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Note on Interview with

RICHARD M. BISSELL, JR.

19 September 1952

Others present:

Sam Van Hyning
Harvey Mansfield
Guy Horsley
HBP

Mr. Bissell's comments were based on the following tentative listing of main themes for the ECA history and an attached partial and preliminary outline.

Tentative listing of main themes:

1. Evolution in the conception and goals of European recovery
2. Purposes and technics of U.S. intervention and aid administration
- 18- 3. Changes in national economic policies, institutions and programs in Europe during the Marshall Plan period
- 17- 4. Impetus and steps toward European integration
- 19- 5. Evolving rationale and experience in promoting the advancement of newly developing areas

1. I highly applaud your approach. I would minimize or compress the chronological record, which is available elsewhere, and concentrate on main themes.

2. How I can best help: To comment intelligently in the "whys" etc., I would have to refresh my memory greatly on the chronological record. With the chronological record and with main issues cited I could probably help you a great deal.

12- 3. I also commend your selection of main themes. I believe that the first two are by all odds the most important. The third might be bracketed with the first. The fourth has a special importance in relation to policy yet it is also really a part of the first. At 17- the same time in view of the emphasis placed on this objective, separate treatment would be justified. The fifth theme is quite appropriate for inclusion. 19-

4. A further topic which you might wish to consider relates to organization and administration. I am thinking of the problem of management, relations with the European regional office, relations with the State Department and Embassy-ECA mission relations abroad, etc.

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5. The ECA administration was interesting from the standpoint of the habits and technics of management that it employed. I think you would find worthwhile the comments that Foster or Hoffman or I might be able to give you concerning matters of organization that distinguished this agency -- including question of relationships with the State Department here and abroad.

6. I am thinking especially, for example, of the concept of a regional office, its relation to the home office etc. We had here one of the first instances in which a regional office played so large a part. The successive heads of OSR felt that the European office should have a large role in policy formation, and in discussions and communications on this issue they used the theater commander analogy. Washington was reluctant, and wanted the main decisions to be made here, where there was contact with other departments, Congress, etc. Instructions from Washington to the missions went through Paris, but when dealing with narrower and more technical questions of allotments, balance of payments estimates etc. Washington dealt directly with the missions.

7. One illustration of the issues that we got into was the terrible mess over German allotments. I felt that OSR should not have been in on the act as much as it was. Another illustration was the case of Italy where there was strong disagreement between Washington and the European office on the question of cuts in aid over reserves.

8. Another illustration can be found in the coal issue, on which Harriman had strong feelings. He and Clay differed and the Pentagon was brought in to the picture. The issue was not one of objectives but a crossing of wires (Sam Anderson is well informed on this, also Lou Lister).

9. At this point Mr. Bissell referred to a volume of his correspondence, indicating that there were several such volumes, and he suggested that it might be good to read through some of this -- at some stage. Van Hyning referred also to the weekly digest.

10. Another feature of the organization which was interesting was the extent to which the top people kept up with, and a hand on, what went on. He referred to the extent to which Harriman and later Foster read all of important cables -- outgoing and incoming. Van Hyning referred to the way in which this close watch enabled Foster to know the score on issues during lunch with Under-Secretary Webb, a good deal better than Webb did. Mansfield: This meant that the organization was quick on its feet? Bissell: I think it was.

11. Concerning the European regional office, both Foster and Harriman became surprised at the size to which it grew -- 600 or so Americans only. It is true that the largest staffs worked on information and administration and did not get into questions of policy (Leland Barrows and, for the later period, Harry Fite can give you the story on the administrative side).

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12. By and large I believe that a major decentralization of administrative matters to the field is highly desirable. I believe we did a much better job on this than, for example, State. On administrative matters I think that we should have gone more from OSR to the missions, getting Washington out of that kind of detail. Also that more should have been devolved from OSR to the missions.

13. On the information job I believe that the regional basis is better, more economical, saving a lot of duplication.

14. In treating the European office it is important not only to quote gross numbers of people but also to show distribution by functions. I felt that the policy staff got to be much too big there. Despite some bitter quarrels, I believe that Harriman, Foster and Katz all came to the view by a year or so ago that OSR had gotten out of hand as to size.

15. Concerning the Harriman appointment, Hoffman had to fight to get him; he had to persuade Truman and get his help in getting Harriman to agree. Hoffman worked hard to get him, so there was no question on that score. Knowing Hoffman and Harriman, one can see that it is inevitable that there should have been a certain amount of friction. Hoffman was I think more intelligently sensitive to U.S. opinion while Harriman was more sensitive to European opinion. The sensitivities of each were heightened by their location.

16. Harriman was used to being head of his own show. When he was head of the European office he would take some issues into his own hands. It doesn't come naturally to him to report fully to someone else, or to negotiate in behalf of someone at the other end of a cable line. By contrast, Lew Douglas often differed with State, yet his reporting from the Embassy was full and, though he argued like hell, he never took a major position without clearance. Harriman was not highly articulate and orderly -- hence some confusion. He had his habits of work and was annoyed by being checked up on this. This didn't issue in real quarrels. There was no lack of integrity whatever. And there was no appeal to the President over the head of Hoffman etc. The situation eased somewhat after Katz took over -- with Foster at the Washington end. All of the above relates to the regional office.

17. In conclusion, I believe that the line of command should not run on all matters through the regional office. It's too clumsy. Info copies should be sent to the regional office with an opportunity to intervene, in the sense of expressing a view, at any time; this is a workable arrangement.

18. An illustration of a situation in which a regional office was exceedingly useful was in connection with a mess that we got into in Austria. The question was, should a mission chief be changed. There

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was the question of the propriety of an employees behavior. Ty Wood went over from the European office. Having a senior person there who could do this kind of thing was very important.

19. It's a matter, then, of: (a) defining the regional office's field of activity; (b) getting the regional office out of business where there is not really a regional concern. The top people in the regional office should have some supervisory role -- but staff members should have a staff role and not get too much into all kinds of issues.

20. Under the first heading -- the first two being the most important and interesting -- (note: first heading is "Conception and Goals of European Recovery") I think it is most important to give attention not only to production, internal financial stability, trade and balance of payments goals, but also to relative emphasis on short-run instruction and long-run objectives. If I were writing such a record, it would have a fair amount of criticism in it.

21. Before the Marshall Plan began, there was a clear intention to try in a four year period to bring about some structural changes in Europe. It was recognized that the things that were wrong were deep-seated and that, therefore, deep-seated efforts would be needed to cope with them.

22. But in the early period, the emphasis was largely on short term objectives, and there was much emphasis on these short term objectives all through.

23. The only structural change which received much attention was related to European unification; that did receive a good deal of intelligent attention all through.

24. I still feel that our analysis of structural weaknesses was inadequate within several countries especially, that there was not enough attention to changes needed to make recovery permanent. I believe that among these structural changes we gave relatively too much attention to the issue of unification alone.

25. HBP: The obvious question then is -- what was lacking? what were the great omissions?

26. One thing that we did not really come to grips with was the problem of the relatively decadent managerial class and weak labor especially in France and Italy (not in North Europe, Germany etc. generally). If the Benton amendment and the accompanying relative to the use of counterpart for investment had come two years earlier, we might have done something important on that front. You may want to get hold of an airgram summarizing policy on this -- which was sent out in late 1951; Bob Oshins will have the story on this. This is tied in of course with the problem of technics of intervention through the use of counterpart. When we did get to this issue seriously, the amount of counterpart was limited and there was general pre-occupation with problems of defense.

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27. (On the same question of strengthening management) Bill Joyce's efforts to bring industrialists to the U.S. had some guff in connection with it but I still would stoutly defend the effort as a whole. Those who came over got not only from the industrialists, but also from the bureaucrats, some sound talk on free enterprise, and effective management (now the Ford Foundation is following up some of this in the form of encouragement to the formation of a kind of CED in Europe).

28. Another major problem was that of land reform in Italy. I believe that we should have been cruder and tougher about that.

29. Then there was the question of fiscal reform -- especially in the Latin countries. There were serious lacks in the tax structure and its administration. Many taxes were not properly collected and therefore higher and higher rates developed on those that were. It is true that we need to recognize the ingenious way in which sales taxes in France were made to have the effect of a graduated tax. In general, the problem of fiscal reform and its importance was recognized. Yet it is shocking that more was not done in four years on this problem.

30. Summarizing -- we didn't spend enough time in the first two years in analyzing more, almost from a sociological viewpoint, the structural changes needed.

31. I believe that your second heading -- "Purposes and Technics of U.S. Intervention" -- is most important and that this offers perhaps the most room for original contribution. Whether you call it "intervention" or "influence" or some other word, intervention was a real thing. Do you, to get France to do something, for example, take help away or give more help?

32. The Europeans couldn't really object to the basic objectives of increasing production, promoting trade, developing fiscal policies essential to financial solvency, etc.

33. I suggest that you formulate your views on at least the key questions and then discuss them a lot at the European end. The intelligent ones who were on the firing line are the ones to talk to.

34. Mr. Bissell indicated that, at some stage, he would be glad to meet with members of the advisory committee on this project, if a mutually convenient time could be arranged.

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Interview with
R. M. BISSELL, JR.

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17) 2-3, 5, 10-11

10 October 1952

in Washington

Present: Sam Van Hyning

NOTE: A preliminary outline for the ECA History had been sent to Mr. Bissell on October 9th with a covering memo raising certain questions pertaining to the outline -- which was subsequently revised, taking into account the suggestions put forward by Mr. Bissell during this interview.

1. You may want to consider merging Parts III and IV. Chapters XIII, XIII, XIV and XV, as you have them outlined, seem to be good. I suggest that Chapter XXIV might well be combined with XV. You do need a Chapter XX; I am not so clear regarding Chapters XIX and XXI.

2. The conception of Chapter XIII is good (if so, it is largely because of Bissell's contribution through an earlier interview. HBP). In this chapter and also in the chronological chapters, you might want to add the impression that by the Fall of 1949, the major drive was toward the freeing of trade, with EPU as its principal expression. From the Fall of 1949 through 1950 we were concerned with pretty long-run goals, looking toward economic unification in Europe. By the spring of 1950 EPU was going to happen. There were two main strands in our thinking:

(1) A great deal of emphasis on dollar exports -- with the thought that if this could be brought up to about dollars 850 million a year it would contribute substantially toward a balance in external accounts. You might want to get the "model" showing the possible outcome of trade increase in this period.

(2) Beginning with the Spring of 1950 and running beyond Korea, the idea of trade liberalization and the EPU -- going about as far as possible, if only economic arrangements were to be made -- plus, later, interest in the commodity and industry concept involved in our support of the Schuman Plan. Hoffman wanted more emphasis on this. It meant that next steps would have to be more in the direction of political and military unification.

But these efforts toward trade and payments liberalization and European unification were interrupted by Korea and rearmament. In the last six or eight months we have come back to more concern with them and, also, with social questions such as the position of Labor, etc.

3. In this connection, you may wish to see a long document (cable or airgram) which I drafted, I believe, in late calendar '49 or early '50. (This is included, I believe, in the AAP policy series).

4. As regards the techniques of intervention (Chapter XV) it is hard to suggest an approach. Perhaps the use of examples might be most fruitful.

5. There was, for example, the use of aid and counterpart as means toward influencing import policies, fiscal policies to some extent, and public and private investments; in Italy the Mission used this technique more than anywhere else.

6. Then there were the long negotiations in France with the aim of influencing monetary and fiscal policy there. In this case, the objective and method were different. (Tommy Tomlinson, in Luxembourg, as well as Linc Gordon and Lane Timmons can give you the background on this.) This was the only time that I wanted to use aid reduction as a means of influencing the situation but in this I was frustrated, and it was probably best. In this case, the circumstances were important -- the French public being very sensitive to expanding Central Bank (Banque de France).

7. This was in contrast with the British case where there was no effect on British counterpart policy. They let counterpart accumulate indefinitely; there they could have resort more freely to bank lending.

8. You might look also at project procedure -- which was entirely different. This was not the large approach. There was a picking out of specific projects and, in this case, we more nearly approximated banking techniques.

9. You might look into the effort toward investment programming which, on the whole, was one of the blind alleys, except in the case of Norway and Greece.

10. One other item not covered has to do with the philosophy of the approach to European recovery. There were the differences and contrasts in economic philosophy between the views implicit in the support of GATT, the Bretton Woods agreement, etc., where the emphasis was on convertibility and non-discrimination, on the one hand, and, on the other, the views that came to be represented in the Marshall Plan. You might want to get from Sam Van Hyning a memo which I have recently written bearing on this question. (This was later received).

11. The approach implicit in the Marshall Plan program placed higher priority on efforts to change balance of payments deficits, to increase employment and production, etc.

12. It is a question of emphasis given the goals of convertibility, solvency, full employment and production.

13. On these subjects, you may wish to see Lee Bacon, Tommy Tomlinson, Linc Gordon, of course, and others on the ECA side and, among the Europeans, Eric Roll, Hammershoid, Marjolin, Schweitzer (now in Washington), Frank Figgures, (important and valuable), Malagodi, Don McDougall.