for us?

Secretary MARSHALL. Yes. We expect to have that ready for your consideration at an early date.

Senator BARKLEY. So it is not necessary for us to take your time now on that subject.

The CHAIRMAN. Senator Smith?

Senator SMITH. Mr. Secretary, I think, as you know, I have been a strong supporter of this whole Marshall plan as a logical approach to the recovery of Europe. Last summer when I arrived in Europe the Paris Conference was in session, and before I left there the report came out. I was very much interested in the report. I think everybody else was.



I recall the pleasure of talking to Ambassador Douglas about it in London, and I felt that a remarkable job had been done in 10 weeks. I felt that the Nation had undertaken certain projects of production which were really extraordinary and which, if accomplished, would do a great deal. But I have been asked this question which I want to put to you: Have not these nations jointly, by this report, raised their sights to a standard of living that is far above their standards of living, say in 1938 or 1939, just before the war; and are we not being called upon to assist in building a greater standard of living than they can reasonably expect us to help them with at this stage of the game? I think this is important that we get that cleared up because it is in the minds of many people.

Secretary MARSHALL. I do not think that is the case.

Ambassador DOUGLAS. That is definitely not the case, Senator. The assumption upon which these calculations were made was that the standard of living by 1952 would be lower than it was before the war.

Senator SMITH. Even though it calls for a substantial increase in production?

Ambassador Douglas. That is right.

Senator SMITH. Is that due to the fact that it was an increase in population that has to be picked up by this increased production?

Secretary MARSHALL. Yes, sir; and also very particularly due to the fact that there was such tremendous destruction of property and business establishments in that country, all of which has to be made good. It is similar to a situation where you might go into a place where only the walls remained and you have first to replace the entire plant.

Also, you have to deal with the increased population which is much more of a problem in some sections than heretofore.

I think the replacement problem is an important factor in the increased production that is now required. Consider the situation in England in relation to a late phase of the war when they were suffering damage from V-bombs. I think the percentage of destruction of houses in the metropolitan district was almost 40 percent, or something like that, was it not?

Ambassador DOUGLAS. There were 4,000,000 houses damaged, of which 400,000 were made completely uninhabitable.

Secretary MARSHALL. That resulted during one short phase which began in June 1944. In Germany and in portions of France and portions of Belgium and Holland there was terrific destruction. All of that has to be made good, in addition to going ahead, meeting the requirements of a change in the population, and trying to elevate the standard of living to somewhat near what it formerly was.

But it is the great replacement requirements that present the great problem.

Senator SMITH. I am very glad to have that brought out because that question is being asked. I thought myself that your answer would be along those lines, the replacement that has to be made because of destruction. But this question will help to bring out the point that my friends have asked me.

The plan seems to call for an enormous expansion of the development of electrical power, for power purposes all over Europe, which is way beyond what they had before, and it is a larger expansion than we plan in our own country. The argument is made, "Why



should we assist them in expanding their public utility operations where we need it ourselves and where we would be draining our sources of supply and machinery for that purpose?"

Secretary MARSHALL. I think there it boils down pretty much to the opinion of our people who have gone into the matter, as to whether these particular expansions that have been proposed will be helpful in accelerating their building to support themselves. Is that right?

Ambassador DOUGLAS. To the extent to which we do provide any aid or support for the development of power projects, that is true. I think it is important to note that we propose to supply very little support for this purpose. The capital required for the construction of most of the hydroelectric and other electric-generating projects contemplated under the Paris report will be provided for by the countries themselves.

Senator SMITH. I am glad to have that reply, too. We can assume that the administration's policy will be to consider not only development of these European countries but our own country as well in carrying out all these plans.

Secretary MARSHALL. Yes, sir.

Senator SMITH. And when we are considering raw materials and so forth, or any materials to be thrown into the picture, we will consider the development of our own country in a parallel way. That is brought out by the shortages, for example, of freight cars and the lack of steel. It is being pointed out that we need freight cars here if we are actually going to carry on this program.

I assume the administration has in mind those difficulties and the proper allocations of steel for freight cars, and whether they are to go here or abroad, in the development of the over-all program.

In other words, the United States is part of this program as well as Europe, in making the over-all postwar recovery.

Secretary MARSHALL. It is very much a part of the program. I will not try to characterize to what degree. The Administrator will be deeply concerned with this phase of the problem, the American side of the problem, just as deeply concerned as he will be by the foreign side. And, as I discussed this morning, he will come into contact with the Secretary of Commerce in relation to these matters and their effect on the American situation, American productivity, and the American security, for that matter.

I think I can assure you, Senator, that these problems have been very carefully surveyed. As a matter of fact, the committees did an immense amount of work along that line. The reports furnished us with good textbooks with which to work. There will be a continuing process of that character.

Senator SMITH. In your statement, Mr. Secretary, you spoke of some of these funds being used in other countries. I think it is proper. I am entirely in accord with that. I think, as far as we can, we should draw on resources of other countries so as not to deplete our sources of supply.

The question there that occurs to me is if it is true that the Argentine is going to furnish foodstuffs, why should not the Argentine extend credit rather than have us extend the credit and our money, then pay Argentina for the grain which they may sell for \$4 or \$5 a bushel? That is a criticism heard very strongly and we ought to hear the answer to it.



Secretary MARSHALL. Mr. Douglas can give you the technical answer to that. He has been sitting on more of those things than I.

Ambassador DOUGLAS. They should, as far as they are able to do so, Senator. Actually under the calculation of the balance payments, for the first 15 months—rather the 15 months for which the appropriation is sought—it is contemplated as I recollect the figures that the Western Hemisphere countries, other than the United States, will provide assistance, in one form or another, to the tune of some \$700,000,000.

Senator SMITH. Has that been explored to the maximum extent we can explore it, and there is maximum cooperation?

Ambassador DOUGLAS. I have been here only a few days, but I understand that figure is, of course, an estimate, but we can place reasonable reliance on it.

Senator SMITH. I think it helps the soundness of the whole proposition and the popularity, world-wide, of the whole proposition, if it is not looked upon just as Uncle Sam doing this act for some sinister reason. It will help this anti-American propaganda if we can carry this as far as possible into the area of other countries to participate.

Secretary MARSHALL. That will be the purpose.

Senator SMITH. I assume so. I wanted to bring it out.

The CHAIRMAN. Senator Smith, let us be sure we understand that answer. Do you mean cooperation to the extent of \$700,000,000 for which we do not pay?

Ambassador DOUGLAS. For which we do not pay.

Senator WILEY. Does that mean Argentine wheat at \$5 a bushel?

Ambassador DOUGLAS. I do not know on what basis that was calculated.

Perhaps I can best say, Senator, that I cannot answer as to whether that is based on a \$5 price per bushel of wheat, or whether it was not. There was an adjustment made.

Mr. PAUL H. NITZE (Acting Director, Office of International Trade Policy, Department of State). The basic calculation was made on the basis of July 1, 1947, prices. After that computation had been made a reduction was made to take account of the fact that it did include an abnormally high price for Argentine grain, and the adjustment was designed to take care of that abnormally high price, and bring it down to United States prices. We can submit detailed information as to exactly how the computation was made.

(The information requested is as follows:)

In estimating the cost of the European recovery plan for the 15 months beginning April 1, 1948, the administration has taken account of the fact that prices of Argentine grain have been substantially above world prices, and has gone on the presumption that this condition will not continue, at least to the same extent, as in the past. If the Economic Cooperation Administration assists in purchasing Latin-American products for European consumption, it will, of course, have a voice in the ultimate determination of the price.

In the first instance, estimates of the balance of payments of the European countries were made using actual prices prevailing on July 1, 1947. These were \$178 per ton (\$4.85 per bushel) for Argentine wheat and \$115 per ton (\$2.50 per bushel) for Argentine corn. The comparable prices for United States wheat and corn on July 1, 1947 were \$92 per ton (\$2.58 per bushel) for wheat and \$74 per ton (\$1.60 per bushel) for corn.

In adjusting July 1, 1947, prices to current levels, corrections were made not for individual commodities but only for the full range of European exports and imports, each taken as a group. In the case of imports from the United States, an over-all increase of 7½ percent was applied to account for the rise in



prices since July 1, 1947. In the case of European imports from the "other Western Hemisphere" a different price increase, 5 percent, was applied, because of the fact that Argentine grain prices on July 1, 1947, were higher than world prices, and because it was not intended that the Economic Cooperation Administration would, so far as it lay within its power, permit this discrepancy to continue. This difference in treatment is set forth on pages 94 and 95 of the Senate Foreign Relations Committee edition of the Outline of a European Recovery Program.

It is, of course, not known exactly what prices will be paid by Europe, with or without the assistance of the Economic Cooperation Administration for Argentine grain. The settlement of these prices requires negotiation in which several parties are involved. Estimates of Argentine grain exports to the participating countries, as set forth on pages 2 and 6 of volumes A and B of the supplement to the Commodity Reports are 385,000 tons of bread grains and 455,000 tons of coarse grains for the 3 months ending June 30, 1948; and 1,200,000 tons of bread grains and 3,440,000 tons of coarse grains for the year ending June 30, 1949. In terms of July 1, 1947, prices, these would be worth \$730,000,000. If an upward price adjustment of 7½ percent were applied, these would cost \$55,000,000 more or \$785,000,000. In the estimates presented by the Administration, however, the application of a 5 percent increase to total exports by the other Western Hemisphere countries, rather than a 7½ percent increase as in the case of United States exports, means that the total value of exports is \$120,000,000 lower than would otherwise have been estimated. This saving is expected to be realized as a result of negotiation for prices of Argentine wheat and corn which brings them below July 1, 1947, levels rather than above. The allowance is a general one and is not divided between wheat and corn. Prices actually paid for Argentine wheat and corn will be affected both by the course of negotiations and by the actual prices of United States wheat and corn prevailing when negotiations are entered into.

The CHAIRMAN. I still do not understand this figure. On what basis do we have any right to depend upon the cooperation of the other Western Hemisphere countries to this extent?

Ambassador DOUGLAS. That figure, Senator, of \$700,000,000, was arrived at by examining the balance of payments of the respective Western Hemisphere countries and calculating the amount therefrom which they could provide for the recovery of western Europe.

The CHAIRMAN. You mean you are assuming, first, that it is available?

Ambassador DOUGLAS. That is right.

The CHAIRMAN. What are you assuming is going to be the relationship under which the transaction occurs? Are you talking about \$700,000,000 as a contribution on the part of these countries?

Ambassador DOUGLAS. No. I am not talking necessarily about a \$700,000,000 contribution to a pool, to which we are the greatest contributor. I am talking about \$700,000,000 of assistance which they will provide for these 16 participating countries.

The CHAIRMAN. Who is to pay for the \$700,000,000?

Ambassador DOUGLAS. That is their provision. That is their contribution.

Senator WILEY. Have they agreed to it?

Ambassador DOUGLAS. No. They have not agreed to it. But that is the calculation. That is one of the reasons which I would like to point out here, later on at the appropriate time, why this figure of \$6,800,000,000 is a minimum figure.

The CHAIRMAN. Your \$700,000,000 figure is not a figure of the same type or character as the \$6,800,000,000?

Ambassador DOUGLAS. The \$6,800,000,000 is arrived at by deducting from the total deficiency of the balance of payments of the 16



participating countries the \$700,000,000 estimated contribution by other Western Hemisphere countries as well as other deductions. As I shall point out later this afternoon, this estimate is one of the reasons why the \$6,800,000,000 is a very minimum figure. There are other reasons, too.

The CHAIRMAN. I will subside and wait for your subsequent story. At the moment my balance of understanding is almost as absent as the balance of payments.

Senator SMITH. My whole purpose was to get at this question of aid by other countries in carrying this thing, whether we carried everything and paid everybody else the price they asked. I think that will be brought out later.

Now, Mr. Secretary, I have just one more question that I feel is very important, and that is the question of the administrative set-up. I speak about it feelingly, because in my considered judgment one thing we want to get out of this whole debate is, at all costs, any danger of political consideration, and if the proposal which is made here is looked upon as a proposal from the administration, for example, and some of the people on the other side of the aisle feel that they have to have a proposal on their side, you may get into the very thing that we all want to avoid.

I am wondering if there is any way possible to get these conflicting views on the administrative set-up brought together, and a plan worked out that we can agree on without running the danger of any political implications in it, or any political issue. This plan must be an all-American plan without politics of any kind if we are to be successful in it.

Secretary MARSHALL. All I can say, Senator, is what I endeavored to explain to Senator George: The proposal in this draft legislation is really more or less mine because the consensus of opinion was that this Administrator and his set-up should be placed as a section within the State Department. I did not think that was wise. It would have answered a good many of Senator George's criticisms of this divided authority because the responsibilities would have been definitely mine. The administrator would be working on the problem under me.

The reasons for that conception within the State Department were that there would be difficulties of the nature suggested by Senator George as hard to handle, and so frequent that it would impose on the President an intervention to the extent of being beyond his capacity of time and study to meet.

I, myself, thought the cure, that is, the organization within the State Department, was worse than the bite, and therefore suggested this present proposal as you see it here.

Now, in making the present proposal I felt strongly that there must be no uncertainty about the control of our foreign relations. That should not be on a divided basis of divided authority. That would get us into serious trouble, unless the State Department were divorced entirely from its present major function and a new agency were started.

So, as I said to Senator George, it may be that I was wrong in that, it would have been better to have accepted the original proposal to put this agency within the State Department.

My reasons against that were several. One was that I think it would be an unfortunate enlargement of the State Department.



Another, I thought that it would so submerge the individual who would be the head of this administrative agency that there would be great difficulty in obtaining the type of man that is needed.

Now, then, if we do something else, what is proposed here, there will be the troubles that Senator George indicates, which are inescapable, and which may impose on the President more intervention than we think will be the case.

I am hopeful that we will find a man to head this agency who will have the strength and decision and clear-cut ability to go ahead and do the job and at the same time be able to get along with other people in meeting the inevitable complications.

Unless you modify the existing laws the administrator will have to deal with the Agriculture Department, regarding food, and with the Commerce Department regarding other commodities. The proposal is not a political adjustment, unless you think I am a politician.

Senator SMITH. I do not. I thought you would feel the same as I do. But there was a congressional committee that went abroad this summer to look at this. I wondered whether you conferred with them or if you knew their proposals.

Secretary MARSHALL. I am aware of their proposals. My own reaction to them is that they would be taking from the President his constitutional authority in connection with foreign relations. It certainly would alter the characteristic procedures of our Government. Also a board of directors, as I pointed out this morning, would tie the hands of the administrator to a degree, and would thereby add this limitation to those involved in his dealings with other agencies of the Government. You cannot wash them out. You may say that is bureaucratic, but it is a fact of life in the Government of the United States and one must do business with the bureaus involved by law.

You gentlemen, by your laws, insist upon that, and it can be done, and I think we have provided a sufficiently efficient arrangement in the present plan.

I may be quite wrong in my point of view but I think it would be unfortunate to place this organization within the State Department, and I think it is very unwise, very seriously unwise, to set up separate foreign relations machinery. It is impractical to place the President in the position of really being the State Department himself, because he cannot possibly find the time to carry such added detailed responsibilities.

Most of the questions, however simple they appear, require a great deal of investigation, a great deal of elaboration, and a great deal of long experience through the years in relation to these with other countries, not to mention the over-all problem of the world situation.

I think I have answered your question.

Senator SMITH. All I want to get clear is if, in the course of our investigations and inquiries here, we do raise some points and find some plan that may seem to be even a better plan than that proposed here, your mind would not be closed except as to the plan of administration we all agree upon.

Secretary MARSHALL. No.

Senator SMITH. I think we want to be agreed on a plan of administration that we want to have confidence in, and I want to pay the greatest respect to you in your judgment, which would mean a lot to me.



Secretary MARSHALL. Mr. Douglas and I have been discussing that phase of the matter, just what our position would be toward amendments. He is going to go into that in detail in discussions with you gentlemen, and into our own consideration problems. We have not a closed mind on this at all. There are certain fundamental principles involved, and there are certain difficulties which cannot be avoided.

If the Lord is good to us, we will ride through. We had far more difficulties of this nature.

Senator SMITH. I know we can work this out together, but I wanted to keep it on the plane of conference and consultation in working it out together, and not get into a battle.

Thank you, Mr. Chairman.

Senator BARKLEY. Mr. Chairman, I forgot one question that I wanted to ask General Marshall, and that is with reference to the fundamental change in this bill by the elimination of any dollar figure except for the first year.

In the previous hearings before Christmas on the interim legislation, in which the over-all plan we are now discussing was touched upon, we were told that when these 16 nations first foregathered and began to take account of their needs they presented originally something like \$29,000,000,000, which was whittled down to 21 and then whittled down to about 17, with a leeway of a couple of billions between 15 and 17. Your statement here this morning rather confirms that estimate.

I was prepared to support in the bill the figure of \$17,000,000,000 which is a maximum, or was a maximum as I thought, and not a minimum, because the minimum will be whatever the Congress appropriates during the 4 years, and we would all hope that as the years go along, and recovery proceeds, that the amount would diminish, even below what we could now estimate, but the \$17,000,000,000 was a maximum beyond which Congress could not go without further authorization.

As it has now been drawn, eliminating that figure, there is no legal maximum and no legal minimum in the bill and, frankly, when I saw an account of that change, I had a little misgiving about it, and I would like to have you explain. Of course, you were consulted about it all, and I appreciate the sincerity of purpose on the part of everybody in regard to the elimination of that figure.

I would like to be assured, if possible, that the elimination of that figure will not materially affect the efficacy of the plan and the operation of it as contemplated over the 4-year period.

Secretary MARSHALL. My own view, Senator Barkley, is that that does not alter the effectiveness of the plan. The main consideration is the general scheme, the program, and the year-by-year consideration of what the financial requirements are under the general authorization. If you did not have the general authorization covering the full period—I am not talking about the money now, but about the general authorization—I think that would be unfortunate. It would detract from the efficiency of what we are doing. It would, I think, involve a certain wastage of money. But I do not think the elimination of the figure of \$17,000,000,000 is harmful. What is important is the general authorization, so that within that its provisions, Congress each year can decide on what amounts seem to be indicated as necessary in the then situation.



Senator BARKLEY. No matter what amount might have been set out in the bill Congress would, of course, not only have the right but it would have the obligation to inquire at each year's end what was necessary for the next year. It will do that in any case. It would have done it in any case. So that you feel that the important thing is to extend this authorization over the 4-year period, Congress having the same right as it would have had under the original conception to inquire each year during the life of the authorization as to the amount that it needed?

Secretary MARSHALL. That is correct.

Senator BARKLEY. That is your view, is it?

Secretary MARSHALL. That is my view, and I was consulted in the matter.

Senator BARKLEY. Of course I would assume so.

Well, I appreciate that. I do feel, if I may be able to comment just to this extent, that it would be unfortunate to limit the authorization to a year, because if this is a 4-year program, if it is necessary to have a 4-year program, no nation nor any organization set up can look further ahead than 1 year, and therefore we would have to take two bites at the cherry each year. One would be a new authorization for another year, and the other would be an appropriation under that authorization for another year, whereas if we have the 4-year extension of the authorization, we have the same power to reduce or even deny the appropriation from year to year that we would have if there was only 1 year's authorization.

Secretary MARSHALL. That is a fact. It is very important to have the general authorization over the 4-year period, for the guidance and reaction of the 16 nations, and even more for its effect on the other nations of the world.

Senator BARKLEY. General, is this plan still open to those nations which have up to now declined to enter?

Secretary MARSHALL. That is our view of the matter.

Senator BARKLEY. And will so continue?

Secretary MARSHALL. Within the legislative draft it is so considered.

Senator BARKLEY. Thank you very much.

The CHAIRMAN. Inasmuch as the elimination of the \$17,000,000,000 from the draft proposal has been brought into the examination, I will ask to have printed in the record at this point the exchange of letters between me and the State Department as to the elimination. I think the correspondence speaks for itself.

(The communications referred to are as follows:)

DECEMBER 31, 1947.

HON. GEORGE C. MARSHALL,

*Secretary of State, Washington, D. C.*

MY DEAR MR. SECRETARY: I ask for your Department's reaction to the following suggestion in connection with section 9, paragraph (c), of the proposed ERP legislation. This now reads:

"There are hereby authorized to be appropriated to the President from time to time, out of any money in the Treasury not otherwise appropriated, such amounts, not to exceed \$17,000,000,000. as may be necessary to carry out the provisions and accomplish the purposes of this act," etc.

I suggest the elimination of the words "not to exceed \$17,000,000,000" so that the paragraph will read:

"There are hereby authorized to be appropriated to the President from time to time, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions and accomplish the purposes of this act." etc.



My reasons are as follows:

(1) It is common practice for Congress to make authorizations in the proposed language when the obligations are continuing and particularly when they reach from one Congress into another.

(2) By proposing to limit actual appropriations to 1 year, the bill correctly concedes that one Congress cannot bind another. A 4-year authorization is equally futile, in specific amount. It does not even possess the virtue of a "ceiling" because any future Congress which might wish to exceed the present ceiling will be just as ready to increase the ceiling as it will be to appropriate the funds. The effective test each year is the congressional appropriation—and there is no other. Therefore a general, continuing authorization serves every practical purpose from any viewpoint. It just as definitely recognizes a contemplated continuity as if expressed in figures.

(3) But to express this principle in figures (namely, \$17,000,000,000) in the legislation itself may invite a specific reliance abroad which is impossible under our constitutional procedure. Furthermore, it can only be an educated guess of highly doubtful validity when we thus attempt to assess events for the next 4 years at home or abroad, and when the entire ERP enterprise is at the mercy of good or bad contingencies.

(4) The Committee on Foreign Relations can and should refer, in its report, to the historic basis of the negotiations upon which ERP is based. It can and should identify the final estimates of which it takes judicial notice when it acts. But I draw a sharp distinction between these elements of a **working prospectus** and the statutory identification of an actual figure to which the committee would have to give exhaustive study before it could give it legislative sanction.

I shall be glad to have a memorandum indicating your Department's reaction to this proposal.

With warm personal regards and best wishes,  
Cordially and faithfully,

A. H. VANDENBERG.

THE UNDERSECRETARY OF STATE,  
Washington, January 2, 1948.

HON. ARTHUR H. VANDENBERG,  
*United States Senate.*

MY DEAR SENATOR VANDENBERG: In the absence of Secretary Marshall, your letter of December 31 on the subject of section 9, paragraph (c), of the proposed ERP legislation has been referred to me for action.

Your suggestion that the words "not to exceed \$17,000,000,000" be eliminated from the paragraph in question has been given careful consideration. The paragraph, after the elimination of this language, would read as follows:

"There are hereby authorized to be appropriated to the President from time to time, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions and accomplish the purposes of this act," etc.

The Department of State has consulted the President and the executive agencies represented on the Interdepartmental Committee, as well as those agencies having a direct interest or responsibility in this matter, and I am glad to report that we are in agreement with the suggestion you make. It appears to conform to the basic principles on which legislation is requested.

This Department will, therefore, take the necessary steps prior to appearance before the committee of Congress to change the section under discussion in conformity with the proposal made in your letter of December 31.

With kind personal regards, I am  
Very sincerely yours,

ROBERT A. LOVETT.

The CHAIRMAN. Senator Hickenlooper?

Senator HICKENLOOPER. I have a number of questions I might ask the Secretary. Perhaps some of them he would prefer somebody else would answer in detail. But I am greatly concerned about your opinion, and the basis of your opinion, as to what this program, if carried out, will do to the American economy. That is, whether it will contribute materially to inflation by withdrawing necessary goods from this country and money from our money in circulation to the point



where it would be detrimental here. What is it going to do to the economy of this country to withdraw large amounts of steel from our production here and send them abroad and other metals, textiles, and many other things that go into this program, emergency or otherwise? Will that contribute, in your opinion, to the inflationary tendencies in this country in our economy?

Secretary MARSHALL. Senator, you are now getting into a very controversial subject—I mean nonpolitical, but a complex technical subject.

Senator HICKENLOOPER. That is what bothers me.

Secretary MARSHALL. I am not a monetary expert, and certainly there is considerable disagreement among monetary experts, so I will have to depend largely in my view on the reports of these various groups that have been considering the matter.

I will have to pass monetary questions on to the experts that we have, the Secretary of the Treasury in particular, and the Secretary of Commerce, and Mr. Anderson, the Secretary of Agriculture, who have been heavily involved in it, because we have had discussions of that nature over the past few months, preceding and during the interim-aid program, and its relation specifically to foodstuffs, the effect on prices of the large purchases that had to be made for shipment abroad to meet the various situations or crises. When it comes to consideration of the larger picture of all of the commodities involved I will have to ask you to discuss the details with the people that are very much better prepared than I am.

Senator HICKENLOOPER. I am not asking you for specific details, because I assume you have other people who are more familiar with those details than you are.

Secretary MARSHALL. My impression is, from all I can gather and all the education I have been able to acquire in this specific regard, that it is not as serious a matter as it might seem to some.

Senator HICKENLOOPER. Are you prepared to make a statement on this, Mr. Secretary? Are you prepared to state whether or not you, as Secretary of State, are proceeding in your considerations and thinking on this plan and its operation with the idea in mind that it will not materially contribute to inflation in this country, or whether, in your thinking, you are taking into consideration that it may contribute to inflation in this country?

Secretary MARSHALL. I had not analyzed it quite as clearly as that in my own mind. What I said a moment ago was that I thought, from all information that had come to me, the program does not involve as much of inflation as some seemed to feel, and that it would not create a situation for us that was serious in comparison to the troubles that we were trying to meet abroad. There is no question whatsoever that this program is tied into the whole American picture. There is hardly any piece of it that does not have some relation to our own home affairs in the way of monetary or industrial or psychological aspects, but so far as I have been able to determine from all the evidence that has almost overwhelmed us, we are in a position to meet the requirements without unfortunate effect on our own local situation. And again, I would repeat that you have to measure other consequences. My own thought has been that in all of these matters, as our effort begins to stimulate a return to normal, the problem will lessen steadily all the time.



To exaggerate somewhat for the purpose of illustration it appeared last summer, and particularly in the early fall, that if we could, within a week or a month, have given everybody in western Europe, in the factory and in the home, all the coal needed, we would have eliminated within 6 months 50 percent of the problems we now have in Europe.

With relation to inflation, I think if this program goes ahead in the way we hope that a great many vexing conditions here at home and in Europe and the rest of the world will begin to approach a more normal state of affairs.

Senator HICKENLOOPER. There is one more step that I would like to suggest at this moment, and I want to discuss in detail with some others who will be here. But there is this thought, that if this European recovery plan is to have any hope for success, it has got to be bottomed first upon the continued vigor and the reliability of the American economic system.

Secretary MARSHALL. I think that is correct.

Senator HICKENLOOPER. That is, that is the only thing that can support it, regardless of what plans we make or anything else, and if we begin to draw out the American economy for the purpose of pouring into Europe, or any other country, physical goods and materials that are badly needed here, in worn-down plant, in many instances, and that cannot in turn go into the production in this country to sustain our vigor, we may be failing to accomplish the thing we want to do. We may be sliding backward ourselves.

Secretary MARSHALL. That is conceivable, Senator, but I really think that is a little overdrawn because if we were to tear down our economy, the European recovery would then be in a hopeless situation. We certainly are not going to do anything like that.

Senator HICKENLOOPER. I am not suggesting that we will deliberately design to do that.

Secretary MARSHALL. I mean, get into such a dilemma without realizing what we were doing.

Senator HICKENLOOPER. Senator Smith touched on a very apt field of illustration when he referred to the proposed electric development in Europe, for which I understand we are expected to furnish the physical materials. We may not have to furnish the capital.

Ambassador DOUGLAS. Senator, you are wrong, I am afraid, sir. It is not often that you have been, but in this particular instance I think you are.

Senator HICKENLOOPER. May I correct it and say my informant may be wrong.

Ambassador DOUGLAS. I think about 5, and not to exceed 10, percent of the equipment for the national electrical generating project contemplated under the program for Europe will be supplied by the United States. The balance will be supplied from indigenous European production.

Senator HICKENLOOPER. I am glad to be put straight on that particular thing. But I am also informed that the proposed electric power installations in this country over the next 4 or 5 years, installations of our own, will more than tax our facilities to produce in this country alone, to say nothing of taking those facilities out of the country.



Ambassador DOUGLAS. Senator, there are two major points I would like to make in response to your question. The first is that under this program, exports from the United States will be less in 1948 than they were in 1947. And the second major point that I would like to make is that after the first year the exports will decline very substantially as compared with 1948; that is to say, the \$6,800,000,000 expressed in terms of constant dollars will be reduced the second year, if the Congress sees fit to appropriate for a second year. So that the greatest strain, if any, upon the American economy will occur during the first year. In the second year the strain will be diminished; in the third year it will be even less, and in the fourth year it will have shrunk even more; and in the fifth year, it is hoped, it will be extinguished entirely.

Senator HICKENLOOPER. Meanwhile, I hope our own production facilities will be increasing here for domestic use.

Thank you, Mr. Ambassador.

Mr. Secretary, I also would like to get as much as you can give me at this time of an outline of your ideas of how, specifically, we should detail the production or the goals, the attainments of these countries in Europe that we are expected to stimulate in this recovery program. In other words, how far can we go in demanding from each country that at the end of 15 months, with a certain amount of stimulus and help, "We will expect your assurance that you will produce so many tons of coal, so many bolts of cloth, so many tons of materials of various kinds in the production machinery"?

How far can we go in requiring them to set goals, and then how rigidly can we hold them to those goals?

Secretary MARSHALL. They have already made proposals in their combined effort as to various production figures.

Senator HICKENLOOPER. I realize that, but they are not very satisfactory.

Secretary MARSHALL. And as I stated this morning, it is assumed that those will be reaffirmed in connection with our bilateral agreements with the various countries concerned.

The CHAIRMAN. Will they be reaffirmed in total, or will they be subdivided and allocated to the individual beneficiary countries and shared?

Secretary MARSHALL. I am speaking of the bilateral agreements. The proposition will be reaffirmed with each particular country of the 16.

The CHAIRMAN. With respect to its own share?

Secretary MARSHALL. Yes. Now, we come to the special Ambassador that we propose to be in close contact with their representative committee. That is the principal purpose for which he is to be established, to keep tabs on what happens—how much is actually produced, not merely production, but how much of their individual portions of the agreements is being carried out. That, of course, will be information for the Administrator, himself, who will be in the business of making the actual allocations and determining the form in which that allocation is made, whether it is to be loan or whether it is to be a grant. So there will be this direct contract with what is actually happening, what they are doing. The Administrator himself will have the data as a result on which to base his continuing decisions



in regard to the allocation either of the material or of the funds that are appropriate to the case.

It seems to me that presents a very fair basis for following through in a businesslike manner.

Senator HICKENLOOPER. In connection with the undertakings that these nations assume, so far as their progress is concerned, who, in your opinion, will be the authority that will pass on the terms of these undertakings; that is, the bilateral and the multilateral agreements—first, the bilateral agreement with each country? Will you, as Secretary of State, pass on those terms? Will the Administrator pass on the terms?

Secretary MARSHALL. If it is purely a business matter it will be the Administrator. If it is something that has a very definite influence on our international relationship, I would be involved. But I would hope and assume that the major portion of the work would be related to purely business consideration. They have already made certain commitments in their agreements which have been published to the world and well known by all who may be interested.

An issue might arise in which I would be involved were I Secretary of State at the time, where one nation had, for example, failed to keep certain commitments.

The question would be whether that nation should be denied American aid, or whether a certain degree of tolerance should be shown. The decision would depend somewhat on the character of the nation itself, and its political situation. The decision also might have a bearing on a general world relationship at that particular moment.

Senator HICKENLOOPER. You are getting right to my next question.

Secretary MARSHALL. And in that I might well become involved. But if it is purely a matter of ordinary procedure, or business negotiation, those would be entirely matters for the Administrator. He starts off with such a premise because these nations are already formally committed along certain lines. They have bound themselves in writing as to what they propose doing, what they agree to do. All right. The Administrator picks that up. It provides a basis of operations for him in regard to all 16 nations.

Now then, there is the question of good faith, of efficiency; the question of unforeseen circumstances, which may be political in nature. There will be occasions where the State Department would be involved, but I think, in the main, the issues would pertain purely to the Administrator's bailiwick of operations. He starts with a pretty good foundation of understanding as to what the nations are to do during this period of 4 years.

Senator HICKENLOOPER. Then that leads into the next question that I am curious about. I don't know whether this matter has proceeded far enough—that is, the arrangements have proceeded far enough—to be able to define this exactly or not. What is your opinion as to whether or not these agreements can be made in sufficiently itemized detail in various fields of economic production so that it will become perfectly apparent at the end of a period of time whether Nation "A" or "B" has in fact substantially met the goals that they undertook to meet in return for the help we give them?

I am talking from the standpoint that every dollar is coming out of the American economy, and that we are not justified in pouring



money out unless in return stability and progress are received in the kind of economy we would like to see develop.

Secretary MARSHALL. Well, it seems to me that we have set up machinery which, from time to time, certainly at intervals of 3 to 6 months, would enable us to know just what was being done, how much of efficiency, how much of good faith, was evident in the procedure. That will be largely for the determination of the Administrator himself.

Senator HICKENLOOPER. That is the point. Will it be left, I might say, to the arbitrary determination of the Administrator himself to evaluate this and in his judgment say, "Well, they have substantially met the goals," or will it be spelled out sufficiently so that anyone looking at the record can make up his mind fairly as to whether those goals have been reasonably met?

In other words, will this be left entirely, the progress of this economic recovery, to the judgment of the Administrator, or to the Secretary of State, or the combined judgment of the two?

Secretary MARSHALL. Part of it will be a matter for the judgment of the Administrator himself; part of it will be the result of action of the Secretary of State. The major portion will be the concern of the Administrator alone. Where the Secretary of State enters into it, I would say almost invariably it would involve the Administrator's proposed decision where the effect on the world situation or a particular situation, perhaps was judged to be too harsh. The reverse I think would not arise at all. He would go ahead, operating under his directive, under the law which is drafted here. Certainly he will be available to you gentlemen to explain his decisions at such frequency as you might desire.

Senator HICKENLOOPER. Do you envisage at this time that these agreements between the Administrator, or between our country and foreign countries, will go to the point of substantial undertakings on the part of these governments to insure continuity of work in their recovery efforts?

Secretary MARSHALL. Just what do you mean by that, Senator?

Senator HICKENLOOPER. Well, to prevent widespread strikes and long work stoppages in their countries.

Secretary MARSHALL. You are getting into a pretty serious political issue. I don't know. That problem applies over here as well as over there.

Senator HICKENLOOPER. I am aware of that fact.

Secretary MARSHALL. I think you will have to judge the situation by the conditions at the time.

Now, part of what you have been saying concerns the complications we went through last summer. I, on my side, and usually Mr. Anderson, the Secretary of Agriculture, on his side, were constantly confronted by the problem of the available supplies of wheat in particular, the same of corn, but particularly wheat. He was also confronted by the problem of the effect on prices in the United States if the Government suddenly stepped in and made large purchases. He was also concerned somewhat with transportation difficulties.

On the other hand, from the State Department point of view we were very deeply concerned because of what was being done abroad to undermine the western governments. Also we had to determine to



what extent they were making use of the Communists' threats to demand more than was justified by the circumstances.

Of course, the last is inherent in any such procedure, and we must always take a cold and calculating estimate of the situation.

So, we found ourselves between the rock and the whirlpool most of the time, the Secretary of Agriculture was very much so, and he and I had to find some basis of agreement, or the President would have to make his own decision, which would be imposing an unfair burden on him. Fortunately, we never had to turn to him. We were able to work each problem out as it came along. It was not easy.

Senator HICKENLOOPER. To be somewhat practical, by way of an illustration, there have been in the past, and there are from time to time rumors now, of a general strike called in France by Communist manipulation, let us say. I don't know whether they will have one or not; those rumors are flying through the air.

It would seem to me that we would be perfectly justified in insisting that the French Government use all possible means to guard against the luxury of a work stoppage. I do not believe the American economy can support them in the luxury of a general strike in France, and unless we feel that these governments are sufficiently vigorous in their determination to continue work in this period of recovery, and they are the ones that are in the condition of extremists, unless we feel pretty confident that they will use every bit of power that they have to give us as much assurance of continuity of their effort——

Secretary MARSHALL. France just has gone through a very severe ordeal of that kind, where a general strike was threatened, and where local strikes were very numerous, and where production was very seriously interfered with, and the cost of maintenance of organizations to hold the situation in hand imposed a greatly increased burden on France.

I think we must take a very understanding view of the situation—the difficulties of the governments, what they are up against—and judge it from that point of view rather than from any rigidity of opinion on our part.

Senator HICKENLOOPER. I agree very thoroughly with what you said this morning in your statement about the sovereignty of those countries and their self-respect. I also believe that a part of the maintenance of self-respect is the meeting of obligations as opposed to the obtaining of a dole of some kind, or a hand-out. Do you have any present estimate, rough or otherwise, as to the approximate percentage of the aid that we will be expected to give over the next 4 years under this program that can be in the nature of an obligation for repayment, that is, a debt to be repaid back?

Secretary MARSHALL. Will you repeat the question again, please?

Senator HICKENLOOPER. These figures may not be in your possession at the moment, but if you do have any estimate as to a rough or approximate percentage of the amount of the aid we are expected to give under this program that will be put on the basis of a loan——

Secretary MARSHALL. How much is grant and how much is loan?

Senator HICKENLOOPER. Yes, sir.

Secretary MARSHALL. I thought you were asking the percentage of aid in relation to the whole problem.



Ambassador DOUGLAS. The National Advisory Council hasn't any precise figures, Senator, and it is within the jurisdiction of the National Advisory Council, in consultation with the Administrator, to determine what shall be loan and what shall be grant. At any rate, the NAC at present have a rough estimate that 20 to 40 percent will be in the form of loans and 60 to 80 percent in the form of grants. But you have to take that as a very rough figure.

The CHAIRMAN. Do you mean loans that will be repaid?

Senator WILEY. Is there any collateral?

Secretary MARSHALL. As I understand it, there has to be a fair prospect of return or the loan cannot be made.

Senator HICKENLOOPER. May I ask you, Mr. Secretary, what general things will the loan field encompass? What part will be furnished by way of money or goods that will be on a basis of loans? Will it be capital investment? Will it be public improvements? Or what will that general field be?

Ambassador DOUGLAS. Senator, as I understand it, the criterion to determine whether specific amounts will be made in the form of a loan or grant has been examined with a considerable amount of care, and various views have been expressed. The final conclusion is that the standard which shall be applied is the ability to repay, regardless of the category.

One of the reasons, as I understand it, for accepting that standard is that there would be little justice in asking the United States Government and the American people to pay for a project let us say, or food, or roads, for one of the 16 participating countries that has cash, to state the case in its extreme form, and is thoroughly competent to pay in cash on the barrelhead, quite irrespective of the category of goods it would like to purchase.

On the other hand, to go to the other extreme, it is probably quite fair and right for the American people, in view of the objectives in mind and our national interest involved, to pay for a project in a country which cannot pay at all. So that the standard, the criterion, in the determination of whether an extension of funds shall be made in the form of a grant or loan, is the ability to repay.

Senator HICKENLOOPER. The ability to repay is of two kinds; one presently ability to pay, and the second is the prospective ability to repay in the future.

Ambassador DOUGLAS. That is right.

Senator HICKENLOOPER. Now, take a country that cannot repay in cash at the moment, nor in the next very few years, but which is reasonably in need of income-producing capital investment—factories, steel mills, something that produces income goods in the economy of the country. Is there any reason under any circumstances why an obligation to repay that capital investment for income-producing goods should not be required in any event?

Ambassador DOUGLAS. Well, Senator, that depends entirely upon the extent to which the exchange mechanism can carry the load, assuming it is an income-producing project. We have seen instances within your lifetime and mine when thoroughly sound investments made in a local plant were wholly unsound when expressed in terms of dollars, merely because the exchange mechanism could not carry the transfer.



Senator HICKENLOOPER. Yes; I realize that is true, and that also leads me to one of the fundamental things that will have to be done in Europe, and that is stabilization of currency.

Ambassador DOUGLAS. Even after the currency is stabilized you can unstabilize it, as we have learned from our own experience, by imposing upon the exchange mechanism a burden which it cannot carry.

Anyway, that is one of the criteria, and the ability of the exchange mechanism in a particular country to carry a future burden would be one of the considerations, I suppose, that the NAC and the Administrator would weigh in determining whether a particular extension should be made in the form of a grant or a credit.

Senator HICKENLOOPER. That is very true.

It is offensive to me, for instance, that we should be called upon to put resources, whether it is money or goods, into income-producing capital investments in other countries, unless we believe that that investment will contribute to the return to stability of that country. By the same token, if that country returns to stability as a result of our investment, or to the extent to which it does, it is offensive to me to think that they should not, even under their own self-respect theory, be required to pay that under reasonable terms and conditions over a period of time.

I can go along with giving people bread when they are hungry and when they cannot pay, and not expect to be repaid for that bounty. But in the field of capital investment and income-producing installations that contribute to the reestablishment of stability I do not see why they cannot pay.

Ambassador DOUGLAS. But, Senator, where there is the ability to repay it is the intention to require repayment.

One of the considerations entering into the determination as to whether a country has the ability to repay or whether it does not is the prospect of the exchange mechanism being able to transfer local currency into dollars. You know what the transfer problem is. It isn't in making a loan in terms of dollars to France. For example, it is not like making loans in terms of dollars to somebody out in Sonoita, Ariz. A person who received a loan in Sonoita, Ariz., can repay in dollars. He received the credit in dollars. He repays it in dollars. There is no difficulty about transferring from one to the other.

Senator HICKENLOOPER. I do not know that I can go along with that, Mr. Douglas. I think much of the progress of this country of ours has been made when people extended credit to others who have no collateral.

Ambassador DOUGLAS. Surely.

Senator HICKENLOOPER. And when they rely upon that person who gets that help without collateral they rely on future ability to pay out of that investment.

Ambassador DOUGLAS. I quite agree, but my point is that when you make a loan to somebody in Arizona, or Iowa, and the source of the loan is one of these places back here on the Atlantic seaboard, the debtor is not confronted with the problem of transferring the proceeds derived from his investment into the kind of currency which he received. He received the credit in dollars. Probably he earns dollars. Certainly he would if he were in Iowa. And he pays his debt back in dollars.



Senator HICKENLOOPER. I don't know, Mr. Ambassador, but there was a time when our people received credit in dollars and then they burned their corn because they could not convert it into dollars. There is an exchange problem there.

Ambassador DOUGLAS. That is a different kind of exchange problem entirely.

Senator HICKENLOOPER. I believe I understand what you are talking about, but I still feel that if there is an original justification to invest in capital improvement in a country it can only be on the basis of its potential contribution to the recovery of that country. That is the only excuse for it. There is an excuse and good reason to give people wheat when they are hungry, to give them coal if they are cold, and food, and things like that, for physical distress; but when it comes to pouring resources into capital investments that are expected to contribute to the permanent economy of that country, whether it is private installation or public installation, then at least at this moment I don't see any argument for not setting up the machinery for repayment of that, whether they can presently pay for it or not, or whether their prospects presently are bad for repayment. I think it should be put on that kind of basis, so that if, as, and when they are expected to recover, repayment can be made for those capital goods and capital investment.

Ambassador DOUGLAS. And the exchange mechanism can carry it.

Senator HICKENLOOPER. The exchange mechanism is a mechanism, but it is not a principle. It is a mechanism.

Ambassador DOUGLAS. It is a very important one.

Senator HICKENLOOPER. But the job is to solve the difficulty and not violate the principle.

Ambassador DOUGLAS. Actually, Senator, I do not have the analysis here, but I think as a practical matter there will be very, very few capital projects that will be constructed as a result of a grant, because most of the commodities in the selected program, or the program items, are not of a capital nature.

Senator HICKENLOOPER. I think we will probably go into that a little later in the examination.

Ambassador DOUGLAS. I think it will be interesting to go into that and examine it in the light of those facts.

Senator HICKENLOOPER. At the present time, I would also extend my inquiry not alone to income-producing goods but to permanent public improvements, such as highways and things of that kind, needed public structures. I should be very interested in getting my thinking straightened out, at least, in that field as well as on income-producing property.

Ambassador DOUGLAS. I think we ought to look at the facts and see how they are catalogued as between consumption goods and capital goods.

Senator HICKENLOOPER. Thank you, Mr. Ambassador.

Mr. Secretary, these figures you perhaps may not have at your disposal, and they may be more accurately given by someone else, but I should be interested in inquiry later in this hearing as to capital obligations and debts of the various 16 countries in Europe that are coming into this plan. If you do not have those figures at this moment, I will not press for that, but I shall be interested in that figure, whenever the proper person is testifying.



I think that is all, Mr. Chairman.

The CHAIRMAN. Senator Hatch?

Senator HATCH. There is one question, just one, Mr. Secretary, that I want to ask, and it is not one I am bothered about myself. But some people have raised the question.

The proposal you made calls first for the exercise of the greatest effort on the part of these nations to help themselves, and then, with such aid as we can give them, it is provided to have a complete recovery and reconstruction program so that those nations can again assume their strong position in world affairs as free and independent self-sustaining nations.

Now, Mr. Secretary, the question is this: Can those objectives be achieved by a lesser program, such as relief, and relief only providing such help in the way of food and clothing only, only the things necessary to prevent human suffering?

Secretary MARSHALL. I think they cannot, sir. I think that would be more a palliative and would involve us, if we still maintained our beneficent interest only, in continual appropriations which in the long run would add up to far beyond what is undertaken in this program. This program goes beyond a simple relief feature. The great constructive purpose of this program is to put these people on their economic feet, which incidentally carries with it the implication of their political feet, on a clean line that is reasonably acceptable to conceptions of civilization as we view them today.

I think one of the dangers we could well get into here would be to do, as I heard someone use the illustration up here the other day—it takes 20 feet of rope to save the patient, but you only give him 15 and he goes down with the 15 feet. That was one reason that I made a very careful point in relation to the \$6,800,000,000, that that was not a figure put in to barter with up and down; it is as closely as we could calculate it for these 15 months. That was an essential amount, and our own feeling was that to go below that merely endangers the whole project.

I state that, embarrassed by the fact that almost everybody who proposes an appropriation by Congress says something of the same thing, and I have gone through very many hearings on appropriations, but I am utterly sincere in what I have said today.

First, I do not think a plain relief program as pertains to the individual in relation to his hunger, his clothing and medical requirements, meets the situation, except as a temporary palliative. And next, if it is decided that we will take up and carry out a program to put these people on their economic feet and thereby in political security, we must view the problem very carefully as a whole and not piecemeal it.

I don't know whether that answers your question or not.

Senator HATCH. That answers it.

It is your opinion that even a relief program in the long run might prove to be more expensive and not accomplish the results?

Secretary MARSHALL. I think that is very much the case assuming we would still be touched in our emotions by desiring to help the man who is down. I think that is true in our American life. If it is purely relief, it goes on and on, and the situation may well get worse. You have to do something constructive. And what we are trying to do here is constructive, I am sure.

Senator WILEY. It is more than an international WPA.

The CHAIRMAN. Senator Lodge?



Senator LODGE. Mr. Chairman, there are a great many questions that are not of a detailed or technical nature, and the answers to which I think must go into the record if these hearings are to be a source of information to the public and the Senate, but I am going to have mercy on the Secretary, and plan to ask most of my questions of Ambassador Douglas, who, I understand, is the general manager for the enterprise.

Ambassador DOUGLAS. I thank the Senator for his kindness and mercy.

Senator LODGE. On page 9, Mr. Secretary, the statement is made that this program must be carried to success against the avowed determination of the Soviet Union and the Communist Party to oppose and sabotage it at every turn. I suppose that means that we can count on no help and possibly resistance insofar as eastern Europe is concerned.

Secretary MARSHALL. At the present moment, yes. Whether that will continue, I do not know. There may be a change in front there when they find our determination is firm and that we are proceeding with a fair degree of success.

Senator LODGE. That makes it even harder to revive western Europe, doesn't it, because western Europe has always had a lot of commerce with eastern Europe?

Secretary MARSHALL. It makes it very hard, and that is one reason that in this program right now, under the circumstances that you have just referred to, we still hope to have trade back and forth through the so-called iron curtain.

Senator LODGE. But it is true, is it not, that if we are going to do more than just rebuild the old row of tenement houses that has gotten us into two European wars, there has to be some increased measure of integration and unification and elimination of trade barriers in western Europe. Is that not true?

Secretary MARSHALL. I think that is very much the case, and that is one of the very compelling reasons for the suggestion made on June 5 last, that the necessity was very great. At the same time, the difficulties of getting such commitments from a large number of sovereign nations were so very great that the only chance, the only opportunity for reaching such agreements, would be under the pressure of dire necessity. We got an immediate result, which I think as time goes on, as it is analyzed more and more, we can consider as not only a remarkable result for a short period of negotiation, but one of great historic importance, and the beginning of just what you imply.

Senator LODGE. On page 7 you make this statement, and I quote:

They (that is, the European nations) have moved forward toward a practical working arrangement for the multilateral clearing of trade.

Is it that to which you referred, or just exactly what does that statement represent? I was wondering to what that referred.

Secretary MARSHALL. That is what I just referred to, and also the other items which are mentioned further down in the paragraph. That is a beginning.

Senator LODGE. It is a beginning?

Secretary MARSHALL. But in relations among nations, that assumes a very great importance in the fact that it is not only a beginning, but that they went as far as they did in initiating this procedure.



Senator LODGE. Of course they could go still further, could they not?

Secretary MARSHALL. Oh, yes; but they have gotten started, and one of the effects of our program, I think, will be to maintain and increase that momentum.

Senator LODGE. I receive letters from people that I know in Europe in many different walks of life expressing the hope that this Marshall plan will lead to an increased unification and integration in Europe, and they tell me that there will always be resistance on the part of governments.

Secretary MARSHALL. I think that is right.

Senator LODGE. Because governments are responsive to the influence—particularly democratic governments are responsive to the influence—of the marginal producer who thinks he is going to lose if there is an integration. But I believe, or these people say to me, that if only we will use our good offices and promote this integration of Europe, it will be a boon to the average citizen, and a great step toward peace. Does that strike a responsive chord?

Secretary MARSHALL. I like the words you used, "good offices," because that is one of the delicate phases of the problem, that we do not move in such a way as to awaken hostilities because of national pride, or that we do not offer something in a measure or form suitable for propaganda distortion by those who are trying to sabotage the program.

My concern in the matter, to state it very frankly, is to get this affair going in such a way that the cooperation, the commitments, which bring those countries closer together will increase rather than remain as they are at the time they begin to get more or less on their feet.

The critical time will come, if we are successful, as I am firmly convinced we will be, when the "heat" is off, the program not completed but the "heat" is off. People make many promises and think they will do all sorts of things until they begin to get clear of a dilemma, and then they revert in the way human beings have been doing for many thousands of years. Nations react in very much the same manner, particularly when there is an active group seeking to tear down instead of build up.

Just how we can manage to keep the process going toward further cooperation, toward a further consolidation of European states and a general integration, a mutual integration in relation to the economic work, is a matter of very great importance. I do not know just how that can be managed. I feel certain that if we had not had a tragic dilemma of vast proportions we never could have gotten these agreements out of the western nations at all. It could have been talked about and would for many, many years, but, like unity of command, all will agree with you in principle but they won't agree with you when you get down to business, unless it is their man that is to command, unless it is their business that is to be protected.

I do not know how long the development of integration will continue. I think it will continue, if we carry out this program roughly as proposed, for a period of at least 4 years, and I would assume that a very material gain would be made during that period. And I would also assume that as a result of that gain its advantages will become so evident, and we would have broken down so many of the minor



oppositions which have a major effect, that from there on the course would not be quite so difficult.

Senator LODGE. Having in mind the pride and the sovereignty of these countries, which we do not want to offend, could we say that that unification and integration of Europe is one of the hopes in this plan? I do not say one of the aims, because "aim" possibly is a little tactless, but it would be one of the great hopes that we can attain.

Secretary MARSHALL. Well, a certain degree of unification is a necessity to the plan.

Senator LODGE. As I understand it, there will be bilateral agreements between this country and other nations, and there will also be agreements between this country and the 16 nations. There are both kinds of agreements, are there not?

Secretary MARSHALL. I think that is correct.

Senator LODGE. Would it not be in the interest of the integration of Europe to use that 16-nation agreement as much as possible?

Secretary MARSHALL. That is quite true. We will have to negotiate bilateral agreements where there is a great difference in the conditions of individual nations. Some are not in need of monetary assistance at all, yet are part of the group and are interested in trade barriers and matters of that sort. Others are in dire circumstances and require very specific assistance. You cannot generalize over the 16 nations. So far as possible, I agree with you that we should use the 16-nation grouping.

Senator LODGE. There is one question raised by a question Senator Wiley and Senator Hickenlooper asked, which I think indicated that the record maybe is not as complete as it should be. I agree with what you say about a sick man not being able to do anything until he gets back on his feet again. But I think you do feel, and I understood Ambassador Douglas to say, that Europe should make its own maximum contribution toward its own recovery just as fast and as great as it can. Is that not your view?

Secretary MARSHALL. Yes, sir. That is the whole intention of the procedure and our approach to the problem. The major intention of the statement of June 5, to provoke exactly that reaction.

Senator LODGE. And that includes every type of contribution that they can make?

Secretary MARSHALL. Every type of contribution.

Senator LODGE. And the more they contribute, the greater it will develop their self-respect?

Secretary MARSHALL. I think the reactions at the present time are indicative of that. They have done, I am quite sure, far more than they would have done if the situation had been left as it was. The losses might have been inconceivably greater.

Senator LODGE. The fear has been expressed to me not only by Americans but by English people and French people that the plan, if not administered with foresight and intelligence, could discourage and be a damage on the intrinsic forces of European recovery. That is a danger, is it not?

Secretary MARSHALL. That is a danger. I used the words, "a sort of spiritual rehabilitation and regeneration." I think that is a very important factor. As a matter of fact, unless we really get such a reaction, material commodities and financial aid would not be productive of a very satisfactory result. But I think, to go back to the



illustration of the sick man, that that is what happens when you give him a blood transfusion. You give him a diet; you give him food and medicine to get him started, and then comes action on his part of determination and optimism that otherwise would be completely lacking.

Senator LODGE. This is not a question, but it is an observation that I want to make connected with the comment that has been made on the \$6,800,000,000 figure. I think it is absolutely certain, when this bill gets to the floor, that amendments will be offered to reduce that figure. And there has got to be in this record a very detailed and utterly convincing justification for that figure so you can say, "Yes, it has to be \$6,800,000,000 and not \$6,200,000,000." Every dollar in it has got to be able to stand up. I wanted to make that observation.

Secretary MARSHALL. We have assumed that, and I hope that we can present the matter in such a way that it will provide the data that you need to support the proposition. As a matter of fact, one of our complications now is that we have such a wealth of data that it is a problem how to crystallize it for our convenient reference and understanding.

Senator LODGE. Is the Army Department's jurisdiction over Germany a permanent arrangement, or is there some prospect of a change in that situation?

Secretary MARSHALL. We hope to be able to arrange to take over that by next summer; June 30 I think is the tentative planning date.

Senator LODGE. The State Department?

Secretary MARSHALL. The State Department. We tried to do it in December, but we found it involved so many complications because we do not have the people and the machinery, that it could not be done with assurance in that time. There are a great many complications involved in the matter, and yet at the same time the present arrangement is not a satisfactory one, because the Army carries all the burden of the operation, yet this German sector becomes involved in a general relationship to all European affairs and to a certain degree of world affairs, which present many problems of concern to the State Department.

The Army must defend the appropriations, and now I am appearing in connection with another appropriation, and it is very hard to keep the matter properly interrelated.

Senator LODGE. There is a hope, then, that the whole German question will be under the State Department in the comparatively near future?

Secretary MARSHALL. Yes. The Army will be very pleased to turn it over. We have to be certain that we have sufficient machinery, without a greatly additional Government expense, to manage the affair.

Senator LODGE. I have one more question, and maybe you would rather have somebody on your staff answer it. But has a study been made of the strategic materials and stock piling that is expected to be obtained under the terms of this legislation?

Secretary MARSHALL. Yes.

Senator LODGE. I would like to give this to Ambassador Douglas. This is a list of these strategic materials, a column here showing from where they are to be obtained, and another column showing the amounts in which they are to be obtained. I would like to give that to Ambassador Douglas.



The CHAIRMAN. It will be presented to the Ambassador with the compliments of the committee.

Senator LODGE. That concludes my questioning. Thank you very much.

The CHAIRMAN. Senator Thomas?

Senator THOMAS of Utah. I have no questions.

Senator HICKENLOOPER. Senator Lodge touched on a question I had in mind a while ago, Mr. Secretary. At this moment I am pretty firmly of the conviction that we cannot bail out Europe, that is by just what we furnish; that that alone will not return Europe to a self-supporting or a proper level of economy; that Europe in the last analysis has got to do 99.99 percent of the job. What we can hope to do for this kind of a program is to probably furnish the stimulus that will aid them in their own self-recovery. Is that not about the result of what we will do?

Secretary MARSHALL. That is about it. This amount, which is a very sizable amount for us to consider for the American taxpayer, is yet a very small percentage of the whole requirement, but it is the important portion needed to start the ball rolling. You might say it fulminates the charge. It will begin to break the bottlenecks.

Senator HICKENLOOPER. And the whole philosophy of our aid to the European countries must be guided by that philosophy of stimulus, and not by a philosophy that by pouring in so much money we can automatically raise them back to a self-supporting economy.

Secretary MARSHALL. That is correct.

Senator HICKENLOOPER. They have got to do the job themselves.

Secretary MARSHALL. What we have tried to do is to present a constructive proposition that would bring to an end the requirement of European support from this side of the Atlantic.

The CHAIRMAN. Senator Connally?

Senator CONNALLY. General, I went to ask you just one question. A great deal has been said about the bilateral agreements with the several countries, and then something was said about an agreement with the 16. Am I correct in the information which I have that when the 16 countries agreed on this program they agreed that they would not interfere with any estimate by any particular nation? Each nation made its own estimate of what it needed and what it wanted. Is that true?

Ambassador DOUGLASS. Not quite. That is the way the original calculation of the requirements was made. What each one of the countries did was to make an estimate of what each could do for itself, and for the others. Then it made a calculation of what the requirements for each country might be, and by adding the requirements of each one arrived at the requirements in total. The difference represented the amount of outside assistance that was necessary.

Senator CONNALLY. But each country made its own estimate. The other countries did not interfere with it and say, "Here, you are asking too much. Cut that down."

Ambassador DOUGLAS. There was a certain amount of screening done in Paris.

Senator CONNALLY. Of course, any contract or agreement that you make with the separate countries, unilaterally, of course, will undertake to hold them to their commitments or to reduce them if possible; is that not true?



Ambassador DOUGLAS. Yes.

If I might just clear up one point, the type of screening that took place in Paris, of the requirements and of the over-all estimates, rough as they may have been, for 4¼ years, resulted in applying a general broad factor of reduction. It was as a result of the application of that broad factor of reduction that the original estimates were compressed from some \$29,000,000,000, which never took final form—that was a very tentative estimate—to the \$22,400,000,000.

Senator CONNALLY. The 29 was never really submitted to the United States?

Ambassador DOUGLASS. No. That was never a final or firm figure.

Senator CONNALLY. The \$22,000,000,000 was?

Ambassador DOUGLAS. The \$22,400,000,000 did represent a final figure, including capital equipment in the amount of some \$4,600,000,000. That is the way in which that calculation was made.

Among other things, these 16 nations made certain undertakings, each to the other, in regard to the production targets which would be met, in regard to the restoration of financial stability and the reformation of their fiscal systems, the establishment of exchange rates, in regard to the removal of barriers to trade, in regard to the removal of barriers to the movement of people, and two or three others which I have forgotten. They made a continuing commitment to establish a continuing organization.

The commitments in respect of production—and this applies, I think, to one of the questions which you put, Senator Hickenlooper—the commitments that they made with regard to their production targets, are referred to in that report, and those production targets have subsequently been somewhat reduced by the Americans in certain respects and increased in others as a result of the American screening. They seemed to be in some respects high and in other respects perhaps low.

Those multilateral undertakings made by each one of the 16 countries with each other will become a part of, by reference, as I understand it, the bilateral contract which the United States makes with each one of the 16 countries.

Does that answer your question?

Senator CONNALLY. Yes; that answers that part of it.

Something was said earlier about writing in, spelling out the detail of a lot of these things. Would it not be impossible, in a comprehensive scheme like this, for any administrator, the Secretary of State or anybody else, to foresee every contingency that might arise, and to prescribe the details? Therefore, is it not necessary that the administrator and the Secretary of State have a large degree of flexibility vested in their administration of authority, so as to meet these new situations? They come up all the time unexpectedly, like a jack-in-the-box. Is that not true?

Secretary MARSHALL. That is true, and that is the reason I made such a point regarding the importance of flexibility, because nobody can determine at this moment just what the various changes in relationships and situations will be. The Administrator must be in a position where he can take advantage of the situation or he can protect himself against the developments of that situation, which means he has to have enough flexibility to make his own decisions in the light of the circumstances.



The CHAIRMAN. Mr. Secretary, there is one exhibit I am very anxious to get. I do not know whether to apply to you for it or where this should originate. I want to get an over-all balance sheet of the State Department's expectations for the 15 months covered by the first appropriation under this bill. I want an over-all estimate of all of the requests that will be made, that are now foreseeable in connection with the European relief recovery program; the China program which you are contemplating sending down, the further Greek-Turkish aid program; and the operation of American occupational forces in Germany, Korea, Japan, China, and Austria.

Are you prepared to give me that today?

Secretary MARSHALL. No, sir; I can't give you that today.

The CHAIRMAN. Will you undertake to have that prepared, please?

Secretary MARSHALL. Yes, sir; that will be submitted to you at a later time.

The CHAIRMAN. Are there any other questions?

Senator BARKLEY. Do you mean for the next fiscal year or for the rest of this fiscal year? Or do you mean the over-all program?

The CHAIRMAN. I mean for the 15 months covered by the initial program of \$6,800,000,000, and I would like to have it divided, if you can, as between the last 3 months of this fiscal year and the 12 months of the next fiscal year.

Ambassador DOUGLAS. And the new appropriations?

The CHAIRMAN. Yes; and the new appropriations.

Secretary MARSHALL. There are some appropriations that relate to this final quarter of this fiscal year. You just want that shown. It is already appropriated as it relates to the current period.

The CHAIRMAN. That is right.

Mr. Secretary, we are greatly indebted to you. I cannot give you a release in full sine die, but you have been most patient and most generous with us. My final request to you is, most prayerfully, that you continue to study this question of administration with the view of trying to find a more adequate and a more specific, insofar as possible, liaison between what we call the business administration of ERP and the foreign-policy administration of ERP, because I contemplate that it is the question, finally, which involves our greatest controversy, not only here but over in the House of Representatives.

I have asked the Brookings Institution to make an objective study of our experience in this duality of responsibility and make an objective recommendation as to what might be done to establish the maximum independence for business management on the business side and yet completely effective foreign-policy supervision on the foreign-policy side. And I just hope we can have some further contributions from your Department to our thinking on that subject, because I am sure we have not yet found the answer.

Secretary MARSHALL. We will certainly go into that.

The CHAIRMAN. Thank you very much.

Although I had hoped we could run until 5 o'clock, everybody has been a good boy, and we will reward them by recessing until 10 o'clock tomorrow morning, when Ambassador Douglas will appear for such purposes as the committee may then determine.

(Whereupon, at 4:35 p. m., the hearing was adjourned, to reconvene on the following day, Friday, January 9, 1948, at 10 a. m.)



## EUROPEAN RECOVERY PROGRAM

FRIDAY, JANUARY 9, 1948

UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D. C.*

The committee met at 10 a. m., pursuant to adjournment, in room 318 of the Senate Office Building, Senator Arthur H. Vandenberg (chairman) presiding.

Present: Senators Vandenberg, Capper, Wiley, Smith, Hickenlooper, Lodge, Connally, George, Thomas of Utah, Barkley, and Hatch.

Also present: Senators Aiken, Lucas, Millikin, Stennis, and Watkins.

The CHAIRMAN. The committee will come to order.

Mr. Lewis W. Douglas, Ambassador of the United States to Great Britain, will be the first witness this morning.

Mr. Douglas, will you proceed in your own way?

### STATEMENT OF HON. LEWIS WILLIAM DOUGLAS, AMBASSADOR TO GREAT BRITAIN

Ambassador DOUGLAS. Mr. Chairman, members of the committee, I can say candidly it is a pleasure to be here. It is a pleasure derived from the fact that I meet so many of my old friends.

In respect to the European recovery program there is little that I can add in general terms to the statement which has been made by the Secretary of State, Mr. Marshall. He has covered many, indeed, all, of the vital principles involved in the program. He has spoken about the necessity of acting in time; he has spoken about why the program is necessary; he has elaborated on many of the phases of the program; and he has, I think, with peculiar persuasiveness, indicated the way in which the vital national interests of our country are intimately associated with the recovery of western Europe.

I might merely add to what the Secretary has said in general terms that too often in history, and in recent history, countries, either because of ignorance, because of reluctance to face facts, because of indifference to facts, because of timidity, have refrained from taking the necessary measures to protect their future. As a result, too often they have, by refraining from taking those measures, conceived and given birth to incalculable consequences, adverse consequences.

I recognize, Mr. Chairman, that there are many Members of the Senate and of the House, and that there is a segment of the Ameri-



can public that entertains doubts about the validity of the European recovery program. Their doubts are derived in part because of the calculated monetary costs, they are derived in part because they fear that the program will continue the present inflated condition of the United States. But I ask those who have those doubts that they calculate the cost of the European recovery program and the possible effects against the calculated costs of doing nothing, or of doing something inadequate, and, as a result, of permitting at least some of the European nations to experience such a great deterioration that their influence in the world becomes seriously impaired. And I ask them to calculate the cost of doing nothing or of doing something inadequate, so that others of this great part of the world so intimately associated with our own vital national defenses, the maintenance of which the Secretary deems so essential, would come under the domination of precisely the sort of tyranny that we fought to destroy in Germany.

Those consequences the Secretary referred to. He referred to them in terms of continued and larger expenditures for national defense, not as is contemplated in the European recovery program in decreasing amounts for a limited period but continuously and currently in each year. And I ask them to calculate the effects of those increased costs upon the internal American economy, and the consequences that they might have and would have upon it, not only in terms of a continuation or an extension of our present inflated position but in terms of the effect upon our traditional institutions which we have on several occasions fought to defend—the institutions of freedom. For I venture to assert, Mr. Chairman, that as a result of doing nothing, or doing something inadequately, this country would be compelled to live in an armed camp in a society relatively isolated, relatively alone, and that as a consequence it must be subjected to a variety of different continuing regulations and controls incompatible with the liberty which this country, since its foundation, has enjoyed.

I should like to, if I may, punctuate what I have said by describing the magnitude and significance of the area of the world of which we are speaking. A number of charts have been prepared which have revealed to me in more striking form than was the case before I saw them the real significance of this area, of its importance to the civilized world; and if I may do so, Mr. Chairman, I would like to refer to those charts for a moment.

(Chart I is inserted herewith.)

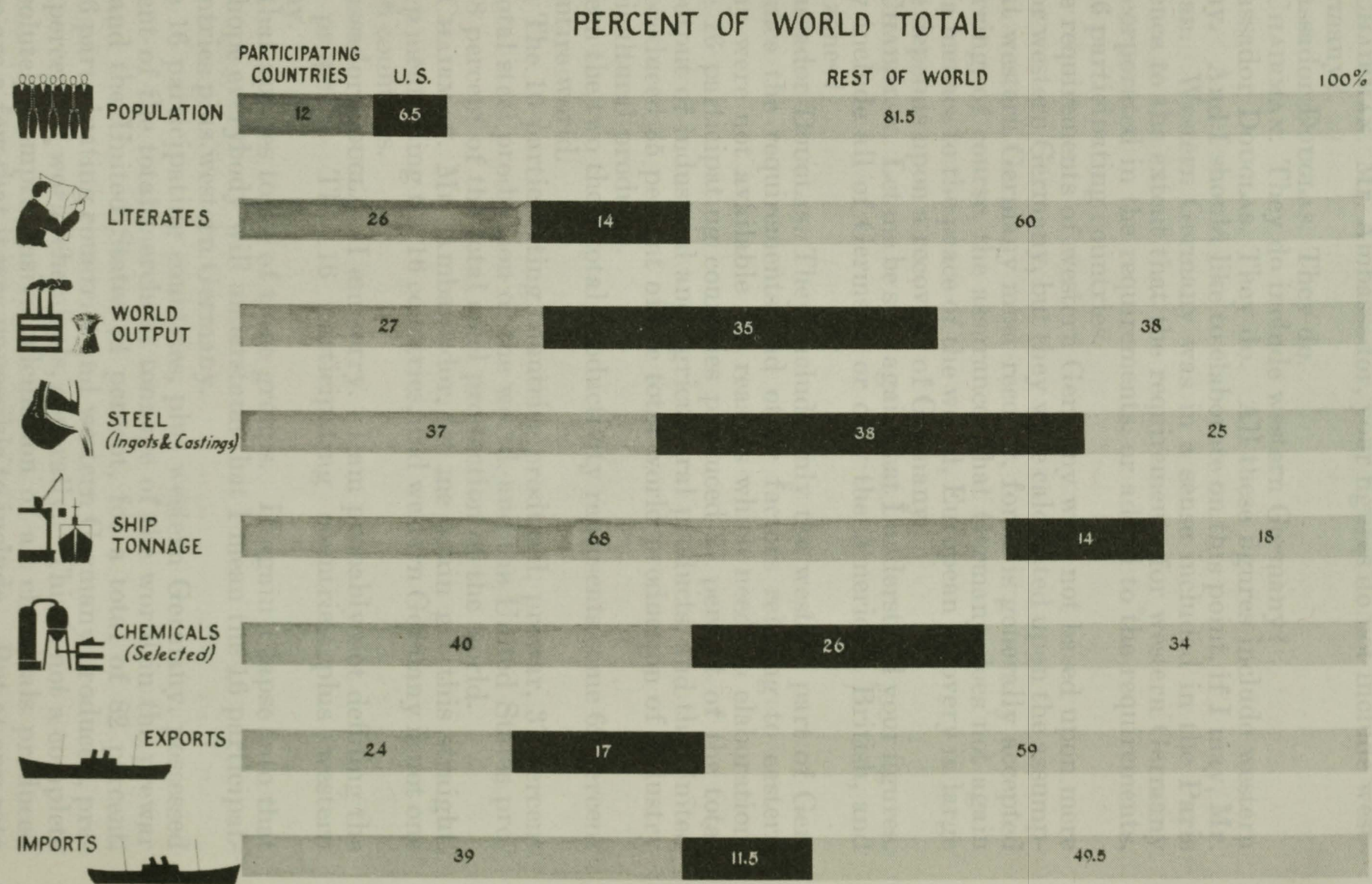
This chart represents a number of different characteristics of the 16 participating countries during the prewar period. The first line represents the population. I may say that all of these bars are expressed in terms of the percentage of the world total. The first bar represents the percentage of the population of the world embraced or included in the 16 participating countries. It amounts to 12 percent as compared with the total population of the United States, expressed in the same percentage, which is 6½ percent, or a total of 18½ percent.

The next bar represents the number or the percentage of literates included in the 16 participating countries and in the United States, in relation to the total of the world. That comprises some 40 percent, when put together: 26 percent in the participating countries and 14 percent in the United States. That means that as between the United



Chart I

# WESTERN EUROPE'S IMPORTANCE IN THE PREWAR WORLD









States and the 16 participating countries of western Europe the total number of literates constitutes a very large percentage of the total literates of the entire world. Expressed in different terms, out of a total population of some 2,000,000,000, 40 percent of the literates are within these two related areas.

The CHAIRMAN. Mr. Ambassador, your figures do not include western Germany?

Ambassador DOUGLAS. They do.

The CHAIRMAN. They do include western Germany?

Ambassador DOUGLAS. They do. All these figures include western Germany. And I should like to elaborate on this point, if I may, Mr. Chairman. Western Germany was in a sense included in the Paris Conference to the extent that the requirements for western Germany were incorporated in the requirements, or added to the requirements, of the 16 participating countries.

Those requirements of western Germany were not based upon mere relief for western Germany, but they were calculated upon the assumption that western Germany must recover, for it is generally accepted that barring, of course, the assurances that Germany does not again become a menace to the peace of the world, European recovery in large measure depends upon a recovery of Germany.

The CHAIRMAN. Let me be sure again that I understand your figures. Do they include all of Germany or only the American, British, and French zones?

Ambassador DOUGLAS. They include only the western part of Germany since the requirements and other factors relating to eastern Germany were not available for reasons which need no elaboration.

These 16 participating countries produced 27 percent of the total world output of industrial and agricultural products, and the United States produced 35 percent of the total world production of industry and agricultural products.

Between the two their total productivity represents some 62 percent of the entire world.

Steel. The 16 participating countries produced, prewar, 37 percent of the total steel production of the world, and the United States produced 38 percent of the total steel production of the world.

The CHAIRMAN. Mr. Ambassador, let me again get this straight. You keep mentioning the 16 countries, and western Germany is not one of the 16 countries.

Ambassador DOUGLAS. I am sorry. I am probably not defining the matter properly. The 16 participating countries plus western Germany.

And that applies to all of these groups. If again I lapse into that error I hope everybody will understand that I mean the 16 participating countries plus western Germany.

These 16 participating countries, plus western Germany, possessed 68 percent of the total merchant tonnage of the world in the prewar period and the United States 14 percent, for a total of 82 percent. These 16 participating countries and western Germany produced, prewar, 40 percent of world chemicals, generally. This is not a complete and absolutely comprehensive calculation of all chemicals produced for there are a few that it was impossible to include. But at any rate the 16 participating countries and western Germany produced, pre-



war, 40 percent of the chemical production of the world, the United States 26 percent, or a total of some 66 percent.

Exports. The 16 participating countries plus western Germany exported, prewar, 24 percent of the total exports of the world, and the United States 17 percent. Between the two it represents 41 percent of the total exports of the entire world.

The 16 participating countries, including western Germany, imported, prewar, 39 percent of the total imports, and the United States 11½ percent of the total imports of the world.

(Chart II is inserted herewith.)

This chart represents, graphically, the extraordinary importance to the general world community of the 16 participating countries plus western Germany, the recovery of which this program is aimed to achieve. And because of its significance to the entire world the significance of this area is evident to the United States.

There are other implications which might be expressed in a contrary way. It indicates the extraordinary significance of this area, were this area to fall, as the Secretary put it, or collapse into the dictatorship of police states.

Another rather interesting chart indicates the kind of area of which we are speaking. Of the population of the 16 countries, plus western Germany, 71 percent were nonfarm workers, and only 29 percent were farmers. And of the world, 40 percent were nonfarm workers and 60 percent either resided upon or were farm workers.

The acreage per capita in the European area, of which we are speaking, was but four-fifths, or eight-tenths of an acre, that is cultivated land, and in the United States, 3 acres, per capita.

These two charts together indicate that this area of which we are now speaking, and the recovery of which we believe to be so essential to the United States, was one of the most highly industrialized areas of the world. It was the center of a complicated, intricate, and sensitive productive area, equal to ours—in some respects greater than ours.

I say it was complicated and intricate and sensitive because it was the great trading area of the world. Expressed in terms of exports, imports, and production it was prewar, the greatest area of the world.

It received raw materials from all over the world; it fabricated them into finished articles; it sent them forth to satisfy the requirements of markets on the one hand and to increase markets for others on the other hand.

If I may elaborate on that for a moment: This great area took raw materials from the United States and the Western Hemisphere—Canada, South America, the Caribbean—and it took raw materials from southeast Asia, as an example, and it fabricated those raw materials into finished articles and sent them out through the many channels of commerce and trade, to the many markets scattered throughout the world.

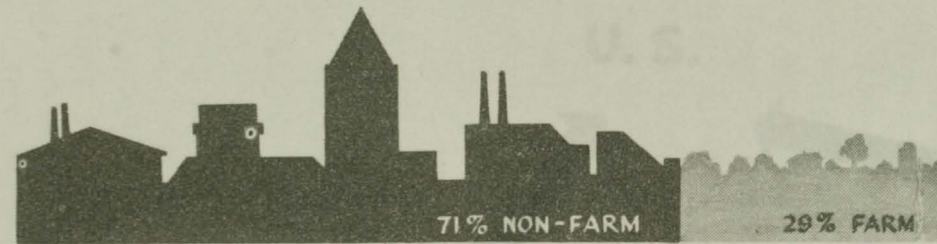
In the purchase of its raw materials and other articles from the Western Hemisphere it had always a deficit. By that I mean that it paid more for that which it received from the Western Hemisphere than it received for that which it sent to the Western Hemisphere. That was its traditional trade deficiency. But it made up that trade deficiency historically by the dollars which it earned from other parts of the world and it was by balancing one against the other during



Chart II

# EUROPE IS A WORKSHOP WITH LIMITED FARMLAND

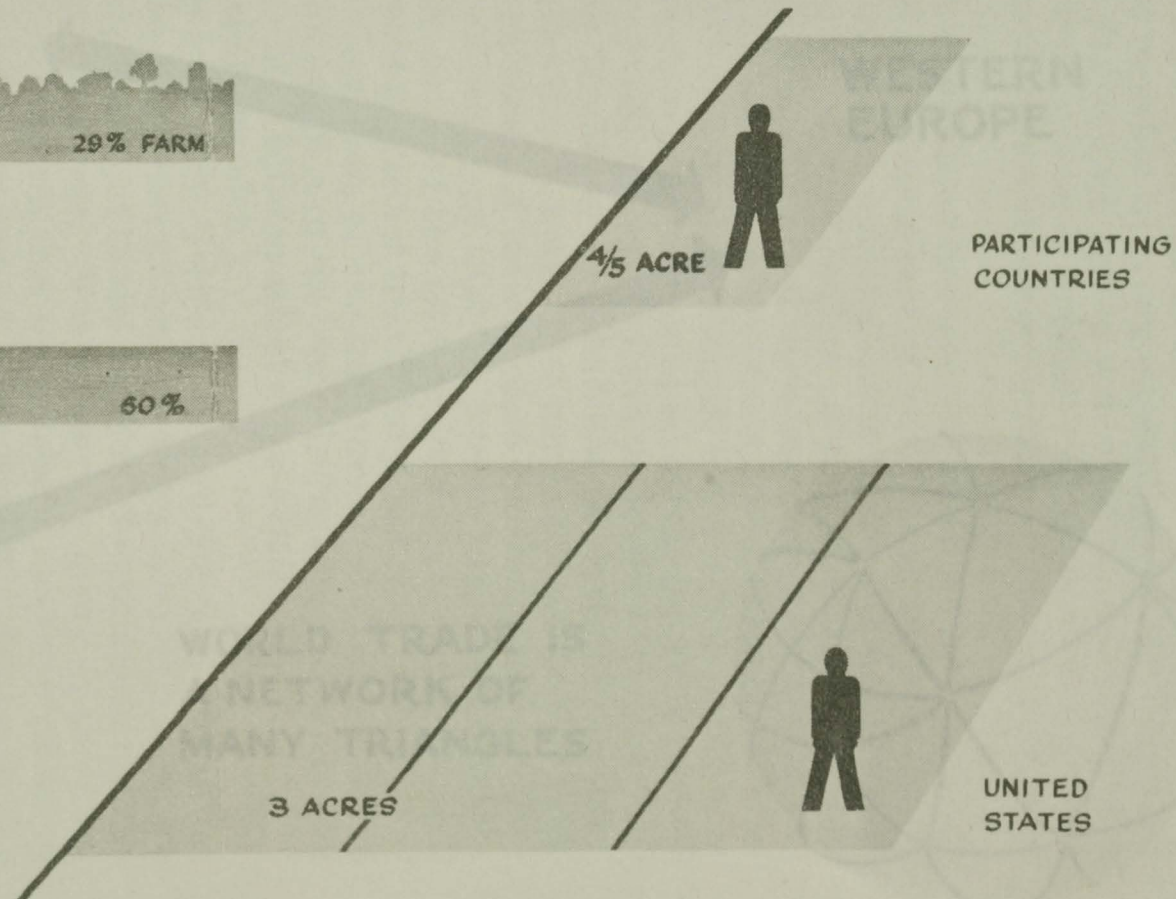
## POPULATION



PARTICIPATING COUNTRIES

THE WORLD

## CULTIVATED LAND PER CAPITA



PARTICIPATING COUNTRIES

UNITED STATES

3 ACRES

4/5 ACRE



war, 40 percent of the chemical production of the world, the United States 20 percent, or a total of some 60 percent.

Exports. The 16 participating countries plus western Germany exported, prewar, 34 percent of the total exports of the world, and the United States 17 percent. Between the two it represented 41 percent of the total exports of the entire world.

The 16 participating countries including western Germany, imported, prewar, 38 percent of the total imports of the world, and the United States 11 percent, or a total of 49 percent of the total imports of the entire world.

This chart represents graphically the extraordinary importance to the general world community of the 16 participating countries plus western Germany, the recovery of which this program is aimed to achieve. It is a significant factor in the entire world the significance of which is evident to the United States.

These statistics are expressed in a concrete way. It indicates the extraordinary significance of this area, which is the heart of the world, or collapsed into the disaster of police states.

Another interesting chart indicates the kind of area of which we are talking. Of the population of the 16 countries plus western Germany, 21 percent were nonfarm workers, and only 3 percent were farm workers. Of the world, 40 percent were nonfarm workers and 60 percent either resided upon or were farm workers.

The average per capita in the European area, of which we are talking, was but four-fifths, or eight tenths of an acre, that is cultivated land, and in the United States, 3 acres, per capita.

These two charts together indicate that this area of which we are now speaking, and the recovery of which we believe to be so essential to the United States, was one of the most highly industrialized areas of the world. It was the center of a complicated, intricate, and productive area, equal to ours—in some respects greater than ours.

It was a complicated and intricate area sensitive because it was the great trading area of the world. Exported in terms of exports, imports, and production, prewar, the greatest area of the world.

It received raw materials from all over the world; it fabricated them into finished articles, sent them to satisfy the requirements of markets on the one hand and to satisfy the requirements of the other hand.

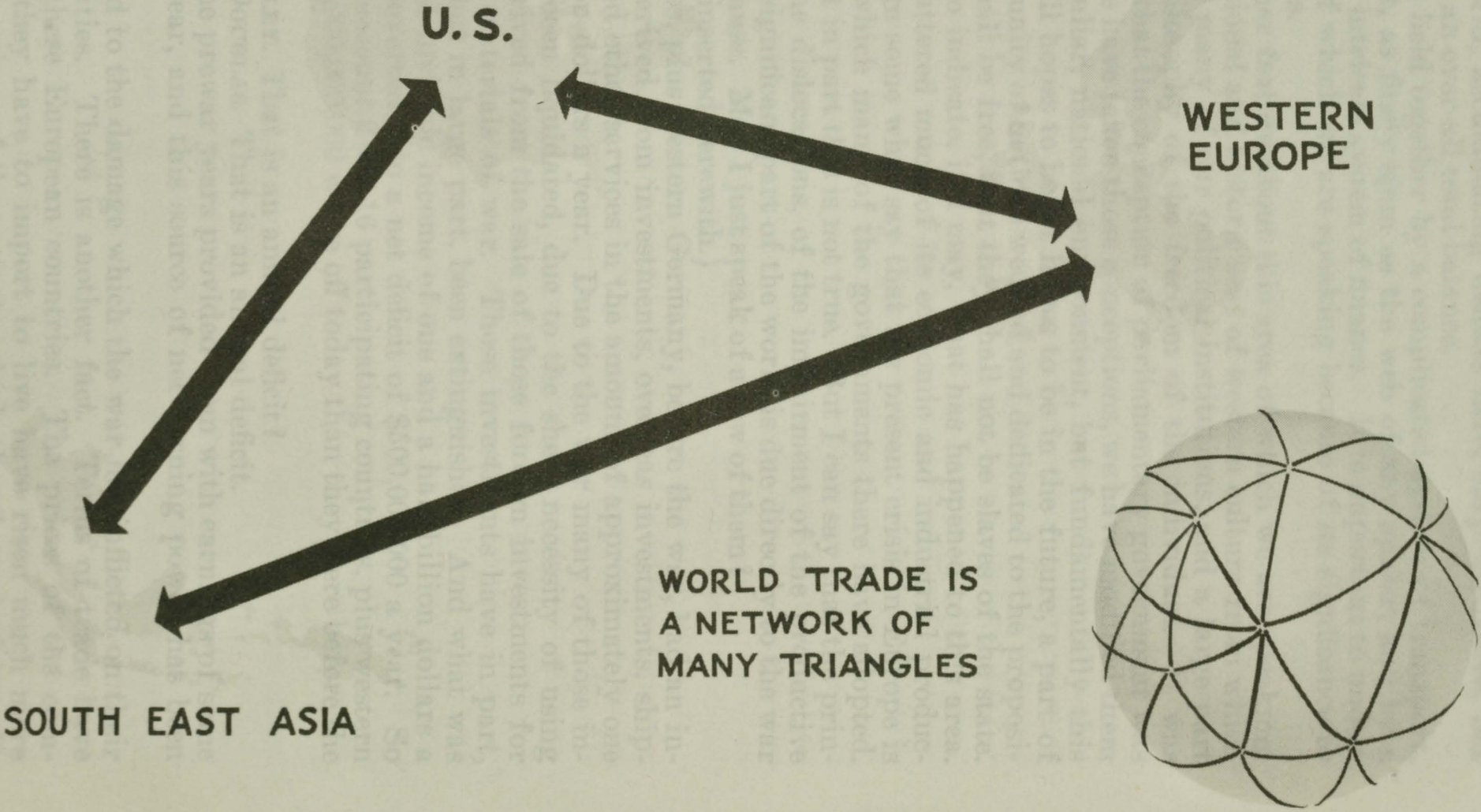
If I may elaborate on that for a moment. This great area took raw materials from the United States and the Western Hemisphere—Canada, South America, the Caribbean—and it took raw materials from southeast Asia, as an example. It fabricated these raw materials into finished articles, and sent them to satisfy the requirements of commerce and trade, to satisfy the markets scattered throughout the world.

In the purchase of its raw materials and other articles from the Western Hemisphere it has always been a net importer. It means that it paid more for that which it received from the Western Hemisphere than it received for that which it sent to the Western Hemisphere. That was its traditional position. It was a net importer. It was a net importer of the world and it was a net importer of the world.



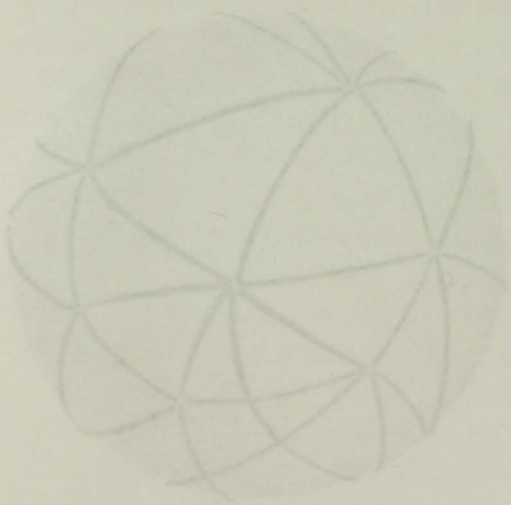
Chart III

TRIANGULAR TRADE



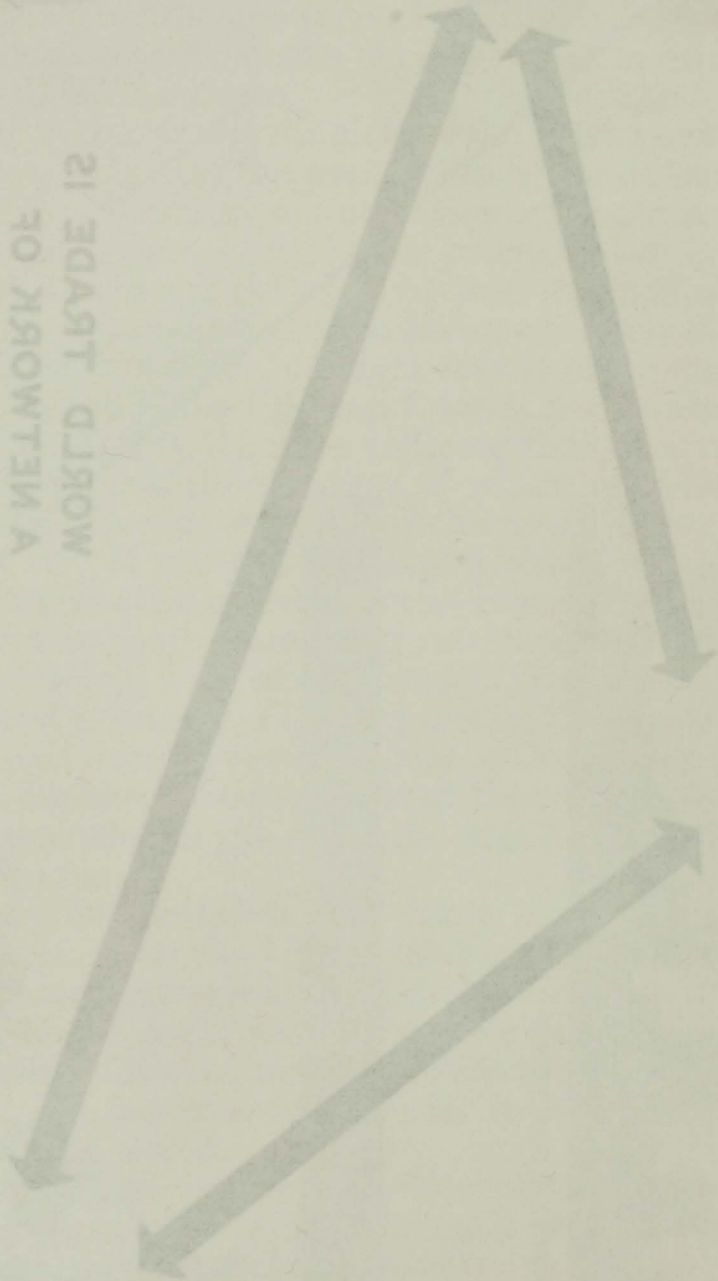


10035 0 - 48 - 34 - 1 (1,000 2, 10) 100 5



MANY TRIANGLES  
A NETWORK OF  
WORLD TRADE IS

SOUTH EAST ASIA



EUROPE  
WESTERN

U.S.

TRADING PART



the prewar years that the deficiency with one part of the world was balanced against the surplus with another part of the world.

This area was an extraordinarily sensitive one, trading with all parts of the world, accumulating deficits here, surpluses there, but coming out with an over-all total balance.

This area was held together by a complicated system of transport, inland transport, as finely spun as the web of any spider, and by a complicated and intricate system of finance. It is important to understand the area of which we are speaking because of its significance to the United States.

There is another feature about this area of which we are speaking. It was the traditional and historic seat of western culture from which we have derived many of our political institutions, and a large part of our basic philosophy of the freedom of the individual. It was within this area that the conception of parliamentary government was given birth. We have taken those conceptions, we have modified them to our own, peculiar, national environment, but fundamentally this area was and still hopes to be, or hopes to be in the future, a part of that great community of nations wedded and dedicated to the proposition that men shall be free, that they shall not be slaves of the state.

I would like to indicate, if I may, what has happened to this area. The war has shattered much of its economic and industrial productivity. There are some who say that the present crisis in Europe is due to policies which many of the governments there have adopted. I cannot say that in part this is not true. But I can say that the principal cause of the dislocations, of the impairment of the productive capacity of this significant part of the world is due directly to the war and to no other cause. May I just speak of a few of them?

(Chart III is inserted herewith.)

These countries, plus western Germany, before the war, had an invisible income derived from investments, overseas investments, shipping services, and other services in the amount of approximately one and a half billion dollars a year. Due to the war many of those investments have been liquidated, due to the sheer necessity of using the exchange derived from the sale of those foreign investments for the purchase of materials of war. Those investments have in part, not completely, but in large part, been extinguished. And what was before the war an invisible income of one and a half billion dollars a year has been converted into a net deficit of \$500,000,000 a year. So that on invisible account these 16 participating countries, plus western Germany, are \$2,000,000,000 worse off today than they were before the war.

Senator BARKLEY. That is an annual deficit?

Ambassador DOUGLAS. That is an annual deficit.

Shipping in the prewar years provided them with earnings of some \$250,000,000 a year, and this source of net earning power has been extinguished.

I have referred to the damage which the war has inflicted on their productive facilities. There is another fact. Terms of trade have turned against these European countries. The prices of the commodities which they have to import to live have risen much more rapidly than the prices of the exports which they have had to sell.



This has obviously imposed an additional strain upon their resources, and has made it necessary for them to enlarge and expand the thing which they are at the moment incapable of doing, their own production, in order to make up for that 20-percent difference in the cost of imports as against the cost of exports.

There is another feature arising out of the war, though not necessarily associated with the war. During the prewar period these western European countries derived a substantial part of their essential raw materials, particularly in foodstuffs, from eastern Europe. The members of this committee, for example, know well that the food supply of Germany was derived, in large measure, from the eastern part of Germany. That granary has been largely closed off to the western part of Germany.

Other European countries derived foodstuffs from the great agricultural area which lies in the eastern part of the Continent, and therefore these western European countries have, within the limit of their resources, been compelled to focus their demand for the supplies which they previously got from eastern Europe upon other areas of the world, principally the Western Hemisphere.

I have referred on another chart to southeast Asia. Southeast Asia was one of the sources of dollar earnings for some of these countries of which we are speaking. Southeast Asia has, too, been dislocated and devastated by the carnage and destruction of war. It is not now the dollar earner that it was. Indeed, it has become, instead of a source of income, a source of loss. The impairment of agricultural activities in that area has been almost 75 percent in terms of one or two critical items. The ration is now beginning to rise slightly. But only at the expense of some of the western European countries that have to buy foodstuffs from it.

And there is still another feature, and that is the increase in the population within these 16 countries and western Germany. It has increased approximately twenty millions; in spite of all the loss of life, the toll of human life taken by the war, the population of this area has increased by that amount.

Senator BARKLEY. In what period?

Ambassador DOUGLAS. Since before the war. Much of it, almost 50 percent of it, as I recollect the figure of the increase in population, has been due to the migration of people from the eastern parts of Europe into the western parts. But that increase in population has imposed, as some of these other factors have imposed, upon these 16 countries, plus western Germany, the difficult task of increasing their productivity and the outflow of their goods to support a very much larger number of mouths.

The population has increased actually from some 250,000,000 to 270,000,000. That, too, is a significant figure for the population of these 16 countries plus western Germany, 270,000,000, is greater than the population of one country situated in the eastern part of Europe.

The CHAIRMAN. Is that increase spread generally around or is it concentrated?

Ambassador DOUGLAS. About one-half of it, Senator, not quite one-half of it, 40 percent of it, as I recollect the figure, is within western Germany.

Thus I think it is true to say, that the war has imposed additional burdens upon these 16 countries and western Germany on the one



hand and has shattered or impaired their economic system on the other.

But there is still another consequence of the war. I have indicated that these countries were the seat, the European seat of peoples who believed generally in free institutions. They had their political and their social organizations, largely organized on that fundamental, philosophical conception, the dignity of the individual. Most of them suffered from occupation. During that period those political institutions which had been traditional to them over the course of the last hundred years were extinguished.

Subsequently, after liberation, they were confronted with the tedious task of rebuilding social and political institutions where none existed. Their task was complicated by the scars which the differences between what are called collaborationists and noncollaborationists left upon the body politic of these 16 nations.

We know within our own experience how difficult it is to establish a government where none exists. It took us many years of tedious, arduous effort and devotion to principle to make of the Government of this country a Federal institution, valid, strong, knitted together, and with a true regard, under our particular circumstances, for the essential principle of dispersion of power.

So it is easy, Mr. Chairman, for us over here on this side of the world, to view the policies and what appear at times the vacillations and timidities of some of these European countries with distant criticism. But I venture to say that if we had the same difficult task that they have, of reconstructing order under law where all political institutions have been destroyed, we would perhaps do little better than some of them have appeared to have done.

The Secretary has referred to the relationship between economic health and political stability. I think it is a fundamental proposition which no one can seriously deny, seriously doubt. This European program is aimed not at the relief of these countries, not to provide merely the means by which human beings can subsist, and no more, but it is aimed at achieving a true, solid, firm, economic recovery, and reconstruction of this devastated part of the world, and as a consequence, of restoring, or of aiding in restoring, the traditional political institutions which are, with modifications and variations, so intimately related to the basic philosophic conceptions of our own.

It is aimed, in other words, at recreating that vast and significant part of the world which was based upon the belief that progress of the human race is derived from the liberation of the human spirit and the freedom of the individual.

Senator LODGE. You do not mean to recreate it with all the defects that existed?

Ambassador DOUGLAS. May I come to that, Senator?

There were a great many defects, as there are in any system. To this recovery program the Soviet has expressed its open opposition. For what reasons I leave to the committee to determine.

There is one other feature about this area. While I have been speaking about the 16 European countries in western Europe, the orbit of their influence is very much larger. Geographically these 16 countries reside upon the Atlantic littoral, from the northern peak of the European Continent, to the Mediterranean. But within their orbit of their influence is the northern coast of Africa and other strategic parts of



Africa. If, therefore, some of them should lose the influence which they have formerly exerted in the world and if others of them should fall under the domination of the police state, that extraordinarily strategic part of the world would be separated, divorced from the United States, with consequences to which the Secretary referred yesterday.

I have said, Mr. Chairman, that the program is aimed at achieving economic recovery of this area and as a result the restoration of political stability.

I should like now, if I may, to speak of the program itself.

The Secretary yesterday referred to the history of the program, the way in which it came into existence, the conception of it and the birth of it. Almost immediately after the 5th of June when the Secretary made his historic speech at Harvard, Mr. Bevin and Mr. Bidault extended invitations to every European country, excepting Spain, to attend a conference, there to calculate that which each one of the participating countries could do for itself and for the others, and that which was necessary in the form of outside assistance if economic recovery and political recovery were to be restored.

Mr. Molotov attended that conference. On the 2d of July, as I recollect it, Mr. Molotov departed from the conference. Prior to departure he expressed his opposition to the program in curious terms. He issued a grave warning. He found it necessary to "caution" the other European countries, and particularly England and France. And yet notwithstanding the departure of the Soviet representative 16 countries accepted the invitation, remained in the conference, met on the 12th of July, organized. This conference was known as the CEEC, or the Committee of European Economic Cooperation.

I would like to speak, if I may, of the significance of the undertakings which each of these countries made to each other. Possibly I had better read them, if I may.

This is in their published report; doubtless many of the Senators have already read it:

In particular, each country undertakes to use all its efforts.

To develop its production to reach the targets, especially for food and coal.

I would like to go back to these and refer to the targets which they set. [Continuing:]

To make the fullest and most effective use of its existing productive capacity and all available manpower.

To modernize its equipment and transport, so that labor becomes more productive, conditions of work are improved, and standards of living of all peoples of Europe are raised.

To apply all necessary measures leading to the rapid achievement of internal financial monetary and economic stability while maintaining in each country a high level of employment.

\* \* \* to reduce the tariffs and other barriers to the expansion of trade, both between themselves and with the rest of the world, in accordance with the principles of the draft charter for an International Trade Organization.

To remove progressively the obstacles to the free movement of persons within Europe.

To organize together the means by which common resources can be developed in partnership.

And finally they undertook, subject to the condition that outside support would be forthcoming, to establish by mutual consent a continuing organization to review the progress each country may make toward the satisfaction of its undertaking.



The production goals are very interesting. I indicated why they have to be high.

The CHAIRMAN. Before you leave that, if it does not interrupt you, Mr. Ambassador, how is this multilateral dedication to be implemented by way of specific administration?

Ambassador DOUGLAS. If the Congress approves of an adequate program for the recovery of Europe—and I urgently hope that it will, bilateral agreements will be made between the United States and each one of these participating countries. These agreements will, by reference incorporate these undertakings as among all of the participating countries into agreements with the United States as well.

The continuing organization of the participating countries which they have agreed to set up will review the progress of each in implementing this multilateral dedication. It will provide the United States with information as to the progress made as will each one of the participating countries individually. I would hope that the continuing organization would play a part in influencing any one of the participating countries if it has perhaps failed for one reason or another to meet its undertakings, to modify its course, and actually to satisfy them.

In addition, Mr. Chairman, the ultimate sanction of withholding or modifying our assistance will rest with us. We must, however, be somewhat sensitive to the fact that these countries are sovereign nations, with traditions with pride in their own past, and each has a hope of its future, and each is jealous, and it should properly be, of any efforts, just as we would be, on the part of an outsider to interfere with its own internal affairs, or to impose restrictions upon the exercise of its sovereignty.

But the significant thing about these undertakings is that if faithfully observed—and we believe that they will be faithfully observed if it is within the power of these countries to observe them—these six commitments will progressively create in western Europe a far more integrated system than existed before the war.

The CHAIRMAN. I do not want to interrupt your presentation. I am not speaking now about our relationship to this venture. You speak in terms of hope regarding their own continuing intimate relationships in the achievement of these multilateral objectives. What I am inquiring is whether the plan specifically contemplates a continuing active CEEC in the actual pursuit of the objectives.

Ambassador DOUGLAS. Senator, I cannot answer the question more categorically. I can discuss this with you off the record.

(Further discussion was continued off the record.)

The CHAIRMAN. I can understand the difficulty involved. I am simply trying to discover whether there is a mechanism contemplated for continuous contact, continuous consultation, and continuous multilateral action if, on their own responsibility, they desire to go further.

Ambassador DOUGLAS. Yes, there is. It is the CEEC, itself.

The CHAIRMAN. That continues?

Ambassador DOUGLAS. That is right, sir. That is a continuing organization.

I might indicate to the chairman that in addition already a multilateral monetary clearing arrangement has been made among these



countries, and as I understand it, became effective on the 1st of January, this year. That is an example.

The CHAIRMAN. Did that include all of them?

Ambassador DOUGLAS. No; not all of them. And I am not certain that we could expect all of them to come into every cooperative effort at the same time.

The CHAIRMAN. That might be so.

Ambassador DOUGLAS. This, I think, Mr. Chairman, can develop further in the light of developments, in the light of progress made, and in the light of results which it produces. Nothing will disrupt a cooperative effort more than adverse conditions. And nothing will encourage it and stimulate it more than evidence of clear progress.

Senator LODGE. Mr. Chairman, may I just ask a question at that point? Secretary Marshall said, I think, yesterday, that the time to get these things done was in the immediate future. When they began to get a little stronger the whole super-suicidal separatist tendencies of these European nations might begin to get stronger.

That leads me to wonder whether, if we are going to get this united and integrated Europe, we had better not get it within the first 2 years, otherwise we are not going to get it at all.

Ambassador DOUGLAS. Senator, the task of achieving recovery in western Europe is a heavier one than it would have been had some of the adverse conditions not developed.

There are risks in this program. One of the only ways in which you can overcome some of these adverse conditions is by and through a closer integration of the economy of these 16 countries.

Senator, judged against the historic background of the sovereignty of these countries, and judged against other factors, these commitments which they have undertaken should not be too lightly estimated. They are, if one examines them carefully, quite significant, indeed, they are very significant, and if faithfully observed—and that is the point that you had in mind—if faithfully observed they will produce a much more integrated, closely knit and interwoven pattern of activity than existed before.

I do not think I am exaggerating it, Senator.

The ultimate action, Mr. Chairman, finally rests with us. Each year the Congress will be asked to appropriate money if, in the first instance, the Congress approves of the program. Therefore there will be an opportunity of review by the Congress itself.

But within each year there is the CEEC itself, there is the United States representative to the CEEC, there are the various representatives of the United States Government in each one of these participating countries who also will be reviewing the performance of the individual countries, to determine the extent to which the undertakings which they have committed themselves to are being fulfilled.

I think I should say, Senator, in complete candor, that in view of the extraordinarily dilapidated fiscal affairs of some of the countries we cannot expect to achieve a complete reformation within too short a period of time. The eradication of some of the inflationary pressures within these countries cannot, I think, honestly, be had unless at the same time that the steps of fiscal reform are taken production begins to rise, because there must be a balance between the quantity of money on the one hand and the goods available on the other. That is a fact of which I think we have had some experience.



The CHAIRMAN. Is there anything in this bill, Mr. Ambassador, which categorically asserts that the continuity of our cooperation is dependent upon the continuity of the self-help described in these objectives?

Ambassador DOUGLAS. I am going to refer to the conditions that we are going to exact. They are referred to in section 10 (b) of the act itself:

As a condition precedent to the performance for any participating country of any of the functions authorized under this Act, such participating country shall conclude an agreement with the United States, which shall signify the adherence of such country to the purposes of this Act.

And as I understand it there will be reference in the agreement to the undertakings made by each country to each other. And in addition, where applicable, there shall be a provision covering the following items:

Promoting industrial and agricultural production in order to enable the participating country to become independent of abnormal outside assistance.

Taking 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.

Cooperating with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries and cooperating to reduce barriers to trade among themselves and with other countries.

That is in the agreement which we will make with each one of the participating countries. [Reading:]

Making efficient use, within the framework of a joint program for European recovery, of the resources of such participating country, including any commodities, facilities, or services furnished under this Act.

Does that answer your question?

The CHAIRMAN. No, I am afraid it does not, Mr. Ambassador.

That describes the additional obligations which are contemplated in respect to self-help. What I am inquiring is whether there is a categorical statement in this bill at any point dealing with its objectives, its philosophy, a categorical statement that the continuity of our aid is dependent upon the delivery of the goods under these agreements.

Ambassador DOUGLAS. Let me perhaps put it this way. I think that the language here contemplates precisely what you have in mind.

The CHAIRMAN. Exactly. It is implicit in your plan.

Ambassador DOUGLAS. And the language even expressly states it.

The CHAIRMAN. I do not think you have read me any language that states it.

Ambassador DOUGLAS. Let us see. I may not. The United States Government will conclude an agreement with each one of the participating countries. Among other things in that agreement there will be this undertaking by the participating countries:

Cooperating with other participating countries in facilitating and stimulating an increasing interchange of goods and services among participating countries and with other countries and cooperating to reduce barriers to trade among themselves and with other countries.

That will be a part of the agreement. Does that not mean that each one of the participating countries must do those things?

The CHAIRMAN. Well, I think it is implicit in the agreement, and I think that is powerfully useful. I think it is implicit in the scheme itself, and I think that is fundamentally vital. But if that is the only



language you can show me in the bill which spells out the fundamental theory which we must say is implicit, then I want to know what objection there would be to stating categorically in connection with the legislation itself, so that there can be no misunderstanding, present or future, that the continuity of our aid and cooperation is contingent upon the continuity of the delivery of self-help within reasonable results.

Ambassador DOUGLAS. I would have thought that that language covered the point which the Senator had in mind, but if it does not, than I would like to have the opportunity to discuss the matter with the Senator and other members of the committee on other occasions.

The CHAIRMAN. I raise the point for your study.

Senator Connally wanted to ask you something in this connection.

Senator CONNALLY. Mr. Ambassador, a good deal is said about the sovereignty of these countries and the sensitive attitude that they occupy. Is not everything that they agree to in there in a way the exercise of that sovereignty, or a limitation of that sovereignty?

Ambassador DOUGLAS. Precisely that, Senator, but these are commitments which they themselves made to each other, so that in the exercise of their sovereignty, they have undertaken in certain respects to impair what heretofore was their unrestrained exercise.

Senator CONNALLY. That is what I am driving at. They cannot complain that they have voluntarily assumed certain obligations which, but for that obligation, would be an invasion of their sovereignty. If the matter is one that relates to this proposition, this project, how can there be any complaint that it is an invasion of their sovereignty, if it is necessary to carry out this project that we have in mind?

Ambassador DOUGLAS. Senator, I was not referring to these undertakings which they have made to each other.

Senator CONNALLY. Those are the only ones we are making. We are not making any additional ones.

Ambassador DOUGLAS. I was referring to the undertakings which, in addition to the ones which each country makes to other participating countries, we might require under the terms of the bill. I was referring to the sort of undertaking that has not heretofore been stipulated or defined.

Senator CONNALLY. We have not gotten to that yet. We have not gotten that far.

Ambassador DOUGLAS. That is right. I wanted to make that point clear. These are undertakings which these countries have voluntarily made among themselves.

Senator CONNALLY. Is there anything in our agreement there that is proposed to be made, either unilaterally or in a mass, that contemplates the invasion of their sovereignty? We have no desire to invade their sovereignty on proper matters. But as to this subject matter, I do not regard the sovereignty as applying because they have voluntarily said, "We will do these things."

How could they affect their tariffs except by the exercise of sovereignty? How could they affect their finances and reconstitute their system of finance except through the exercise of their sovereignty?

Ambassador DOUGLAS. I agree.

Senator CONNALLY. I am for sovereignty, but I think it is a poor excuse for somebody to say, "Oh, I can't do that. That's my sover-

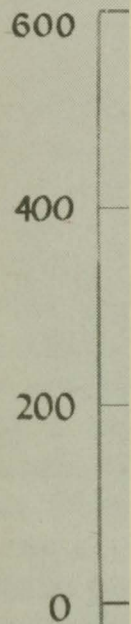


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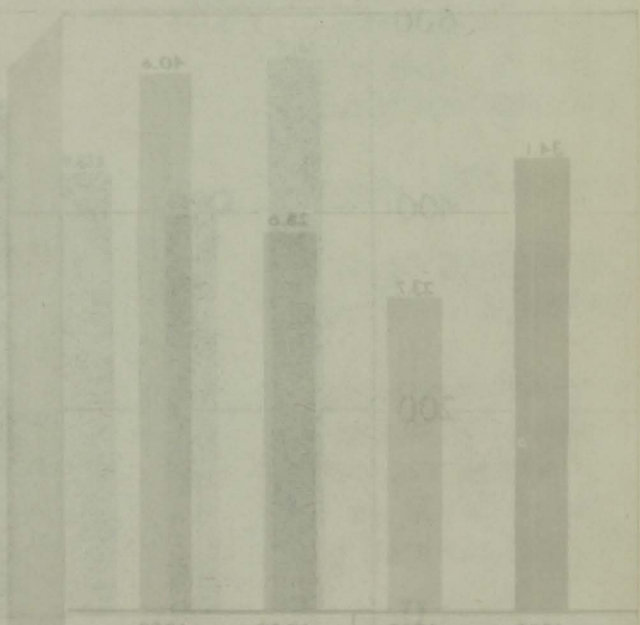
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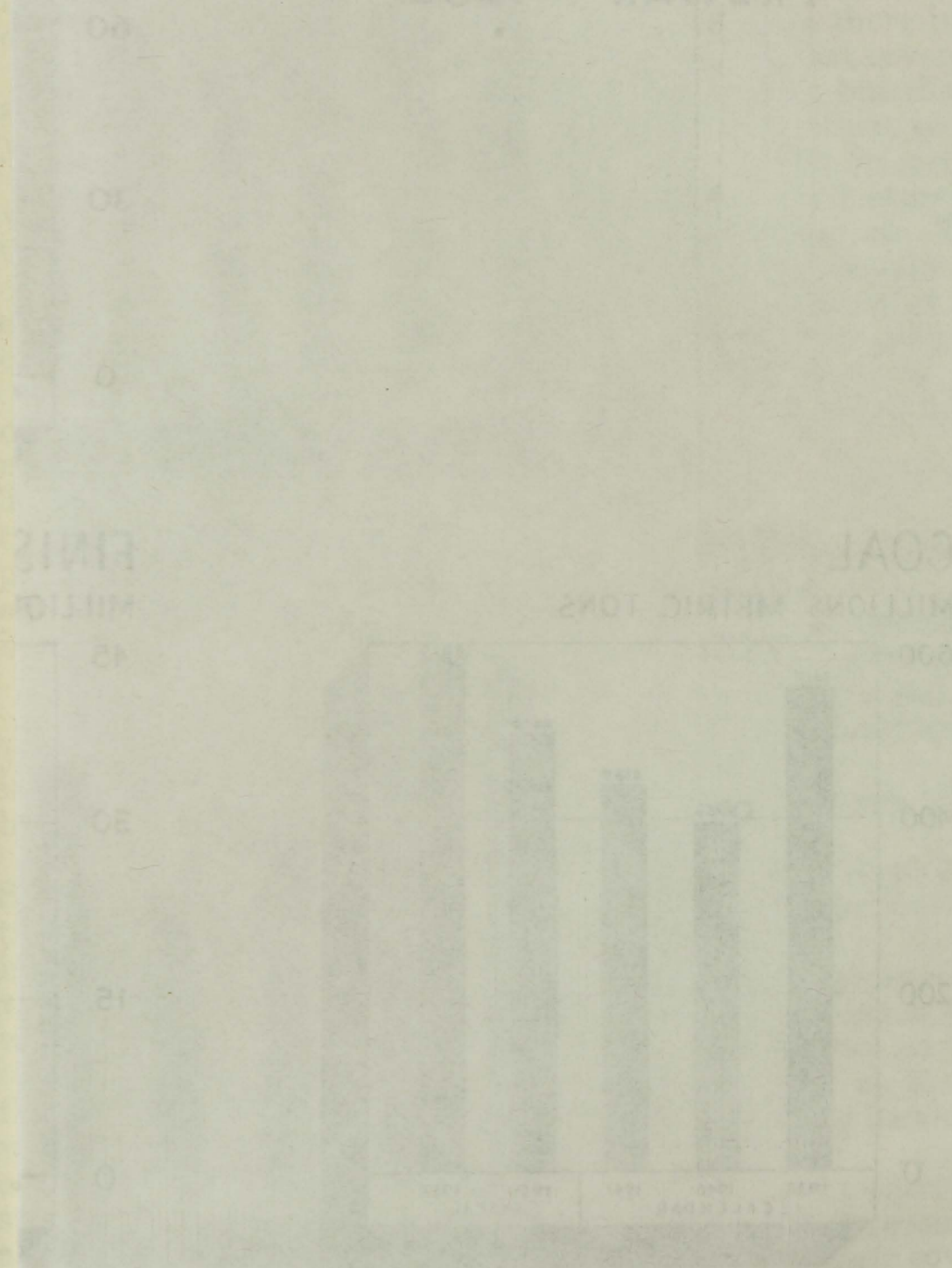
# PRODUCTION BY PARTICIPATING

ALL  
COUNTRIES  
1945

( ESTIMATES )

## SELECTED YEARS

PREWAR - 1939



I think it is a  
That's my



eignty." If we are going to make this thing effective, they have got to go along and perform their best efforts to carry it out, and not simply sit on a feather bed and say, "You do it, Mr. United States."

Ambassador DOUGLAS. Senator, you are quite right, and it is precisely that that is intended in the administration of the act.

Senator CONNALLY. I have heard so much about sovereignty. I have tried to express my views on that. I am for it, but within proper bounds. But the very existence of sovereignty involves the power of the state to do or not to do certain things, and if they agree to do them, there is no question then of the invasion of their sovereignty.

Ambassador DOUGLAS. I was not referring, Senator, in what I said, to any of the undertakings each country has voluntarily made with the other, nor to the undertakings outlined in this act.

Senator CONNALLY. That is all we are doing now.

Ambassador DOUGLAS. I was referring to other undertakings.

The CHAIRMAN. We have interrupted your orderly presentation of the thing. I am sorry. But we will return to the subject a little later, if you want to proceed.

Ambassador DOUGLAS. In respect of the production targets, I think I have a chart over here which shows the production targets.

(Chart IV is inserted herewith.)

These are the production targets of certain countries. In respect of foodstuffs, grain, these 16 participating countries plus western Germany produced in the prewar period—this is all grain—64,333,000, roughly, tons. In 1947 they produced 59,700,000. In 1948 they produced 51,100,000 tons. I failed to mention that one of the developments, in addition to the others which have been mentioned, which has aggravated the situation in Europe has been the unkind way in which the weather has treated these countries during the year 1947. In the case of France, for example, as I recollect it, the 1947 production of wheat was somewhere in the vicinity of 5,900,000 tons and it was reduced to 3.7 in the 1947-48 year almost entirely due to crop failures.

In respect of meat, it is an important item in the diet of the European countries, but it is not necessary to bore you with those figures.

Coal, however, is important, for after one gets through screening all of the economic factors there are two or three lumps that remain behind and that can be sorted out as particularly essential items, and one of them is coal.

Prewar they produced 551,000,000 tons. In 1946 the production was 398,000,000 tons, and again, Senator, this includes western Germany.

In 1947, 438 millions; in 1949 they undertake to produce 495 millions and in 1952, 585,900,000. Those are the targets which have been set by these countries.

Now, may I refer to another very important commitment which they have made, that is, to restore fiscal and financial stability. As a result of the fiscal policies that were pursued during the period of occupation, as a result of great difficulties in reestablishing and restoring orderly government under law after the period of liberation, the fiscal financial condition of some of these countries is pretty tattered and pretty torn. In some of them there is a real distrust of currency, and this has led—and this is a consideration of which this committee should be aware—it has affected agricultural production adversely. It has induced farmers who otherwise would have increased their acreage, perhaps, in cultivation of wheat, to transfer their activi-



ties to the growing of livestock. It has led others not to market the crop which they did harvest. In other words, it has produced what all dilapidated currencies have produced, a flight from money into goods.

And on the industrial side, it has induced many having a distrust of the currency, and finding it not particularly profitable to work harder to achieve a currency which may have a reduced value 2 weeks or 2 months from now, to buy leisure, of which there is an abundance on the European market, at a very low price. And so, therefore, the commitment to restore, to reform their financial and monetary systems, is vitally connected with and associated with the increase in production which western Europe must achieve, and that commitment these countries make to each other.

The CHAIRMAN. On paper.

Ambassador DOUGLAS. Not merely on paper, Senator. I have not examined in detail the program of the French Government aimed at the reformation of its internal fiscal and financial affairs, but it was enacted, sir. The Schuman government stood up, I think you will agree, with bravery and gallantry in the face of considerable opposition and hostile forces, and although it made a compromise as a good many governments make from time to time, it did achieve the support of the legislative body in France. That was a significant and important step taken by the Government to fulfill, at least in part, and it is an initial and important step, the commitment made by France to the other participating countries.

Much of the same thing can be said of the Italian Government. And in respect of the reduction of trade barriers the Benelux customs union has now become effective. To be sure, that was initiated before the meeting of the Paris Conference, but the fact is that it is now operating. France and Italy are negotiating for the purpose of establishing a customs union. The other countries are studying the problem. I can say very frankly that one of the difficulties in establishing a customs union throughout the entire western Europe is the peculiar relationship of the United Kingdom with its Dominions and its crown colonies as compared with its relationship with western Europe.

The CHAIRMAN. I simply want to agree with you that these countries are doing constructive, courageous things for which they are entitled to our enthusiastic applause. I simply said "on paper" because I am referring back to my old theory—that these contracts are on paper and I want them implemented.

Ambassador DOUGLAS. And I agree. I agree with the desires.

Senator LODGE. With regard to what you said about the British Empire, is it not true that Prime Minister Churchill and Foreign Minister Bevin have both expressed themselves in favor of a United States of Europe?

Ambassador DOUGLAS. Mr. Churchill has. Mr. Bevin's position on the matter is not quite as clear. Possibly that is because my memory is not as sharp as yours.

Senator LODGE. Certainly you could not have a United States of Europe without having a customs union. That is the essence of the United States, isn't it?

Ambassador DOUGLAS. One of the significant and important parts, I believe, in the development of our own country was the complete



freedom of trade, aside from the constitutional resort to the exercise of police powers by various States. It is one of the significant reasons for our extraordinary development. It is not the only one. It is a very important one.

In respect of production——

Senator BARKLEY. Mr. Ambassador, you dismissed here on this chart a moment ago the question of meat.

Ambassador DOUGLAS. It is an important item.

Senator BARKLEY. I would like to ask you, without going into any details about it in any country, whether it is possible that the gains that have been made in those countries, economically and politically, may depend on their ability to get meat for their people within the next few months?

Ambassador DOUGLAS. There is no doubt that the whole productive effort is dependent upon, in large measure, the diet of these countries and the raw materials which can be fabricated into finished articles. There are two things. If the diet is too low, the energy and capacity to work is thereby diminished. If the raw materials are not available, the ability to turn out fabricated articles is thereby diminished.

Senator BARKLEY. On account of the shortage of feeds, the animal population declined, not only in France and Italy but in Scandinavia, where they were slaughtering even their dairy cattle because of lack of feed. That has reduced the meat supply in those countries which can only be restored after a considerable period when herds are depleted. It takes nearly a year to get back on the level of beef production.

Now, because of that shortage, they emphasized increasing the consumption of bread, notwithstanding even the shortage of wheat. But if they are to do a full day's work in these countries in the mines and in the factories, it seems to me they must be able to obtain a larger proportion of meat than they have been in the last few months able to obtain.

Ambassador DOUGLAS. I did not mean to infer that meat was not an important item in the diet. I did not want to bore the members of the committee with too many charts and figures and protract what I was saying to too great an extent or too far.

In addition to making these commitments, Mr. Chairman, these 16 participating countries did calculate the outside assistance necessary if they were to achieve a recovery. That report was submitted to us. It embraced both phases or parts of their deliberations; that is, the undertakings and the calculations of their requirements. Various departments of the United States Government have examined that calculation of outside assistance with a great deal of care. And as a result there has been produced a program which represents the minimum amount of aid—of support, I would rather call it—that is necessary if these 16 participating countries are successfully to overcome the ravages that have been created by war and the dislocations that have been caused or that have risen out of postwar conditions.

And I would like, if I may, to refer to that program. I should like to make it very clear in the first instance, that this program is not calculated exclusively on what is known as a balance-of-payments estimate. It also rests upon a calculation of selected commodities absolutely essential to achieve economic recovery, the sources from which they can be derived, and the availability of those commodities. The sum of those considerations expressed in terms of commodities has



been translated into the dollar cost at a price level which is 7.5 percent above the price level which the 16 European countries used in the preparation of their calculation in Paris. It is 7.5 percent above the price level used by them, because the price level had risen 7.5 percent. It is not a hypothetical increase. It is an actual, factual increase.

There are two categories of commodities which they need—there are the selected commodities, and then there are “other” imports which, in the very nature of the case, because they vary from country to country, cannot be put forward as one list of items. They cover a vast multitude of commodities; I want to make that point very clear.

Now, as to the selected items, the requirement from the United States expressed in terms of dollars, amounts to \$4,239,000,000 for the 15 months’ period. I am not going to analyze this in terms of 3 months and then 12 months but if it is agreeable to you I will do it in terms of the entire 15 months’ period, which is the period for which we are seeking an authorization in specific terms, and later an appropriation.

From other Western Hemisphere countries these selected items will need to be imported into these western European countries in the amount of \$3,346,000,000, or a total from the Western Hemisphere of \$7,585,000,000.

The CHAIRMAN. Will you give me those figures again?

Ambassador DOUGLAS. I will give you a copy of this, if you like.

The CHAIRMAN. No. Just give me those two figures again.

Ambassador DOUGLAS. \$4,239,000,000 from the United States; \$3,346,000,000 from the other Western Hemisphere countries. That is a total of \$7,585,000,000.

I have here a list of these selected items which I can either read, Mr. Chairman, or insert in the record, as you wish.

The CHAIRMAN. It certainly would not suffice just to insert them in the record, because I assume that you are prepared to justify the items in some degree.

Ambassador DOUGLAS. I am prepared to say this, Senator, that they are essential to the economic recovery of Europe. I can give you the items. First, bread grains. And I can show you and will show you in a few minutes that the foodstuff to be imported under this European recovery program provides a caloric standard of living less than, substantially less than, prewar. I have to do a little mathematics here. This analysis, unlike the previous figures I have given you, is based upon a 3 months’ calculation, and the next column shows 12 months. But bread grains amount to \$754,000,000; coarse grains amount to \$88,700,000; fats and oils amount to \$100,400,000; oil cake and meal amount to \$22,100,000; sugar, \$27,900,000; meat, \$7,700,000; dairy products, \$235,200,000; eggs, \$36,000,000; dried fruits, \$33,500,000; rice, \$7,200,000; other foodstuffs, \$73,800,000; tobacco, \$262,500,000; cotton, \$580,800,000. Nitrogen is \$16,400,000, and phosphates \$3,100,000.

I think you will find this, Senator, on page 115 of the book that we submitted, that was submitted and published by the committee.

I can go on or submit them in the record.

The CHAIRMAN. Those do not seem to be the same figures you read out.

Ambassador DOUGLAS. You see, Senator, one has to add the first column to the second column, because the first covers 3 months and



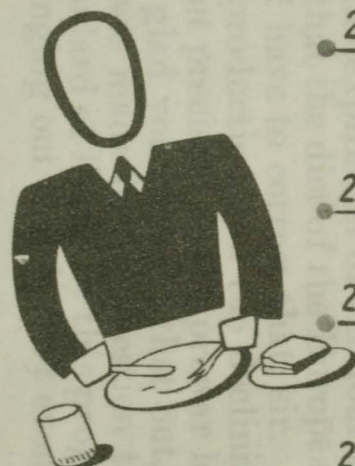
Chart V

# CALORIES PER DAY *for Participating Countries*

CALORIE LEVELS\*

3200 *Optimal Rehabilitation*

PER CAPITA AVERAGE OF NON-FARM POPULATION



2800 *Pre-War (35-38)*

2800 ▷

2500 *Short Term Relief*

2550 ▷

2300 *Temporary Maintenance*

2250 ▷

2000 *Emergency Subsistence*

1650 *Semi-starvation*

1947 - 48

1948 - 49

1951 - 52

\* Benchmark Levels developed by  
National Research Council



# EUROPEAN RECOVERY PROGRAM

...total into the dollar cost at a price level which is 7.5 per-  
cent above the price level which the 16 European countries used in  
their calculation in Paris. It is 7.5 percent above

...it is an actual in-

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the next column covers the 12 months' period, and I have been speaking of the 15 months' period. I had to do some rather rapid mathematics.

On page 116 there are the physical quantities, and on page 117 there is the value of the selected imports from the other Western Hemisphere countries. The requirements in imports from the United States have to be added to the imports from the other Western Hemisphere countries to come out with the total.

Then on page 118 is the physical quantities of the imports of these selected items from other Western Hemisphere countries. At any rate, those selected commodity imports, expressed in terms of dollars, amount to \$4,239,000,000 from the United States, \$3,346,000,000 from other Western Hemisphere countries, or a total of \$7,585,000,000.

In addition, there is a list of unprogramed items, and as I have indicated, they contemplate a wide variety of commodities. I can give you an example of them in the case of Italy, if you would like to have me do so. At any rate, those imports from the United States expressed in terms of dollars amount to \$2,750,000,000 and from other Western Hemisphere countries \$1,478,000,000, or a total of \$4,228,000,000. That is the total imports other than the selected items necessary to achieve economic recovery in western Europe. These 16 countries and western Germany must import from the United States, a total amount of \$6,989,000,000, and from the balance of the Western Hemisphere, \$4,824,000,000, or a total of \$11,813,000,000. I can refer you to page 97 of the document in which the other schedules are to be found.

Now I would like to show here, if I may, the chart that shows the caloric food value.

Senator BARKLEY. Mr. Chairman, may I ask whether these charts to which the Ambassador refers will be printed as a part of his testimony?

The CHAIRMAN. Yes; it is expected that they will be printed.

Senator BARKLEY. Thank you.

(Chart V is inserted herewith.)

Ambassador DOUGLAS. This 1,650 calories represents the semistarvation level of a diet as calculated by the National Research Council. Prewar caloric value of the diet in these countries was 2,800. In 1947 the caloric value of the diet of residents in these countries in western Europe was 2,250. Under this program the caloric value of the diet will be but 2,550 calories. It is still substantially below the prewar diet.

And I want to correct a statement that was made to you, Senator Smith. I said that by the expiration of the four-and-a-quarter-year period it was calculated that the diet of the European countries would still be below prewar. I have to correct that, sir. It will be by that time, due to their own production and the declining demand on us, calculated to be just about precisely at the prewar level.

Senator SMITH. I am glad you brought that out, Mr. Ambassador, because the point that was made in the question to me was that we were giving a higher standard of living by this program than they had in 1938, and you are bringing out that it isn't even as high as it was in 1938.

Thank you very much for this clarification.

Ambassador DOUGLAS. It is substantially lower. It is an important item to remember and to bear in mind in estimating whether, particu-



larly, the amount of foodstuffs is adequate, whether it is too much or too little.

Senator CONNALLY. Is there any estimator or research council that knows what the average caloric value of the American diet is? Do you know?

Ambassador DOUGLAS. It is estimated at about 3,350 calories.

The CHAIRMAN. Mr. Ambassador, have you a total figure indicated? You have not yet completed your calculations to indicate how you are getting back to your \$6,000,000,000.

Ambassador DOUGLAS. I wanted to do that. That covers at least one item that was referred to yesterday.

The total then, of these selected items and unprogramed items that must be imported from the United States and the Western Hemisphere into these 16 European countries, including western Germany, is \$11,813,000,000. That is the total dollar value of the commodities to be imported into these 16 European countries plus western Germany from the United States and the Western Hemisphere. It amounts to \$11,813,000,000.

The CHAIRMAN. For 15 months.

Ambassador DOUGLAS. For a 15-month period, that is right.

The 16 European countries, plus western Germany, so it is calculated, will export during the 15 months' period, in selected items, \$295,000,000 to the United States and to other parts of the Western Hemisphere \$303,000,000, or a total of \$598,000,000 worth of commodities.

Unprogramed items, exported to and imported by the United States during the 15 months' period, will amount to \$1,960,000,000 and to other Western Hemisphere countries \$1,455,000,000, or a total of \$3,415,000,000. Thus the total export, selected and others, destined for the United States and other Western Hemisphere countries will amount to \$4,013,000,000 during the 15 months' period.

The merchandise balance, or the trade balance, the difference between these imports and exports, amounts to a deficit over the 15 months' period with the United States in the amount of \$4,734,000,000, with other Western Hemisphere countries in the amount of \$3,066,000,000, a total of \$7,800,000,000. That is on trade account, and trade account alone.

Senator CONNALLY. That means they get the \$7,000,000,000.

Ambassador DOUGLAS. No; they import \$7,800,000,000 more than they export.

Senator CONNALLY. That is what I am trying to get at.

Ambassador DOUGLAS. That is right, Senator.

There is another cost, and this is an invisible cost. There is the cost of freight, ocean freight. The cost, expressed in terms of dollars, with the United States, is \$293,000,000, and with other Western Hemisphere countries \$145,000,000.

Senator HICKENLOOPER. Mr. Chairman, may I ask the Ambassador, the cost to the United States of that transportation—does that contemplate using American equipment and crews?

Ambassador DOUGLAS. That is paid for in American dollars. That is the deficiency, the net cost. It is not paid for in their own currencies.

Senator HICKENLOOPER. I understand, but is that cost reflected in the employment of American ships and American crews?

Ambassador DOUGLAS. That is my understanding.



Senator HICKENLOOPER. And it does not contemplate the use of the crews of the countries who are receiving this material, whether it be ships on loan from us, or their own ships?

Ambassador DOUGLAS. It has to be paid in terms of dollars as a substantial part of it, but not all of it, will be carried in American shipping.

I beg your pardon. This is the net cost after assuming the bare-boat charter on an emergency basis of 300 bulk-cargo ships and the sale of 200 ships.

Senator HICKENLOOPER. Of course, the background of my question is the thory of whether we should furnish American crews at our tremendously high-cost shipping rates, or whether we should say to those countries, "You furnish the crews; we will furnish the ships and put the material on, and you ship it to your countries. You carry it."

Ambassador DOUGLAS. That is a question, Senator, which I think the Congress should decide. I can give you some figures on it.

Senator HICKENLOOPER. I was merely asking you which type of transportation these costs reflected, the use of our ships and our crews, or foreign ships and crews.

Ambassador DOUGLAS. These reflect the cost to them in terms of dollars after bare-boating to them 300 bulk-cargo vessels and selling to them 200. Does that answer your question? The balance is paid to American shippers in terms of dollars.

Senator HICKENLOOPER. It may answer my question, Mr. Ambassador. I wouldn't be sure, because I don't quite understand it.

Ambassador DOUGLAS. It is because I am not making it clear.

The program contemplates the sale to these 16 European countries of 200 merchant vessels so that they may man them, sail them under their own flag, carry the goods in those 200 vessels, pay for the freight in their own currencies, thus relieving the exchange mechanism and the burden upon dollars to that extent.

Senator HICKENLOOPER. Do we supplement, or do we make good an agreed amount in dollars representing their own currency that they pay for the transportation of these goods?

Ambassador DOUGLAS. No, sir. We do not. Moreover, the program contemplates the bare-boating for the period of the program.

Senator HICKENLOOPER. What do you mean "bare-boating"?

Ambassador DOUGLAS. Chartering, hiring, leasing 300 merchant vessels to these European countries in order that they may fly their own flags. They will not have title to the vessels. They will merely have them under rental. They may put up their flags on the vessels, man them with their own crews, and carry the freight at an expense to them expressed in terms of their own currency, again relieving us of the burden of putting up dollars to pay high freight rates.

Does that answer your question?

Senator HICKENLOOPER. I think so. Thank you.

The CHAIRMAN. Now we are down to \$7,800,000,000. Where do we go from there?

Ambassador DOUGLAS. There is an invisible cost account which includes tourist expenditures, remittances, interest, profits, dividends, amortization, and items of that sort, earned from the United States, in the amount of \$263,000,000, and from other Western Hemisphere countries in the amount of \$13,000,000, or a total of \$276,000,000. In



this balance, I may say invisible account, the 16 countries are \$2,000,000,000 a year worse off than they were before the war. The total deficiency, then, in the balance of payments calculated as I have indicated, with the United States and with the Western Hemisphere, is \$7,962,000,000.

Those calculations were based upon a price level as of July 1, 1947, and they have been adjusted so far as commodities are concerned upwards by approximately 7.5 percent because the price level rose 7.5 percent during the period between July and October. The dollar amount of that increase is \$565,000,000.

It is the total deficiency with the whole Western Hemisphere, the United States and the other countries, that was \$8,527,000,000.

Senator CONNALLY. That is based on the assumption that those high prices will continue over the 4-year period.

Ambassador DOUGLAS. I am just talking about the 15-months' period, Senator. We took the price level as it was in October and made our projections forward only for that limited period of time. No one can foresee what the price level may be 3 months or 3 years or 4 years from now. It may be higher and it may be lower.

There was an uncovered deficit in the bizonal area for Germany with the nonparticipating countries outside of the Western Hemisphere in the amount of \$200,000,000, bringing the total up to \$8,727,000,000.

There are certain resources that can be called upon other than the Treasury of the United States to aid in satisfying their needs under this program.

Senator CONNALLY. Point it out. I am anxious to find it out.

Ambassador DOUGLAS. Yes, sir; I shall try.

In the first place, private investment; the loans made by the International Bank and made by the Export-Import Bank, amounting to \$500,000,000.

Senator CONNALLY. That is the Treasury, the Export-Import Bank. You said independent of the Treasury.

Ambassador DOUGLAS. The Export-Import Bank presently has a lending power.

Senator CONNALLY. But it is our money.

Ambassador DOUGLAS. I am talking about additional appropriations out of the Treasury, Senator.

Senator CONNALLY. You said outside of the demands on the Treasury.

Ambassador DOUGLAS. Embraced in this program.

Senator CONNALLY. All right.

Ambassador DOUGLAS. Congress has already appropriated money for the Export-Import Bank.

Senator CONNALLY. It is our money, still.

Ambassador DOUGLAS. It is our money, you are quite right. I meant outside of this program.

Senator CONNALLY. To change the money from one pocket to the other doesn't change the fact that it is still United States money.

Ambassador DOUGLAS. You are quite right, sir. I have not forgotten that.

I may say that that figure of \$500,000,000 is based upon an estimate, and I think it is a pretty reliable estimate. The Export-Import Bank can testify to that portion representing Export-Import Bank credits



probably at much greater length than I can and with much greater accuracy than I can, but I am quite sure that that calculation rests upon the rate of future withdrawal of loans already made.

As to the \$700,000,000 which the Western Hemisphere countries may provide, that figure is based upon the experience of the past of the Western Hemisphere countries in extending credit directly or indirectly to the 16 participating countries.

Does that answer the question that you put yesterday, Senator? I can give you at another time a more detailed discussion of that, and the reasons why. There are reasons why perhaps I should not go into it in great detail at the moment.

The CHAIRMAN. You mean those are historic experiences which justify the expectation that during the next 15 months there will be \$700,000,000 of credit available in the balance of America?

Ambassador DOUGLAS. That is right.

The CHAIRMAN. Is that Government credit, private credit, or what kind of credit?

Ambassador DOUGLAS. It takes several different forms, Senator. A part of it is Government credit. A part of it I presume would be private credit, a part of it will be reflected in charging a lower price than the prevailing market price. You see, this deficiency in the balance of payments on account of the commodities indicated rests upon the price level as of a certain date. Now, certain of these Western Hemisphere countries sell to certain of the western European countries commodities at a price less than the price level as of that date. According to the extent to which they do that, there must be a deduction made from the deficiency in the balance of payments.

The CHAIRMAN. I follow that. I just wanted to identify the fact that this \$700,000,000 figure with which you are now dealing is a figure involving normal commercial relationships, and does not involve, in any sense, a contribution such as we contemplate to the recovery assistance.

Ambassador DOUGLAS. No, there are contributions in it, Senator. For example, some of the countries sell at a lower price, and that is a contribution, because they are selling at a lower price instead of at a price which they otherwise might obtain.

The CHAIRMAN. You mean, they are consciously selling at a lower price for the purpose of being helpful?

Ambassador DOUGLAS. I can tell you that one of them, I am quite certain, is doing it for that purpose. Another country has extended credit, and that line of credit has not been exhausted and it will be drawn down further during the year 1948 and through into 1949. That credit was extended for the purpose of aiding, supporting, one of the western European countries.

It is not precisely accurate to say that this does not include deliberate, conceived support made by at least one of the Western Hemisphere countries to the recovery of western Europe.

The CHAIRMAN. Let us say it is unprecisely accurate.

Ambassador DOUGLAS. It is a mixture, Senator. It is a combination.

There is still an amount of \$85,000,000. That is on account of participating countries. The \$85,000,000 is cash to be paid by certain



of the countries of western Europe who can finance their deficit in cash, and that is based upon experience, too.

The total of the sources other than appropriation sought under this program, which can be used to reduce the \$8,727,000,000 is \$1,285,000,000, thus reducing the over-all figure to \$7,442,000,000.

There is an item, Senator, of \$822,000,000 on account of or for Germany for the Department of the Army, for the prevention of disease and disorder, which will be made to the Department of the Army. It does not embrace recovery of western Germany. I want to make that point clear.

Thus, the figure is reduced to \$6,620,000,000, and then there is an additional item of \$200,000,000, to cover obligations made during the 15 months' period which will not be liquidated until a month or two after the 15 months' period is over, thus accounting for the \$6,800,000,000.

The CHAIRMAN. May I ask you this: Of course, it is a fantastic impossibility for this committee to attempt to check these figures. There is no way on earth that we can do it, and it is no reflection on the integrity of those who made the figures if somebody wondered whether they are correct or not.

Ambassador DOUGLAS. That is right.

The CHAIRMAN. May I ask whether the Harriman committee, in its study of this program, did make any sort of check on these figures?

Ambassador DOUGLAS. Senator, that was the next item that I had in my outline here, and I would like to give you a review of the comparisons of these figures.

The CHAIRMAN. I was going to recess until 2 o'clock, but I just wanted, as a helpful reassurance to my digestion at lunch, to know that I can say that the Harriman committee looked over the figures.

Ambassador DOUGLAS. The Harriman committee has, and these figures are less than one Harriman figure and very much less than another Harriman figure.

The CHAIRMAN. They calculated very much more.

If you will return at 2 o'clock, we will be obliged, and try to give you your final sentence by 5 o'clock.

(Whereupon, at 12 m., a recess was taken until 2 p. m. of the same day.)

#### AFTERNOON SESSION

(The committee reconvened at 2 p. m., upon the expiration of the recess.)

The CHAIRMAN. The committee will come to order, please.

Mr. Ambassador, when we recessed you had just been calling our attention to the final tables. May I ask again if you were reading from the table in the printed outline of the European recovery program, page 115? I did not have my book before me at the time.

Ambassador DOUGLAS. Yes, and pages 97 and 43.

The CHAIRMAN. This is quite incidental, but I want to test one item here. In this table, in the selected imports of participating countries, scrap iron and steel is set down at \$2,000,000. On page 90 of the same report the report says:

In view of the steel supply situation in the United States the imports of scrap from the United States scheduled by the CEEC have been eliminated.



Ambassador DOUGLAS. That adjustment was made after this had been published.

The CHAIRMAN. What is it?

Ambassador DOUGLAS. None.

The CHAIRMAN. There are none?

Ambassador DOUGLAS. There will be no scrap exported from the United States in the present program.

The CHAIRMAN. When we recessed I had just been interrupting you to suggest the difficulty, obviously, that the committee would have in attempting even remotely to check on your figures. It is perfectly obvious, of course, that extreme care has been taken by the Department and all of its associates in making these estimates of shipments. I think we would have to agree that it has probably been a bit of a more careful job, more scrupulously done perhaps, and in greater detail than ever before. Still, I was asking you whether there was any source of an independent audit, so to speak, of your estimates, and I was asking you if the Harriman committee had surveyed the figure in detail. I think you told me that they had.

Ambassador DOUGLAS. That is right.

The CHAIRMAN. Then you were about to indicate that the result of their survey was what?

Ambassador DOUGLAS. May I take on at that point?

The CHAIRMAN. Yes. I wish you would.

Ambassador DOUGLAS. I would like to make another comparison, too, Senator, because it throws some light, in fact it throws considerable light, upon the extent to which these requirements have been scrutinized, reviewed, examined, and reduced.

The CHAIRMAN. May I just interrupt you to go back to the previous exhibit? Are there any other changes like the scrap iron and steel change I think they had better be indicated for the record.

Ambassador DOUGLAS. Yes, sir. We will do that.

The 16 participating countries calculated their exports, imports, and invisibles, translated them into terms of dollars, and produced, based upon the price level of July 1, 1947, a deficiency in their balance of payments with the Western Hemisphere amounting to \$8,035,000,000. That is on page 100 of the document that has been published, dated December 19, and entitled "Outline of European Recovery Program." I see no number of the document. It is the document that I think every member of this committee has before him, or has received.

That figure was based upon a price level of July 1, 1947. One would have to increase that figure by the amount, the extent to which prices have risen, or 71½ percent, between July 1, and October, which was the date for which the price level was used as the calculation made by the United States Government. The figures in this table are for the year, of course, and not for the 15 months, which is another very important consideration.

The Harriman committee also examined the Paris report and based upon the stable price of imports and a low availability, they produced a figure amounting to \$6,330,000,000.

Senator WILEY. What date was that?

Ambassador DOUGLAS. The date of the Harriman committee report. I think that was completed sometime in early November. And that was for a 12 months' period, the first 12 months.



Their high figure, based on a high availability of commodities, showed a deficiency of \$7,060,000,000. The calculation that has been made by the executive branch, not by the State Department alone, Mr. Chairman, but by representatives of all the interested departments and constituted committees that studied each commodity program under the selected items, by country, and they spent a long time, an interminable period, day and night, for the 12 months was \$6,303,000,000. On the whole they are quite comparable.

The \$7,962,000,000 was the 15 months' deficiency figure before price adjustment, and the \$6,303,000,000 is the comparable calculation for the 12 months' period. That \$6,303,000,000 compares——

The CHAIRMAN. Is that the Harriman figure?

Ambassador DOUGLAS. No. It compares with the lowest figure produced by the Harriman committee of \$6,330,000,000 and the high figure of the Harriman committee of \$7,060,000,000.

As I explained this morning, there was subtracted from the over-all deficit the \$822,000,000 which will be sought as an appropriation requested by the Army for the prevention of disease and unrest in Germany. That \$822,000,000 has nothing to do with recovery in Germany. That is purely an Army requirement.

Senator WILEY. It is included in the——

Ambassador DOUGLAS. It includes some of the commodities, but it does not include the items for the recovery of Germany.

The CHAIRMAN. What is the Harriman committee bottom and top figure, comparable to your \$6,800,000,000 figure?

Ambassador DOUGLAS. The \$6,800,000,000 figure, the total being sought as an appropriation for European recovery, is for a 15-month period. That is arrived at, as I indicated this morning, after deducting the \$822,000,000 and certain other items from the total deficiency. The computation is set forth in the table on page 43 of the Outline of European Recovery Program.

For the 12-month period the executive branch committees that have worked on this program, on which there are representatives of every interested department of the Government, produced a figure of \$6,303,000,000 as the deficiency. On a comparable basis, and for a similar period, the Harriman committee produced a low figure of \$6,330,000,000, and a high figure of \$7,060,000,000. This is shown on page 100 of the Outline.

Senator WILEY. Twelve-month period?

Ambassador DOUGLAS. Twelve-month period. Both on a 12-month period.

So that there has been an independent screening, an independent examination and auditing, of the work done by Government agencies, by an independent group. Is that now clear, Senator?

The CHAIRMAN. Approximately.

Senator SMITH. Mr. Ambassador, for the purpose of the record does that appear on page 100 of the document we have been referring to, under the heading "Unadjusted balance of payments, current account"? Am I correct in that?

Ambassador DOUGLAS. That is right.

Senator WILEY. Mr. Chairman, may I ask this: In the two figures of \$6,303,000,000, and \$6,330,000,000, did that include the amount for the Army in Germany?

Ambassador DOUGLAS. Yes; that did.



Senator WILEY. It did?

Ambassador DOUGLAS. Yes, sir.

Senator WILEY. If you extend those figures out for 15 months then you would find out, I believe, that your figures are lower than theirs.

Ambassador DOUGLAS. That is right, sir.

Senator WILEY. That is what I am getting at.

Ambassador DOUGLAS. That is quite right, Senator.

The CHAIRMAN. That is my understanding, that your figures are lower than theirs.

Ambassador DOUGLAS. That is right, sir. And they are very much lower than the figures calculated by the 16 participating countries, including western Germany, at the Paris conference.

The CHAIRMAN. I wish you would have a table made showing the comparisons, the net comparisons beginning with the initial request of the CEEC countries, coming down through your own findings, and paralleled with the Harriman findings.

Ambassador DOUGLAS. We shall do that, sir. You would like to have the CEEC figures if it is possible to do so, adjusted to the same price level.

The CHAIRMAN. That is right.

Ambassador DOUGLAS. If it is possible.

The CHAIRMAN. Yes.

Ambassador DOUGLAS. We will do our best. If it is not possible we will merely have to indicate that it is possible to produce the Paris conference report figure only as it stands.

(Net comparisons of CEEC findings, State Department findings, and Harriman findings are as follows:)

*Comparison of costs of European recovery program to be financed by new U. S. Treasury funds*

[In millions of dollars; surplus or deduction (+), deficit or cost (-)]

	CEEC (1948)	Low avail- ability (1948)	High avail- ability (1948)	Executive branch (fiscal 1949)
July 1, 1947, prices				
Imports from United States.....	5,926	4,350	5,050	4,961
Imports from other Americas.....	3,239	2,960	3,410	3,661
Total.....	9,165	7,310	8,460	8,622
Exports to United States.....	848	700	850	1,063
Exports to other Americas.....	1,311	1,110	1,310	1,319
Total.....	2,159	1,800	2,160	2,382
Net position on invisible account:				
With United States.....	-558	-450	-420	-166
With other Americas.....	-16	+90	+60	-2
Total.....	-574	-360	-360	-168
Net position of dependent territories:				
With United States.....	-300	-350	-300	+304
With other Americas.....	-155	-110	-100	-199
Total.....	-455	-460	-400	+105
Unadjusted balance of payments, current account:				
With United States.....	-5,936	-4,450	-4,920	-3,760
With other Americas.....	-2,099	-1,880	-2,140	-2,543
Total.....	-8,035	-6,330	-7,060	-6,303



*Comparison of costs of European recovery program to be financed by new U. S. Treasury funds—Continued*

[In millions of dollars; surplus or deduction (+), deficit or cost (—)]

	CEEC (1948)	Low avail- ability (1948)	High avail- ability (1948)	Executive branch (fiscal 1949)
At current prices				
Adjusted for higher prices <sup>1</sup> .....	-8,035	-6,880	-7,690	-6,753
To be financed by sources other than new U. S. Treasury funds.....	+920	+1,100	+1,350	+964
To be financed by new U. S. Treasury funds.....	-7,120	-5,780	-6,340	-5,789
Planning figure recommended.....		-5,750		
Deficit of bizonal Germany with nonparticipating countries outside Western Hemisphere.....				-170
Deficit to be financed by new U. S. Treasury funds for April-June 1948.....				-1,483
Forward obligating authority.....				-200
Department of Army GARIOA.....				+822
Authorization requested for ECA.....				-6,820
Above in round amount.....				-6,800
CEEC and Harriman committee figures on basis of 15 months, with same adjustments from 12 months basis as executive branch and on comparable assumptions.....	-8,429	-6,811	-7,371	-6,800

<sup>1</sup> No adjustments made by CEEC. For Harriman committee, assumption of stable prices only has been used, since assumption of falling prices for 1948 is same as July 1, 1947 prices and was regarded by it as inapplicable to first year of program.

The CHAIRMAN. You said the Harriman committee made an independent survey. Does that mean that it went to the basic sources on its own responsibility to build back up the ultimate tables?

Ambassador DOUGLAS. Senator, I was not in the country at the time the Harriman committee was doing its work. Secretary Harriman was, he was the chairman of the committee, and I would suggest that he can answer that question much more effectively than I can.

The CHAIRMAN. Go ahead with your own presentation.

Ambassador DOUGLAS. I would like to emphasize again that this figure of \$6,800,000,000 is based upon two principal considerations: The amount necessary to produce solid recovery in western Europe, compatible with the availability of the supplies of the commodities. There were a number of different interdepartmental committees that examined this problem with as great care, I think, as it could have been examined.

As I explained to you this morning, the problem of calculating the deficiency in the selected items, to which you have recently referred, was precise. The problem of calculating the unprogrammed items was necessarily not so precise. I covered a wide variety of different articles, as wide a variety of different articles as is necessary for any highly industrialized, complicated, intricate economic system.

More than that, they varied as between country and country. I would like to make that point.

I think it is fair to say, Senator, that this review was penetrated to such roots of the matter as there were, and it was not frivolously or lightly, or cavalierly made.

The CHAIRMAN. Speaking generally, that survey was made by highly representative men from private industry in the United States in the related fields of activity. Is that correct?



Ambassador DOUGLAS. Among the Harriman group I think that is correct.

The CHAIRMAN. We can go into that with the Secretary.

Ambassador DOUGLAS. Among the governmental group the calculation was made largely by those within the Government service.

The CHAIRMAN. I think it would be interesting if you could indicate by name those who were chiefly responsible in the Government group, for the Government estimates.

Ambassador DOUGLAS. That I shall be glad to do. I do not know that I can do it this afternoon. There is a very long list of them.

The CHAIRMAN. Let us have it at this point in the record.

Ambassador DOUGLAS. There were a number of country committees as well as over-all commodity groups. But I shall prepare a list of the participants in it, Senator, and introduce it in the record at this point.

The CHAIRMAN. I would very much like to have it. The value of the guess depends somewhat on the value of the guesser.

Ambassador DOUGLAS. That is right.

(List of people responsible for making up table:)

#### ORGANIZATION OF THE EXECUTIVE BRANCH AND PERSONNEL RESPONSIBLE FOR DEVELOPMENT OF THE PROGRAM OF UNITED STATES ASSISTANCE TO EUROPEAN RECOVERY

##### ORGANIZATION OF THE EXECUTIVE BRANCH OF THE UNITED STATES GOVERNMENT FOR PREPARATION OF THE PROGRAM OF UNITED STATES ASSISTANCE TO EUROPEAN RECOVERY

###### DETAILS OF ORGANIZATION

The report of the Committee of European Economic Cooperation was transmitted to the Secretary of State on September 22, 1947. During the summer of 1947, the executive branch had undertaken a comprehensive examination of the availability of United States resources and problems of foreign aid. Primary responsibility for organizing the preparation of the ERP for presentation to Congress was undertaken by the Secretary of State under the President. The work, however, was so complex and touched so many aspects of both the American as well as the European economic situation, that nearly all departments of the executive branch were involved.

The work of analyzing the European economic situation, of appraising the CEEC report and of developing the present proposals with regard to United States support to a European recovery program, was undertaken by the executive branch under the general leadership of Under Secretaries of State Robert A. Lovett and William L. Clayton, and Ambassador Lewis W. Douglas. Mr. Clayton spent much of the summer in Europe and, during this time, conferred informally in Paris, together with Ambassadors Caffery and Douglas, with representatives of the participating countries in the Committee for European Economic Cooperation. After Mr. Clayton's return to the United States, he aided in the direction of work under way in Washington, until his resignation as Under Secretary of State for Economic Affairs.

In Washington, Mr. Lovett participated actively in organizing the work of analysis and screening of the CEEC program, and the formulation of the program of United States assistance recommended by the executive branch. The first study of the problem of European recovery and the approach to its solution was undertaken by the policy-planning staff of the Department of State under the direction of Mr. George Kennan. With the report of the policy-planning staff as a basic document, the standing top-level executive branch policy committees on international financial and economic matters were brought into the picture. The National Advisory Council on International Monetary and Financial Problems (the NAC, see appendix), under the chairmanship of Secretary of the Treasury, Mr. Snyder, was asked to examine the financial problems involved and to develop the policies to be applied in their solution. The Executive Committee for Economic Foreign Policy (see appendix), under the chairmanship first of Under Secretary, Mr. Clayton, and subsequently of Mr. Willard L. Thorp,



Assistant Secretary, was asked to develop the economic and trade policies involved.

In order that the manifold other elements in the task could be handled by the best experts available in the Government and to assure that the interests of all appropriate agencies of the Government concerned with particular domestic or foreign aspects of the program were taken into account, an interdepartmental advisory steering committee was formed. Mr. Lovett was chairman of the committee and his special assistant, Col. C. H. Bonesteel of the Department of State, was vice chairman and executive secretary (see appendix). This committee directed the work of analysis and appraisal of the CEEC report and the formulation of the detailed program for United States support of European recovery. The committee was made up of top-level technical representatives from each of the interested departments and agencies of the executive branch. These included the Departments of Agriculture, Army, Commerce, Interior, Labor, Navy, and Treasury and the Board of Governors of the Federal Reserve Banks. Observers from the Bureau of the Budget and White House offices also attended most meetings, and other agencies were represented on some occasions.

Under the advisory steering committee, an organization was built up which pooled the appropriate experts from each interested area of government into functional working teams. The steering committee appointed a correlation committee, under the chairmanship of Colonel Bonesteel and consisting of four members representing the Departments of State, Treasury, and Commerce. This committee acted as the executive group of the advisory steering committee. An objectives committee with Mr. George Kennan of the Department of State as chairman, was established to review the broad aspects of the program as it developed. Seven major areas of functional responsibility were established. These areas and the persons with primary responsibility for each area were as follows: Economic policy, Mr. Thomas Blaisdell, Department of Commerce; financial policy, Mr. Frank Southard, Treasury Department; organization and administration, Mr. Lincoln Gordon, Department of State; legislative drafting, Mr. Ernest Gross, Department of State; functional and commodity analysis, Mr. Paul H. Nitze, Department of State; labor and manpower, Mr. Philip Kaiser, Department of Labor; and country analysis, Mr. Henry Labouisse, Department of State.

A major task of the Government groups working on the recovery program was to interrogate European representatives from the Committee of European Economic Cooperation who came to Washington to assist in the explanation and further clarification of the Paris report. These conversations lasted for several weeks and permitted both the policy formulating groups and the technical analysis groups to determine in further detail the intent of the CEEC and to examine the detailed justifications of the requirements submitted by the European countries. During the technical conversations with the Europeans, the staff members, and in some cases principals of the President's Committee on Foreign Aid (the Harriman Committee), participated and there was full and free discussion of European requirements and potential United States assistance. Staff members of certain of the interested committees of the Congress also observed and to some extent participated in these conversations with the representatives of the CEEC.

In the course of the conversations with representatives of the CEEC many requests were made of them to furnish additional detailed information to enable the United States working groups to make better judgments in connection with their work.

After completion of conversations with the representatives of the CEEC, the work in formulating a United States program of assistance proceeded. The methods and sources used in developing the proposed United States program of assistance are explained below.

#### METHODS AND SOURCES OF ESTIMATES FOR COST OF EUROPEAN RECOVERY PROGRAM

##### SELECTED COMMODITIES

The first step taken by the executive branch of the Government in preparing estimates of the cost of the European economic recovery program was to study intensively certain commodities to be imported by the participating countries from the Western Hemisphere. The choice of the particular commodities studied in this fashion was dictated primarily by the fact that the



Committee on European Economic Cooperation established technical subcommittees which prepared detailed reports on requirements and production in the fields of food and agriculture, energy, iron and steel, and transport (timber was later added to the list) because of the central importance of these commodities to European recovery. These commodities are referred to by the CEEC report as "technical-committee goods." The list of selected commodities for which detailed estimates were prepared by the executive branch corresponds closely to the list of technical-committee goods for two main reasons: The goods are those of primary importance to European recovery and the most important supply problems will be encountered by the United States with respect to them. Cotton and trucks, both important items of United States exports, were added to the list. Petroleum equipment was not treated as a selected item, since it was impossible to obtain in the time available a detailed statement of the American company requirements.

*(a) Requirements*

In the selected commodities, careful studies were first made of requirements to assure that, apart from supply considerations, the program would not be based on unwarranted levels of consumption. The standard used was the minimum required for genuine recovery, not that of a relief program.

In food, requirements included calories needed by the urban worker both to sustain life and to provide sufficient energy to enable him to work effectively. Extra allowances for special classes of consumers—miners, heavy workers, children, pregnant and nursing mothers, etc.—were taken into account. In addition to calories, attention was paid to the minimum basic needs for protein and fats and oils. And finally, the historic differences between standards of living among the countries of Europe, as well as the practical limitations on increasing consumption standards rapidly were taken into account. As indicated below, availabilities, especially at the start of the program, are far short of the screened requirements.

In items other than food, requirements were derived in part from the physical requirements of reconstruction and in part from the interrelations of production programs. The need for steel, for example, was determined so far as possible in relation to the need for steel for rails, railroad equipment, coal-mining machinery, agricultural equipment, etc., as well as to the reconstruction and housing need. The requirements in coal, coke, freight cars, etc., were determined in turn in relation to the need for steel and other products.

If it was impossible to demonstrate that the country concerned needed a commodity for its economic recovery and could not dispense with it on any reasonable standard of consumption such as is required to maintain a tolerable standard of living for its people, the requirement was regarded as unjustified. Some projects, such as that for a small steel plant in Greece, were considered to be uneconomic and therefore as unjustified. The stated need for certain types of heavy agricultural machinery were disregarded on the ground that European farms were not large enough to accommodate them on an economic scale, and European agricultural labor not sufficiently skilled in their use to make it desirable to incur the large capital expenditures required. Requirements which appeared to be reasonable in the light of European needs and capacities in recovery were then regarded as initially justified. To the extent that requirements as set out by the Committee of European Economic Cooperation were not justified and they involved the import of goods, such imports were reduced or eliminated.

*(b) Availabilities*

Against the initial calculation of requirements as justified it was necessary to set initial estimates of availabilities. The primary figure in an estimate of availabilities was domestic production in each country in Europe. Thereafter, an examination was made to see to what extent deficiencies which remained between domestic production and requirements could be met from surpluses available in the other participating countries themselves. Only finally, after the net deficits of the participating countries as a group were determined, was an examination made of the world supply, including supplies normally exported to the area from eastern Europe, Asia and Africa, the other Western Hemisphere countries, and the United States.

If requirements could not be met from world availabilities (including the supply available for export to the participating countries from the United States, after taking into account other United States commitments or demands for export) showed that the requirements could not be met, a reexamination of requirements was made to ascertain whether these could be readjusted or substitutes found to conform with availabilities without destroying the validity of the re-



covery program. In food, there was no choice but to cut requirements from the desirable level of food intake to the practical level dictated by supply considerations. In other items, it was frequently possible to adjust requirements so that the greatest possible protection could be given to the recovery program despite the fact that availabilities were insufficient to meet the requirements as initially calculated. Particular attention was given in this connection to providing supplies and equipment needed to remove bottlenecks holding back production in a wider area of the economy. The most important such bottlenecks have been coal, transport, fertilizer, and steel. The tight supply situation led the executive branch to eliminate from the program the imports of scrap steel which the participating countries sought from the United States, and to reduce the level of desired imports of crude and semifinished steel. A smaller amount of finished steel was added in order to prevent lack of steel from crippling the productive effort. Steel is likely to be insufficient in western Europe to enable the participating countries to reconstruct housing and commercial structures on the scale hoped for. But a readjustment of the anticipated uses of steel will make it possible, on the basis of the executive-branch estimates, to protect the main steel-consuming industries on which economic recovery depends.

#### SOURCES OF INFORMATION

All available sources of information were used by the interdepartmental commodity committees established by the executive branch to examine the justification of requirements and the status of supply availabilities. A major source of information was the CEEC report, including both the general report and the technical reports. The executive branch also had available the individual replies to the questionnaires circulated by the CEEC technical committees and returned by the separate participating countries. In addition, the interdepartmental commodity committees held a series of conversations with technical representatives of the CEEC over a period of several weeks, and in cases where desired information could not be furnished directly by the CEEC representatives, supplementary questionnaires were prepared, circulated to the participating countries, and replies assembled.

Comments were sought by the United States Government on the country replies to the CEEC questionnaires from the United States representatives in the participating countries, and were furnished through the chief of mission by the economic staffs thereof, with assistance from the agricultural, commercial, and labor attachés. In the case of Greece, additional detailed information was obtained from the American mission in Greece. From Germany, information on points not completely clear from the answers to the CEEC questionnaires furnished by the bizonal area, was obtained from the Office of Military Government (United States) through the Department of the Army.

In the final preparation of the estimates, economic officers attached to missions of the most important countries involved were brought back from their posts abroad for consultation with the Department of State and to contribute their knowledge of economic conditions and needs in various of the participating countries directly to the formulation of the program estimates.

In addition to the information furnished through official sources of the CEEC and American organizations abroad, valuable material was obtained from the organizations of the United Nations—in particular from the Statistical Office of the United Nations at Lake Success; from the findings of the Devastated Areas Subcommittee for Europe of the Economic and Social Council; from the Economic Commission for Europe; and from the predecessor organizations of the ECE—the European Coal Organization, the European Central Inland Transport Organization and the Emergency Economic Committee for Europe. In certain cases, special collections of basic material were obtained from United Nations sources, for example, the material accumulated by the Public Utilities Panel of the Emergency Economic Committee for Europe, on the electricity network of Europe.

Heavy reliance was placed upon the reports of the committees headed by Secretary of Interior Krug, Mr. Nourse, Chairman of the Council of Economic Advisers, and Secretary of Commerce Harriman. The Harriman committee enlisted the active participation of competent businessmen and other experts who contributed to the large body of valuable information available in their report.

Further information on requirements and availabilities was obtained from private United States citizens and business firms, on one or more aspects of European economic conditions and prospects.



Frequent use was also made of information gathered by the daily press, both American and foreign, to statistical publications of central and commercial banks, private and quasi-public organizations and institutions, and to the official statistics of the countries concerned.

#### BALANCE-OF-PAYMENTS ESTIMATES

On the basis of the requirements and availabilities thus derived, an estimate of the pattern of trade was developed by the commodity committees. These covered the 28 commodity classifications or groups set forth in the tables on pages 115-118 of the Outline of European Recovery Program (Senate committee print) and dealt with the trade of the 16 participating countries, western Germany, the dependent areas of Belgium, France, the Netherlands, Portugal, and the United Kingdom. Exports and imports were calculated not only between these countries and the United States, but also with Canada, the rest of the Western Hemisphere outside the United States and Canada, the participating countries themselves, and other nonparticipating countries outside the Western Hemisphere. Figures for physical quantities of trade were converted to value equivalents at the prices of July 1, 1947, which date was also used by the CEEC and the Harri-man committee as the price basis for their original computations. Following this step, which was performed by the interdepartmental commodity committees in consultation with the country committees, the estimates were turned over to the balance-of-payments committee (national advisory staff committee working group), also organized on an interdepartmental basis, with the assistance of the country committees.

From the work of the commodity committees, the balance-of-payments committee received a series of tabulations for each participating country and each group of dependent areas showing exports and imports of scheduled commodities for the 3 months, April to June 1948, and for each of four 12-month periods thereafter. On the basis of these figures, the balance-of-payments committee prepared estimates of exports and imports of other commodities, invisible items such as shipping, insurance, remittances, tourist expenditures, interest and dividends, etc. From these estimates, schedules of the over-all balance-of-payments positions of the participating countries and their dependent areas were derived on the basis of July 1, 1947, prices. An adjustment for changes in commodity prices and freight rates was finally applied, as indicated in Outline of European Recovery Program (Senate committee print) page 93 and following.

The process of deriving the estimate of the cost to the United States in newly appropriated funds from the estimated balance-of-payments deficits of the participating countries and their dependent areas—subtracting what the participating countries are expected to pay in cash, what is estimated will be contributed by other countries in the Western Hemisphere, by loans from the International Bank, expenditures from existing loans of the Export-Import Bank, etc. Further explanation is to be found on pages 102-110 of the committee print of Outline of European Recovery Program.

#### APPENDIX

##### LIST OF UNITED STATES PERSONNEL PARTICIPATING IN THE PREPARATION OF THE EUROPEAN RECOVERY PROGRAM

###### A. ADVISORY STEERING COMMITTEE ON EUROPEAN RECOVERY PROGRAM

Chairman: Robert A. Lovett, Department of State.

Vice chairman and executive secretary: Charles H. Bonesteel, Department of State.

Secretary: Melvin L. Manfull, Department of State.

Members: Willard L. Thorp, Thomas C. Blaisdell, Jr., Department of Commerce; Frank A. Southard, Treasury Department; N. E. Dodd, Department of Agriculture; James Boyd, Department of the Interior; Col. E. M. Cheseldine, Department of the Army; Admiral E. T. Wooldridge, Department of the Navy; J. Burke Knapp, Federal Reserve; and Philip M. Kaiser, Department of Labor.

Alternates: Paul H. Hitze, Lincoln Gordon, Henry Labouisse, Department of State; Thomas J. Lynch, L. W. Pumphrey, Treasury Department; Jesse Oilmer, Fred D. Northrup, Department of Agriculture; Capt. Nathan H. Collisson, Department of the Interior; Lt. Col. Philip Shepley, Department of the Army; Capt. M. J. Tichenor, Department of the Navy; and Alexander Gerschenkron, Lewis Dembitz, Federal Reserve.

Observer: Charles Murphy, White House.



## B. EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY

Chairman: Willard L. Thorp, Department of State.

Executive secretary: Eleanor E. Dennison, Department of State.

Members: Frank H. Southard, Jr., Treasury Department; Clinton P. Anderson, Department of Agriculture; Thomas C. Blaisdell, Department of Commerce; Philip Kaiser, Department of Labor; C. Girard Davidson, Department of the Interior; Thomas J. Hargrave, Munitions Board, National Military Establishment; Oscar B. Ryder, United States Tariff Commission; and J. Burke Knapp, Federal Reserve Board.<sup>1</sup>

Alternates: Morris J. Fields, Treasury Department; Charles Brannan, Department of Agriculture; Frank Shields, Department of Commerce; Faith M. Williams, Department of Labor; Arthur S. Barrows, National Military Establishment; and Lynn R. Edminster, United States Tariff Commission.

## C. NATIONAL ADVISORY COUNCIL

Chairman: John W. Snyder, Treasury Department.

Secretary: John W. Gunter, Treasury Department.

Members: George C. Marshall, Department of State; W. Averell Harriman, Department of Commerce; Marriner S. Eccles, Board of Governors, Federal Reserve System; and William McC. Martin, Jr., Export-Import Bank.

Alternates: Frank A. Southard, Treasury Department; Willard L. Thorp, Department of State; Thomas C. Blaisdell, Jr., Department of Commerce; J. Burke Knapp, Federal Reserve System; and Herbert E. Gaston, Export-Import Bank.

## D. POLICY-PLANNING STAFF OF THE DEPARTMENT OF STATE

Director: George F. Kennan, Department of State.

Executive Secretary: Carlton Savage, Department of State.

Members: Jacques J. Reinstein, Joseph E. Johnson, and Ware Adams, Department of State.

Consultant: Edward S. Mason, Harvard University.

## E. SUBSTRUCTURE OF THE MAJOR COMMITTEES

## (1) ADVISORY STEERING COMMITTEE

## (a) Objectives Subcommittee

Chairman: George F. Kennan, Department of State.

Executive Secretary: Bromley K. Smith, Department of State.

Members: Charles H. Bonesteel, Willard Thorp, Department of State; Thomas C. Blaisdell, Jr., Department of Commerce; and Frank A. Southard, Treasury Department.

Consultants: Jacques J. Reinstein, John D. Hinkerson, Samuel Reber, Loy W. Henderson, and W. Walton Butterworth, Department of State.

## (b) Correlation Committee:

Chairman: Charles H. Bonesteel, Department of State.

Executive Secretary: Col. Sidney Giffen, Department of the Army.

Secretary: Stanley Phraner, Department of Commerce.

Members: Paul H. Nitze, Department of State; Frank A. Southard, Treasury Department; and Thomas Blaisdell, Department of Commerce.

Alternates: Lincoln Gordon, Department of State, and John M. Cassels, Department of Commerce.

Staff group for Correlation Committee:

Chief: Charles P. Kindleberger, Department of State.

Members: Harold A. Spiegel, William T. Phillips, William H. Bray, Jr., Wilfred Malenbaum, Ben T. Moore, Robert W. Tufts, and Harlan P. Bramble, Department of State.

<sup>1</sup>Has liaison representation on ECEFP: for European recovery program discussions considered full member.



*(c) Organization and Administration Committee*

Chairman: Lincoln Gordon, Department of State.

Executive Secretary: Herman Pollack, Department of State.

Secretary: John L. Kuhn, Department of State.

Members: Arthur A. Kimball (vice chairman), Department of State; Thomas J. Lynch, Treasury Department; Nathan Ostroff, Department of Commerce; Thatcher Winslow, Labor Department; Dan Wheeler, Department of the Interior; J. Burke Knapp, Federal Reserve Board; W. Carroll Hunter, Department of Agriculture; and Lt. Col. John P. Buehler, Department of the Army.

Alternates: Joseph A. Frank, Arthur G. Stevens, Wayne G. Jackson, and Walter S. Surrey, Department of State; Joseph B. Friedman, Treasury Department; and Daniel L. Goldy, Department of the Interior.

*(d) Legislative Drafting Committee*

Chairman: Ernest A. Gross, Department of State.

Members: Thomas J. Lynch, Treasury Department; Adrian Fisher, Department of Commerce; Martin G. White, Department of the Interior; W. Carroll Hunter, Department of Agriculture; Jater S. Ray, Department of Labor; Maj. Gen. Thomas H. Green, Department of the Army; Hudson B. Cox, Department of the Navy; George B. Vest, Board of Governors, Federal Reserve System; Wade H. Skinner, Maritime Commission; and Hawthorne Arey, Export-Import Bank of Washington.

Alternates: Walter S. Surrey, Michael H. Cardozo, and Robert B. Eichholz, Department of State; Joseph B. Friedman, Elting Arnold, and Clifford Hynning, Treasury Department; Nathan Ostroff, J. P. Brown, Department of Commerce; Felix S. Cohen, Department of the Interior; George E. Cooper, Edward M. Shulman, Department of Agriculture; Kenneth Meiklejohn, Department of Labor; Brig. Gen. E. M. Brannon, Col. James F. Hanley, Lt. Col. Ray K. Smathers, and Col. W. H. Peters, Jr., Department of the Army; Harold B. Gross, Department of the Navy; and Fred Solomon, Board of Governors, Federal Reserve System.

*(e) Functional and Commodity Committee*

Chairman: Paul H. Nitze, Department of State.

Executive Secretary: Glenn H. Craig, Department of State.

Secretary: Ronald M. Ayer, Department of State.

Members: Chairman of individual commodity committees on attached lists.

1. Food and agriculture:

Chairman: Fred Northrup, Department of Agriculture.

Secretary: Murray Thompson, Department of Agriculture.

Members: W. J. Garvin, Department of the Army; Lewis Bassie, Department of Commerce; Albert Viton, International Emergency Food Council; Francis Linville, Department of State; and C. K. Lewis, Tariff Commission.

Observer: Robert Oshins, The White House.

Alternates: J. A. Becker, J. T. Cavin, Joseph L. Orr, F. M. Rhodes, L. B. Taylor, Department of Agriculture; and C. E. Lund, Department of Commerce.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Karl A. Fox, Harriman committee staff, and John Kerr Rose, House Select Committee on Foreign Aid staff.

2. Fertilizer:

Chairman: William G. Finn, Department of Agriculture.

Secretary: William F. Watkins, Department of Agriculture.

Members: Kenneth D. Jacob, Department of Agriculture; C. K. Horner, Department of Commerce; and Henry M. Pauley, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Karl A. Fox, Harriman committee staff; Maynard Jenkins, Harriman committee staff consultant (chemical company); and John Kerr Rose, House Select Committee on Foreign Aid staff.

3. Agricultural machinery:

Chairman: William L. Beck, Department of Commerce.

Secretary: Martin R. Cooper, Department of Agriculture.

Members: Thomas J. Murphy, Department of Commerce; Karl L. Anderson, Department of State; A. P. Brodell, R. B. Gray, Erling Hole, Leon B. Taylor,



Arthur W. Turner, Department of Agriculture; and G. J. Rothwell, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Karl A. Fox, H. H. Hughes, S. Morris Livingston, Willard Morrison, Harriman committee staff consultant (agricultural machinery company); and John Kerr Rose, House Select Committee on Foreign Aid staff; Francis O. Wilcox, Senate Committee on Foreign Relations staff.

#### 4. Coal:

Chairman: John Havener, Department of Commerce.

Secretary: Louis Lister, Department of State.

Assistant Secretary: Fred Sanderson, Department of State.

Members: C. M. Stull, Department of Commerce; Thomas Hunter, Department of the Interior; and R. M. Preisman, Office of Coordinator.

Alternates: Ralph Trisko, Department of Commerce; and Daniel Wheeler, Department of the Interior.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: C. W. de Forrest, Harriman committee consultant (now with gas and electric company); Richard H. Mote, Hector Prud'homme, Harriman committee staff; and Theodore Geiger, House Select Committee on Foreign Aid staff.

#### 5. Mining machinery:

Chairman: William L. Beck, Department of Commerce.

Secretary: Everett Wilcox, Department of Commerce.

Members: William H. Myer, Department of Commerce; John W. Buch, Department of the Interior; Karl L. Anderson, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Harold Von Thaden, Department of Commerce; Albert M. Keenan, Harriman committee consultant; S. Morris Livingston, Richard H. Mote, Harriman committee staff; H. R. Wheeler, Harriman committee consultant; and Theodore Geiger, House Select Committee on Foreign Aid staff.

#### 6. Electric power:

Chairman: Thomas Hibben, Department of Commerce.

Secretary: Wilfred Malenbaum, Department of State.

Assistant Secretary: M. G. Tiger, Department of State.

Members: Lt. Col. A. L. Jorgenson, Department of the Army; E. Robert de Lucci, Federal Power Commission; Arthur Goldschmidt, Department of the Interior. Alternates: Howard Way, Department of Commerce; Ellsworth Hand, and C. E. Bennett, Federal Power Commission.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Walter L. Cisler, Harriman committee consultant; C. W. de Forest, George Hamilton, R. M. Landreth, J. A. H. Torry, V. M. White, Harriman committee staff; and Edward Falck, House Select Committee on Foreign Aid staff.

#### 7. Petroleum:

Chairman: John Loftus, Department of State.

Secretary: David Longanecker, Department of State.

Members: Gustav Vogel, Army-Navy Petroleum Board; Carl Gibboney, Department of Commerce; Max Ball, Department of the Interior; and Walter Levy, Department of State.

Alternates: Carroll Fentress, E. B. Swanson, Department of the Interior; and R. H. S. Eakons, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: John Bauer, Harriman committee consultant; Gerald Cogan, A. E. Ernst, Harriman committee staff; Robert Koenig, Harriman committee member; Richard Mote, Harriman committee staff; Arthur Stewart, Harriman committee consultant; and John Fry, House Select Committee on Foreign Aid staff.

#### 8. Iron and steel:

Chairman: J. Joseph Palmer, Department of Commerce.

Secretary: Isaiah Frank, Department of State.

Assistant Secretary: Virginia McClung, Department of State.

Members: Robert Simpson, Department of Commerce; Harold Wein, Department of Justice; Paul Hoover, Department of State; and Carlyle H. Strand, Tariff Commission.



Alternates: Robert M. Weidenhammer, Department of Commerce; Leon Goldberg, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Hiland Bachellor, Harriman committee member; Richard Bissell, Harriman committee staff; Otis Brubaker, Harriman committee consultant; S. Morris Livingston, Harriman committee staff; William S. Morrison, Harriman committee consultant; Hector Prudlhomme, William Remington, Harriman committee staff; Edwin B. George, and Robert Landry, House Select Committee on Foreign Air staff.

9. Inland transport:

Chairman: John M. Tuthill, Department of State.

Secretary: Doris Whitnack, Department of State.

Members: T. E. Anderson, J. C. Winter, Department of Agriculture; Paul Brown, Department of the Army; James Glynn, Department of Commerce; Gerald Gallagher, O. D. T.; and H. H. Kelly, Department of State.

Alternates: J. J. Kaplan, Gustav Pollaczek, Robert Swain, and Clarence S. Gunther, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: William Flexner, Harriman committee consultant; and Max Milliken, Harriman committee staff.

10. Maritime transport:<sup>2</sup>

Chairman: Walter Radius, Department of State.

Secretary: Lehman P. Nickell, Department of State.

Members: Serge Kushnarev, Department of Commerce; Huntington T. Morse, Maritime Commission; and J. E. Saugstad, Department of State.

Alternate: Harvey Klemmer, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Capt. Granville Conway, Harriman committee member; James McCullough, Harriman committee consultant (National Federation of Shipping); and Max Milliken, Harriman committee staff.

11. Timber:

Chairman: Edward I. Kotok, Department of Agriculture.

Secretary: W. H. Sparhawk, Department of Agriculture.

Members: Edward C. Crafts, Department of Agriculture; Joseph L. Muller, Department of Commerce; Jacob Crane, Federal Housing Agency; J. S. Shanklin, Department of the Interior; Frank H. Whitehouse, Department of State; J. M. P. Donahoe, Tariff Commission.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: A. C. Cline, Harriman committee consultant; Kenneth R. Davis, Harriman committee staff; Theodore Geiger, House Select Committee on Foreign Aid staff; and Thomas Gill, Pack Forestry Foundation.

12. Manpower:

Chairman: Faith Williams, Department of Labor.

Secretary: Jean Flexner, Department of Labor.

Members: Ralph Hetzel, Department of Commerce; Val R. Lorwin, Department of State.

Alternates: David Lasser, Department of Commerce; and Herbert A. Fierst, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Ford Hinrichs, Harriman committee staff, and Gustav Peck, House Select Committee on Foreign Aid staff.

<sup>2</sup> The report submitted on Maritime Transport was reviewed by the Shipping Coordinating Committee (SHC). Its formal membership is as follows: Chairman, Garrison Norton, Department of State. Vice Chairman, W. W. Smith, U. S. Maritime Commission. Executive Secretary, L. James Falck, U. S. Maritime Commission. Assistant Executive Secretary, John W. Mann, U. S. Maritime Commission. Secretary, G. Curtis Murrell, U. S. Maritime Commission. Members, Maj Gen Edward H. Leavey, Department of the Army; Thomas C. Blaisdell, Department of Commerce; Rear Adm. W. M. Callaghan, Department of the Navy; and Edward H. Foley, Treasury Department. Alternates: Brig Gen. Paul Yount, Department of the Army; Thomas Hibbon, Department of Commerce; James C. Nelson, Department of Commerce; Huntington T. Morse, U. S. Maritime Commission; Richard Parkhurst, U. S. Maritime Commission; Capt. W. N. Mansfield, USNR, Department of the Navy; Admiral J. F. Farley, USCG, Treasury Department; and Capt. H. C. Moore, USCG, Treasury Department.



*(f) Country committees*

Coordinating group for country studies:

Chairman: Henry Labouisse, Department of State.

Executive Secretary: Leonard Unger, Department of State.

Members: Fred Straus, Department of Commerce; Val Lorwin, Wayne Jackson, and William Koren, Department of State.

1. Austria:

Chairman: Harold Vedeler, Department of State.

Executive Secretary: Charles Rogers, Department of State.

Members: Karl Koranyi, Department of Commerce; J. Herbert Furth, Federal Reserve Board; and James Wood, Treasury Department.

Staff: Joseph Rosa, Gerti Landauer, Everett Walk, Erwin Strauss, Department of State; Myrtle Brickman, Department of Commerce; and Margaret Bell, Treasury Department.

2. Belgium-Netherlands-Luxemburg:

Chairman: Ray Miller, Department of State.

Executive Secretary: Richard Breithut, Department of State.

Members: Taylor Musser, Department of Commerce; Robert Bean, Federal Reserve Board; and George Willis, Treasury Department.

Staff: Clinton Knox, Paul Hoover, Marcia Harrison, Elizabeth Otey, Department of State; Walter Buchdahl, Clarence Seigel, Department of Commerce; Frances Miller, Ellen Maloney, and Paul Parker, Treasury Department.

3. France:

Chairman: Woodruff Wallner, Department of State.

Executive Secretary: Ivan White, Department of State.

Executive Secretary: <sup>3</sup> Maurice Levy-Hawes, Department of State.

Members: Taylor Musser, Department of Commerce; Albert Hirschman, Federal Reserve Board; and Frances Miller, Treasury Department.

Staff: Alfred Reifman, Val Lorwin, William Koren, Leon Goldenberg, Department of State; John Keen, and Clarence Seigel, Department of Commerce.

4. Greece:

Chairman: William Rountree, Department of State.

Executive Secretary: John Lindeman, Department of State.

Members: Samuel Goldberg, Department of Commerce; J. Herbert Furth, Federal Reserve Board; and George Willis, Treasury Department.

Staff: Arthur Beach, Charles Glendinning, and John Kennedy, Department of State; Beatrice S. Baum, Treasury Department.

5. Italy:

Chairman: Walter Dowling, Department of State.

Executive Secretary: William Stibravy, Department of State.

Members: Katherine Jacobson, Department of Commerce; Albert Hirschman, Federal Reserve Board; and George Willis, Treasury Department.

Staff: Gesualdo Costanzo, Jacob Kaplan, George Tecoro, and Clinton Doggett, Department of State; Seymour Pollack, Treasury Department.

6. Scandinavia:

Chairman: Robert Hooker, Department of State.

Executive Secretary: Randolph Higgs, Department of State.

Members: Grant Olson, Department of Commerce; Robert Bean, Federal Reserve Board; and George Willis, Treasury Department.

Staff: George Alsberg, Richard Breithut, Eleanor Murphy, and Eddie Schodt, Department of State; Ellen Maloney, Treasury Department.

7. Switzerland-Portugal:

Chairman: Outerbridge Horsey, Department of State.

Executive Secretary: William Conklin, Department of State.

Members: Charles Barrett, Department of Commerce; Albert Hirschman, Federal Reserve Board; and James Wood, Treasury Department.

Staff: Edmund Da Silveira, Raymond Fernandez, Maurice Levy-Hawes, and Nicholas Milroy, Department of State; Fred Neter and Seymour Pollack, Treasury Department.

8. Turkey:

Chairman: Paul McGuire, Department of State.

Executive Secretary: Herbert Cummings, Department of State.

Members: Samuel Goldberg, Department of Commerce; J. Herbert Furth, Federal Reserve Board; William L. Hebbard, Treasury Department.

Staff: Francis Boardman, Charles Glendinning, and Gidson Hadary, Department of State; and Harry S. Weidberg, Treasury Department.

<sup>3</sup> Mr. Levy-Hawes succeeded Mr. White on the latter's return to the Paris Embassy.



## 9. United Kingdom and Ireland:

Chairman: Avery Peterson, Department of State.

Chairman:<sup>4</sup> Wayne Jackson, Department of State.

Executive Secretary: Herbert P. Fales, Department of State.

Members: John Cassels, Department of Commerce; Charles Harley, Federal Reserve Board; and William Hebbard, Treasury Department.

Staff: John Lindeman, Alex Rosenson, James Lewis, David Linebaugh, Edward N. Cooper, Joseph Sweeney, and Leocade Leighton, Department of State; Donald Heatherington, Frances Hall, and Cromwell Riches, Department of Commerce; and Lisle Widman, Treasury Department.

## 10. Western Germany:

Chairman: Edwin Martin, Department of State.

Chairman:<sup>5</sup> Daniel Margolies, Department of State.

Executive Secretary: Coburn Kidd, Department of State.

Members: Karl Koranyi, Department of Commerce; J. Herbert Furth, Federal Reserve; James Wood, Treasury Department; Col. Charles Blumenfeld, Department of the Army; Don D. Humphrey, OMGUS.

Staff: George Jacobs, William Parker, Fred Sanderson, June Bosckman, and Herbert H. Marcuse, Department of State; Stanley Sommerfield, Treasury Department; Maj. William Reed, and Wilfred Garvin, Department of the Army; and Saul Nelson, OMGUS.

## (2) EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY: SUBCOMMITTEE FOR ERP

(a) *Working group on the relationship between the ERP and the UN and specialized organizations*

Chairman: Leroy D. Stinebower, Department of State.

Members: Miriam Camp and Otis E. Mullikin, Department of State; Thomas C. Blaisdell, Jr., Department of Commerce; Iver Olsen, Treasury Department; Robert B. Schwenger, Department of Agriculture.

(b) *Working group on the relationship between ERP and ITO*

Chairman: Paul H. Nitze, Department of State.

Members: Ben T. Moore, George Bronz, and Morris Fields, Treasury Department; Oscar Zaglits, Department of Agriculture; Henry Chalmers, Department of Commerce; Lynn R. Edminster, United States Tariff Commission.

(c) *Working group on domestic controls needed to implement the ERP*

Chairman: Donald D. Kennedy, Department of State.

Members: Charles P. O'Donnell, Department of State; John S. Richards, Treasury Department; Frank Garfield, Federal Reserve Board; Charles W. Bucy, Department of Agriculture; Paul Homan, Council of Economic Advisers; Walter Seymour, Department of the Interior; Mike Meehan, Department of Commerce.

(d) *Working group on strategic materials*

Chairman: William T. Phillips, Department of State.

Members: Karl L. Anderson, Department of State; James Boyd, Department of Interior; Carl Rolle, Army and Navy Munitions Board; T. D. O'Keefe, Department of Commerce; Morris Fields, Treasury Department; and W. G. Finn, Department of Agriculture.

(e) *Working group on manpower report*

Chairman: Faith Williams, Department of Labor.

Members: Wilbur Cohen, Federal Security Agency; Irwin M. Tobin, George L. Warren, and Val Lorwin, Department of State; Collis Stocking and Jean Flexner, Department of Labor; and Duncan Wall, Department of Agriculture.

## (3) NATIONAL ADVISORY COUNCIL: STAFF COMMITTEE

Chairman: John W. Gunter, Treasury Department.

(Working Group Chairman): Andrew M. Kamarck, Treasury Department.

Secretary: Allan J. Fisher, Treasury Department.

Assistant Secretary: Harold Rosen, Treasury Department.

Members: Norman Ness, Department of State; Clarence Blau, Department of Commerce; J. Burke Knapp, Board of Governors, Federal Reserve System;

<sup>4</sup> Mr. Jackson succeeded Mr. Peterson on the latter's return to the London Embassy.

<sup>5</sup> Mr. Margolies served as chairman while Mr. Martin attended the meetings of the Council of Foreign Ministers in London.



Hawthorne Arey, Export-Import Bank; Walter C. Louchheim, Securities and Exchange Commission.

Liaison: Jerome J. Stenger, Department of State.

Alternates: Hubert F. Havlik, Hale T. Shenefield, and Harold R. Spiegel, Department of State; Lewis Dembitz, Board of Governors, Federal Reserve System; and Walter C. Sauer, Export-Import Bank.

Interdepartmental working groups of the staff committee composed of the experts on the particular matter or country are set up as occasion warrants. These groups collect the basic information available to the government and perform the necessary analysis on the particular problem. The membership of these groups at one time or another would include most of the experts in Governmental service working on international financial and economic problems. It appears neither appropriate nor feasible, therefore, to list the membership of such groups.

Ambassador DOUGLAS. It is not without its significance that this calculation is very much less than the calculation produced by the Paris committee in the first place, and lower than the calculation, the lowest calculation, made by the Harriman committee. That is some rough measure of the extent to which the review, the scrutiny, and auditing of the requirements has been made.

The CHAIRMAN. As I understand it the Harriman committee reported in a range rather than in a specific figure.

Ambassador DOUGLAS. That is right, sir.

The CHAIRMAN. They reported low range and high range under differing situations.

Ambassador DOUGLAS. That is right, sir.

The CHAIRMAN. And your statement is that your final figures are lower than even the low range of the Harriman committee.

Ambassador DOUGLAS. That is precisely right, sir.

I would like to mention a number of reasons why this estimate is the minimum. In the first place the grain deficit, under this program for western Europe, during the first year, amounts to some 11,000,000 tons, as compared with the calculation of the requirements. That reduction was made because it was estimated that the grain was not available. I indicated on the chart this morning that this grain is a part of the diet, and that this program would not produce a standard of living equal to the prewar, but substantially less.

The second reason why I believe that this \$6,800,000,000 is a minimum figure is that the petroleum deficit, under the program which has been submitted to you, is  $8\frac{1}{3}$  million metric tons less than the stated requirements. The timber under the program which has been submitted to you and the Congress is 30 percent less, or represents a deficiency as against the requirement, of some 30 percent.

More than that, sir, this balance of payments calculation which, as I have indicated is not exclusively a balance of payments calculation, but dollars of exports, imports and invisibles, is merely a reflection of the commodity studies combined with the calculations of the invisible income or loss of the country.

This balance of payments, defined as such, was based upon a price rise of  $7\frac{1}{2}$  percent since July 1. Now actually within the United States there has been a price rise of almost  $12\frac{1}{2}$  percent. Within the remainder of the western hemisphere there has been a price increase of 14.7 percent. And throughout the entire area there has been a price increase of about 13.4 percent.

This price rise alone represents a reduction in the amount of imports that can be purchased for western Europe, in the amount of some \$400,-



000,000. So that what has already occurred since October in the way of a rise in prices has had the effect of reducing the imports that can be made available under the program which has been submitted to you.

Senator WILEY. Is that rise on the basis of retail prices?

Ambassador DOUGLAS. That is wholesale prices. Computed on these selected commodities.

There is still another reason. This program which has been presented to you and to the Congress assumes that there will be delivered from Poland 23,000,000 tons of coal in the fiscal year 1949. It assumes that approximately 5,000,000 cubic meters of timber will be imported to western Europe from eastern Europe, and it assumes that approximately 600,000 metric tons of potash will also be made available to western Europe from sources of eastern Europe.

It is not certain that that amount of coal, that amount of timber, or that amount of potash will flow from east to west. And in that connection I should like to say something off the record.

(Further discussion was continued off the record.)

Ambassador DOUGLAS. At any rate, this program is based upon these assumptions, with respect to the delivery of coal, the delivery of timber, and the delivery of potash. Whether they will be fulfilled or not, no one can say. It is probable that they will be.

This rise in prices that has already occurred since these calculations were made, will have one of two effects: It will either have the effect of reducing the production in western Europe and if so of reducing their exports, and in turn reducing their imports, or, alternatively, it will have the effect of requiring, compelling, these western European countries further to pull down their already sorely depleted reserves of dollars and of gold. And thus the export targets which they have set, and their production goals, will be reduced, with all the succeeding consequences, or their monetary stability becomes further impaired.

I would like to emphasize again that this is not a relief program. This is a program aimed at supporting the efforts of this vast and important part of the world, to achieve a solid economic recovery, which will permit them to occupy their traditional place in the community of nations and to become again one of the great sanctuaries of human freedom.

If it be reduced to a relief program it is my judgment—and this is a very considered judgment—that provided the Congress proceeds year after year with relief it will amount to sums of money incalculably greater, or certainly greater than that which is contemplated in this schedule of effort.

I think, sir, that one of the most extravagant and wasteful things this country can do—and I personally do not have the reputation of being an advocate of Government spending—one of the most wasteful things this Government could do would be so to reduce the amount of money available as to convert the project into a relief program and damage the chances of recovery in western Europe.

The CHAIRMAN. On the question of the character of the expenditure, can you break down into totals the 6.8 billion dollars, as to how much of it is relief and how much of it is recuperation?

Ambassador DOUGLAS. I can tell you this: That approximately one-sixth to one-seventh is in capital equipment; the balance of it is in foodstuffs and essential raw materials. The raw materials are essential for the operation of industrial plants, for fabrication into finished



articles, which are either exported or used for satisfying internal requirements.

The CHAIRMAN. I do not think that quite answers it.

Ambassador DOUGLAS. It does not quite answer it because there is another category, and I do not think I can give you the offhand analysis as between the straight foodstuffs on the one hand and the raw materials for fabrication on the other. But I will try to get it for you, sir.

There is, of course, one item which bulks very large, and that is the item of coal. I failed to mention this morning, in describing what had happened to Europe as a result of the war, that there had been a very marked and significant shift in the source of raw materials. This, in addition to the loss of the invisible income of these 16 countries, in addition to the requirement to produce more goods to support the loss of the invisible income and in addition to the larger population, imposes upon them the burden of spending more dollars to buy the raw materials from other sources which before the war they bought within the community of their own group. There are two glaring examples, striking examples, of which one is coal.

Germany and the United Kingdom were the great producers of coal for western Europe. As a result of the war the production in both countries was very substantially reduced. In Germany it was cut to practically nothing in 1945. It is now rising.

In July of this year it was being produced at the rate of about 218,000 tons a day. Presently, it is being mined at the rate of about 280,000 tons a day.

But the prewar production of coal in western Germany was one of the great sources for all of Europe. The partial extinguishment of that source of coal has made it necessary for European countries to come to the United States and to pay, including ocean shipping, somewhere in the vicinity of \$21 to \$22 a ton for it.

In the case of the United Kingdom, before the first war the production ranged between 330 million in 1913 to an inter-war high of 285 million. It exported from 35 to 100 million tons of coal, to satisfy the fuel requirements of western Europe bunkers, and the fuel requirements of some of the South American countries. Purely as a product of war, that production of coal in the United Kingdom has fallen to about 185 million, 191 million last year, 200 million this year—the year just closed. The amount available for export was but a mere dribble during the year 1947.

The impairment of that source of supply of coal of the European countries has aggravated the need to the extent of about 30 million tons. The European countries must come to the United States for coal at a cost, not in sterling, but in dollars of which they are short, of \$21 to \$22 a ton, including ocean shipping.

So the destruction of the ancient sources of supply, a pure product of the war, has imposed an additional burden upon these western European countries. This is not unrelated to the question which you have just put.

The CHAIRMAN. It is not unrelated.

Ambassador DOUGLAS. It does not answer your question specifically. I will get you an analysis of that, Senator, insofar as it can be gotten.

The CHAIRMAN. You correctly said, of course, that this is not a relief program in its essence and objective, but it does include a substantial element of the same kind of relief that is in the interim bill; does it not?

Ambassador DOUGLAS. Of course it does.



The CHAIRMAN. And is it not possible to isolate that figure?

Ambassador DOUGLAS. Yes. We can calculate that figure and we will give it to you.

(The matter referred to appears on p. 494.)

(Attached memorandum prepared by the Department of State at the request of the Senate Foreign Relations Committee.)

EUROPEAN RECOVERY PROGRAM—ILLUSTRATIVE COMPOSITION OF IMPORTS OF COMMODITIES AND SERVICES FROM WESTERN HEMISPHERE, APRIL 1, 1948, THROUGH JUNE 30, 1949, AND POSSIBLE SOURCES AND DISTRIBUTION OF FINANCING

The European Cooperation Administration will have to draw up programs of United States assistance to each participating country covering the commodities and services to be purchased in the Western Hemisphere and the manner in which these purchases will be financed. Each country program will have to be coordinated with the country's total requirements and estimated imports from areas outside the Western Hemisphere and with the amounts of financing available from sources other than new United States funds.

The programs of United States assistance for each country as they may be developed by the Administrator should not now be prejudged. Therefore, an accurate representation of a program for each country, reflecting its aggregate required imports from the Western Hemisphere and the source of funds which will in fact finance each segment of these imports cannot now be made. A continuing process of adjustment will be necessary in order to take account of such factors as the success of the production effort by the participating countries, changes in world availabilities, price movements, supply and financial arrangements with nonparticipating countries, and the decisions of such agencies as the International Bank.

An illustrative program can, however, be drawn up which will be indicative at least of the country-by-country programs as they might be determined by the Administrator after he has considered all of the relevant factors. An example of such a program is set forth in the attached tabulation.

It needs to be emphasized again that the distribution of commodities by countries and sources of funds indicated in the accompanying tables is only an approximation of the program as it would actually be developed by the Administrator. Particular emphasis should be given to the fact that the amounts shown in table 1, column 4, and in the corresponding columns of the individual country tables do not necessarily represent the amount which each country would receive in the form of direct assistance from the United States, nor do they indicate the terms on which such appropriated funds would be advanced. Rather, they indicate the dollar balance required to fill each country's total estimated required import program from the Western Hemisphere (column 1), after deducting the dollars obtained from exports of goods and services (column 2) and after deducting sources of financing other than new United States funds (column 3). This balance of a particular country's dollar needs (shown in column 4) might in some instances be obtained indirectly through another participating country rather than directly from the United States. Various arrangements for indirect financing of this character could be made and might provide a feasible way to assist the participating countries in overcoming some of the obstacles to increased trade among themselves.

For example, bizonal Germany is expected to have a substantial surplus of exports over imports in its trade with some participating countries, and the latter must settle in dollars for a large part of their debit balances with the bicone. In this way the dollar requirements of these participating countries are increased (because they must pay dollars not only for their imports from the Western Hemisphere but also to settle their German accounts). On the other hand, the bicone's need for direct dollar assistance would be correspondingly reduced (because it would receive dollars in addition to those obtained from its exports to the Western Hemisphere shown in column 2). In circumstances like these the Administrator might find it desirable to allocate funds appropriated for European recovery in such a way as to increase the direct assistance in the form of loans or grants to one participating country over the amount of its Western Hemisphere deficit and correspondingly reduce the direct assistance given to another participating country. Alternatively, the Administrator might find it desirable to purchase goods in one country for delivery to another, the transaction being recorded as additional direct assistance to the receiving country. The exporting country's need for direct dollar assistance would be correspondingly reduced. In general, adjustments of this kind would be considered by the Administrator in the light of recommendations by the participating countries



as a group acting through their continuing organization. Such adjustments would not increase the total amount of assistance required but would only affect its distribution between countries.

The country tables which are appended present for each participating country an illustrative composition of its imports of goods from the Western Hemisphere and its net dollar payments, if any, for freight and other invisible items, for the period from April 1, 1948, through June 30, 1949. All values are expressed in terms of July 1, 1947, prices as the adjustment for higher prices is covered in the table on page 117. A distribution of the financing of these imports and payments among the following sources of dollar funds is shown:

Column 2. Dollars earned by each country from exports to the Western Hemisphere and net dollar receipts, if any, for shipping and other invisibles. In the case of Portugal, the amount shown in column 1 includes an expenditure of Portuguese gold and foreign-exchange holdings in an amount necessary to offset its deficit on current account.

Column 3. Dollars obtained from such sources as International Bank loans, private investment, existing credits of the Export-Import Bank, and credits extended by participating countries having net dollar earnings on current account to other participating countries. Credits or other assistance by other Western Hemisphere countries are also included in column 3.

Column 4. New United States funds for European recovery and for prevention of disease and unrest in Germany (GARIOA) for which appropriations are being requested. As pointed out above, the amounts in column 4 represent the deficit computed on July 1, 1947, prices with the Western Hemisphere which it is necessary to finance directly or indirectly with new United States funds and do not necessarily represent the direct assistance in the form of grants and loans which will be extended to individual countries. The adjustments for increased prices and savings on shipping mentioned in the table on page 117 will also have to be taken into account on a country-by-country basis.

The table following recapitulates the country tables and presents a possible distribution, by sources, of the financing of the total Western Hemisphere import program.

TABLE 1.—*Recapitulation of tables showing illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949*

[At July 1, 1947, prices]

	Total im- ports <sup>1</sup>	Possible sources of financing		
		Dollar earnings <sup>2</sup>	Sources other than new United States funds	New United States funds <sup>3</sup>
	<i>Mils. of dols.</i>	<i>Mils. of dols.</i>		<i>Mils. of dols.</i>
Austria.....	233	39	12	182
Belgium-Luxemburg.....	853	334	196	323
Denmark.....	237	45	28	164
France.....	1,931	369	128	1,434
Greece.....	262	67	9	186
Iceland.....	23	10	-----	13
Ireland.....	192	40	-----	152
Italy.....	1,160	183	108	869
Netherlands.....	1,136	271	160	705
Norway.....	253	163	56	34
Portugal.....	144	144	-----	-----
Sweden.....	499	423	43	33
Switzerland.....	535	535	-----	-----
Turkey.....	69	69	-----	-----
United Kingdom.....	4,311	2,133	418	1,760
Germany:				
Bizone.....	1,014	100	-----	914
French zone.....	93	13	-----	80
Saar.....	14	3	-----	11
Total.....	12,959	4,941	1,158	<sup>3</sup> 6,860

<sup>1</sup> Including net dollar payments for freight and other invisibles.

<sup>2</sup> Including drawings of \$72,000,000 by Portugal on its gold and foreign exchange resources.

<sup>3</sup> This column includes funds being requested by the Department of the Army for prevention of disease and unrest in Germany. A reconciliation with the \$6,800,000,000 being requested for the European recovery program is to be found on p. 5.



Column 1 indicates that the required imports of the participating countries of goods and services from the Western Hemisphere during the 15 months, April 1, 1948, through June 30, 1949, are expected to amount to \$12,959,000,000 (in terms of July 1, 1947, prices). This total, after deducting \$1,146,000,000 of payments for net freight and net other invisibles, equals the total commodity imports of \$11,813,000,000 shown in the summary balance-of-payments table on page 97 of the committee print of the outline of a European recovery program.

Of this total, it is estimated that the participating countries will finance \$4,941,000,000 from their dollar earnings from exports to the Western Hemisphere and other dollar receipts (and, in the case of Portugal by drawing down gold and foreign-exchange holdings).<sup>1</sup>

Sources other than new United States funds are expected to finance, in terms of July 1, 1947, prices \$1,158,000,000 of the total.<sup>2</sup> It is proposed that the balance of \$6,860,000,000 be financed by new United States funds appropriated for European recovery and to the Department of the Army for prevention of disease and unrest in Germany (GARICA). The following table presents a reconciliation of this balance with the authorization of \$6,800,000,000 requested for European recovery.

	<i>Millions of dollars</i>
Goods to be purchased in Western Hemisphere with new United States funds (at July 1, 1947, prices) (column 4 of recapitulation)-----	\$6, 860
Adjustments:	
Add: Adjustment for price increases <sup>1</sup> -----	\$482
Deduct: Savings on shipping <sup>2</sup> -----	100
	382
Adjusted cost of commodities and shipping services to be purchased in Western Hemisphere with new United States funds <sup>3</sup> -----	7, 242
Authority to obligate funds for procurement of items to be delivered in subsequent years-----	200
Uncovered deficit of bizonal Germany with nonparticipating countries outside the Western Hemisphere <sup>4</sup> -----	200
	7, 642
Total being requested for European recovery program and by Department of Army for Germany (GARICA)-----	7, 642
Deduct: Appropriations being requested by Department of the Army for prevention of disease and unrest in Germany (GARICA)-----	822
	6, 820
Total requirement for first 15 months, European recovery program-----	6, 820
Authorization requested for European recovery program (preceding line in rounded amount)-----	6, 800

<sup>1</sup> This figure is equivalent to the adjustment for higher prices of \$565,000,000 shown in the summary balance-of-payment table, p. 97 of the Outline, after eliminating that portion of the increase attributable to sources other than new United States funds, such as the International Bank, and to Portuguese cash purchase.

<sup>2</sup> See p. 92 of the Outline. These are savings possible if additional temporary transfers of bulk-cargo carriers are made.

<sup>3</sup> This entry and the following entries in the reconciliation are shown in the tables on pp. 108 and 109 of the Outline and explained in the accompanying text, pp. 107-109.

<sup>4</sup> See footnote b, table 17.

The distribution by sources of financing in the following country tables has been made according to the following principles:

1. Financing which might be forthcoming from sources other than new United States funds has been spread over commodities for the purchase of which it is thought most likely that loans and credits might be granted. Much is assigned to the category "Other imports," which includes heavy and specialized equipment and important industrial raw materials, and additional large sums are allocated to bread and coarse grains, fats and oils, sugar, meat, and coffee, for

<sup>1</sup> See The European recovery program—Country studies, table II-A. The sum of total exports to the Western Hemisphere and, where positive, of net freight and net other invisibles is the figure shown in column 2 of the country tables.

<sup>2</sup> International Bank, private investment, existing Export-Import Bank credits, dollar credits by participating countries, and credits or other assistance by other Western Hemisphere countries. These sources are expected to finance \$1,228,000,000 in current prices. This figure is equivalent to the figure of \$1,285,000,000 shown in the committee print, Outline of European Recovery Program, p. 103, after deducting the item of \$85,000,000 representing purchases on cash basis (here included in column 2) and adding credits of \$28,000,000 by participating countries to participating countries.



which other Western Hemisphere countries might extend commodity credits or make other arrangements to assist the participating countries.

2. It is assumed that new United States funds will be used, in the first instance, for selected commodities.

3. Dollar earnings of the participating countries are assigned to the remaining Western Hemisphere requirements.

In this connection it should be pointed out that the category "Other imports" is made up principally of important raw materials and manufactured goods, which in almost all cases are as important to economic recovery as the selected commodities. On many of these commodities studies of requirements and availabilities are being prepared, but a miscellaneous category will always be necessary since trade between advanced industrial countries involves thousands of individual products. Preliminary indications of the values of some of the most important items in the category are given in footnotes to the tables.

It is recognized and, indeed, emphasized that the following tabulation is only illustrative and that the actual pattern determined by the administrator might vary markedly from the one outlined here. It may, however, be useful in clarifying and delineating the problems which will be encountered in initiating the program and in adjusting it continuously to changing conditions.

TABLE 2.—*Austria—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947 prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Austrian dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	36.3			36.3
Coarse grains.....	4.4			4.4
Fats and oils.....	12.5			12.5
Oil cake.....	1.6			1.6
Sugar.....	5.4			5.4
Meat.....	8.8			8.8
Dairy products.....	4.1			4.1
Dried fruit.....	1.5			1.5
Coffee.....	4.0			4.0
Other foods.....	6.3			6.3
Subtotal.....	84.9			84.9
Tobacco.....	2.9			2.9
Cotton.....	21.6		4.7	16.9
Agricultural machinery.....	1.6			1.6
Mining machinery.....	.5			.5
Iron and steel: Scrap iron.....	2.0			2.0
Trucks.....	3.8			3.8
Steel equipment.....	4.2			4.2
Timber equipment.....	4.0			4.0
Electrical equipment.....	.7			.7
Other imports <sup>1</sup> .....	67.0	39.0	7.5	20.5
Total commodity imports.....	193.2	39.0	12.2	142.0
Net freight.....	40.0			40.0
Total <sup>2</sup> .....	233.2	39.0	12.2	182.0

<sup>1</sup> Includes (in millions): Copper, \$6; chemicals, \$16; hides and skins and leather \$1; wool, \$1.

<sup>2</sup> In the case of Austria and all other countries (except Portugal), the deficit on current account with the Western Hemisphere equals column 1 minus column 2 or, alternatively, column 3 plus column 4.



TABLE 3.—*Belgium-Luxemburg and dependencies—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947 prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Belgium-Luxemburg dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	78.1		19.0	59.1
Coarse grains.....	64.9		9.5	55.4
Fats and oils.....	22.2			22.2
Oil cake.....	28.1			28.1
Sugar.....	15.3		4.8	10.5
Meat.....	13.3			13.3
Dairy products.....	26.0			26.0
Dried fruit.....	.8			.8
Rice.....	.8			.8
Coffee.....	15.3		4.8	10.5
Other foods.....	16.8			16.8
Subtotal.....	281.6		38.1	243.5
Tobacco.....	21.5			21.5
Cotton.....	46.0		27.9	18.1
Nitrogen.....	.4			.4
Phosphates.....	.4			.4
Agricultural machinery.....	5.0		5.0	
Coal.....	20.5			20.5
Mining machinery.....	2.9		2.9	
Petroleum products.....	35.2	24.3		10.9
Timber.....	23.3	23.3		
Iron and steel:				
Finished.....	19.3		15.7	3.6
Crude and semifinished.....	9.4	5.2		4.2
Trucks.....	21.8		21.8	
Steel equipment.....	9.1		9.1	
Electrical equipment.....	6.0		6.0	
Other imports <sup>1</sup> .....	293.0	223.2	69.8	
Total commodity imports.....	795.4	276.0	196.3	323.1
Net freight.....	16.0	16.0		
Other dollar payments.....	42.0	42.0		
Total.....	853.4	334.0	196.3	323.1

<sup>1</sup> Includes (in millions): Machinery and transportation equipment and technical apparatus, \$115; chemicals, \$29; lead, \$13; zinc, \$7; wool, \$15.

TABLE 4.—*Denmark—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Danish dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	0.5			0.5
Coarse grains.....	33.0			33.0
Fats and oils.....	8.8			8.8
Oil cake.....	42.2		4.8	37.4
Dried fruit.....	.4			.4
Rice.....	.2			.2
Coffee.....	20.0		4.8	15.2
Other foods.....	2.1			2.1
Subtotal.....	107.2		9.6	97.6



TABLE 4.—*Denmark—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)—Continued*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Danish dollar earnings	Sources other than new United States funds	New United States funds
Tobacco.....	7.5	-----	-----	7.5
Cotton.....	6.9	-----	-----	6.9
Nitrogen.....	1.6	-----	-----	1.6
Agricultural machinery.....	7.9	-----	7.9	-----
Coal.....	10.9	-----	-----	10.9
Petroleum products.....	29.2	15.8	-----	13.4
Timber.....	3.7	-----	-----	3.7
Iron and steel:				
Finished.....	15.8	-----	6.0	9.8
Pig iron.....	.5	-----	-----	.5
Trucks.....	11.2	-----	-----	11.2
Steel equipment.....	.5	-----	-----	.5
Electrical equipment.....	.5	-----	-----	.5
Other imports.....	13.5	8.8	4.7	-----
Total commodity imports.....	216.9	24.6	28.2	164.1
Other dollar payments.....	20.0	20.0	-----	-----
Total.....	236.9	44.6	28.2	164.1

TABLE 5.—*France and dependencies—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		French dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	115.7	-----	11.8	103.9
Coarse grains.....	66.1	-----	9.5	56.6
Fats and oils.....	76.9	-----	28.6	48.3
Oil cake.....	20.8	-----	-----	20.8
Sugar.....	19.8	-----	-----	19.8
Meat.....	.8	-----	-----	.8
Dairy products.....	26.7	-----	-----	26.7
Eggs.....	1.8	-----	-----	1.8
Dried fruit.....	2.0	-----	-----	2.0
Rice.....	4.6	-----	-----	4.6
Coffee.....	7.6	-----	-----	7.6
Other foods.....	7.4	-----	-----	7.4
Subtotal.....	350.2	-----	49.9	300.3
Tobacco.....	18.1	-----	-----	18.1
Cotton.....	165.8	-----	9.5	156.3
Nitrogen.....	11.8	-----	-----	11.8
Agricultural machinery.....	59.7	-----	-----	59.7
Coal.....	206.2	-----	-----	206.2
Mining machinery.....	10.7	-----	-----	10.7
Petroleum products.....	146.5	-----	-----	146.5
Timber.....	35.6	-----	16.0	19.6
Iron and steel:				
Finished.....	17.5	-----	-----	17.5
Crude and semifinished.....	10.0	-----	-----	10.0
Trucks.....	5.5	-----	-----	5.5
Steel equipment.....	13.8	-----	-----	13.8
Timber equipment.....	8.9	-----	-----	8.6



TABLE 5.—*France and dependencies—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing Apr. 1, 1948, to June 30, 1949 (at July 1 1947. prices)—Con.*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		French dollar earnings	Sources other than new United States funds	New United States funds
Electrical equipment.....	10.0			10.0
Other imports <sup>1</sup> .....	504.2	275.7	52.2	176.3
Total commodity imports.....	1,574.5	275.7	127.6	1,172.2
Net freight.....	263.0			263.0
Other dollar payments.....	93.0	93.0		
Total.....	1,930.5	368.7	127.6	1,434.2

<sup>1</sup> Includes (in millions): Machinery, transportation equipment, and business machines, \$173; chemicals, \$43; copper, \$19; lead, \$9; zinc, \$11; hides and skins, \$32; wool, \$26; cotton textiles, \$31.

TABLE 6.—*Greece—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Greek dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	47.4			47.4
Coarse grains.....	4.8			4.8
Fats and oils.....	.8			.8
Oil cake.....	.6			.6
Sugar.....	16.6			16.6
Meat.....	8.8			8.8
Dairy products.....	35.4			35.4
Eggs.....	.9			.9
Rice.....	.6			.6
Coffee.....	2.7			2.7
Other foods.....	.7			.7
Subtotal.....	119.3			119.3
Cotton.....	6.5			6.5
Nitrogen.....	2.4			2.4
Agricultural machinery.....	7.9			7.9
Coal.....	.2			.2
Petroleum products.....	8.3			8.3
Timber.....	4.5			4.5
Iron and steel: Finished.....	7.0			7.0
Trucks.....	7.3			7.3
Timber equipment.....	1.0			1.0
Electrical equipment.....	1.0			1.0
Other imports <sup>1</sup> .....	47.0	37.7	9.3	
Total commodity imports.....	212.4	37.7	9.3	165.4
Net freight.....	49.9	29.4		20.5
Total.....	262.3	67.1	9.3	185.9

<sup>1</sup> Includes (in millions): Machinery, parts, and accessories, \$13; clothing, \$12; chemicals, \$7.



TABLE 7.—*Iceland—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Icelandic dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	1.5	-----	-----	1.5
Coarse grains.....	.5	-----	-----	.5
Fats and oils.....	1.4	-----	-----	1.4
Sugar.....	1.2	-----	-----	1.2
Dried fruit.....	.2	-----	-----	.2
Coffee.....	.7	-----	-----	.7
Other foods.....	.2	-----	-----	.2
Subtotal.....	5.7	-----	-----	5.7
Tobacco.....	.1	-----	-----	.1
Nitrogen.....	.2	-----	-----	.2
Agricultural machinery.....	.8	-----	-----	.8
Coal.....	.9	-----	-----	.9
Petroleum products.....	1.7	-----	-----	1.7
Timber.....	1.3	-----	-----	1.3
Trucks.....	1.0	-----	-----	1.0
Other imports <sup>1</sup> .....	11.0	10.0	-----	1.0
Total commodity imports.....	22.7	10.0	-----	12.7

<sup>1</sup> Includes (in millions): Fishing and industrial equipment, \$9.TABLE 8.—*Ireland—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Irish dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	26.5	-----	-----	26.5
Coarse grains.....	37.2	-----	-----	37.2
Fats and oils.....	3.1	-----	-----	3.1
Oil cake.....	1.4	-----	-----	1.4
Sugar.....	7.2	-----	-----	7.2
Dried fruit.....	.7	-----	-----	.7
Coffee.....	.6	-----	-----	.6
Other foods.....	1.3	-----	-----	1.3
Subtotal.....	78.0	-----	-----	78.0
Tobacco.....	8.3	-----	-----	8.3
Cotton.....	2.0	-----	-----	2.0
Nitrogen.....	.4	-----	-----	.4
Agricultural machinery.....	1.6	-----	-----	1.6
Coal.....	11.2	-----	-----	11.2
Petroleum products.....	13.0	-----	-----	13.0
Timber.....	7.1	-----	-----	7.1
Iron and steel:				
Finished.....	1.6	-----	-----	1.6
Trucks.....	1.9	-----	-----	1.9
Steel equipment.....	.4	-----	-----	.4
Electrical equipment.....	1.0	-----	-----	1.0
Other imports <sup>1</sup> .....	64.1	38.8	-----	25.3
Total commodity imports.....	190.6	38.8	-----	151.8
Net freight.....	1.7	1.7	-----	-----
Total.....	192.3	40.5	-----	151.8

<sup>1</sup> Includes (in millions): Chemicals, \$5; machinery and transportation equipment, \$12.



TABLE 9.—*Italy—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Italian dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	267.1		23.8	243.3
Coarse grains.....	26.7		9.5	17.2
Fats and oils.....	30.2		9.5	20.7
Oil cake.....	4.1			4.1
Sugar.....	2.8			2.8
Meat.....	7.0			7.0
Dairy products.....	7.2			7.2
Coffee.....	14.3		4.8	9.5
Other foods.....	10.2			10.2
Subtotal.....	369.6		47.6	322.0
Tobacco.....	4.5			4.5
Cotton.....	149.5			149.5
Nitrogen.....	1.2			1.2
Agricultural machinery.....	5.0			5.0
Coal.....	88.0			88.0
Petroleum products.....	61.2			61.2
Timber.....	13.8			13.8
Iron and steel:				
Finished.....	6.9			6.9
Crude and semifinished.....	8.0			8.0
Pig iron.....	.9			.9
Steel equipment.....	4.5			4.5
Electrical equipment.....	7.0			7.0
Other imports <sup>1</sup> .....	305.8	183.0	60.5	62.3
Total commodity imports.....	1,025.9	183.0	108.1	734.8
Net freight.....	134.0			134.0
Total.....	1,159.9	183.0	108.1	868.8

<sup>1</sup> Includes (in millions): Copper, lead, and zinc, \$18; wool, \$15; hides and skins and leather, \$15; machinery, \$7; fish, \$5; naval stores, \$3.

TABLE 10.—*Netherlands and dependencies—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Dutch dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	111.0		39.2	71.8
Coarse grains.....	70.3			70.3
Fats and oils.....	40.5			40.5
Oil cake.....	31.4		9.5	21.9
Sugar.....	6.6			6.6
Meat.....	4.2			4.2
Dairy products.....	1.7			1.7
Dried fruit.....	3.3			3.3
Rice.....	.6			.6
Coffee.....	17.7			17.7
Other foods.....	14.6			14.6
Subtotal.....	301.9		48.7	253.2
Tobacco.....	23.4			23.4
Cotton.....	32.9			32.9



TABLE 10.—*Netherlands and dependencies—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949—Continued*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Dutch dollar earnings	Sources other than new United States funds	New United States funds
Nitrogen.....	6.2	-----	-----	6.2
Phosphates.....	.6	-----	-----	.6
Agricultural machinery.....	8.8	-----	-----	8.8
Coal.....	25.8	-----	-----	25.8
Mining machinery.....	2.3	-----	-----	2.3
Petroleum products.....	32.2	-----	-----	32.2
Timber.....	25.2	-----	-----	25.2
Iron and steel: Finished.....	53.8	-----	-----	53.8
Trucks.....	23.2	-----	-----	23.2
Steel equipment.....	4.6	-----	-----	4.6
Electrical equipment.....	6.3	-----	-----	6.3
Other imports <sup>1</sup> .....	491.3	174.1	110.7	206.5
Total commodity imports.....	1,038.5	174.1	159.4	705.0
Net freight.....	6.0	6.0	-----	-----
Other dollar payments.....	91.0	91.0	-----	-----
Total.....	1,135.5	271.1	159.4	705.0

<sup>1</sup> Includes (in millions): Industrial machinery and transportation equipment, \$193; chemicals, \$26; hides and skins, \$13; copper, lead, and zinc, \$15; cotton textiles, \$54.

TABLE 11.—*Norway—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, at June 30, 1949 (at July 1, 1974, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Norwegian dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	35.9	35.9	-----	-----
Coarse grains.....	11.0	11.0	-----	-----
Fats and oils.....	9.9	9.9	-----	-----
Oil cake.....	3.4	3.4	-----	-----
Sugar.....	9.9	5.1	4.8	-----
Dried fruit.....	.9	.9	-----	-----
Rice.....	.6	.6	-----	-----
Coffee.....	10.6	5.8	4.8	-----
Other foods.....	2.9	2.9	-----	-----
Subtotal.....	85.1	75.5	9.6	-----
Tobacco.....	6.2	6.2	-----	-----
Cotton.....	3.6	3.6	-----	-----
Agricultural machinery.....	4.8	-----	-----	4.8
Petroleum products.....	15.0	15.0	-----	-----
Iron and steel:				
Finished.....	24.5	5.6	-----	18.9
Crude and semifinished.....	1.4	-----	-----	1.4
Trucks.....	2.5	-----	-----	2.5
Steel equipment.....	2.5	-----	-----	2.5
Electrical equipment.....	4.0	-----	-----	4.0
Other imports <sup>1</sup> .....	98.0	51.4	46.6	-----
Total commodity imports.....	247.6	157.3	56.2	34.1
Other dollar payments.....	6.0	6.0	-----	-----
Total.....	253.6	163.3	56.2	34.1

<sup>1</sup> Includes (in millions) machinery and transportation equipment, \$46.



TABLE 12.—*Portugal and dependencies—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Portuguese dollar earnings <sup>1</sup>	Sources other than new United States funds	New United States funds
Bread grains.....	33.4	33.4	-----	-----
Coarse grains.....	7.3	7.3	-----	-----
Fats and oils.....	3.1	3.1	-----	-----
Sugar.....	6.1	6.1	-----	-----
Meat.....	1.9	1.9	-----	-----
Eggs.....	.6	.6	-----	-----
Coffee.....	.7	.7	-----	-----
Subtotal.....	53.1	53.1	-----	-----
Tobacco.....	4.1	4.1	-----	-----
Cotton.....	2.0	2.0	-----	-----
Nitrogen.....	3.4	3.4	-----	-----
Agricultural machinery.....	3.1	3.1	-----	-----
Coal.....	9.5	9.5	-----	-----
Petroleum products.....	10.0	10.0	-----	-----
Timber.....	4.5	4.5	-----	-----
Iron and steel, finished.....	6.4	6.4	-----	-----
Trucks.....	7.0	7.0	-----	-----
Electrical equipment.....	2.0	2.0	-----	-----
Other imports <sup>2</sup> .....	31.8	31.8	-----	-----
Total commodity imports.....	136.9	136.9	-----	-----
Net freight.....	7.4	7.4	-----	-----
Total.....	144.3	144.3	-----	-----

<sup>1</sup> Including drawings of \$72,000,000 on gold and foreign exchange resources.<sup>2</sup> Includes (in millions): Fish, \$6; machinery and transportation equipment, \$7; textiles and bagging \$1.TABLE 13.—*Sweden—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Swedish dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	19.1	14.3	4.8	-----
Coarse grains.....	5.9	5.9	-----	-----
Fats and oils.....	7.7	7.7	-----	-----
Oil cake.....	11.8	11.8	-----	-----
Sugar.....	7.3	2.5	4.8	-----
Meat.....	5.1	5.1	-----	-----
Dried fruit.....	1.7	1.7	-----	-----
Rice.....	1.1	1.1	-----	-----
Coffee.....	30.4	16.1	14.3	-----
Other foods.....	11.1	11.1	-----	-----
Subtotal.....	101.2	77.3	23.9	-----
Tobacco.....	9.6	9.6	-----	-----
Cotton.....	29.4	29.4	-----	-----
Nitrogen.....	1.2	1.2	-----	-----
Phosphates.....	.5	.5	-----	-----
Agricultural machinery.....	12.7	-----	-----	12.7



TABLE 13.—*Sweden—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)—Continued*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Swedish dollar earnings	Sources other than new United States funds	New United States funds
Petroleum products.....	58.3	58.3	-----	-----
Iron and steel: Finished.....	27.1	27.1	-----	-----
Trucks.....	12.2	-----	-----	12.2
Electrical equipment.....	8.0	-----	-----	8.0
Other imports <sup>1</sup> .....	238.3	219.5	18.8	-----
Total commodity imports.....	498.5	422.9	42.7	32.9

<sup>1</sup> Includes (in millions): Copper, \$16; lead, \$6; chemicals, \$53; machinery and transportation equipment, \$58.

TABLE 14.—*Switzerland—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Swiss dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	55.2	55.2	-----	-----
Coarse grains.....	43.8	43.8	-----	-----
Fats and oils.....	8.5	8.5	-----	-----
Oil cake.....	2.2	2.2	-----	-----
Sugar.....	20.4	20.4	-----	-----
Meat.....	6.7	6.7	-----	-----
Eggs.....	6.1	6.1	-----	-----
Dried fruit.....	.2	.2	-----	-----
Rice.....	1.4	1.4	-----	-----
Coffee.....	11.2	11.2	-----	-----
Other foods.....	9.5	9.5	-----	-----
Subtotal.....	165.2	165.2	-----	-----
Tobacco.....	8.4	8.4	-----	-----
Cotton.....	14.0	14.0	-----	-----
Agricultural machinery.....	1.6	1.6	-----	-----
Coal.....	4.0	4.0	-----	-----
Petroleum products.....	12.0	12.0	-----	-----
Timber.....	1.6	1.6	-----	-----
Iron and steel:				
Finished.....	27.5	27.5	-----	-----
Crude and semifinished.....	1.4	1.4	-----	-----
Pig iron.....	.2	.2	-----	-----
Trucks.....	1.0	1.0	-----	-----
Electrical equipment.....	1.0	1.0	-----	-----
Other imports <sup>1</sup> .....	187.0	187.0	-----	-----
Total commodity imports.....	424.9	424.9	-----	-----
Net freight.....	110.0	110.0	-----	-----
Total <sup>2</sup> .....	534.9	534.9	-----	-----

<sup>1</sup> Includes (in millions): Machinery and transportation equipment, \$44; chemicals \$30; copper, \$11; instruments and apparatus, \$11.

<sup>2</sup> Switzerland has net dollar earnings on current account.



TABLE 15.—*Turkey—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Turkish dollar earnings	Sources other than new United States funds	New United States funds
Coffee.....	0.3	0.3		
Subtotal.....	.3	.3		
Nitrogen.....	.6	.6		
Agricultural machinery.....	7.9	7.9		
Mining machinery.....	1.0	1.0		
Petroleum products.....	7.5	7.5		
Iron and steel: Finished.....	5.0	5.0		
Trucks.....	9.0	9.0		
Timber equipment.....	.4	.4		
Electrical equipment.....	2.0	2.0		
Other imports <sup>1</sup> .....	25.2	25.2		
Total commodity imports.....	58.9	58.9		
Net freight.....	4.7	4.7		
Other dollar payments.....	5.4	5.4		
Total <sup>2</sup> .....	69.0	69.0		

<sup>1</sup> Includes (in millions): Chemicals, \$6; machinery and precision instruments, \$4.<sup>2</sup> Turkey has small net dollar earnings on current account.TABLE 16.—*United Kingdom and dependencies—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		United Kingdom dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	436.4		238.1	198.3
Coarse grains.....	121.7		38.1	83.6
Fats and oils.....	128.3		38.1	90.2
Oil cake.....	43.1		19.0	24.1
Sugar.....	147.1		19.0	128.1
Meat.....	329.5		33.3	296.2
Dairy products.....	164.2			164.2
Eggs.....	75.9			75.9
Dried fruit.....	17.1			17.1
Rice.....	37.9			37.9
Coffee.....	18.0		4.8	13.2
Other foods.....	61.0			61.0
Subtotal.....	1,580.2		390.4	1,189.8
Tobacco.....	160.4			160.4
Cotton.....	226.6			226.6
Nitrogen.....	1.4			1.4
Phosphates.....	.5			.5
Agricultural machinery.....	20.8			20.8
Coal.....	12.1			12.1
Mining machinery.....	32.6			32.6
Petroleum products.....	190.6	190.6		
Timber.....	212.8	156.3		56.5



TABLE 16.—*United Kingdom and dependencies—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*—Continued

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		United Kingdom dollar earnings	Sources other than new United States funds	New United States funds
Iron and steel:				
Finished	14.3	14.3		
Crude and semifinished	56.0	56.0		
Iron ore	8.8			8.8
Steel equipment	8.5			8.5
Timber equipment	1.7			1.7
Electrical equipment	40.5			40.5
Other imports <sup>1</sup>	1,622.4	1,594.5	27.9	
Total commodity imports	4,190.2	2,011.7	418.3	1,760.2
Net freight	59.0	59.0		
Other dollar payments	62.0	62.0		
Total	4,311.2	2,132.7	418.3	1,760.2

<sup>1</sup> Includes (in millions): Chemicals, \$169; copper, \$80; tin, \$44; lead, \$37; zinc, \$35; aluminum, \$75; wood, pulp, \$48; newsprint, \$24; hides and skins and leather, \$87; machinery and equipment, \$371; fish, \$29; wool, \$33.

TABLE 17.—*Western Germany, Bizone—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Bizonal dollar earnings	Sources other than new United States funds	New United States funds
Bread grains	284.6			284.6
Coarse grains	54.1			54.1
Fats and oils	24.5			24.5
Sugar	27.5			27.5
Meat	6.2			6.2
Dairy products	9.9			9.9
Dried fruit	5.5			5.5
Coffee	2.2			2.2
Other foods	23.9			23.9
Subtotal	438.4			438.4
Tobacco	16.1			16.1
Cotton	66.5			66.5
Nitrogen	12.0			12.0
Phosphates	1.1			1.1
Agricultural machinery	8.4			8.4
Mining machinery	28.0			28.0
Petroleum products	22.5			22.5
Trucks	9.4			9.4
Freight cars	60.0			60.0
Timber equipment	.3			.3
Electrical equipment	5.0			5.0
Other imports <sup>1</sup>	212.4	99.6		112.8
Total commodity imports	880.1	99.6		780.5
Net freight	134.0			134.0
Total <sup>2</sup>	1,014.1	99.6		914.5

<sup>1</sup> Includes (in millions): Copper, lead, and zinc, \$18; hides and skins, \$9; seeds, \$22.

<sup>2</sup> In addition to its dollar requirements for imports from the Western Hemisphere, bizonal Germany will have an uncovered dollar deficit of \$200,000,000 with nonparticipating countries outside the Western Hemisphere. This deficit is made up of the following items (in millions): Wool, \$71; hemp, \$6.5; lead, \$10; coarse grains, \$28.5; cotton, \$16.6; other raw materials, \$26.6; freight, \$26.8.



TABLE 18.—*Germany, French zone—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		French zone dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	44.6			44.6
Sugar.....	1.6			1.6
Coffee.....	.3			.3
Subtotal.....	46.5			46.5
Tobacco.....	2.0			2.0
Cotton.....	16.7			16.7
Agricultural machinery.....	1.1			1.1
Petroleum products.....	8.7			8.7
Timber equipment.....	.7			.7
Other imports.....	16.2	11.5		4.7
Total commodity imports.....	91.9	11.5		80.4
Net freight.....	1.3	1.3		
Total.....	93.2	12.8		80.4

TABLE 19.—*Germany, Saar—Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)*

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Saar dollar earnings	Sources other than new United States funds	New United States funds
Bread grains.....	7.0			7.0
Coarse grains.....	.6	0.6		
Sugar.....	1.0	1.0		
Meat.....	.8	.8		
Subtotal.....	9.4	2.4		7.0
Tobacco.....	.3	.3		
Mining machinery.....	3.9			3.9
Total commodity imports.....	13.6	2.7		10.9

The CHAIRMAN. Are you going to break down—I do not mean are you going to break down—

Ambassador DOUGLAS. I probably will before the afternoon is over.

The CHAIRMAN. Are you going to break down the figures of \$6,800,000,000 into loans and grants, and so forth?

Ambassador DOUGLAS. You remember, I think it was yesterday, Senator Wiley asked a question as to how much of the \$6,800,000,000 was to be in the form of loans, how much in the form of grants, and the reply then was—I am afraid it must be the same reply today—that the National Advisory Council determines, in consultation with



the Administrator, how much shall be in loans and how much shall be in grants. The National Advisory Council calculates that the amount of the \$6,800,000,000 which will be represented by loans will vary between 20 and 40 percent, and the balance will be in grants.

The CHAIRMAN. The 6.8 billion then is all, either loans or grants. Is that correct?

Ambassador DOUGLAS. That is right, sir.

The CHAIRMAN. Any financing that is done through the World Bank or through the Export-Import Bank is in addition to the \$6,800,000,000?

Ambassador DOUGLAS. That is right, sir.

The CHAIRMAN. Is that a final and conclusive answer or is it not possible that the evolution of the plan might transfer some of the loans from us to the bank?

Ambassador DOUGLAS. That is always possible, Senator. The officials of the bank will speak to the point much more effectively than can I. The bank, of course, operates under certain restrictions. Whether it can absorb any of this 6.8 billion or not I am not prepared to say. You see, we have already included \$500,000,000, or rather, already subtracted from the over-all deficiency, \$500,000,000, on account of credit extended by the bank on the one hand, that is the International Bank, credit extended by the Export-Import Bank, and private financing.

Senator LODGE. Mr. Chairman, is it possible at this point to put the figures into the record showing how it is expected that these funds will be allocated as between countries, or is not enough known for that?

Ambassador DOUGLAS. We have a country by country study which has not yet been completed. We have the studies for five countries, Senator.

I have here the balance of payment figures for the countries which I would be very glad to insert in the record. This does not necessarily indicate the way in which the commodities or the credits will necessarily be distributed.

Senator LODGE. It is not a promise?

Ambassador DOUGLAS. No. For example, there are some countries on this list that show a deficiency in their balance of payments but which will, we are confident, because of their ability, pay in cash on the barrel head. And there are others whose balance of payments shows a deficiency that will doubtless be able to finance part of the deficiency through private lines of credit.

So I would be very glad to insert this into the record at this point with that understanding. Yes; I think it might be of value, Senator. I will do whatever you suggest.

The CHAIRMAN. If there is no objection it will be inserted in the record for what it is worth. Obviously it is not too conclusive.

Ambassador DOUGLAS. Take for example Norway and Sweden on this list of participating countries: it is not contemplated that they will receive any aid or support from the United States Government, except in the form of loans, and there are two or three other countries that will receive no aid because they have cash. They will be able to pay on the barrel head.

(Figures showing deficiencies as between countries are as follows:)



ESTIMATED DEFICITS ON CURRENT ACCOUNT OF EUROPEAN COUNTRIES  
PARTICIPATING IN THE PROPOSED EUROPEAN RECOVERY PROGRAM,  
DECEMBER 31, 1947

The proposed United States support for a European recovery program, as presented by the executive branch to the Congress, is based substantially on the estimated balance of payments positions of the participating countries with the Western Hemisphere for the period of the proposed program. The estimated deficit and surplus balances on current account which have been prepared by the executive branch for each participating country are presented in the attached tables.

The executive branch concludes that approximately 15 percent of the combined deficits with the Western Hemisphere for the period April 1948 through June 1949 can be financed from sources other than new United States Treasury funds, although the percentage of the deficits of individual participating countries that can thus be financed will vary greatly from country to country.

The attached tables also show the estimated deficits and surpluses of the participating countries with nonparticipating countries outside the Western Hemisphere. The executive branch has not requested any authorization to cover the participating countries' deficits with this area except for a certain portion in the case of bizonia Germany.

The nature of a deficit balance on current account can be briefly stated in the following terms. Transactions between a particular country and other countries such as imports and exports of merchandise and services, earnings of interest, amortization, dividends and profits, and transfers of remittances, are customarily regarded as "on current account." These transactions result in payments and receipts. If a particular country's receipts from foreign countries are smaller than its payments to foreign countries within a certain period, it has incurred a deficit on current account. It can only incur such a deficit if it has reserves of gold, foreign exchange, or other foreign assets which are used to settle the deficit, or if it receives credits or grants, or if foreigners make new investments within that country.

An estimate of a deficit in a particular country's balance of payments for a future period should not be regarded primarily as a forecast. Rather, it is a measure of the country's need for outside assistance to supplement use of its own resources in achieving certain levels of consumption and investment. The deficits in the balances of payments of countries participating in the proposed European recovery program, as estimated by the executive branch, are the measures of their external needs for maintenance of tolerable living standards and achievement of self-supporting economies.

(NOTE.—Attention is directed to the fact that the individual country balances in the attached tables have not been adjusted for changes in export and import prices, and in freight rates, that may occur during the period. Such adjustments have been confined to the combined balances of all the participating countries.)



*Estimated surplus (+) or deficit (—) of ERP countries on current account with total Western Hemisphere, by country and by period, 1948–52*

[In millions of dollars]

Country	April to June 1948	1948 to 1949	Total, April 1948 to June 1949	1949 to 1950	1950 to 1951	1951 to 1952	Grand total
1. Austria	-43	-151	-194	-200	-167	-152	-713
2. Belgium-Luxemburg	-106	-439	-545	-372	-311	-246	-1,474
3. Belgian dependencies	+5	+21	+26	+11	+7	+11	+55
4. Denmark	-30	-162	-192	-143	-128	-119	-582
5. Ireland	-30	-121	-151	-122	-117	-107	-497
6. France	-310	-1,090	-1,400	-778	-493	-253	-2,924
7. French dependencies	-29	-134	-163	-111	-90	-50	-414
8. Greece	-37	-157	-194	-115	-87	-77	-473
9. Iceland	-2	-10	-12	-9	-9	-8	-38
10. Italy	-197	-780	-977	-759	-615	-562	-2,913
11. Netherlands	-155	-659	-814	-616	-583	-499	-2,512
12. Dutch dependencies	-6	-45	-51	+33	+39	+55	+76
13. Norway	-14	-76	-90	-68	-49	-27	-234
14. Portugal	-19	-55	-74	-38	-32	-24	-168
15. Portuguese dependencies		+3	+3	+2	+8	+5	+18
16. Sweden	-10	-65	-75	+13	+60	+78	+76
17. Switzerland	+6	+20	+26	+23	+29	+22	+100
18. Turkey	+7	-5	+2	-10	-6	-4	-18
19. United Kingdom	-567	-1,923	-2,490	-1,559	-1,341	-1,265	-6,655
20. British dependencies	+50	+260	+310	+284	+333	+380	+1,307
Germany:							
21. Bizone	-165	-750	-915	-708	-486	-390	-2,499
22. French zone	-15	-66	-81	-78	-74	-77	-310
23. Saar	-2	-9	-11	-14	-14	-14	-53
24. Combined balance on current account (at July 1, 1947, prices)	-1,669	-6,393	-8,062	-5,334	-4,126	-3,323	-20,845
25. Adjustment for savings in dollar shipping services <sup>b</sup>	+10	+90	+100	+134	+86	+30	+350
26. Total adjusted for savings on shipping	-1,659	-6,303	-7,962	-5,200	-4,040	-3,293	-20,495
27. Adjustment for higher prices <sup>c</sup>	(-115)	(-450)	-565	-395	-339	-291	-1,590
28. Adjusted balance (upper level)	-1,774	-6,753	-8,527	-5,595	-4,379	-3,584	-22,085
29. Adjustment for lower prices and lower freight rates	<sup>c</sup> -115	<sup>c</sup> -450	<sup>c</sup> -565	<sup>d</sup> +142	<sup>e</sup> +578	<sup>f</sup> +916	+1,071
30. Adjusted balance (lower level)	-1,774	-6,753	-8,527	-5,058	-3,462	-2,377	-19,424
31. Range of adjusted estimates (in billions of dollars)	-1.8 to -1.8	-6.8 to -6.8	-8.6 to -8.6	-5.1 to -5.6	-3.5 to -4.4	-2.4 to -3.6	-19.4 to -22.1

NOTE.—For footnotes referred to by letter symbols in above table, see corresponding symbols on p. 138.

*Estimated surplus (+) or deficit (—) of ERP countries on current account with United States, by country and by period*

[In millions of dollars]

Country	April to June 1948	1948 to 1949	Total, April 1948 to June 1949	1949 to 1950	1950 to 1951	1951 to 1952	Grand total
1. Austria	-33	-107	-140	-144	-166	-99	-499
2. Belgium-Luxemburg	-80	-318	-398	-238	-167	-131	-934
3. Belgian dependencies	+5	+22	+27	+16	+12	+15	+70
4. Denmark	-18	-74	-92	-57	-45	-43	-237
5. Ireland	-10	-46	-56	-35	-22	-14	-127
6. France	-255	-903	-1,158	-673	-500	-324	-2,655
7. French dependencies	-20	-74	-94	-50	-37	-2	-183
8. Greece	-31	-100	-131	-76	-57	-48	-312
9. Iceland	-1	-7	-8	-7	-6	-5	-26
10. Italy	-149	-584	-733	-566	-480	-483	-2,262
11. Netherlands	-96	-382	-478	-321	-283	-248	-1,330
12. Dutch dependencies	+12	+51	+63	+232	+231	+242	+768
13. Norway	-7	-52	-59	-46	-27	-7	-139
14. Portugal	-10	-33	-43	-18	-12	-3	-76
15. Portuguese dependencies		+5	+5	+6	+11	+8	+30
16. Sweden	-7	-39	-46	-7	+26	+45	+18
17. Switzerland	+3	+9	+12	+10	+19	+20	+61
18. Turkey	+3	-2	+1	-4	-2	-2	-7
19. United Kingdom	-241	-891	-1,132	-692	-551	-510	-2,885



*Estimated surplus (+) or deficit (—) of ERP countries on current account with United States, by country and by period—Continued*

Country	April to June 1948	1948 to 1949	Total, April 1948 to June 1949	1949 to 1950	1950 to 1951	1951 to 1952	Grand total
20. British dependencies.....	+70	+300	+370	+323	+373	+421	+1,487
Germany:							
21. Bizone.....	-134	-585	-719	-535	-373	-322	-1,949
22. French zone.....	-13	-33	-46	-68	-59	-65	-238
23. Saar.....	-2	-7	-9	-15	-14	-15	-53
24. Combined balance on current account (at July 1, 1947, prices).....	-1,014	-38,50	-4,864	-2,965	-2,079	-1,570	-11,478
25. Adjustment for saving in dollars shipping services <sup>b</sup> .....	+10	+90	+100	+134	+86	+30	+350
26. Total adjusted for savings on shipping.....	-1,004	-3,760	-4,764	-2,831	-1,993	-1,540	-11,128
27. Adjustment for higher prices <sup>c</sup> .....	-84	-328	-412	-284	-241	-207	-1,144
28. Adjusted balance (upper level).....	-1,088	-4,088	-5,176	-3,115	-2,234	-1,747	-12,272
29. Adjustment for lower prices and lower freight rates.....	( <sup>e</sup> -84)	( <sup>e</sup> -328)	<sup>e</sup> -412	<sup>d</sup> +28	<sup>e</sup> +257	<sup>f</sup> +422	+295
30. Adjusted balance (lower level).....	-1,088	-4,088	-5,176	-2,803	-1,736	-1,118	-10,833
31. Range of adjusted estimates.....	-1.1	-4.1	-5.2	-2.8	-1.7	-1.1	-10.8
	to -1.1	to -4.1	to -5.2	to -3.1	to -2.3	to -1.7	to -12.3

NOTE.—For footnotes referred to by letter symbols in above table, see corresponding symbols on p. 138.

*Estimated surplus (+) or deficit (—) of ERP countries on current account with other Western Hemisphere, by country and by period*

[In millions of dollars]

Country	April to June 1948	1948 to 1949	Total, April 1948 to June 1949	1949 to 1950	1950 to 1951	1951 to 1952	Grand total
1. Austria.....	-10	-44	-54	-56	-51	-53	-214
2. Belgium-Luxemburg.....	-26	-121	-147	-134	-144	-115	-540
3. Belgian dependencies.....		-1	-1	-5	-5	-4	-15
4. Denmark.....	-12	-88	-100	-86	-83	-76	-345
5. Ireland.....	-20	-75	-95	-87	-95	-93	-370
6. France.....	-55	-187	-242	-105	+7	+71	-269
7. French dependencies.....	-9	-60	-69	-61	-53	-48	-231
8. Greece.....	-6	-57	-63	-39	-30	-29	-161
9. Iceland.....	-1	-3	-4	-2	-3	-3	-12
10. Italy.....	-48	-196	-244	-193	-135	-79	-651
11. Netherlands.....	-59	-277	-336	-295	-300	-251	-1,182
12. Dutch dependencies.....	-18	-96	-114	-199	-192	-187	-692
13. Norway.....	-7	-24	-31	-22	-22	-20	-95
14. Portugal.....	-9	-22	-31	-20	-20	-21	-92
15. Portuguese dependencies.....		-2	-2	-4	-3	-3	-12
16. Sweden.....	-3	-26	-29	+20	+34	+33	+58
17. Switzerland.....	+3	+11	+14	+13	+10	+2	+39
18. Turkey.....	+4	-3	+1	-6	-4	-2	-11
19. United Kingdom.....	-326	-1,032	-1,358	-867	-790	-755	-3,770
20. British dependencies.....	-20	-40	-60	-39	-40	-41	-180
Germany:							
21. Bizone.....	-31	-165	-196	-173	-113	-68	-550
22. French zone.....	-2	-33	-35	-10	-15	-12	-72
23. Saar.....		-2	-2	+1		+1	
24. Combined balance on current account (at July 1, 1947, prices).....	-655	-2,543	-3,198	-2,369	-2,047	-1,753	-9,367
25. Adjustment for higher prices.....	-31	-122	-153	-111	-98	-84	-446
26. Adjusted balance (upper level).....	-686	-2,665	-3,351	-2,480	-2,145	-1,837	-9,813
27. Adjustment for lower prices and lower freight rates <sup>c</sup> .....	<sup>c</sup> (-31)	<sup>c</sup> (-122)	<sup>c</sup> -153	<sup>d</sup> +114	<sup>e</sup> +321	<sup>f</sup> +494	+776
28. Adjusted balance (lower level).....	-686	-2,665	-3,351	-2,255	-1,726	-1,259	-8,591
29. Range of adjusted estimates.....	-0.7	-2.6	-3.3	-2.3	-1.7	-1.3	-8.6
	to -0.7	to -2.6	to 3.3	to -2.5	to -2.1	to -1.8	to -9.8

NOTE.—For footnotes referred to by letter symbols in above table, see corresponding symbols on p. 138.



*Estimated surplus (+) or deficit (—) of ERP countries on current account with other nonparticipating areas, by country and by period*

[In millions of dollars]

Country	April to June 1948	1948 to 1949	Total, April 1948 to June 1949	1949 to 1950	1950 to 1951	1951 to 1952	Grand total
1. Austria.....	-17	-84	-101	-55	-32	+5	-183
2. Belgium-Luxemburg.....	-16	-82	-98	-75	-59	-53	-285
3. Belgian dependencies.....				-1	+2	+1	+2
4. Denmark.....	-18	-54	-72	-28	+5	+23	-72
5. Ireland.....	-8	-34	-42	-41	-39	-40	-162
6. France.....	-95	-236	-331	-266	-272	-160	-1,029
7. French dependencies.....	-5	-27	-32	-35	-33	-43	-143
8. Greece.....	-7	-59	-66	-42	-33	-36	-177
9. Iceland.....	-1	-2	-3	-2			-5
10. Italy.....	-8	-45	-53	+67	+115	+227	+356
11. Netherlands.....	-24	-106	-130	-62	-46	-24	-262
12. Dutch dependencies.....	-11	-44	-55	-44	+26	+19	-54
13. Norway.....	-14	-48	-62	-44	-29	-27	-162
14. Portugal.....	-4	-19	-23	-12	-17	-20	-72
15. Portuguese dependencies.....	+7	+33	+40	+32	+28	+29	+129
16. Sweden.....	-17	-68	-85	-43	-21	-5	-154
17. Switzerland.....	+19	+33	+52	+41	+50	+76	+219
18. Turkey.....	+4	+63	+67	+30	+31	+28	+156
19. United Kingdom.....	+172	+816	+988	+937	+946	+963	+3,834
20. British dependencies.....	-50	-204	-254	-207	-225	-223	-909
Germany:							
21. Bizone.....	-41	-267	-308	-222	-277	-265	-1,072
22. French zone.....	-3	-13	-16	-22	-24	-20	-82
23. Saar.....	-1	-5	-6	-8	-8	-9	-31
24. Combined balance on current account (at July 1, 1947, prices).....	-138	-452	-590	-102	+88	+446	-158
25. Adjustment for higher prices.....	-42	-179	-221	-180	-183	-172	-756
26. Adjusted balance (upper level).....	-180	-631	-811	-282	-95	+274	-914
27. Adjustment for lower prices and lower freight rates <sup>c</sup> .....	<sup>c</sup> (-42)	<sup>c</sup> (-179)	<sup>c</sup> (-221)	<sup>d</sup> -16	<sup>e</sup> +167	<sup>f</sup> +327	+257
28. Adjusted balance (lower level).....	-180	-631	-811	-118	+255	+773	+99
	-0.2	-0.6	-0.8	-0.1	+0.3	+0.8	+0.1
29. Range of adjusted estimates. {	to -0.2	to -0.6	to -0.8	to -0.03	to -0.1	to +0.3	to -0.9

NOTE.—For footnotes referred to by letter symbols in above table, see corresponding symbols on p. 138.

*Total estimated surplus (+) or deficit (—) of ERP countries on current account,<sup>a</sup> by country and by period, 1948–52*

[In millions of dollars]

Country	April to June 1948	1948 to 1949	Total, April 1948 to June 1949	1949 to 1950	1950 to 1951	1951 to 1952	Grand total
1. Austria.....	-60	-235	-295	-255	-199	-147	-896
2. Belgium-Luxemburg.....	-122	-521	-643	-447	-370	-299	-1,759
3. Belgian dependencies.....	+5	+21	+26	+10	+9	+12	+57
4. Denmark.....	-48	-216	-264	-171	-123	-96	-654
5. Ireland.....	-38	-155	-193	-163	-156	-147	-659
6. France.....	-405	-1,326	-1,731	-1,044	-756	-413	-3,953
7. French dependencies.....	-34	-161	-195	-146	-123	-93	-557
8. Greece.....	-44	-216	-260	-157	-120	-113	-650
9. Iceland.....	-3	-12	-15	-11	-9	-8	-43
10. Italy.....	-205	-825	-1,030	-692	-500	-335	-2,557
11. Netherlands.....	-179	-765	-944	-678	-629	-523	-2,774
12. Dutch dependencies.....	-17	-89	-106	-11	+65	+74	+22
13. Norway.....	-28	-124	-152	-112	-78	-54	-396
14. Portugal.....	-23	-74	-97	-50	-49	-44	-240
15. Portuguese dependencies.....	+7	+36	+43	+34	+36	+34	+147
16. Sweden.....	-27	-133	-160	-30	+39	+73	-78
17. Switzerland.....	+25	+53	+78	+64	+79	+98	+319
18. Turkey.....	+11	+58	+69	+20	+25	+24	+138
19. United Kingdom.....	-395	-1,107	-1,502	-622	-395	-302	-2,821
20. British dependencies.....		+56	+56	+77	+108	+157	+398



*Total estimated surplus (+) or deficit (—) of ERP countries on current account, by country and by period, 1948–52—Continued*

Country	April to June 1948	1948 to 1949	Total, April 1948 to June 1949	1949 to 1950	1950 to 1951	1951 to 1952	Grand total
Germany:							
21. Bizone.....	-206	-1,017	-1,223	-930	-763	-655	-3,571
22. French zone.....	-18	-79	-97	-100	-98	-97	-392
23. Saar.....	-3	-14	-17	-22	-22	-23	-84
24. Combined balance on current account (at July 1, 1947, prices) <sup>b</sup> .....	-1,807	-6,845	-8,652	-5,436	-4,038	-2,877	-2,100
25. Adjustment for savings in dollar shipping service.....	+10	+90	+100	+134	+86	+30	+350
26. Total adjusted for saving on shipping.....	-1,797	-6,755	-8,552	-5,302	-3,952	-2,847	-2,065
27. Adjustment for higher prices <sup>c</sup> .....	-157	-629	-786	-575	-522	-463	-2,346
28. Adjusted balance (upper level).....	-1,954	-7,384	-9,338	-5,877	-4,474	-3,310	-2,299
29. Adjustment for lower prices and lower freight rates.....	<sup>e</sup> (-157)	<sup>e</sup> (-629)	<sup>e</sup> (-786)	<sup>d</sup> +126	<sup>e</sup> +745	<sup>f</sup> +1,243	+1,328
30. Adjusted balance (lower level).....	-1,954	-7,384	-9,338	-5,176	-3,207	-1,604	-1,932
31. Range of adjusted estimates (in billions of dollars).....	<sup>g</sup> { -2.0 to -2.0	<sup>g</sup> { -7.4 to -7.4	<sup>g</sup> { -9.3 to -9.3	<sup>g</sup> { -5.2 to -5.9	<sup>g</sup> { -3.2 to -4.5	<sup>g</sup> { -1.6 to -3.3	<sup>g</sup> { -19.9 to -23.0

NOTE.—For footnotes referred to by letter symbols in above table, see corresponding symbols on p. 138.

*Estimated surplus (+) or deficit (—) on current account of ERP countries, by country and area, April to June 1948*

[In millions of dollars]

Country	Total <sup>a</sup>	Total, Western Hemi- sphere	United States	Other Western Hemi- sphere	Other non- partici- pating areas
1. Austria.....	-60	-43	-33	-10	-17
2. Belgium-Luxemburg.....	-122	-106	-80	-26	-16
3. Belgian dependencies.....	+5	+5	+5		
4. Denmark.....	-48	-30	-18	-12	-18
5. Ireland.....	-38	-30	-10	-20	-8
6. France.....	-405	-310	-255	-55	-95
7. French dependencies.....	-34	-29	-20	-9	-5
8. Greece.....	-44	-37	-31	-6	-7
9. Iceland.....	-3	-2	-1	-1	-1
10. Italy.....	-205	-197	-149	-48	-8
11. Netherlands.....	-179	-155	-96	-59	-24
12. Dutch dependencies.....	-17	-6	+12	-18	-11
13. Norway.....	-28	-14	-7	-7	-14
14. Portugal.....	-23	-19	-10	-9	-4
15. Portuguese dependencies.....	+7				+7
16. Sweden.....	-27	-10	-7	-3	-17
17. Switzerland.....	+25	+6	+3	+3	+19
18. Turkey.....	+11	+7	+3	+4	+4
19. United Kingdom.....	-395	-567	-241	-326	+172
20. British dependencies.....		+50	+70	-20	-50
Germany:					
21. Bizone.....	-206	-165	-134	-31	-41
22. French zone.....	-18	-15	-13	-2	-3
23. Saar.....	-3	-2	-2		-1
24. Combined balance on current account (at July 1, 1947, prices).....	-1,807	-1,669	-1,014	-655	-138
25. Adjustment for savings in dollar shipping services <sup>b</sup> .....	+10	+10	+10		
26. Total adjusted for savings on shipping.....	-1,797	-1,659	-1,004	-655	-138
27. Adjustment for higher prices <sup>c</sup> .....	-157	-115	-84	-31	-42
28. Adjusted balance.....	-1,954	-1,774	-1,088	-686	-180

<sup>a</sup> See footnote a on p. 138.

<sup>b</sup> See footnote b on p. 138.

<sup>c</sup> See footnote c on p. 138.



*Estimated surplus (+) or deficit (—) on current account of ERP countries, by country and area, fiscal year 1948-49*

[In millions of dollars]

Country	Total <sup>a</sup>	Total, Western Hemi- sphere	United States	Other Western Hemi- sphere	Other non- partici- pating areas
1. Austria.....	-235	-151	-107	-44	-84
2. Belgium-Luxemburg.....	-521	-439	-318	-121	-82
3. Belgian dependencies.....	+21	+21	+22	-1	-----
4. Denmark.....	-216	-162	-74	-88	-54
5. Ireland.....	-155	-121	-46	-75	-34
6. France.....	-1,326	-1,090	-903	-187	-236
7. French dependencies.....	-161	-134	-74	-60	-27
8. Greece.....	-216	-157	-100	-57	-59
9. Iceland.....	-12	-10	-7	-3	-2
10. Italy.....	-825	-780	-584	-196	-45
11. Netherlands.....	-765	-659	-382	-277	-106
12. Dutch dependencies.....	-89	-45	+51	-96	-44
13. Norway.....	-124	-76	-52	-24	-48
14. Portugal.....	-74	-55	-33	-22	-19
15. Portuguese dependencies.....	+36	+3	+5	-2	+33
16. Sweden.....	-133	-65	-39	-26	-68
17. Switzerland.....	+53	+20	+9	+11	+33
18. Turkey.....	+58	-5	-2	-3	+63
19. United Kingdom.....	-1,107	-1,923	-891	-1,032	+816
20. British dependencies.....	+56	+260	+300	-40	-204
Germany:					
21. Bizone.....	-1,017	-750	-585	-165	-267
22. French zone.....	-79	-66	-33	-33	-13
23. Saar.....	-14	-9	-7	-2	-5
24. Combined balance on current account (at July 1, 1947, prices).....	-6,845	-6,393	-3,850	-2,543	-452
25. Adjustment for savings in dollar shipping services <sup>b</sup> .....	+90	+90	+90	-----	-----
26. Total adjusted for savings on shipping.....	-6,755	-6,303	-3,760	-2,543	-452
27. Adjustment for higher prices <sup>c</sup> .....	-629	-450	-328	-122	-179
28. Adjusted balance.....	-7,384	-6,753	-4,088	-2,665	-631

<sup>a</sup> See footnote a on p. 138.

<sup>b</sup> See footnote b on p. 138.

<sup>c</sup> See footnote c on p. 138.

*Estimated surplus (+) or deficit (—) on current account of ERP countries, by country and area, fiscal year 1949-50*

[In millions of dollars]

Country	Total <sup>a</sup>	Total, Western Hemi- sphere	United States	Other Western Hemi- sphere	Other non- partici- pating areas
1. Austria.....	-255	-200	-144	-56	-55
2. Belgium-Luxemburg.....	-447	-372	-238	-134	-75
3. Belgian dependencies.....	+10	+11	+16	-5	-1
4. Denmark.....	-171	-143	-57	-86	-28
5. Ireland.....	-163	-122	-35	-87	-41
6. France.....	-1,044	-778	-673	-105	-266
7. French dependencies.....	-146	-111	-50	-61	-35
8. Greece.....	-157	-115	-76	-39	-42
9. Iceland.....	-11	-9	-7	-2	-2
10. Italy.....	-692	-759	-566	-193	+67
11. Netherlands.....	-678	-616	-321	-295	-62
12. Dutch dependencies.....	-11	+33	+282	-199	-44
13. Norway.....	-112	-68	-46	-22	-44
14. Portugal.....	-50	-38	-18	-20	-12
15. Portuguese dependencies.....	+34	+2	+6	-4	+32
16. Sweden.....	-30	+13	-7	+20	-43
17. Switzerland.....	+64	+23	+10	+13	+41
18. Turkey.....	+20	-10	-4	-6	+30
19. United Kingdom.....	-622	-1,559	-692	-867	+937
20. British dependencies.....	+77	+284	+323	-39	-207
Germany:					
21. Bizone.....	-930	-708	-535	-173	-222
22. French zone.....	-100	-78	-68	-10	-22

<sup>a</sup> See footnote a on p. 138



*Estimated surplus (+) or deficit (—) on current account of ERP countries, by country and area, fiscal year 1949–50—Continued*

Country	Total <sup>a</sup>	Total, Western Hemi- sphere	United States	Other Western Hemi- sphere	Other non- partici- pating areas
Germany—Continued					
23. Saar	—22	—14	—15	+1	—8
24. Combined balance on current account (at July 1, 1947, prices)	—5,436	—5,334	—2,965	—2,369	—102
25. Adjustment for savings in dollar ship- ping service <sup>b</sup>	+134	+134	+134		
26. Total adjusted for savings on shipping	—5,302	—5,200	—2,831	—2,369	—102
27. Adjustment for higher prices <sup>c</sup>	—575	—395	—284	—111	—180
28. Adjusted balance (upper level)	—5,877	—5,595	—3,115	—2,480	—282
29. Adjustment for lower prices and lower freight rates <sup>d</sup>	+126	+142	+28	+114	—16
30. Adjusted balance (lower level)	—5,176	—5,058	—2,803	—2,255	—118
31. Range of adjusted estimates (in billions of dollars)	—5.2 to —5.9	—5.1 to —5.6	—2.8 to —3.1	—2.3 to —2.5	—0.1 to —0.3

<sup>b</sup> See footnote b on p. 138.

<sup>c</sup> See footnote c on p. 138.

<sup>d</sup> See footnote d on p. 138.

*Estimated surplus (+) or deficit (—) on current account of ERP countries, by country and area, fiscal year 1950–51*

[In millions of dollars]

Country	Total <sup>a</sup>	Total, Western Hemi- sphere	United States	Other Western Hemi- sphere	Other non- partici- pating areas
1. Austria	—199	—167	—116	—51	—32
2. Belgium-Luxemburg	—370	—311	—167	—144	—59
3. Belgian dependencies	+9	+7	+12	—5	+2
4. Denmark	—123	—128	—45	—83	+5
5. Ireland	—156	—117	—22	—95	—39
6. France	—765	—493	—500	+7	—272
7. French dependencies	—123	—90	—37	—53	—33
8. Greece	—120	—87	—57	—30	—33
9. Iceland	—9	—9	—6	—3	
10. Italy	—500	—615	—480	—135	+115
11. Netherlands	—629	—583	—283	—300	—46
12. Dutch dependencies	+65	+39	+231	—192	+26
13. Norway	—78	—49	—27	—22	—29
14. Portugal	—49	—32	—12	—20	—17
15. Portuguese dependencies	+36	+8	+11	—3	+28
16. Sweden	+39	+60	+26	+34	—21
17. Switzerland	+79	+29	+19	+10	+50
18. Turkey	+25	—6	—2	—4	+31
19. United Kingdom	—395	—1,341	—551	—790	+946
20. British dependencies	+108	+333	+373	—40	—225
Germany:					
21. Bizone	—763	—486	—373	—113	—277
22. French zone	—98	—74	—59	—15	—24
23. Saar	—22	—14	—14		—8
24. Combined balance on current account (at July 1, 1947, prices)	—4,038	—4,126	—2,079	—2,047	+88
25. Adjustment for savings in dollar ship- ping services <sup>b</sup>	+86	+86	+86		
26. Total adjusted for savings on shipping	—3,952	—4,040	—1,993	—2,047	+88
27. Adjustment for higher prices <sup>c</sup>	—522	—339	—241	—98	—183
28. Adjusted balance (upper level)	—4,474	—4,379	—2,234	—2,145	—95
29. Adjustment for lower prices and lower freight rates <sup>d</sup>	+745	+578	+257	+321	+167
30. Adjusted balance (lower level)	—3,207	—3,462	—1,736	—1,726	+255
31. Range of adjusted estimates (in billions of dollars)	—3.2 to —4.5	—3.5 to —4.4	—1.7 to —2.2	—1.7 to —2.1	+0.3 to —0.1

<sup>a</sup> See footnote a on p. 138.

<sup>b</sup> See footnote b on p. 138.

<sup>c</sup> See footnote c on p. 138.

<sup>d</sup> See footnote e on p. 138.



*Estimated surplus (+) or deficit (—) on current account of ERP countries, by country and area, fiscal year 1951–52*

[In millions of dollars]

Country	Total <sup>a</sup>	Total, Western Hemi- sphere	United States	Other Western Hemi- sphere	Other non- partici- pating areas
1. Austria.....	-147	-152	-99	-53	+5
2. Belgium Luxemburg.....	-299	-246	-131	-115	-53
3. Belgian dependencies.....	+12	+11	+15	-4	+1
4. Denmark.....	-96	-119	-43	-76	+23
5. Ireland.....	-147	-107	-14	-93	-40
6. France.....	-413	-253	-324	+71	-160
7. French dependencies.....	-93	-50	-2	-48	-43
8. Greece.....	-113	-77	-48	-29	-36
9. Iceland.....	-8	-8	-5	-3	
10. Italy.....	-335	-562	-483	-79	+227
11. Netherlands.....	-523	-499	-248	-251	-24
12. Dutch dependencies.....	+74	+55	+242	-187	+19
13. Norway.....	-54	-27	-7	-20	-27
14. Portugal.....	-44	-24	-3	-21	-20
15. Portuguese dependencies.....	+34	+5	+8	-3	+29
16. Sweden.....	+73	+78	+45	+33	-5
17. Switzerland.....	+98	+22	+20	+2	+76
18. Turkey.....	+24	-4	-2	-2	+28
19. United Kingdom.....	-302	-1265	-510	-755	+963
20. British dependencies.....	+157	+380	+421	-41	-223
Germany:					
21. Bizone.....	-655	-390	-322	-68	-265
22. French zone.....	-97	-77	-65	-12	-20
23. Saar.....	-23	-14	-15	+1	-9
24. Combined balance on current account (at July 1, 1947, prices).....	-2,877	-3,333	-1,570	-1,753	+446
25. Adjustment for savings in dollar shipping services <sup>b</sup> .....	+30	+30	+30		
26. Total adjusted for savings on shipping.....	-2,847	-3,293	-1,540	-1,753	+446
27. Adjustment for higher prices <sup>c</sup> .....	-463	-291	-207	-84	-172
28. Adjusted balance (upper level).....	-3,310	-3,584	-1,747	-1,837	+274
29. Adjustment for lower prices and lower freight rates <sup>d</sup> .....	+1,243	+916	+422	+494	+327
30. Adjusted balance (lower level).....	-1,604	-2,377	-1,118	-1,259	+773
31. Range of adjusted estimates, (in billions of dollars).....	-1.6 to -3.3	-2.4 to -3.6	-1.1 to -1.7	-1.3 to -1.8	+0.8 to +0.3

<sup>a</sup> See footnote a on p. 138.

<sup>b</sup> See footnote b on p. 138.

<sup>c</sup> See footnote c on p. 138.

<sup>d</sup> See footnote f on p. 138.

#### EXPLANATORY NOTES FOR TABLES SHOWING ESTIMATED SURPLUS (+) OR DEFICIT (—) OF ERP COUNTRIES ON CURRENT ACCOUNT

<sup>a</sup> Total equals balance with "Total Western Hemisphere" plus balance with "Other nonparticipating areas"; excludes balance with other participating countries and balance between participating country and its dependencies.

<sup>b</sup> Estimated dollar savings resulting mainly from recommended temporary transfer of up to 300 additional bulk-cargo carriers on bare-boat charter basis.

<sup>c</sup> Calculated for "United States" and "Other nonparticipating areas" on basis of 7.5-percent price rise of imports (5 percent for "Other Western Hemisphere") as against 5-percent price rise of exports since July 1, 1947.

<sup>d</sup> Calculated for "United States" and "Other nonparticipating areas" on basis of July 1, 1947, price for imports and exports, and a 10-percent decrease in ocean freight rates since July 1, 1947; for "Other Western Hemisphere" on basis of 2.5-percent price decline for imports, July 1, 1947, price for exports, and a 10-percent decrease in ocean freight rates since July 1, 1947.

<sup>e</sup> Calculated for "United States" and "Other nonparticipating areas" on basis of 7.5-percent price decline for imports, 5-percent price decline for exports, and 10-percent decrease in ocean freight rates since July 1, 1947; for "Other Western Hemisphere" on basis of 10-percent price decline for imports, 5-percent price decline for exports, and 10-percent decrease in ocean freight rates since July 1, 1947.

<sup>f</sup> Calculated for "United States" and "Other nonparticipating areas" on basis of 15 percent price decline for imports and 10-percent decline for exports, and a 10-percent decrease in ocean freight rates since July 1, 1947; for "Other Western Hemisphere" on basis of 17.5-percent price decline for imports, 10-percent price decline for exports, and a 10-percent decrease in ocean-freight rates since July 1, 1947.

NOTE.—Figures showing range of adjusted estimates to the nearest hundred million dollars for fiscal years 1949–50, 1950–51, and 1951–52 (line 31 in the attached tables) will not necessarily add across to totals because of rounding. Differences in rounding also account for discrepancies between the range estimates in the attached tables and those contained in the pamphlet Outline of a European Recovery Program. The unrounded data in millions of dollars in the attached tables correspond with those in the Outline of a European Recovery Program.



Senator GEORGE. Is any part of the 6.8 billion to be used in western Germany?

Ambassador DOUGLAS. Yes, sir. About \$400,000,000 in western Germany.

Senator GEORGE. Besides what might be spent by the Army?

Ambassador DOUGLAS. That is right.

The CHAIRMAN. Mr. Ambassador, let me get back to just the previous question that you answered by indicating that there are some countries on this list with a sufficient stability so they can undoubtedly care for themselves if they have loans. Are there not countries on this list of sufficient stability so that if they need loans they ought to be able to get them on their own?

Ambassador DOUGLAS. Yes.

The CHAIRMAN. Without being included in our 6.8 billion?

Ambassador DOUGLAS. Yes.

The CHAIRMAN. That is what you mean, that they are not even included in loans from us?

Ambassador DOUGLAS. That is right.

The CHAIRMAN. I want to make that plain.

Ambassador DOUGLAS. But it is important, Senator, that these 16 countries, or that the countries in this area, do band themselves together, as they have, for the purpose of rendering to each other such assistance as they can, for the purpose of participating in joint enterprises such as the development of hydroelectric energy projects and a variety of things of that order, regardless of what their financial position may be. That is, they are part of a community of nations.

The CHAIRMAN. When you have finished what you consider to be your affirmative presentation I want to run down the committee for questions.

Senator SMITH. May I ask in this connection whether you propose at this point in your remarks to include the chart marked "Basis of the \$6,800,000,000"? Is that the summary of the statements you are making?

Ambassador DOUGLAS. Yes. That is the summary of the figures that were presented to the committee this morning and if it is agreeable I would like to insert it in the record.

The CHAIRMAN. Most certainly.

Senator SMITH. I think it is appropriate at this point to have that in the record.

(The matter referred to is as follows:)

*Basis of the \$6,800,000,000*

	United States	Other Western Hemisphere	Total Western Hemisphere
	<i>Mils. of dol.</i>	<i>Mils. of dol.</i>	<i>Mils. of dol.</i>
1. Selected imports.....	4,239	3,346	7,585
2. Other imports.....	2,750	1,478	4,228
3. Total imports.....	6,989	4,824	11,813
4. Selected exports.....	295	303	598
5. Other exports.....	1,960	1,455	3,415
6. Total exports.....	2,265	1,758	4,013



*Basis of the \$6,800,000,000—Continued*

	United States	Other Western Hemisphere	Total Western Hemisphere
	<i>Mils. of dol.</i>	<i>Mils. of dol.</i>	<i>Mils. of dol.</i>
7. Merchandise balance.....	-4,734	-3,066	-7,800
8. Freight (net).....	-293	-145	-438
9. Other invisibles (net).....	+263	+13	+276
10. Balance (July 1, 1947 prices), break-down available by countries.....	-4,764	-3,198	-7,962
11. Adjustment for higher prices.....	-412	-153	-565
All above figures based on July 1, 1947 prices, as was CEEC. This adjustment allows for a 7½ percent rise in United States and 5 percent in other Western Hemisphere export prices, and a 5 percent rise in European export prices. The rise in prices may well be greater than this allowance covers.			
12. Adjusted balance.....	-5,176	-3,351	-8,527
13. Total deficit Western Hemisphere.....			8,527
14. Uncovered deficit, bizonal Germany, with nonparticipating countries outside Western Hemisphere.....			200
15. Total to be financed.....			8,727
16. To be met by sources other than new U. S. Treasury financing.....			-1,285
17. Total new financing by U. S. Treasury.....			7,442
18. Appropriations being requested by Army for prevention of disease and unrest in Germany.....			-822
19. Subtotal.....			6,620
20. Add: Funds required for obligation prior to June 30, 1949 to cover contracts for shipments in subsequent period.....			200
21. Total requirement for first 15 months, ERP.....			6,820
Rounded to.....			6,800

The CHAIRMAN. May I ask, Mr. Ambassador, in presenting subsequent witnesses on the list you have submitted, is it your thought that some of these subsequent witnesses are going to validate some of these detailed figures? Is that the function of the Secretary of Agriculture, for instance, and so forth?

Ambassador DOUGLAS. Yes, sir.

I know that there are a number of different important items in connection with the program with which this committee is very properly concerned. One of them includes the conditions which the United States Government will include in bilateral agreements to be made with each one of the participating countries.

I indicated this morning reference will be made to the multilateral commitments made by each country to the others.

In connection with that I would like to call your attention to the language of the Committee of European Cooperation itself, speaking of the continuing organization which bears upon the point you raised this morning, Senator Vandenberg:

This organization will insure, to the full extent possible by joint action, the realization of the economic conditions necessary to enable the general objectives to which each country has pledged itself, to be effectively achieved.

But in addition to reference to bilateral and multilateral arrangements which I read this morning, there will be, as I have indicated, conditions stipulated by the United States Government on its own:

(1) Promoting industrial and agricultural production in order to enable the participating country to become independent of abnormal outside economic assistance;



(2) Taking 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) Cooperating with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries and cooperating to reduce barriers to trade among themselves and with other countries;

(4) Making efficient use, within the framework of a joint program for European recovery, of the resources of such participating country, including any commodities, facilities, or services furnished under this Act;

(5) Facilitating the sale to the United States for stock-piling purposes, for such period of time as may be agreed to and upon reasonable terms and in reasonable quantities, of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own natural resources, and which may be available in such participating country after due regard for reasonable requirements for domestic use and commercial export of such country;

(6) Placing in a special account a deposit in the currency of such country, in commensurate amounts and under such terms and conditions as may be agreed to between such country and the Government of the United States, when any commodity or service is made available through any means authorized under this Act, and is not furnished to the participating country on terms of payment. Such special account, together with the unexpended portions of any deposits which may have been made by such country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947, shall be held or used only for such purposes as may be agreed to between such country and the Government of the United States;

(7) Publishing in such country and transmitting to the United States, not less frequently than every calendar quarter after the date of the agreement, of full statements of operations under agreement, including a report of the use of funds, commodities and services under this Act;

(8) Furnishing promptly, upon request of the United States, any relevant information which would be of assistance to the United States in determining the nature and scope of future operations under this Act.

Senator SMITH. Might I ask what you are reading from?

Ambassador DOUGLAS. I was reading from terms of the act, section 10 (b).

Senator SMITH. That is substantially the same as appears in the President's message supporting the act on page 9, I take it. The summary of conditions are being incorporated in the bilateral agreements.

Ambassador DOUGLAS. That is right, sir.

The CHAIRMAN. You have, in the requirements for the bilateral contracts, included none of the stipulations in the interim-aid bill regarding the identification of the source of relief. I can understand, perhaps, why that would not be included in respect to capital goods that are transferred on a loan basis. What is your comment as to whether the same provisions in respect to the relief section of these commodities should be the same in this bill as they are in the interim bill?

Ambassador DOUGLAS. Senator, I have no definite comment to make. There is no prohibition against doing it.

Offhand it would seem to me that possibly that is a kind of a requirement that may not be wholly appropriate under an act which is a recovery act, and not a relief act. That would be my offhand comment. I have not given that question any consideration.

The CHAIRMAN. The question inevitably will be raised because one of the constant factors under congressional scrutiny, I have discovered, is a feeling that we never have adequate credit abroad, even as to the



source of our commodities. I recognize the fact that this program has a different character than the other. What I am asking is whether you had better not take that under serious consideration for a subsequent considered recommendation to the committee because it is a point which will inevitably rise in the congressional debates.

I particularly suggest that you consider it not only on an over-all basis but perhaps from the basis of such portions of the new program as are kindred in character to the interim-relief program.

Ambassador DOUGLAS. I would be very glad to, sir.

Senator BARKLEY. In the drawing of these bilateral agreements on the interim relief, is it not true that difficulty arose in regard to spelling out, in the terms of the agreement, all of the stipulations set out in the act of Congress, and they finally settled it by just saying that this relief is accepted by the recipient government in accordance with the terms of the act of Congress, instead of having to write it out in the agreement. Do you know about that?

Ambassador DOUGLAS. I am afraid to say that I have not had enough to do with the administration of it.

The CHAIRMAN. I think that is so, Senator.

Ambassador DOUGLAS. One of these conditions is a particularly perplexing one, and it is the one that has to do with local currency, the local currency counterpart of any assistance or grant that might be extended. If one calculates the total amount of the local currency counterpart some of these countries may receive, it becomes a figure of very great value. And if the local currency is left to the disposition of the United States, it would place the United States Government in such a position that it really would almost have control over the financial life or death of the country.

It could inflate, it could deflate, it could create all sorts of internal disturbances within each one of these countries.

So the handling of the local currency in some of the countries is going to be one of the most perplexing and one of the most difficult of all questions.

The CHAIRMAN. I think you can simplify your argument at that point, Mr. Ambassador. This question was fully covered in our consideration of the interim bill and it was agreed that this has to be a partnership decision with respect to what happens to the local currencies.

Ambassador DOUGLAS. There are a number of different things. I do not know whether you want me to testify on this, or whether it has been covered before.

The CHAIRMAN. Go ahead.

Ambassador DOUGLAS. I do not want to waste your time.

The CHAIRMAN. I would not concede you to waste any time, Mr. Ambassador.

Ambassador DOUGLAS. That is the first concession so far that has been made and I accept it with gratitude.

It is clear that generally speaking these local currencies should be withdrawn from the internal monetary stream of the respective countries to reduce the inflationary force. They might be used, however, in a number of different ways.

First, to assist in the stabilization of a currency.

Second, to retire the national debt.



Third, to defray local currency cost incident to the development of additional productive capacity of raw materials, critical raw materials in which we are interested.

Fourth, to meet the local currency cost of projects mutually agreed upon between the participating country and the International Bank.

Fifth, to meet local currency administration costs arising out of the administration of the European Recovery Program itself.

Sixth, for other agreed purposes.

One of the agreed purposes might even be the destruction of some of it, in order to be sure there would not be an inflationary force within the financial structure of one of the participating countries.

But the sum might become huge if the program is extended over a period of years, and the proper handling of the local currency, in order to protect our interests and to avoid either inflationary or excessively deflationary forces in the respective countries, is very perplexing and difficult. It is not as easy as in the interim-aid bill where the sums were relatively small.

The CHAIRMAN. There is one difference in your formula from the formula of the interim-aid bill, in that under the interim-aid bill, if finally there is an unliquidated balance in the trust fund of local currencies, the disposition is to meet with the approval of the Congress of the United States. Would there be any objection to that addition?

Ambassador DOUGLAS. No. None, Senator. Obviously not. But I merely want to emphasize this is not an easy problem to deal with wisely, prudently, in the protection of our interests, and also in the protection of the internal situation, and even the external situation of some of the recipient countries. It is not something that can be easily done.

Senator CONNALLY. May I ask something?

The CHAIRMAN. Yes, sir.

Senator CONNALLY. Mr. Ambassador, is it contemplated that any of the funds provided under this bill as a grant, we will say, should be used to turn over to these countries American money to stabilize their currency?

Ambassador DOUGLAS. That is not included in this program, sir.

Senator CONNALLY. That is what I am talking about.

Now, is it contemplated that we are going to give them some money to pay on their foreign debts?

I saw something in the paper to the effect that some of these countries—

Ambassador DOUGLAS. I do not know of any such thing.

Senator CONNALLY. That they are going to take the money and pay it on their foreign debt.

Ambassador DOUGLAS. I do not know of any calculation.

The CHAIRMAN. I will interrupt Senator Connally to say that I think the item he saw in the paper suggested that the local currencies might be used in the payment of the debt.

Senator CONNALLY. No.

Ambassador DOUGLAS. We are not proposing to put up any money for the amortization or the payment of interest on any of their foreign debts. They may use their own money, but in the calculation of the balance of payments—



Senator CONNALLY. If they have any money they can use it for what they want.

Ambassador DOUGLAS. In the calculation of the balance of payments, obviously interest and amortization of debt has to be included.

Senator CONNALLY. I want to clear that up. There seems to be a good deal of misunderstanding or misinformation about that. I distinctly saw an article that it would be necessary, in order to stabilize these foreign countries' finances, to pay money so that they could pay it on their foreign debts. I do not know whose idea it was, but as far as we are concerned it is a poor one, from our viewpoint.

Ambassador DOUGLAS. It is not contemplated, Senator, that any of the dollars of—

Senator CONNALLY. Could it be done under this bill? They might contemplate it after the bill is passed. Would it be possible to use the funds for that purpose?

Ambassador DOUGLAS. There is no restriction against it, Senator, under the legislation.

Senator CONNALLY. Exactly.

Ambassador DOUGLAS. I know of no such language in the act to restrict it.

Senator CONNALLY. We give them food and fuel. If we put them on their feet we expect them to pay some of their foreign debt. We have a debt of our own to look after.

Ambassador DOUGLAS. I would have to examine the act. I know of no authority given the Administrator to use American funds for this purpose. His authority is confined to the extension of funds for procurement, or to the Export-Import Bank to extend credit for the procurement of commodities. But I do not think there is any authority in the Administrator to provide any of the dollars that we appropriate for the purpose of paying interest or amortization on the foreign debts of any of these countries.

Senator GEORGE. I think, Mr. Ambassador, if I may interject, that theory grew out of this thought: That the funds that we would supply would enable these countries to meet their own pressing obligations and they would use their money, whatever income they had, whatever balance of payments they had, to liquidate their foreign debts.

Ambassador DOUGLAS. That is right, Senator.

Senator GEORGE. That is my understanding.

Ambassador DOUGLAS. Thank you very much, sir.

Of course, it is essential, an important difference, if this is to be a recovery program, that they use whatever resources they have to maintain their credit, otherwise it ceases to be a recovery program.

Senator CONNALLY. One other question and then I will desist.

Mr. Ambassador, earlier in your testimony you stated that there were a number of countries that probably would not get anything under this bill unless it was a loan. Is that right?

Ambassador DOUGLAS. That is right.

Senator CONNALLY. To satisfy the International Bank or Export-Import Bank as to the security. Have you anything in mind, anything in the way of the standards by which you determine, as between the countries, which one ought to have a grant, which one ought to have a loan? I apprehend you are going to have some difficulty because some country might say "Well, they did not give us as much as they gave 'X' over here, they did not treat us the same way as



they treated 'Z,' " and unless you have some sort of a standard by which you judge those things it seems to me it would be rather difficult to administer.

Ambassador DOUGLAS. The National Advisory Council is the authority on that particular subject, as I indicated yesterday.

Senator CONNALLY. It is under this bill, though, is it not?

Ambassador DOUGLAS. I know. I was going to say that the Secretary of the Treasury would be a better qualified witness to answer that question than I. I can, however, say this—substantially what was said yesterday—that the establishment of criteria to determine whether a grant or a loan shall be made to any particular country, has been discussed for a considerable period of time, so I am told, and the final conclusion was that the criteria should be the ability to pay.

Senator CONNALLY. That has to be determined, though. We cannot just look at a fellow and determine whether he has the ability to pay.

Ambassador DOUGLAS. Exactly. And the ability to pay is based upon a number of other criteria, the resources of the country in question, its productive capacity, its ability to transfer its local currency into foreign currencies, and a whole variety of standards and criteria of that order.

The Secretary of the Treasury can give you a better answer to that question.

Senator CONNALLY. He is not here at the moment, and you are.

Ambassador DOUGLAS. Yes, sir. That is quite right, sir.

Senator CONNALLY. That is the reason I am asking you.

Ambassador DOUGLAS. I will try to give you the best answer I can give you.

Senator CONNALLY. Thank you, Mr. Ambassador. That is very fine.

Countries like Belgium and Holland and Denmark, they would probably be able to meet their obligations, would they not, without a lot of grants?

Ambassador DOUGLAS. I do not know the internal situation in Belgium and Holland sufficiently well to give you a categorical answer. I should say that I would doubt that they would do it entirely.

Senator CONNALLY. Belgium is supposed to be the most nearly recovered country in Europe. I have talked to people in Belgium. The Prime Minister himself was here not a great while ago.

Ambassador DOUGLAS. Belgium has made quite an extraordinary recovery, Senator.

Senator CONNALLY. I saw some people here yesterday from Holland, and I asked them the same question. They said their country was getting along all right, would get along all right, not 100 percent, probably, but it was coming back to recovery. I should guess that Denmark probably is in the same category with Belgium and Holland.

Ambassador DOUGLAS. I am not certain about Belgium and Holland, Senator.

Senator CONNALLY. I am not, either. I did not say I was.

Ambassador DOUGLAS. I doubt if they could meet their obligations completely.

Senator CONNALLY. Both of them have foreign investments, or they used to have.



Ambassador DOUGLAS. They have some, yes. But they have been pretty hard hit by the war. The recovery in Belgium has been quite striking. But Belgium has extended herself considerably in granting aid to other countries. I can give you their deficiencies in balance of payments.

Belgium, Luxemburg, April 1948 to June 1949, \$545,000,000.

Senator CONNALLY. Is that with us?

Ambassador DOUGLAS. With the Western Hemisphere.

Senator CONNALLY. Suppose they sold it to some other country. The balance of payment with us would not reflect that situation necessarily. I do not care to go into details on that, though.

The CHAIRMAN. Go ahead, Mr. Ambassador.

Ambassador DOUGLAS. Finally, I am aware of the fact that Congress is tremendously interested in the matter of administration, the administration of the European recovery program. The Secretary testified in regard to it yesterday and I would like to, if I may, go into it at some length this afternoon.

Under any circumstances, and no matter how the administrative machinery is set up, it is inevitable that it will be complicated.

Let me point out some of the reasons why. The European recovery program is related to foreign policy. Indeed it is one of the principal if not the principal instrument of foreign policy.

The administration of the European recovery program necessarily involves the allocation of foodstuffs for export, and of the total amount of foodstuffs allocated for export that amount which shall be allocated to the western European countries, and that amount which shall be made available for export to other parts of the world.

The same thing is true of a variety of other commodities. So that the European recovery program administrator within the United States must be related or associated with foreign policy, the allocation of foodstuffs, he must be associated with or in consultation with the National Advisory Council which, under the statute, has the authority to coordinate the lending program and lending activities and operations of the United States.

There are a variety of different agencies of the United States Government charged with operations with which the Administrator of the European recovery program must be associated. It is inescapable unless the whole structure of government is to be changed for this one and single reason.

But beyond the agencies of our own Government there are related agencies of the United Nations, and international organizations with which the administrator of the European recovery program must be in very intimate relationship.

There is, for example, the International Emergency Food Council, which makes recommendations to the appropriate allocating authority of the United States as to the precise amount of foodstuffs originating in the United States which shall be allocated to each one of the participating countries.

There is the Economic Commission for Europe, of which there is a subordinate committee on coal which likewise makes recommendations to the appropriate allocating authority of the United States as to the amount of coal of the United States that shall be allocated to each one, made available to each one of the receiving countries.



There is the International Bank which will extend credit, presumably, to some of these participating countries. And the Administrator of the European recovery program must obviously and clearly at least conduct some of his operations as a result of consultation with the operations of the International Bank.

There is also the International Monetary Fund with which also he must be associated.

So when one lists all of the agencies of the United States Government, and all of the international agencies that have been set up, that are related to and bear upon the operations of the European Recovery Program, it is, I think, clear that the administration cannot be a single and simple operation. It is in its very nature bound to be complicated regardless of how it is set up.

There are several principles that I should like to mention to the committee as appearing to us to be essential.

Senator WILEY. May I interject there, Mr. Chairman?

The CHAIRMAN. Surely.

Senator WILEY. You have just related the aid that would come from the bank and other sources. Now, what you call the European economic program set up here would entail a total of about \$17,000,000,000. I call your attention to the statement in the report of the European Committee of Cooperation. It is estimated that the total value of goods required from foreign sources by the participating countries in western Europe during the period 1948 to 1951 will amount to approximately \$57,000,000,000.

Ambassador DOUGLAS. Yes.

Senator WILEY. Over and above this \$17,000,000,000 that we are contemplating there is another item of \$40,000,000,000 I would like to have you break that down.

Ambassador DOUGLAS. Senator, do you want to have me try to analyze that for you? That is the total amount of imports which they will require, a large part of which will be paid for by their exports. The residual amount, according to that calculation—and you are referring to the language of the Paris Conference——

Senator WILEY. It is title VII on page 51 of the European Recovery Program, Document No. 111, prepared by the staffs of the Senate Foreign Relations Committee and the House Foreign Affairs Committee.

Ambassador DOUGLAS. The residual amount which cannot be paid for of the imports required, of the total of \$57,000,000,000 of imports required, is equal to the \$17,000,000,000, I believe.

Senator WILEY. Then you have \$1,700,000,000 that you charged over and above that to transportation.

Ambassador DOUGLAS. Senator, the \$57,000,000,000 referred to is not the amount of money that the United States Government or other governments will have to provide. It is merely the statement of the total imports expressed in dollars that these 16 countries will require over the 4 $\frac{1}{4}$  year period.

Senator WILEY. I think I appreciate that, but at the same time I appreciate fully what it means. It means taking from the natural resources of America, or the other Western Hemisphere countries, very valuable resources like iron and other things that we are getting depleted on here. As I understand your point, you estimate there will



be \$40,000,000,000 imports, or exports from foreign countries. That leaves \$17,000,000,000 that must be made up during that period.

Ambassador DOUGLAS. That is right, sir. Of course, Senator, what you say is true about any international trade among countries. We extract or used to extract copper from the ground, smelt it, refine it, export it in the form of electrolytic copper, and we used to receive back from other parts of the world something which we require. It is in the very nature of foreign trade itself that the resources of one country will be depleted if they cannot be renewed by further discoveries, for the purpose of obtaining the things which it requires from other parts of the world.

Senator WILEY. The point I wanted to make, Mr. Ambassador, and I think it brings a little clarity to the situation, is that in order for Europe, under the estimates and under the supervision of those who prepared this plan, to have a recovery program there must be this \$57,000,000,000 or \$58,000,000,000 of imports into Europe during this period from 1948 to 1951, inclusive.

Ambassador DOUGLAS. Senator, I am quite certain my recollection is correct. That \$57,000,000,000 represents the total value of imports to Europe—16 participating countries and western Germany—expressed in terms of dollars from all over the world. That is not only from the Western Hemisphere, it is not limited to the Western Hemisphere or to the United States. It includes the amount of imports from southeast Asia, from the Middle East, Africa, South America, and a variety of other points in the world.

The CHAIRMAN. Let us get back to your analysis of administration.

Ambassador DOUGLAS. I was saying, Senator, that in the very nature of the circumstances it is a complicated matter. There are several principles that I would like to mention which seem to us to be valid and sound and to comprise the specifications for the proper administration of the European recovery program.

The first is that the responsibility for the administration should be reposed in an individual. He may have as many advisory councils or groups as he chooses. But the ultimate responsibility should be reposed in one person.

The second major principle is that that one person—and the Secretary emphasized this yesterday, and I would like to emphasize it again—must be one of the broadest experience, and the greatest competence that can be found. His staff need not be large, but it must be able. Mediocrity is not good enough for this job, for we are embarking on a great undertaking, and it has to be administered with great skill and great confidence.

The third principle is that the principal instruments of foreign policy, in respect of foreign policy, should be subject to the direction and control of the Secretary of State.

Business administration, procurement, coordination of procurement, screening of requirements generally, are matters in which the Secretary of State is not concerned. But he is concerned with the major questions of foreign policy and the way in which the administration of the program affects foreign policy.

Senator CONNALLY. He is concerned in those things you say he is not concerned in if they contribute toward the success of the policy. Tied in with foreign policy like it is, he wants to see that the project works.



Ambassador DOUGLAS. It has got to work, otherwise as an instrument of foreign policy it becomes impotent.

Abroad—and there I can speak with some experience—the fourth principle is that there cannot be two representatives of the United States Government conversing with independence, conversing with prime ministers, secretaries of state for foreign affairs, chancellors of the exchequer, boards of trade, ministers of finance. To have two meeting with, conversing, and representing the views of the United States Government, on a wholly separate, independent basis, will create a vast amount of confusion which may be misleading to foreign governments, and it may, in effect, seriously impair the functions of the representative of the United States Government and the responsibilities that he may have to discharge in his particular post.

I can elaborate on that at another time with the members of the committee in greater detail, I think, and in some respects with greater persuasiveness.

There must be also a certain amount of flexibility. There must be flexibility in the administration of this program, for conditions will change. Conditions will change not only here but conditions may change among the 16 participating countries.

Prices may change a whole variety of factors. They vary, and they cannot now be fixed either in our minds or in the law.

Senator WILEY. You mean political situations may change.

Ambassador DOUGLAS. All sorts of things. Prices may change, requirements may change, needs may change, the situation and position of any one country may change, and we hope will change. Some may recover very much more rapidly than others, and others may not recover as rapidly as anticipated.

Another variable is the extent to which other countries cooperate among themselves in developing certain of their own resources. There are a whole variety of variables of that character which have to be treated, dealt with, and judged within the area of a sufficient flexibility of authority, and to pin the authority down too much, tie it, limit it too much, may very seriously affect the appropriate, proper, and efficient administration of the program, and the speediest possible achievement of the objective for which it is designed.

The final principle, and the Secretary mentioned this yesterday, is that the State Department does not want to run the European recovery program. It is not an operating department, and there are some reasons why it should not be an operating department. At any rate, it has no ambition and no intention to take this task on as an operating one.

I have a number of charts which rather graphically present or disclose the type of administrative machinery which has been proposed as an administration which would meet these specifications. I state it that way deliberately. It is a proposal which meets the specifications.

The CHAIRMAN. Before you reach the proposal, I respectfully submit that you missed one fundamental specification which is overriding. I am not quarreling with a single one that you set down, and I agree that the interest of foreign policy is overriding in the final aspect of the net result of this operation. But overriding even that among the specifications is to create a system in which the Amer-



ican people will have complete confidence or you are sunk without a trace.

Ambassador DOUGLAS. With that I agree.

The CHAIRMAN. And in contemplating the attitudes of the American people, you cannot ignore the fact that they have a general feeling that the administration of our foreign grants and loans and aids since the war has been pretty sterile of results. They have this feeling, to which you have just correctly adverted, that the State Department itself is not an operating department, is not an economic department, is fundamentally a policy department. Therefore, they come up, in my opinion, with the net view that if they are to be happy about hopefully anticipating that this is going to be a success where other things have failed, they want a new element of business responsibility injected into this formula which will give them a feeling of reliance that as a business operation this is to be conducted in a business way.

And from my point of view, accepting all of your specifications, I still say that this formula has got to be geared into this business autonomy on the business side of this operation, or you will fail of your greatest necessity, which is the support of the American people.

Ambassador DOUGLAS. Mr. Chairman, I couldn't agree with what you have said more. The administration must have the confidence of the American people and must have the confidence of the Congress. The American people must be confident that, as you have indicated, it will be operated in a businesslike way so as to achieve the results for which it was designed. I accept that, of course, as a principle. If I omitted it, it was my error. My sins of omission have been many.

The CHAIRMAN. I think your principle is somewhat lacking in the bill you have submitted. That is the only reason I emphasize it.

Ambassador DOUGLAS. I was very careful to say, Senator, that this was a proposal which we thought might meet the specification.

The CHAIRMAN. It is a work sheet.

Ambassador DOUGLAS. It is a work sheet.

If you would like to have me, I think there were certain misconceptions indicated or implied yesterday which I would like to dispose of.

The CHAIRMAN. Go ahead. I want you to make your own presentation.

Ambassador DOUGLAS. Under the proposal that has been submitted there is, of course, the President of the United States who is charged under the Constitution with the conduct of foreign policy and the administration of the executive functions of the Government.

(Chart A is inserted herewith.)

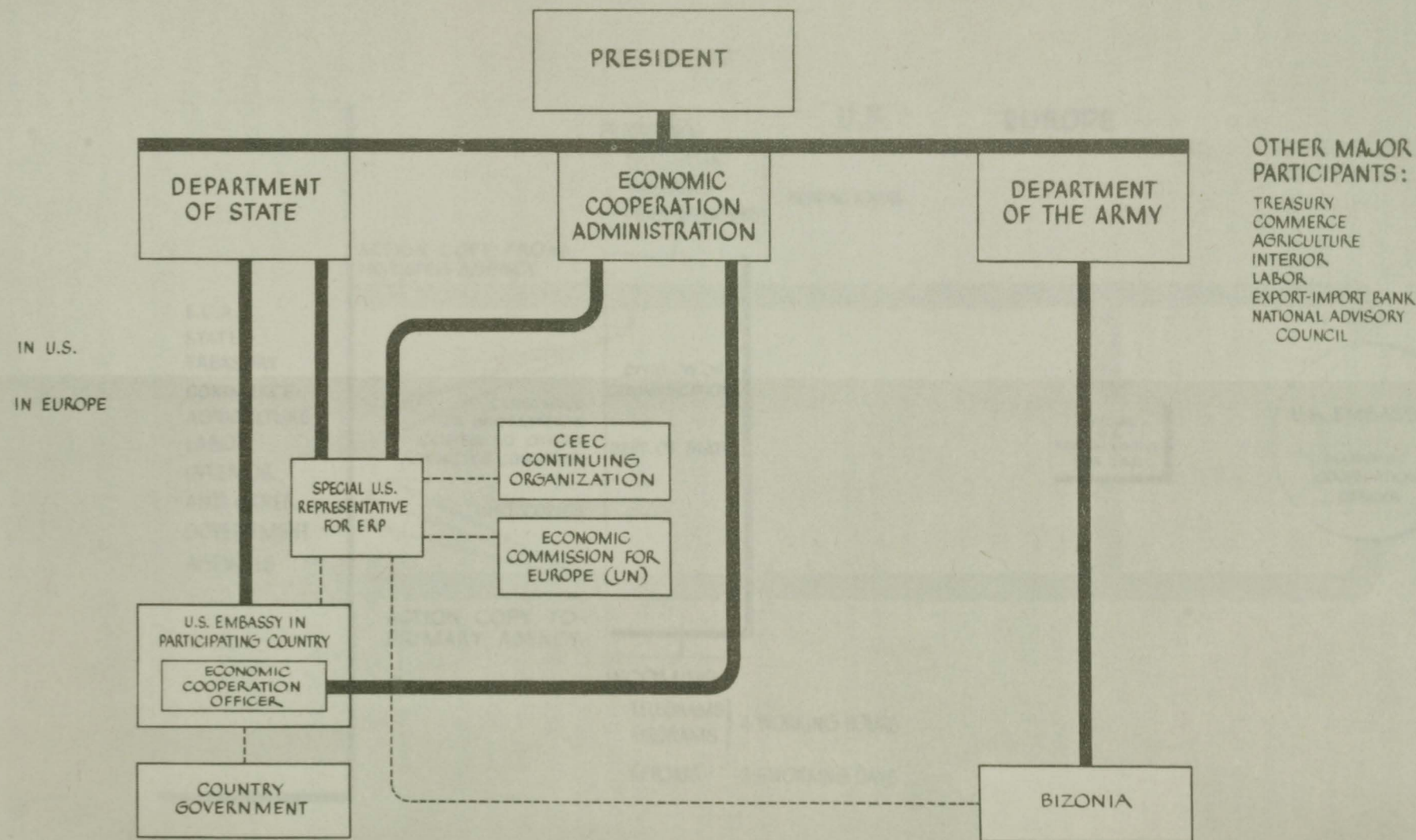
Ambassador DOUGLAS. There is the Department of State, to which has been delegated by the President the authority over foreign policy.

Now it is proposed that there shall be established an Economic Cooperation Administration. There is over here on the right the Department of the Army which at present has charge of the administration of the American zone in Germany, and in collaboration with Britain of the bizonal area. This Administrator of the Economic Cooperation Administration will have a special representative for the European recovery program abroad. And he will represent the United States on the Committee of Economic European Coopera-



Chart A

# 1. ADMINISTRATIVE STRUCTURE FOR THE ERP



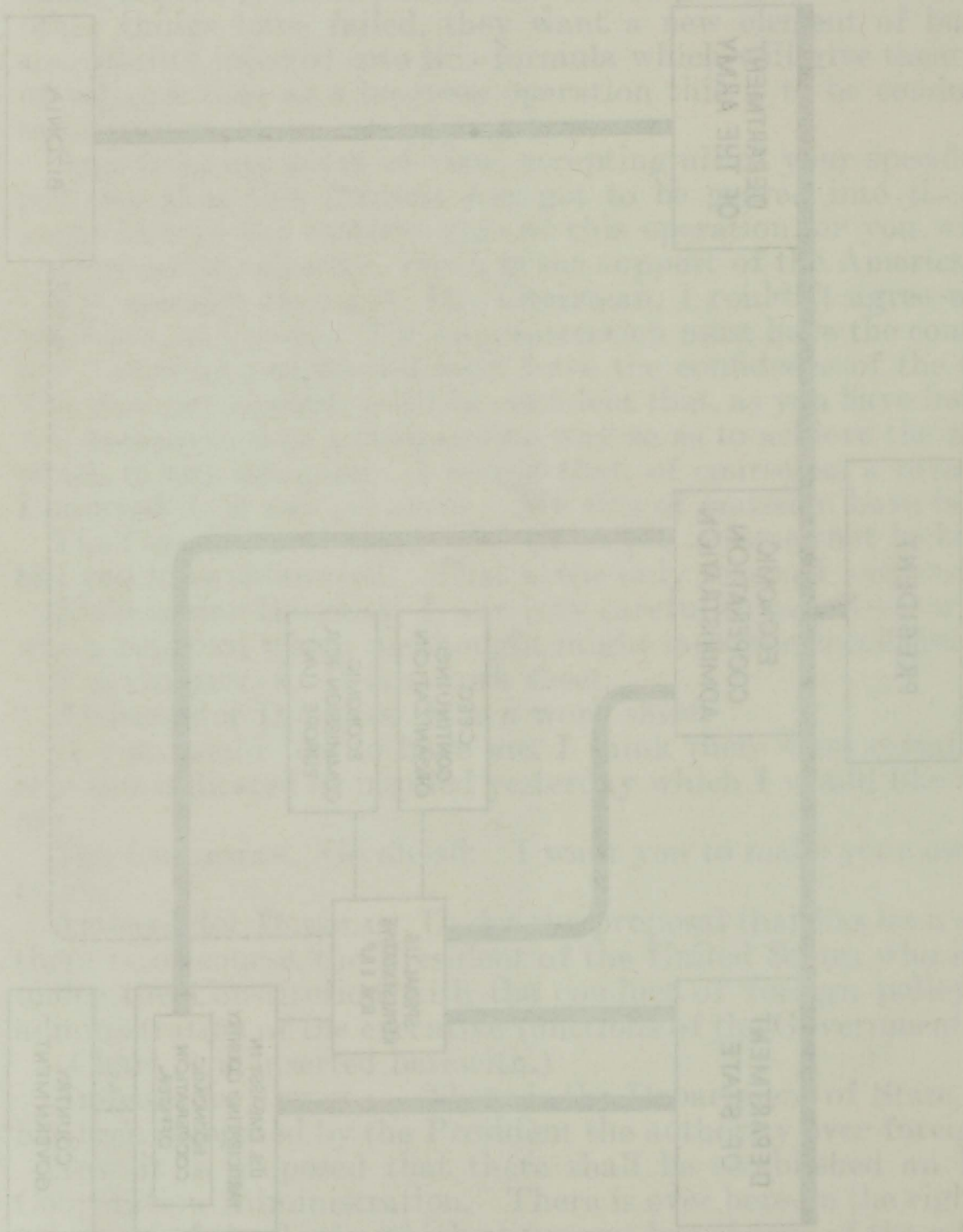
George C. Marshall Foundation, Lexington, Virginia



ican people will have complete confidence or you are sunk without a trace.

Ambassador Douglas: With that I agree.

The Chairman: And in contemplating the attitudes of the American people, you cannot ignore the fact that they have a general feeling that the administration of our foreign grants and loans and aid since the war has been pretty sterile. They have this feeling to which you have just referred, that the State Department itself is not an operating agency, that it is not an economic department, is fundamentally a political department. Therefore they are in the opinion, with the net view that if they are to be happy and satisfied and certain that this is going to be a successful operation, they want a new kind of business in the State Department, one which will have a strong feeling of business operation and a strong feeling of business administration.



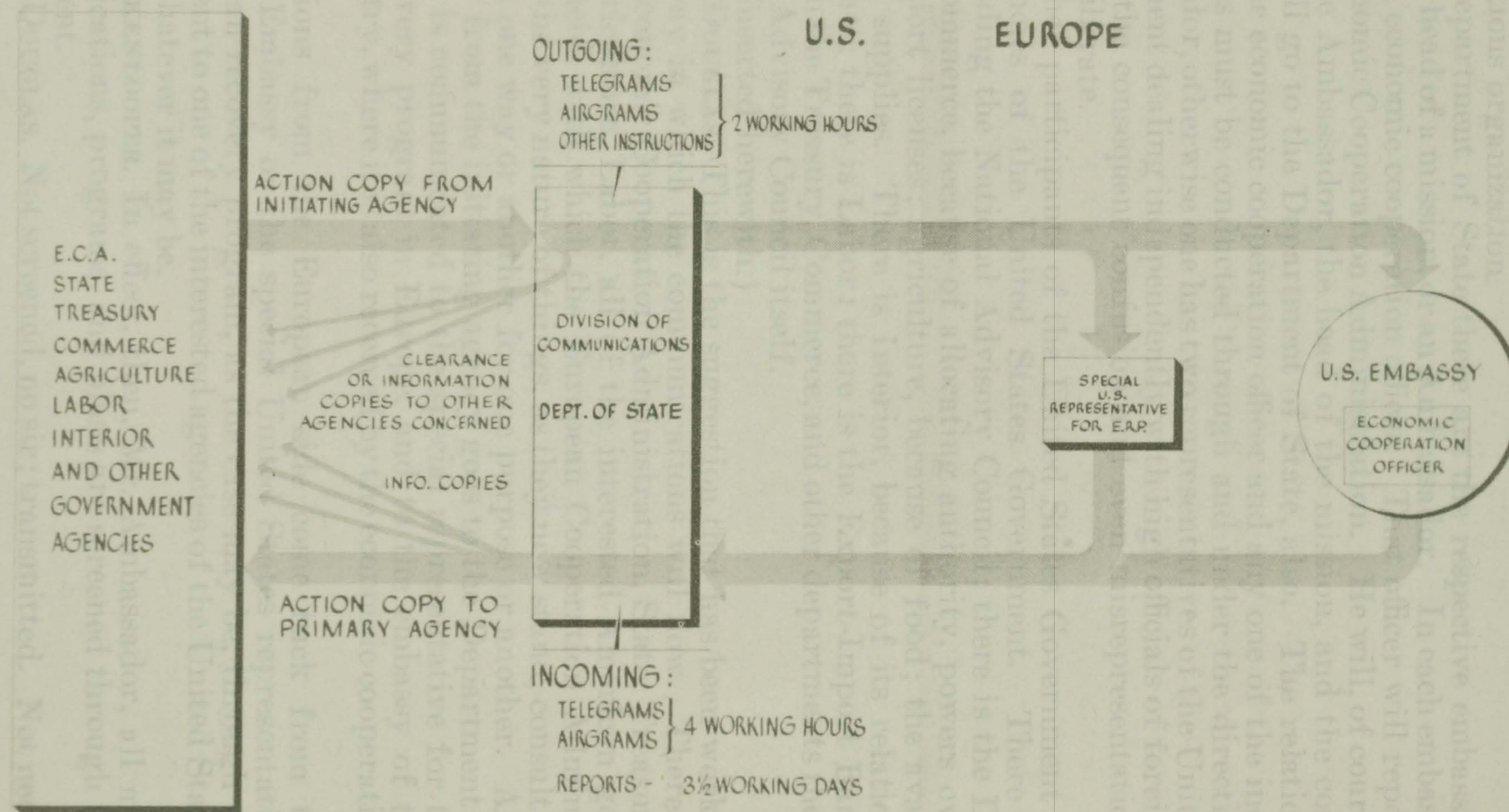
ADMINISTRATIVE STRUCTURE FOR THE EUROPEAN RECOVERY PROGRAM

Chart A



Chart B

## 2. GOVERNMENTAL OVERSEAS COMMUNICATIONS SYSTEM (non-military)









tion; that is, the continuing organization which these 16 countries have committed themselves to establish. And he may be also the United States representative on the Economic Commission for Europe, which is a United Nations organization.

Under the Department of State there are the respective embassies in charge of the head of a mission, or an Ambassador. In each embassy there will be an economic cooperation officer. That officer will report back to the Economic Cooperation Administration. He will, of course, consult with the Ambassador, the head of the mission, and the communications will go to the Department of State, also. The relationship between the economic cooperation officer and any one of the individual countries must be conducted through and under the direction of the Ambassador, otherwise one has two representatives of the United States Government dealing independently with high officials of foreign countries with the consequent confusion and even misrepresentation, though not deliberate.

There are other participants of the United States Government or interested agencies of the United States Government. There is Treasury, including the National Advisory Council; there is the Department of Commerce, because of allocating authority, powers over export and import licenses; agriculture, because of food; the availability of food supplies. There is Interior, because of its relationship to petroleum; there is Labor; there is the Export-Import Bank, and related with the Treasury, Commerce, and other departments there is the National Advisory Council itself.

(Chart B is inserted herewith.)

Ambassador DOUGLAS. This is the suggestion that has been worked out as to the way in which the communications will flow. There is over here the Economic Cooperation Administration, State, Treasury, Commerce, Agriculture, Labor, all of the interested American governmental agencies with which the European Cooperation Administrator must, in the very nature of things, as they now stand, consult or be associated in one way or another for one purpose or another. And the action copy from the initiating agency goes to the Department of State, where it is communicated to the special representative for the European recovery program in Europe, and to the embassy of the respective country, where it is also received by the economic cooperation officer.

Communications from the European side come back from the United States Embassy or the special United States representative for the European recovery program, as the case may be, through the State Department to one of the interested agencies of the United States Government, whatever it may be.

Senator HICKENLOOPER. In effect, then, Mr. Ambassador, all messages, communications, programs, and plans are screened through the State Department.

Ambassador DOUGLAS. Not screened, no sir; transmitted. Not necessarily screened.

Senator HICKENLOOPER. This is a transmittal chart only?

Ambassador DOUGLAS. That is right, sir.

Senator LODGE. But they know about everything?

The CHAIRMAN. You say it is not necessarily screened, but under the terms of the act as written it could be screened.



Ambassador DOUGLAS. On matters affecting foreign policy.

The CHAIRMAN. Which includes everything.

Ambassador DOUGLAS. Well, I think the Secretary went into that to some extent yesterday.

The CHAIRMAN. He said it included everything.

Ambassador DOUGLAS. He stated in its exaggerated form it could include everything. I think that was about what he stated.

I think, Senator, you ask for consideration of some language which would—

The CHAIRMAN. I am still asking.

Ambassador DOUGLAS. Bar the exaggeration, is that correct?

The CHAIRMAN. Yes, that is an understatement, but it will do.

(Chart C is inserted herewith.)

Ambassador DOUGLAS. Senator George, yesterday you put a question to the Secretary which presupposed that a project would be initiated by the State Department. That is not the way in which it is contemplated that the action will really be performed. The CEEC, in the first place, or a country of the CEEC, the Committee of European Economic Cooperation, will be generally the originating source. It will not be the State Department. And that origination of a particular project, a particular program, coming from an individual country, will go to the respective and appropriate United States Embassy, will be transmitted to the special United States representative to the European recovery program, if it did not originate in the CEEC; it will go back to the Economic Cooperation Administrator, the Secretary of State, having control over foreign policy, will be advised and will give advice or direction or control; with regard to allocations, Commerce and Agriculture will necessarily have to be consulted, because the power necessarily is reposed in these agencies, and if it is a financial matter, the National Advisory Council will have to be consulted, and it, too, will have to give its advice on the matter, whatever it may be, and the Economic Cooperation Administrator will then transmit his action, his determination, and conclusion through to the respective embassy and the Economic Cooperation officer within that embassy to the respective government.

Senator HICKENLOOPER. According to that chart, then, the chart magnifies the appearance, at least, that the Economic Cooperation Administrator is not the court of original jurisdiction in this thing, but the State Department is the negotiating agency or the agency that is in contact with the Government, and these original arrangements are first cleared through the embassy and then submitted to the Administration as more or less of an agency of the embassy of the State Department, rather than an independent agency.

Ambassador DOUGLAS. Within the embassy, Senator, there is a European cooperation officer.

Senator HICKENLOOPER. I am not necessarily objecting at this time. I am not raising this as an objection, but it rather places this organization in a more subordinate position than I had conceived yesterday was the intention.

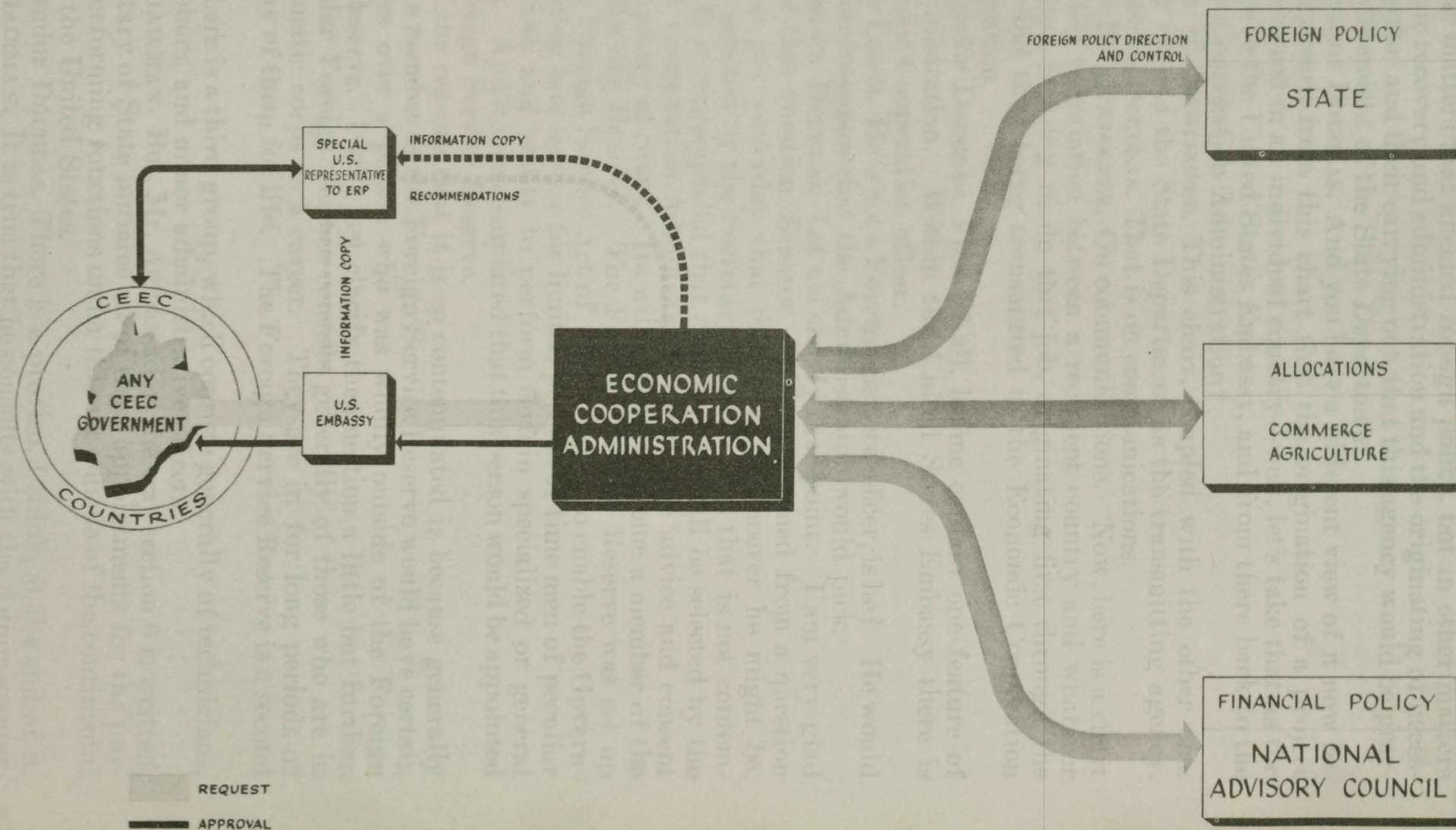
Ambassador DOUGLAS. I do not know what your conception yesterday was. Did you think that there would be an economic cooperation officer in each one of the countries who would be wholly independent?

Senator HICKENLOOPER. I had the idea yesterday that it was the proposal that this economic organization would be substantially inde-



Chart C

### 3. SUBMISSION AND APPROVAL OF A COUNTRY PROGRAM









pendent, probably checking with the State Department on matters and areas of foreign policy, with the Secretary of State having supervision over matters that affected foreign policy, but in other matters of economic recovery and administration and the originating of necessary programs and their carrying out, that this agency would be practically independent of the State Department.

Ambassador DOUGLAS. And you have a different view of it now because it appears from this chart that the origination of a project having occurred in an individual country—well, let's take that as the case—goes to the United States Embassy, and from there back to the Economic Cooperation Administration?

Senator HICKENLOOPER. This chart, coupled with the other one. The other showed the State Department as the transmitting agency.

Ambassador DOUGLAS. That is on communications.

Senator HICKENLOOPER. On communications. Now, here is a chart showing the negotiation between a recipient country and whatever organization is going to do this job, originating first through the embassy, and then being transmitted to the Economic Cooperation Administration.

Ambassador DOUGLAS. First of all, let me explain one feature of this Administration. Within the United States Embassy there is an Economic Cooperation officer.

Senator LODGE. He is not a Foreign Service officer, is he? He would be some businessman that the Administrator would pick.

Ambassador DOUGLAS. Let me clarify that point. I am very glad you asked that question, Senator. It was assumed from a question which was put yesterday that that person, whoever he might be, would be selected by the Secretary of State, but that is not contemplated. It is contemplated that that person shall be selected by the Economic Cooperation Administration with the advice and consent of the Secretary of State. He will probably become a member of the Foreign Service Reserve. The Foreign Service Reserve was set up under the Foreign Service Act of 1946 in order to enable the Government to bring into service for limited periods of time men of peculiar qualifications and ability to perform certain specialized or general functions. And it is contemplated that this person would be appointed to the Foreign Service Reserve.

One of the reasons that it is so contemplated is because generally speaking a member of the Foreign Service Reserve would have certain advantages over a person who was wholly outside of the Foreign Service Reserve. I will just clarify the question a little but further. The regular Foreign Service consists generally of those who are in the diplomatic corps as a career. They are in for long periods of time, many of them for life. The Foreign Service Reserve is a second group.

Then there is a third group, which consists generally of technicians, stenographers, and minor administrative officers.

The CHAIRMAN. But, Mr. Ambassador, the way section 6 is written, the Secretary of State initiates all of these appointments for the purpose of performing functions under this act outside of the continental limits of the United States.

Ambassador DOUGLAS. There is a proviso, I think, at the end of it.

The CHAIRMAN. It is true that he consults with the Administrator, but it seems to me that the language as submitted in the work sheets



clearly gives the Secretary of State the primary control over the creation of this personnel. I mean the personnel of the Administrator. Of course, he should have control over the foreign-policy personnel. [Reading:]

*Provided*, That with respect to the appointment or assignment of persons to perform functions within the responsibility of the Administrator, the Secretary of State shall make such appointments or assignments in consultation with the Administrator.

Ambassador DOUGLAS. Well, I think I can tell you what the intent of that language is.

The CHAIRMAN. Even if it said, "upon recommendation of the Administrator," it would suggest a slightly larger autonomy on the part of the Economic Administrator.

Ambassador DOUGLAS. I think it is meant that the person shall be appointed by them both, and he shall be satisfactory to both.

The CHAIRMAN. I think the point still needs substantial clarification.

Ambassador DOUGLAS. I think the language does.

Senator BARKLEY. May I ask whether this Foreign Service man, who is to be an economic cooperator within the embassy, is to be chosen from the existing Foreign Service Reserve, or would he be appointed regardless of that and become a member of the Foreign Service Reserve upon his appointment?

Ambassador DOUGLAS. He may be a member of the Foreign Service, a member of the permanent Foreign Service, if he meets the qualifications. If he is appointed from outside of the Foreign Service, and outside of the Foreign Service Reserve, he may be covered into the Foreign Service Reserve.

Senator BARKLEY. So you are not limited to the present current Foreign Service Reserve?

Ambassador DOUGLAS. That is my understanding, and I am quite certain I am correct about that.

Senator LODGE. Are they paid and administered by the State Department?

Ambassador DOUGLAS. They will be paid by the State Department.

Senator LODGE. And administered by them?

Ambassador DOUGLAS. Administration to this extent, Senator, that abroad in each one of these embassies, they will be attached to the embassy.

Senator LODGE. Would he look for his promotion to the State Department or the Economic Cooperator?

Ambassador DOUGLAS. The appointing power, if the appointing power is both, would also, I believe be the promoting power.

Senator LODGE. That would be the State Department, would it not?

Ambassador DOUGLAS. I say if the appointing power is both, and I understand that is the case and that is the intention, the promoting power would be the same.

Mr. Nitze tells me that promotion would be made by the Foreign Service Board, of which the Economic Cooperation Administrator would be a member.

Senator LODGE. He would be a member?

Ambassador DOUGLAS. Would be a member.

May I just go on? One more thing about the person in an embassy. His functions will be economic, and they will be intimately related to the Economic Cooperation Administration. He will, how-



ever, be in consultation with the ambassador. He will communicate to his own administration and to the State Department, and should there develop any differences between him and the ambassador, he has the right to communicate his differences, but the ambassador, likewise, has the right to express his views.

Senator HICKENLOOPER. But if he is appointed by the State Department and he is promoted by the State Department, he would be very apt to be very sensitive to the relation of the State Department.

The CHAIRMAN. And paid by the State Department, which is not to be overlooked.

Senator HICKENLOOPER. And would be more apt to accede to their wishes, rather than to those of the Economic Cooperation Administration.

Ambassador DOUGLAS. There is a nice problem of the status of the head of a mission representing the United States Government. He represents the United States Government and all branches and divisions of the United States Government. That should not be overlooked. He is not just a representative of the State Department. There is a nice problem of reconciling the position of the man who represents the United States Government and is accredited as such to a foreign government, and any person representing independently a special and specific agency of the United States Government. I am quite clear that there should not be two people representing the United States Government consulting with the heads of foreign governments and expressing views of which the other is not wholly aware.

Senator LODGE. Let me ask you this question, Mr. Ambassador. Let's say that they found a very able man to head this thing. Well, let's say they had you to head it. Would you, under this administrative scheme, be able to recruit all the smart, well-qualified men that you know, and move in on this thing and really do a bang-up job without red tape, in harmony, of course, with the Secretary of State, without having all your messages delayed in a lot of bureaus here? Would you be able to move in with your own team and do a job, under this set-up?

Senator CONNALLY. That is an unfair question. You are making it quite personal. It is embarrassing to the Ambassador to try to answer it.

Senator LODGE. Don't answer it, Mr. Ambassador.

Ambassador DOUGLAS. I am trying to give you a perfectly honest, direct answer.

Senator LODGE. If you do not think it is a fair question——

Ambassador DOUGLAS. I think it is a perfectly fair question.

Senator CONNALLY. I withdraw my comment. Go ahead.

The CHAIRMAN. I do not think it is a particularly fair question, because I think that this particular gentleman might be able to answer it "Yes" because of his peculiar and particular background and relationships, where this independent administrator who might be brought in from the outside would not answer it the same way at all.

I will withdraw my comment, too.

Ambassador DOUGLAS. I will withdraw mine.

Senator LODGE. Make it any extremely able man. I am not asking you if you could do it personally, but any man of the type that we would like to see run it.



Ambassador DOUGLAS. The question you ask, and the reason I am pondering about it, is really a broader one, Senator, and that is, it goes really to the ability to get competence in Government service anywhere, real competence, the kind that is required at times like these. And that is one of the reasons that I was hesitating in giving you an answer. There are limitations on the amount which can be paid. There are other restrictions, and a great many competent people who would like to serve their country find it impossible for them to make the sacrifices necessary.

I think your question is a fair question, and I would like to, myself, give it some further thought, not in terms of any particular personality.

Senator LODGE. Take your time.

Ambassador DOUGLAS. And then come back and give you a more considered answer than I could give you this afternoon.

Senator LODGE. That should be very satisfactory.

Ambassador DOUGLAS. There is that problem of reconciling the position of ambassador, who is the representative of the United States Government, and a representative of an independent agency in the proper performance of his duties.

Senator CONNALLY. Mr. Ambassador, if you did not think that it could be done, in answer to the question from the Senator from Massachusetts, by anybody, you would not be advocating it, would you?

Ambassador DOUGLAS. I said, Senator, that this program, we thought, or this particular proposed Administration, would meet the specifications that have been laid down. I think that within the limitations which naturally are imposed upon Government service, you can get competence. But the limitations themselves restrict the area from which you can recruit and often have the effect of compelling one to take a person of lesser ability than one would want. But that is inherent in the whole problem.

Senator CONNALLY. That may be true, but if you did not think this plan would work, you would not be advocating it, would you?

Ambassador DOUGLAS. I think it will work.

Senator CONNALLY. All right.

Ambassador DOUGLAS. Certainly it is a proposal which meets the specifications.

(Chart D is inserted herewith.)

Ambassador DOUGLAS. This is the way in which, graphically, it is suggested, under the program, that there will be agency participation in the distribution of commodities in short supply.

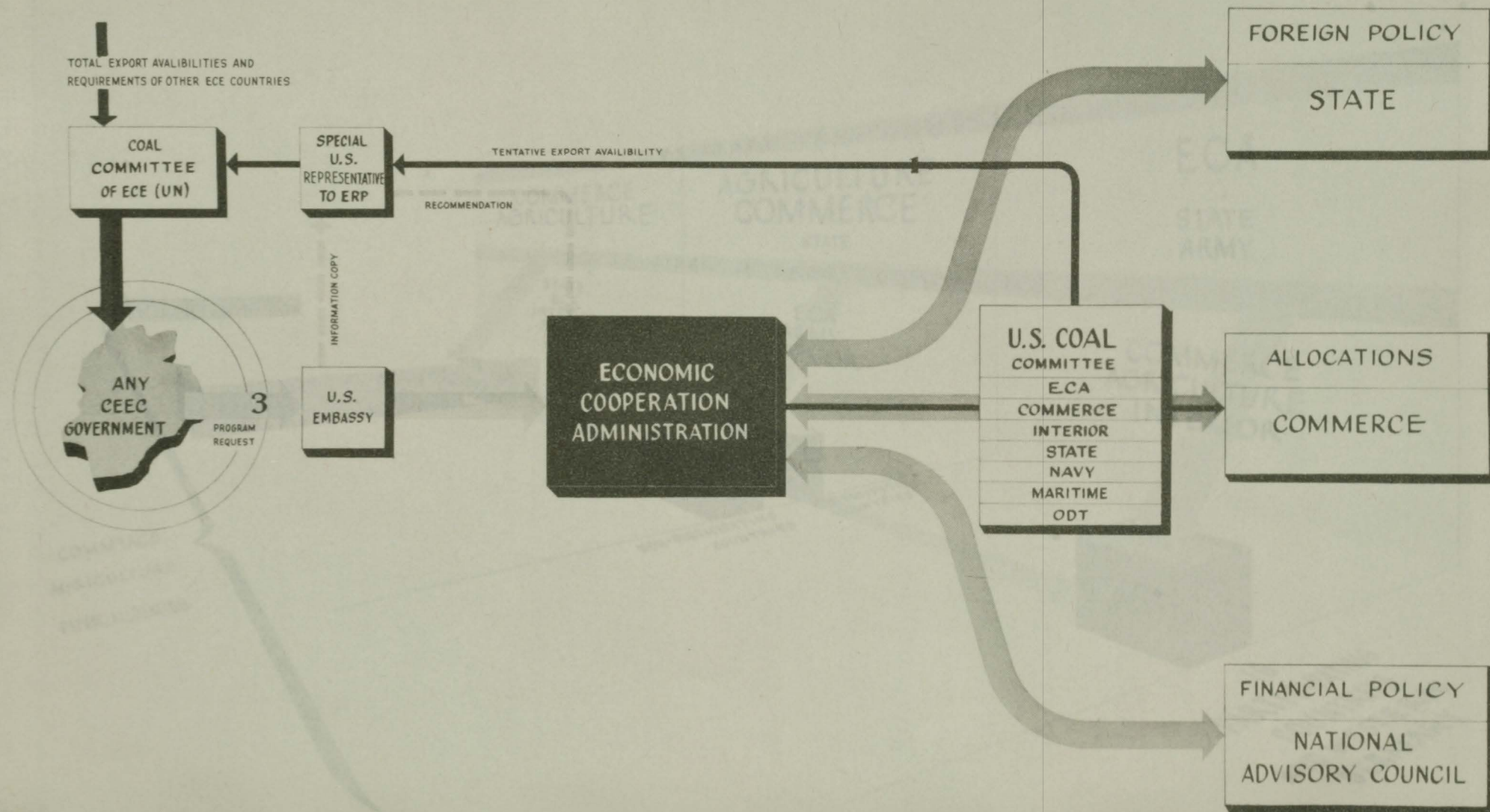
Let's take this block here, which represents the total United States supply. Of that total United States supply, a certain very large portion will go to domestic use, and the balance will be allocated to export. The Departments who have the primary responsibility for the determination of that which will be consumed at home and that which will be sent abroad are the Departments of Agriculture and Commerce. The other interested agencies are the Department of the Army, the Interior, the Economic Cooperation Administration, and the State Department.

The primary responsibility would rest and does rest with the Departments of Agriculture and Commerce.

As regards that block of United States commodities that have been allocated for export, the primary responsibility for the determination



## 5. COAL ALLOCATIONS PROCEDURE





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Ambassador Douglas: The question you ask and the reason I am asking about it, is whether a broader one, Senator, and that is, is it really to the ability to get competence in Government service, or is it a real competence, the kind that is retained at times like these, that is one of the reasons that I was hesitant in giving you an answer. There are many ways of looking at the situation, and I am not going to say that there are other restrictions on the number of people who are able to serve their country, but I think it is important to make sure that the necessary competence is maintained for those to make a fair question, and I would like to, myself, to go a little further along in terms of the particular person.

Senator Lister: Ambassador Douglas, I am not sure that you have considered answer that I could give you this afternoon.

Ambassador Douglas: I am not sure that I have.

Senator Lister: I am not sure that I have.

Ambassador Douglas: I am not sure that I have.

Senator Connally: Mr. Ambassador, if you did not think that it could be done, in answer to the question from the Senator from Massachusetts, by anybody, you would not be advocating it, would you?

Ambassador Douglas: I am not sure that I have.

Senator Connally: I am not sure that I have.

Ambassador Douglas: I am not sure that I have.

Senator Connally: I am not sure that I have.

Ambassador Douglas: I am not sure that I have.

Senator Connally: I am not sure that I have.

(Chart D is inserted herewith.)

Ambassador Douglas: This is the way in which, graphically, I suggested, under the program, that there will be agency participation in the distribution of commodities in short supply.

Let's take this block here which represents the total United States supply. Of that total United States supply, a very large portion will go to domestic use, and the balance will be allocated to export. The Departments who have the primary responsibility for the determination of that which will be consumed at home and that which will be sent abroad are the Departments of Agriculture and Commerce. The other interested agencies are the Department of the Army, Interior, the Economic Development Administration, and the State Department.

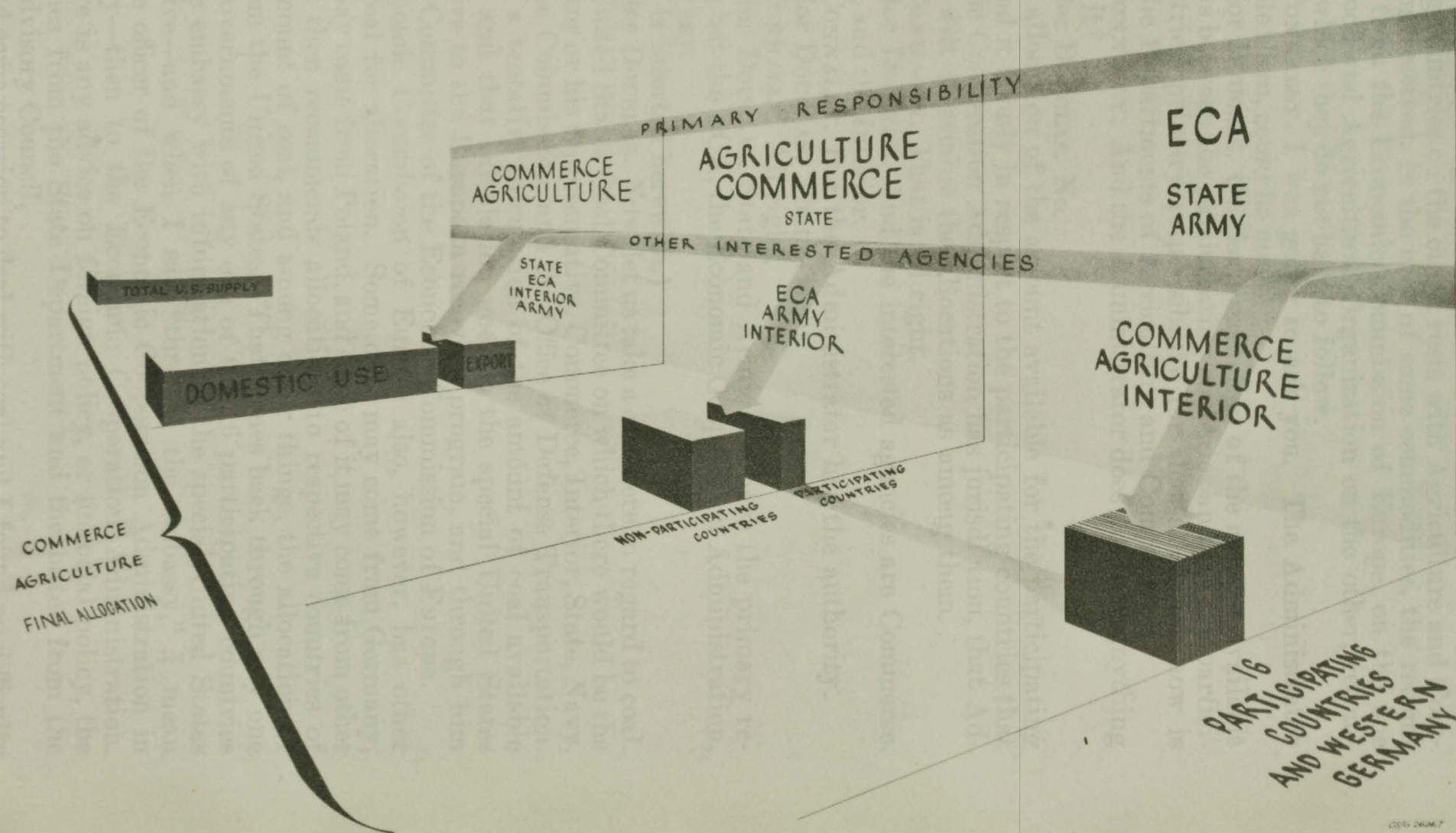
The primary responsibility for the determination of the allocation of commodities to the Departments of Agriculture and Commerce.

As regards that block of United States commodities that have been allocated for export, the primary responsibility for the determination

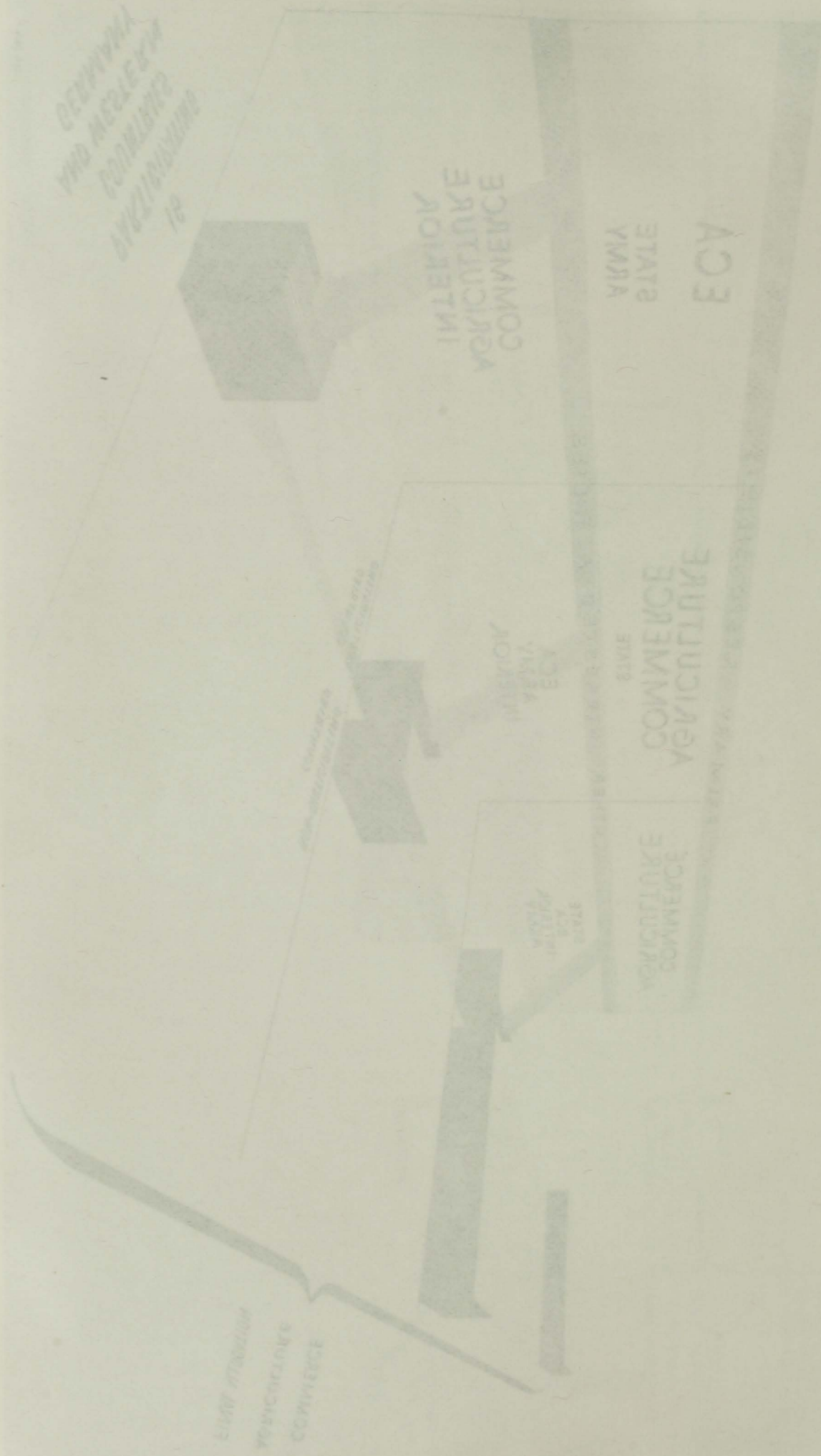


Chart D

#### 4. AGENCY PARTICIPATION IN DIVISION OF SHORT SUPPLIES







AGENCY PARTICIPATION IN DIVISION OF SHORT SUPPLIES

Chart D



of the portion which will be made available for consumption or delivery to the participating countries on the one hand, and to the non-participating countries on the other, rests with Agriculture and Commerce, having received, in the case of some commodities, the recommendations from the Economic Commission of Europe, on the one hand, the Food and Agricultural Organization on the other, recommendations which they do not have to follow.

Senator CONNALLY. I was going to ask you. The Administrator could overrule them, could he not?

Ambassador DOUGLAS. On the distribution of the amount available for export, as between the participating countries and the nonparticipating countries, primary responsibility for that allocation now is reposed in the Departments of Agriculture and Commerce.

Senator CONNALLY. And the Administrator does not have anything to say about it?

Ambassador DOUGLAS. No.

As to the allocation of the amount available for the participating countries, and it is only in respect to the participating countries that the Economic Cooperation Administration has jurisdiction, that Administrator will determine the allocations as among them.

Senator CONNALLY. That is all right.

Ambassador DOUGLAS. And the interested agencies are Commerce, Agriculture, and the Interior.

Senator CONNALLY. But the Administrator has the authority.

Ambassador DOUGLAS. That is right.

Senator CONNALLY. All right.

Ambassador DOUGLAS. State and Army also have the primary responsibility, but the ECA, the Economic Cooperation Administration, has the final say.

(Chart E is inserted herewith.)

Ambassador DOUGLAS. Now, let us take a case here in regard to coal. There is a United States Coal Committee on which there would be the Administrator or his representative, Commerce, Interior, State, Navy, the Maritime Commission, and the Office of Defense Transportation. They make a tentative calculation of the amount of coal available for export, and that calculation goes to the special United States representative to the European recovery program, and through him to the Coal Committee of the Economic Commission of Europe.

The Economic Commission of Europe also, however, has other sources of coal for allocation. Some of it may come from Germany, some of it may come from Poland, and some of it may come from other sources. It then recommends allocations to respective countries of the total amount of coal, and among other things, the allocation of the coal from the United States. That comes back through any one of the 16 governments of any one of the 16 participating countries through the embassy with information to the special United States representative—and when I say “through the embassy,” I mean through the officer of the Economic Cooperation Administration in the embassy—then to the Economic Cooperation Administration. And if there is any advice on foreign policy, or financial policy, the former comes from the State Department and the latter from the National Advisory Council.

I have had some occasion to deal with coal and I found no difficulty in dealing with it in the United States Embassy in London. Possibly



that is because it has just worked. That, in general, Mr. Chairman, is a graphic representation of the way in which this proposal would work. There are a number of other charts here, but I do not think it is particularly necessary to absorb your time with a further explanation of it. It gives you a general idea. It is a complicated matter, let me repeat, no matter how it is established.

There is one final point I would like to make, if I may. It has been indicated that the United States Government has expended tremendous sums in the relief of Europe, and that no particular results have been achieved. I have not myself followed the way in which those relief funds have been administered.

I cannot testify that there has not been misuse of them, or wastage of them here and there. But I think there is a fundamental point to be made, and I can tell you what that is in respect of these 16 countries very briefly.

There have been made available for the 16 participating countries for relief slightly over \$10,000,000,000 during the course of the last, or a little little over 2½ years.

Senator CONNALLY. Does that include loans, or just gifts?

Ambassador DOUGLAS. That includes everything, a little over \$10,000,000,000.

Senator CONNALLY. Some of it is loans?

Ambassador DOUGLAS. Yes.

That is a large sum of money.

What would have happened to those countries had that sum not been made available I cannot say, and no one can say, but I can say that between 1945 and 1947 the national income of these 16 participating countries, and that provides some rough measure of what has occurred, which stood at \$78,000,000,000 in 1940, and in terms of 1940 dollars at \$55,000,000,000 in 1945, has risen to \$69,000,000,000 in 1947. So the statement that this money has been wasted, and that no result has been produced, is not, I believe, in accordance with the facts and the evidence.

It has been asserted that this European recovery program will subtract vast quantities from the United States economy.

Here is the chart.

(Chart F is inserted herewith.)

Ambassador DOUGLAS. There are four items. I did not pick the items. They are somewhat representative. They do not cover a good many of the things involved, but the chart discloses the extent to which commodities will be subtracted from the United States economy.

Why were these particular items chosen?

Mr. NITZE. They seemed to be representative and significant items.

Ambassador DOUGLAS. Synthetic nitrogen, during the 15 months' period, 5.9 percent of the United States production.

Coal, the exports of coal will run somewhere in the vicinity of 42,000,000 tons or more, as I recollect it, during the 15 months' period, or 6.2 percent of our production.

Finished steel represents but 3 percent of our total production.

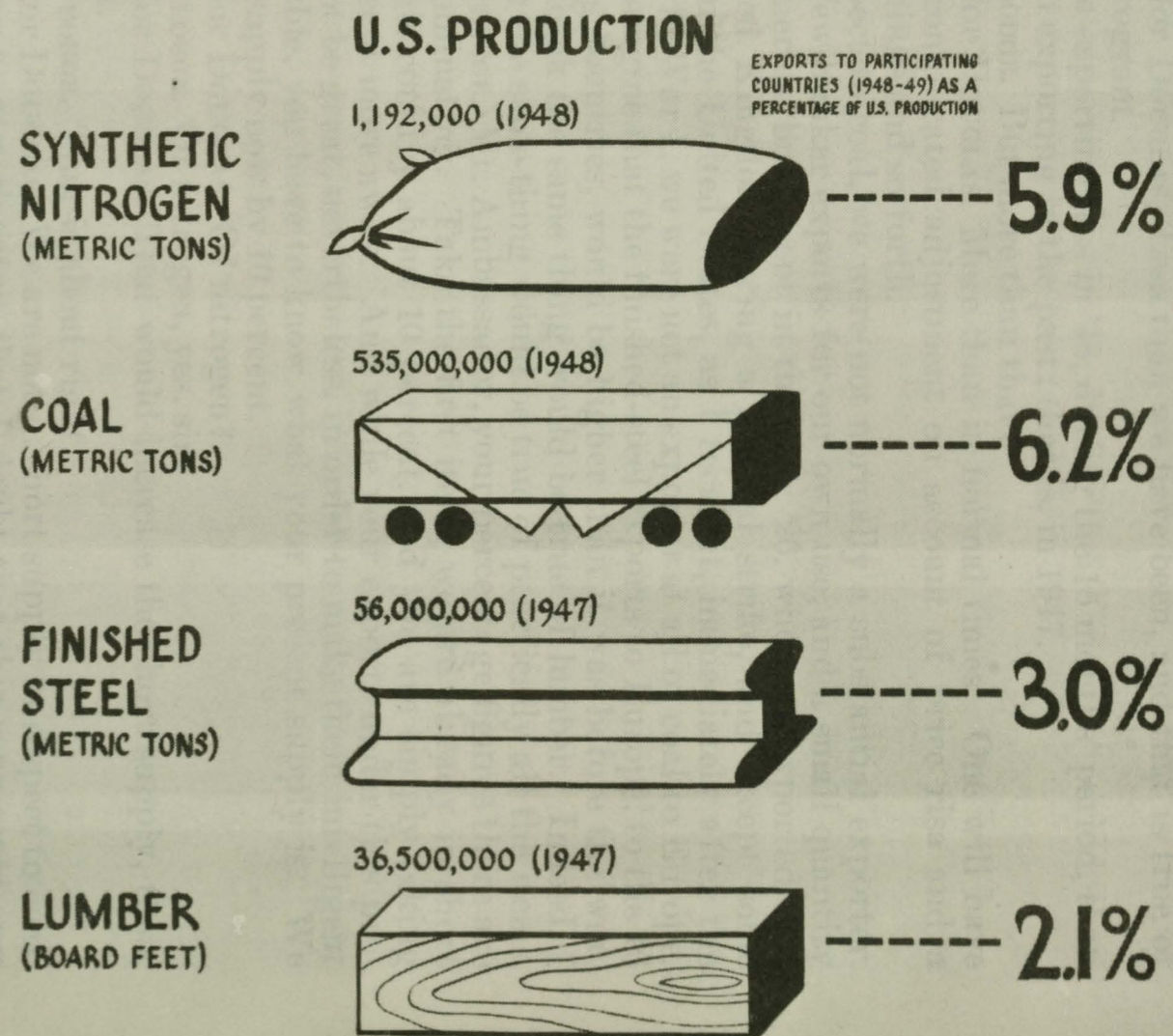
And lumber, expressed in board feet, 2.1 percent.

Senator LODGE. How do those percentages compare with normal exports?



Chart F

## PERCENTAGE OF U.S. PRODUCTION GOING TO PARTICIPATING COUNTRIES









Ambassador DOUGLAS. They are somewhat in excess of normal exports, I should think.

Mr. NITZE. Normal exports of coal would be zero.

Ambassador DOUGLAS. We exported before the war a certain amount of coal, a very small amount of coal, as I recollect, to certain of the South American countries, but otherwise, I think we were not an exporter of that commodity.

Senator LODGE. Under the interim-aid bill we actually exported less than we would have exported normally, and that is why I asked the question here, as to whether or not these exports depicted here were lower or higher than normal exports, and if those figures——

Ambassador DOUGLAS. Less than we have been, and that is true of the whole program.

We will be exporting less in '48, during the 15 months' period, than we have been exporting in the past; that is, in 1947.

Senator LODGE. But more than that?

Ambassador DOUGLAS. More than in normal times. One will have to make a complicated adjustment on account of price rise and a variety of things and so forth.

With respect to coal, we were not normally a substantial exporter. We have a few bunker exports for our own use, and a small quantity to South America, but except in the year '26, when we exported coal to the United Kingdom during a general strike, and except some exports from the United States, as I recall it, immediately after the close of World War I, we were not an exporter at all of coal to Europe.

I should imagine that the finished-steel exports to Europe, to the 16 participating countries, would be higher than it was before the war.

I should think the same thing would be true of lumber. Indeed, I should think the same thing would be true of practically all the items.

Senator GEORGE. Mr. Ambassador, your percentage figures there are not very illuminating. Take the first item; we are already in short supply in this country about 10 percent, and you are simply taking 5.9, or 6 percent more away. And while your exports under this program will not be great, nevertheless, in order to make them intelligent and intelligible, you have to know what your present supply is. We are in short supply now by 10 percent.

Ambassador DOUGLAS. Of nitrogen?

Senator GEORGE. Of nitrogen, yes, sir.

Ambassador DOUGLAS. That would increase the short supply, then, to 16 percent.

Senator GEORGE. That is about right.

Ambassador DOUGLAS. We are not in short supply in respect to coal.

I was going to say, Senator, that I doubt that this represents any increase in nitrogen exports over the amount which we exported in 1947.

Senator GEORGE. Not a great increase, that is true.

Ambassador DOUGLAS. Again let me say this, Senator: While this European recovery program may seem doubtful to some, for one reason or for another, one has to measure the doubts that one has about the cost of the program, cost expressed in a variety of different ways, with the cost to this country if these 16 European countries, or some



of them, either lose their influence or fall under the domination of the police states. And always, it seems to me, when trying to arrive at a judgment as to whether a program of sufficient magnitude to effect the European recovery program is a wise thing for the United States to undertake, we must consider the cost of the program against the consequences, the implication, and the far-reaching costs of doing nothing or doing something inadequately.

Senator GEORGE. I would generally agree with you, except I do not think that the State Department is justified in presenting absolute alternatives. We do not face that issue. The United States does not. That is the technique of propaganda that I do not quite appreciate myself. I realize that weighed against the considerations that you enumerate you get a true perspective, a true picture of it, but we are not necessarily faced by absolute alternatives, and that is the basic error in the premise on which this whole program is proceeding, in my judgment.

Ambassador DOUGLAS. What, Senator, do you mean by "absolute alternatives?"

Senator GEORGE. For instance, the Secretary of State says that we must do the whole of this or none. Now, I do not know whether, if we reduced it slightly, we would necessarily destroy the whole program. In other words, \$6,800,000,000. When I look at these charts, though, and see how many people are going to be involved in it, you almost convince me that you need the whole \$6,800,000,000 for the first 15 months.

Ambassador DOUGLAS. Some of the people involved in it, Senator, speaking to that point, are already in the Government service.

Senator GEORGE. They are not all in Europe.

Ambassador DOUGLAS. There actually does not have to be many in Europe, Senator.

Senator GEORGE. What I mean is simply this, that we are told flatly that the \$6,800,000,000 is necessary for the first 15 months, and that we should do the whole thing or no part of it. That is not exactly a proper statement, it seems to me, to make to the legislative branch of the Government. Suppose the legislative branch of the Government should be of the opinion that \$6,000,000,000 would be sufficient, in its honest judgment? Haven't we any leeway? Must we face these absolute alternatives and either do them or not?

Ambassador DOUGLAS. I do not think anyone said that one had to undertake this program in the amount of \$6,800,000,000 or not at all.

Senator GEORGE. It was said by way of argument, but I think it was said pretty definitely.

Ambassador DOUGLAS. I, myself, have said that in our judgment the \$6,800,000,000 based upon these calculations, represented the minimum, and I tried to explain why.

Senator GEORGE. I can appreciate that statement Mr. Ambassador, and I can appreciate that attitude. But that is quite a different thing from saying "Give it all, or none."

Ambassador DOUGLAS. Your memory is very good, as I know very well.

Senator GEORGE. It was said by way of argument, and it does not make so much difference to me, except that it is the technique of the



propagandist, and that I do not think you should resort to, because this matter is a matter of merit, and it should be determined on its merit, and without the assistance of any technique of that character.

I do not think General Marshall meant in that way. He was seeking emphasis, and by way of argument, he was simply making the statement. But I think you see it in almost all of the leading newspapers of the United States this morning, that we are asked to take it all or do nothing about it.

Ambassador DOUGLAS. I think the Secretary's exact language was, "This should be done adequately, or not at all."

Senator GEORGE. I would not argue about that.

Ambassador DOUGLAS. I am quite sure that the Secretary would not attempt to use the device of propaganda. I am sure that he would not undertake to deny the congressional judgment. I think he was stating in one way his estimate as to the necessity of the situation.

Senator GEORGE. I can see that.

Ambassador DOUGLAS. And I hope, Senator, that I have said nothing which would—

Senator GEORGE. No, no, Mr. Ambassador. I understood you to say that you were giving reasons that you regard as entirely pertinent as to why this full amount should be authorized and appropriated. That is quite a different story.

Ambassador DOUGLAS. I am sure the Secretary did not mean to imply that the Congress of the United States could not express judgment. I am sure he did intend to say, however, that in his judgment this was the minimum.

Senator BARKLEY. I would like to observe in that connection that I do not think some of the headlines of the morning papers were justified by what General Marshall said.

Ambassador DOUGLAS. I feel that way, sir.

Senator BARKLEY. I saw those headlines, and I felt at the time that was not his statement.

The CHAIRMAN. Let me ask the committee a question of procedure.

The committee members have not had a chance to run down the roll and submit their questions to the Ambassador. It is 4:30. If we can conclude with the Ambassador by 5 o'clock, I am sure he would be willing to stay. If that represents any sort of a curb, however, on the extent of the questions that the committee wants to ask, I would prefer to go over to the morning and have the Ambassador return.

What does the committee have to say about that?

Senator CONNALLY. I think the Ambassador is tired.

Ambassador DOUGLAS. Maybe the Ambassador has exhausted the patience of the committee.

The CHAIRMAN. Other members of the committee agree with the suggestion of the Senator, not regarding the Ambassador but regarding the desirability of going over to morning, so we will take a recess until 10 o'clock tomorrow morning. If you will come back, Mr. Ambassador, we will try and let you have a peaceful Sunday.

Ambassador DOUGLAS. Before the committee recesses, may I merely insert into the record a statement covering the request made by Senator Lodge yesterday on strategic raw materials.

The CHAIRMAN. Yes.



(The table furnished in response to Senator Lodge's request is as follows:)

*Possible production increases and stock-pile acquisitions of selected strategic materials*

Item	Estimated optimum possible expanded production in 2 years	Additional possible annual stock-pile acquisitions
Asbestos, amosite: Not produced by participating countries.		
Asbestos, crysotile: Southern Rhodesia.....Tons..	15, 000	2, 000-3-500
Bauxite:		
British Guiana.....long tons..	3, 500, 000	850, 000-1, 400, 000
French Guiana.....do..		
Netherland East Indies.....do..		
Surinam.....do..		
Beryl: Not produced by participating countries or dependencies.		
Chromite:		
Greece.....long tons..	510, 000	125, 000-200, 000
New Caledonia.....do..		
Southern Rhodesia.....do..		
Turkey.....do..		
Cadmium:		
Belgian Congo.....pounds..	500, 000	200, 000-400, 000
Northern Rhodesia.....do..		
Morocco.....do..		
Greece.....do..		
Celestite: Not presently being purchased for stock piles.		
Cobalt:		
Belgian Congo.....pounds..	9, 000, 000	1, 500, 000-2, 500, 000
Northern Rhodesia.....do..		
Morocco.....do..		
Copper:		
Belgian Congo.....tons..	475, 000	50,000-85,000.
Turkey.....do..		
Northern Rhodesia.....do..		
Corundum: Nyassaland.....do..	600	175-300.
Diamonds, industrial:		
Belgian Congo.....carats..	10, 500, 000	2, 000, 000-3, 000, 000
Angola.....do..		
Gold Coast.....do..		
Sierra Leone.....do..		
Graphite:		
Ceylon.....tons..	9, 500	1, 000-1, 800
Madagascar.....do..		
Kyanite: Not produced by participating countries or dependencies.		
Lead:		
Greece.....tons..	75, 000	30, 000-55, 000
Morocco.....do..		
Tunisia.....do..		
Manganese:		
Gold Coast.....long tons..	850, 000	50, 000-85, 000
Morocco.....do..		
Mercury: No additional production needed.		
Mica:		
Angola.....pounds..	600, 000	150, 000-225, 000
Madagascar.....do..		
Southern Rhodesia.....do..		
Nickel:		
New Caledonia.....do..	20, 000, 000	2, 000, 000-3, 000, 000
Netherland East Indies.....do..		
Iridium: Not produced in participating countries or dependencies.		
Platinum: Not produced in participating countries or dependencies.		
Quartz crystals: Not produced in participating countries or dependencies.		
Quebracho: Not produced in participating countries or dependencies.		
Rubber: No production expansion needed.		
Rutile: Not produced by participating countries or dependencies.		
Sapphire: Not produced by participating countries or dependencies.		
Ruby: Not produced by participating countries or dependencies.		
Shellac: Not produced by participating countries or dependencies.		
Tantalite Belgian Congo.....pounds..	200, 000	100, 000-165, 000
Tin:		
Belgian Congo.....long tons..	167, 000	25, 000-40, 000
Netherland East Indies.....do..		
Malaya.....do..		
Nigeria.....do..		



Possible production increases and stock-pile acquisitions of selected strategic materials—Continued

Item	Estimated optimum possible expanded production in 2 years	Additional possible annual stock-pile acquisitions
Tungsten: Portugal.....pounds	3, 000, 000	2, 500, 000-3, 000, 000
Vanadium: Northern Rhodesia.....do	600, 000	150, 000-240, 000
Zinc:		
Belgian Congo.....tons	70, 000	20, 000-35, 000
Northern Rhodesia.....do		
Morocco.....do		
Greece.....do		
Zircon: Not produced by participating countries or dependencies.		

Aluminum ingot.....	On B list: Not purchasable with stock-pile funds.
Calcite.....	Do.
Chalk.....	Do.
Cryolite.....	Do.
Diamond dies.....	Do.
Emery.....	Do.
Fluorspar.....	Do.
Indium.....	Do.
Rhodium.....	Do.
Ruthenium.....	Do.
Selenium.....	Do.
Wool.....	Do.
Petroleum.....	Do.

(Whereupon, at 4:30 p. m., the hearing was adjourned, to reconvene on the following day, Saturday, January 10, 1948, at 10 a. m.)