

Marshall Testimony of January 8, 1948

EUROPEAN RECOVERY PROGRAM

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE

EIGHTIETH CONGRESS

SECOND SESSION

ON

UNITED STATES ASSISTANCE TO EUROPEAN

ECONOMIC RECOVERY

PART 1

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

Printed for the use of the Committee on Foreign Relations



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON: 1948

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EUROPEAN RECOVERY PROGRAM

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. [p.1/2]

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 its 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 [p.2/3] 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 multi-lateral 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. [p.3/4]

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 [p. 4/5] 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 [p.5/6] 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. [p.6/7]

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 [p.7/8] 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 [p.8/9] 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 [p.9/10] 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, [p.10/11] 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 [p.11/12] 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 [p.12/13] tragic situation would it be possible to have sovereign countries co-operate 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. [p.13/14]

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 20) 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." [p.14/15]

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." [p.15/16]

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? [p. 16/17]

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. [p.17/18]

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 [p.18/19] 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. [p.19/20]

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. [p.20/21]

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 then 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 [p.21/22] 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 then, 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. [p.22/23]

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. [p. 23/24]

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? [p. 24/25]

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 [p.25/26] 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, [p.26/27] 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. [p.27/28]

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 [p.28/29] 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 or 14 years. [p.29/30]

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 [p.30/31] 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 [p.31/32] 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 [p.32/33] 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 [p.33/34] 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 [p.34/35] 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 tryin 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 [p.35/36] 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. [p.36/37]

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 [p.37/38] 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 [p.38/39] 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. [p.39/40]

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.

[p.40/41]

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. [p.41/42]

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 [p.42/43] 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 transferred 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 [p.44/45] 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? [p.45/46]

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 co-operation 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." [p.46/47]

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 or 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 sub-section, 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 participat[[p.47/48](#)]ing 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 overall 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. [p.48/49]

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 [p.49/50] 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 for the gain, 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. [p.50/51]

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:) [not included here p. 51/52]

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 [p.52/53] 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. [p.53/54]

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. [p.54/55]

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. [p.55/56]

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. [p.56/57]

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 [p.57/58] 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. [p.58/59]

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. [p.59/60]

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 [p.60/61] 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 [p.61/62] 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 complication 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 [p.62/63] 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. [p.63/64]

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 investment made in a local plant were wholly unsound when expressed in terms of dollars,

merely because the exchange mechanism could not carry the transfer. [p.64/65]

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. [p.65/66]

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. [p. 66/67]

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? [p.67/68]

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. [p.68/69]

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 [p.69/70] 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 [p.70/71] 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 understand

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. [p. 71/72]

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 under-take to hold them to their commitments or to reduce them if possible; is that not true? [p. 72/73]

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—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. [p. 73/74]

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.) [end p. 74]