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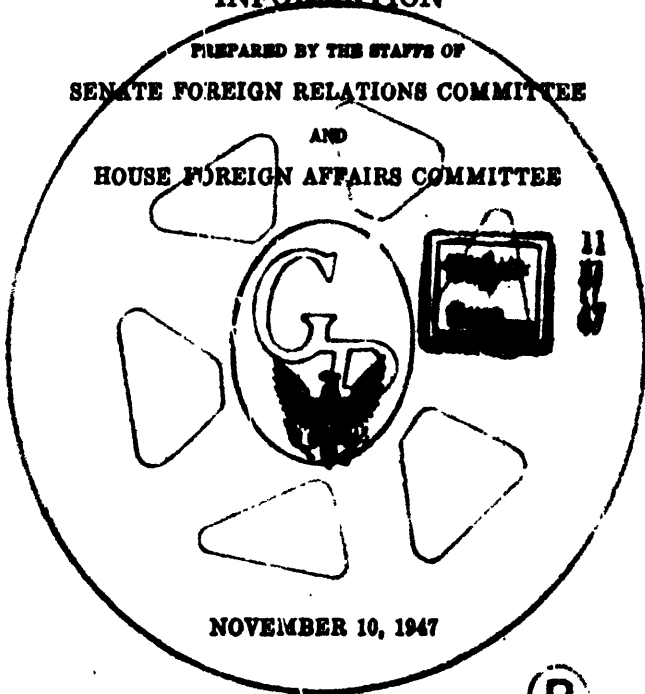
COMMITTEE PRINT

*U. S. Congress. Senate. Committee on
Foreign Relations*

THE EUROPEAN RECOVERY PROGRAM

BASIC DOCUMENTS AND BACKGROUND INFORMATION

PREPARED BY THE STAFFS OF
SENATE FOREIGN RELATIONS COMMITTEE
AND
HOUSE FOREIGN AFFAIRS COMMITTEE



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THE EUROPEAN RECOVERY PROGRAM

Basic Documents and Background Information

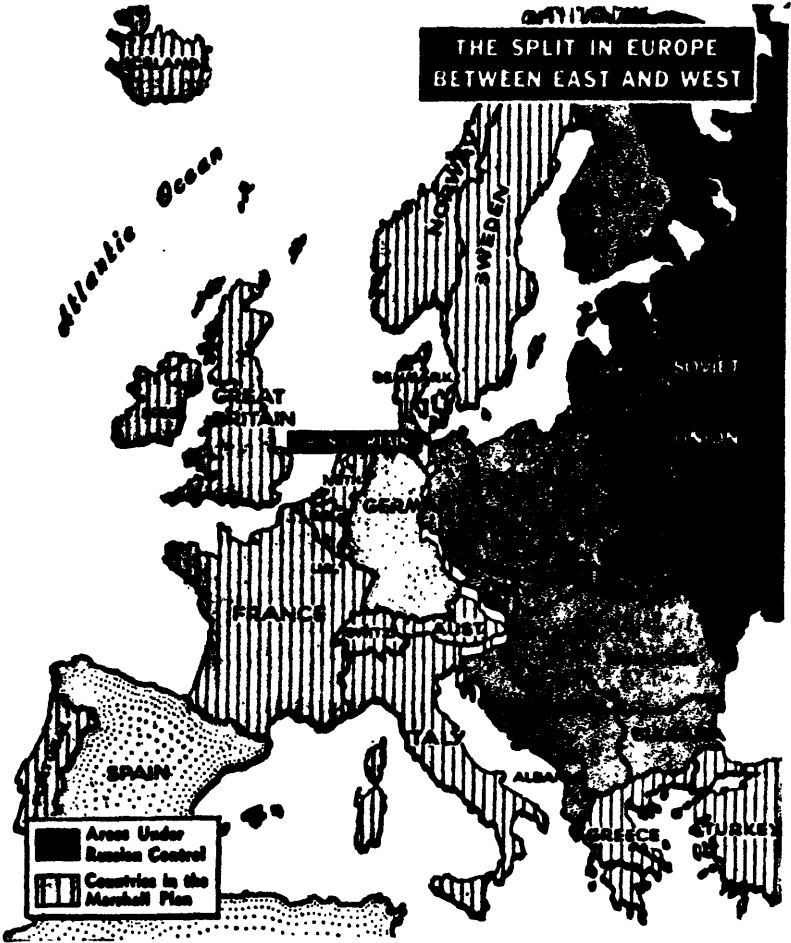
INTRODUCTION

This is a collection of facts, official statements, background data, and reports, both of individuals and Government agencies, on the Marshall proposals, dealing with the European recovery program. It has been prepared jointly by the staffs of the Foreign Relations Committee of the Senate and of the Foreign Affairs Committee of the House for the use of those committees and of all Members of Congress. There has been no attempt at critical commentary or recommendations. Certain sections were furnished, at the request of the staffs and with the approval of the chairmen of the committees concerned, by the Department of State.

The object of this staff report is to bring together in convenient form a number of documents and other materials which have just become available and which will be useful to the Congress in understanding the programs presented by the administration. Appraisal is, of course, a matter for the committees themselves and for the individual Members of the Congress. In view of the forthcoming Report of the House Select Committee on Foreign Aid, the subjects of interim aid to France and Italy and the principles and organizations for any foreign-aid program have not been treated in detail.

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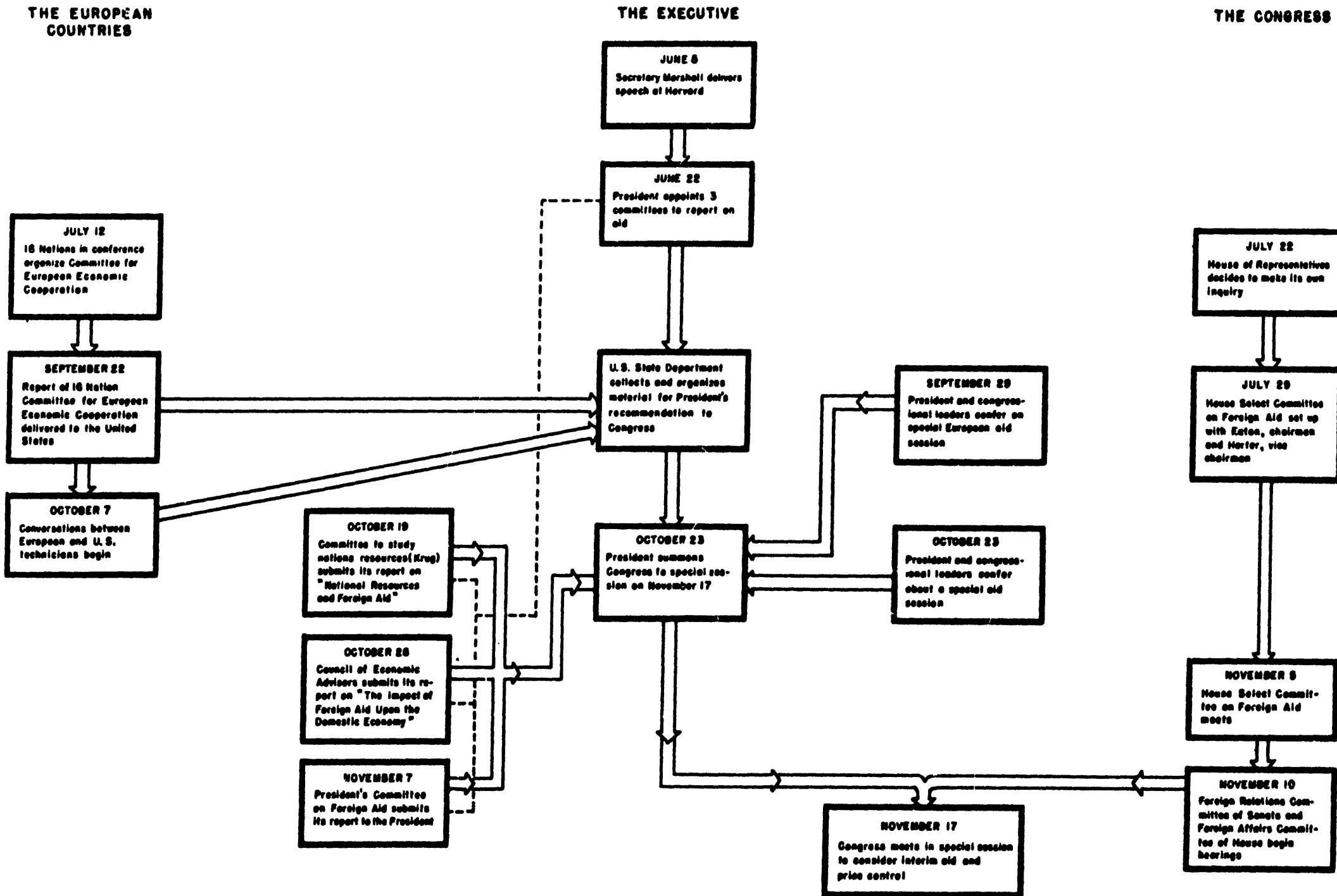
THE SPLIT IN EUROPE BETWEEN EAST AND WEST



—From New York Times.

MAJOR STEPS IN THE DEVELOPMENT OF THE MARSHALL PLAN

FROM JUNE 5 TO NOVEMBER 17, 1947



PART ONE: SUMMARY

I. THE DEVELOPMENT OF THE EUROPEAN RECOVERY PROGRAM

BACKGROUND

The background of the European Recovery Program, in addition to its humanitarian features, is partly economic and partly political.

Economic.—The war killed off millions of people in Europe, made other millions homeless, caused widespread disease and hunger, wrecked laws and governments, and wrought destruction on an unprecedented scale. Such industry as survived was unable to renew activity without help, agricultural production languished, and transportation and power systems everywhere were disrupted. To help Europe and the liberated areas, the United Nations Relief and Rehabilitation Administration (UNRRA), in which 44 members participated, was established in November 1943. But UNRRA was not able to set Europe effectively on the road to recovery; and on June 30, 1947, it ceased to exist. Its dissolution was preceded by a winter of extreme cold, and followed by a summer of severe drought, both of which intensified and magnified the European recovery problem.

Political.—To outward appearances the relative harmony which existed among Allied states during the war, lasted up to and through the San Francisco Conference. The shape of things to come, in the way of serious divergences of interest and objectives, had appeared in the discussions at Tehran and at Yalta, but there was no general public recognition of the seriousness of these issues until after Potsdam. After that, wartime unity decreased noticeably and an ever-widening rift occurred in Soviet-American relations. The weakened condition of Europe left a grave danger that the world might be divided into two power systems. The Russian system was committed to an ideological revolution and a communism which it attempted to spread to its neighboring states. Russian expansion caused grave concern to the United States and to a number of European states. But quite apart from the rift in Europe, which Russia had widened, the deterioration in European civilization—even the possible destruction of its basic political and economic institutions—was a matter that vitally affected the national interest of the United States. Without overlooking the importance of other areas of the world, Western European civilization has been in the vanguard of scientific, cultural, and other forms of human progress, a chief source of strength for democratic institutions. Its disappearance would leave a serious vacuum which could not but affect the destinies of this country. The experience of the last three decades has clearly demonstrated that the

security of free institutions throughout the world is linked to the health and strength of Western Europe.

DEAN ACHESON'S STATEMENT, MAY 8, 1947

The first official pronouncement of what was later to become the European recovery program was made by Under Secretary of State Dean Acheson, substituting for President Truman as speaker before the Delta Council at Cleveland, Miss.

Mr. Acheson outlined a five-point program implementing American international political and economic policies. He mentioned the relief and reconstruction measures already undertaken by the United States, saying that they had been adopted "in part" for humanitarian purposes, but principally because the distance is so short "from food and fuel either to peace or to anarchy." He demonstrated a clear-cut appreciation of the implications of any program of United States aid for the world and stated,

* * * as great as is our supply of commodities and services to the world during the current year, it is still far short of what the people of the world need if they are to eat enough to maintain their physical strength and at the same time carry on essential measures of reconstruction and become self-supporting.

Later, on June 16, at Princeton, he called for the assessment of American resources with a view to determining how far the United States would be able to help the world. At Cleveland he recommended (1) an increase in American exports, (2) the elimination of trade barriers, (3) the concentration of the United States "emergency assistance in areas where it will be most effective in building world political and economic stability, in promoting human freedom and democratic institutions, in fostering liberal trading policies, and in strengthening the authority of the United Nations." (4) the pushing ahead with the restoration of Germany and Japan, (5) the continuation of congressional delegation to the executive branch of powers over the sale, transportation, and exportation of commodities upon which our security depends.

THE MARSHALL STATEMENT AT HARVARD, JUNE 5, 1947

At the Harvard Commencement on June 5, 1947, Secretary of State George C. Marshall, having been apprised of the rapid dwindling of French, English, and Italian dollar resources, carried the policy outlined in Mr. Acheson's speech one step further. Being unable to suggest American readiness to assist Europe without having his overtures interpreted as "dictation from Washington," he took occasion in the Harvard address to say that if the European countries wished to plan and cooperate in a program of reconstruction, the United States stood ready to consider what assistance it could provide for such a program. Pertinent passages from Secretary Marshall's speech follow.

It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation, and chaos. * * *

It is already evident that, before the United States Government can proceed

much further in its efforts 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 must take in order to give proper effect to whatever action may be undertaken by this Government.

It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This 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.

It will be noted from this that the so-called Marshall Plan was no plan at all but a general statement that the United States would look with sympathy upon European requests for aid and rehabilitation, provided Europe examined her own resources and her abilities to meet her needs, and outlined an appropriate program of action. "

WESTERN EUROPE'S REPLY

At the outset, only brief references were made to the speech in European papers. On June 13, 1947, however, Mr. Bevin hailed Marshall's statement as "a real attempt * * * to (create) a healthy world." On the next day the French Foreign Minister, Georges Bidault, invited Mr. Bevin to discuss the proposal and 3 days later talks opened in Paris dealing with raw materials, tariffs, currency, and priorities of aid. It was obvious from the outset that Soviet participation would be desirable and the meetings were broken off in order to invite Foreign Secretary Molotov to attend.

Meanwhile, at the invitation of Chairman Styles Bridges of the Senate Appropriations Committee, ex-President Herbert Hoover on June 15, without mentioning Marshall's proposed plan, raised questions about the need for limiting United States aid to foreign countries. While Mr. Hoover questioned the extent of relief the United States might safely provide, the Soviet press attacked the Marshall proposal as United States' use of the dollar for political prestige and as an American interference in the domestic affairs of foreign countries. Mr. Bevin replied in the British House of Commons that Britain was prepared to go ahead with a program, Soviet Union or no Soviet Union. On the next day, June 20, the U. S. S. R. asked for further information about the credits the United States planned to grant and the relationship the Marshall Plan bore to the United Nations organization.

THE PRESIDENT'S STUDY COMMITTEES

On June 22, President Truman appointed three committees to examine the more pertinent aspects of the proposal in search of answers which would have to be given if the program were to be given definite form and congressional approval obtained. "

One committee was composed of specialists within the Government under the chairmanship of the Secretary of the Interior, Julius A. Krug. Its duty was to study the state of the Nation's resources with a view to determining the ability of the United States to support the program. The second committee, known as the Council of Economic

Advisers, was to study "the impact on our economy of aid to other countries."¹ The third was a 19-member advisory committee under the chairmanship of the Secretary of Commerce, W. Averell Harriman. It consisted of financial, business, and farm leaders charged with the responsibility of studying the broad aspects of the aid program and to advise the President "on the limits within which the United States may supply and wisely plan to extend such assistance."²

These committees worked throughout the summer at top speed, utilizing the aid of Federal agencies. The Krug Committee made its report to the President on October 7; the Council of Economic Advisors on October 28; and the Harriman Committee on November 6.

THE BIG THREE CONFERENCE

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

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

¹ Dr. Edwin G. Nourse, chairman; Leon Keyserling, and John D. Clark.

² Hiland Batcheller, president, Allegheny-Ludlum Steel Corp., Pittsburgh, Pa.; Robert Earle Buchanan, dean, Graduate College, Iowa State College, Ames, Iowa; W. Randolph Burgess, vice chairman, National City Bank of New York, New York, N. Y.; James B. Carey, secretary-treasurer, CIO, Washington, D. C.; Granville Conway, president, the Cosmopolitan Shipping Co., Inc., New York, N. Y.; Melville F. Coolbaugh, Golden, Colo.; Chester C. Davis, president, Federal Reserve Bank, St. Louis, Mo.; R. E. Deupree, president, Procter & Gamble Co., Cincinnati, Ohio; Paul G. Hoffman, president, the Studebaker Corp., South Bend, Ind.; Calvin B. Hoover, dean, Graduate School, Duke University, Durham, N. C.; Robert Koenig, president, Ayrshire Collieries Co., Indianapolis, Ind.; Edward S. Mason, dean, School of Public Administration, Harvard University, Cambridge, Mass.; George Meany, secretary-treasurer, American Federation of Labor, Washington, D. C.; Harold G. Moulton, president, the Brookings Institution, Washington, D. C.; William I. Myers, dean, College of Agriculture, Cornell University, Ithaca, N. Y.; Robert Gordon Sproul, president, University of California, Berkeley, Calif.; Owen D. Young, Van Hornesville, N. Y.; Robert M. La Follette, Jr., Washington, D. C.; John L. Collyer, president, B. F. Goodrich Company, Akron, Ohio.

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 U. S. know how much is wanted."

Six days later, Secretary Marshall told the Women's National Press Club in Washington

* * * All the United States wants * * * is that the aid be used for the purpose it is intended; that it should not be expended to serve selfish economic or political interests; that it should help to restore hope and confidence among the people concerned, that the world will know peace and security in the future.

THE MEETING OF THE 16 EUROPEAN NATIONS IN PARIS

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

The conference immediately set to work and created a general overall committee, known as the Committee for European Economic Cooperation (CEEC). After 4 days of sessions, 4 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 million dollar 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 agree-

ment. On July 16, Bulgaria and Rumania entered into a power and transport, and territorial adjustment pact. On July 27, Russia granted Albania a small credit for machinery. On July 29, the Soviet Government and Yugoslavia announced a barter and credit agreement in Moscow. On August 3, Bulgaria and Yugoslavia signed an agreement covering customs, visas, and general foreign policy. These were only the first of a number of similar trade agreements. Supported by the Russian grain aid and barter arrangements, they constituted the so-called "Molotov Plan" which purported to be the Soviet reply to the Marshall Plan. The net result of these agreements was to further tighten Russian control over the exports of the countries concerned and a diversion of their products to the east, most of which had previously flowed naturally to the west and to other areas outside Russia or the countries under Russian control.

COMINFORM CREATED TO OPPOSE EUROPEAN RECOVERY PLAN

In her opposition Russia spoke for the Communist world. Any questions on this score evaporated when, on October 6, Pravda announced in Moscow that a new organization representing the Communists of nine nations, namely those of Russia, Yugoslavia, France, Italy, Poland, Bulgaria, Czechoslovakia, Hungary, and Rumania, had organized for an all-out fight against the Truman Plan, the Marshall Plan, and United States imperialism. This was the Cominform, a new version of the supposedly defunct Comintern. Headquarters were located in Belgrade. The conference, at which the declaration had been prepared, had met in Poland and Communist representatives of all of the nine nations were in attendance. The program of this new organization was set forth by Zhdanov on October 22 as one calling upon the Communists everywhere to wreck the Marshall Plan as an instrument designed by the United States to achieve "world domination by American imperialism." Acting Secretary of State Robert A. Lovett commented upon the Cominform program on October 8, stating that—

* * * the Manifesto will carry to new lengths the distortion of United States policy * * *. The parties and governments associated with this program have made clear their intention to prevent, if they can, the economic recovery of Europe.

THE HOUSE OF REPRESENTATIVES SELECT COMMITTEE ON FOREIGN AID

Meanwhile, the House of Representatives decided to make its own inquiries into European needs, and a preliminary study, Needs, Limits, and Sources of American Aid to Foreign Countries, was issued July 19, 1947, by subcommittee No. 2 of the Foreign Affairs Committee, under the chairmanship of Mr. John M. Vorys. This report, which brought together the existing studies of the problem and made an analysis of its probable magnitude, also pointed to the policy issues which would have to be settled before an intelligent appraisal of the needs for European recovery and the possibilities of that recovery could be determined. House Resolution No. 296, introduced by Mr. Christian A. Herter, was passed with the object of establishing a select committee to put the study of European recovery on a broader basis. Its aim was

to secure the representation of the major standing committees of the House which would be concerned with different phases of the whole foreign aid problem. As a consequence a 19-man committee, known as the Select Committee on Foreign Aid, was set up on July 29 to make special inquiries.³ It sailed for Europe on August 28 and returned on October 10 with a wealth of information. The first summaries of its agreed principles to form the basis of a report began to appear in the press on November 7.⁴ The members of this committee were divided, for purposes of more thorough study and coverage, into five subcommittees: A subcommittee on Great Britain, whose chairman was Mr. Kunkel; a subcommittee on Austria and Germany—chairman, Mr. Case; a subcommittee on France, Belgium, Holland, and Luxembourg—chairman, Mr. Wolverton; a subcommittee on Italy, Greece, and Trieste—chairman, Mr. Jenkins; and a subcommittee on Agriculture (covering most of Europe)—chairman, Mr. Andresen. As their reports will soon be available, it is necessary in this summary only to point out that Congress had set up its own machinery in the last session and was proceeding on an independent study of the entire problem of foreign aid, not limiting this study to European aid alone and stressing the questions of actual and prospective needs of foreign nations; resources and facilities available to meet such needs, both within and without the continental United States; existing or contemplated agencies, whether public or private, domestic or international, qualified to deal with such needs; and any or all measures which might assist in assessing relative needs and correlating such assistance as the United States could properly make without weakening its domestic economy.

THE SUMMER OF 1947

Closely related to the recovery program were a number of events. On August 14, the United States canceled 1 billion dollars worth of war claims against Italy; released 60 million dollars in war assets; signed over to Italy 28 ships seized during wartime; redeemed 10 to 15 million dollars in script issued to Italian war prisoners in the United States; trimmed United States claims against Italy to 5 million dollars, and agreed to sign a friendship pact with Italy later in the year. Other pacts between the two parties covered 136 million dollars in prewar Italian bonds, and the disposal of German external assets.

Another significant event was the 6-day conference in London in which France, the United States, and Britain agreed to restore the German production levels equivalent to those of 1936. These talks were held in spite of Russian protests. They failed to guarantee France all the Ruhr coal and coke she might need for her industries. It was also agreed that German recovery should not have priority over

³ It was headed by Representative Charles A. Eaton (chairman) and Representative Christian A. Herter (vice chairman). The membership of the committee was Representatives Thomas A. Jenkins, Charles A. Wolverton, August H. Andresen, Francis Case, John C. Kunkel, John M. Vorys, Charles W. Vursell, W. Kingsland Macy, Richard M. Nixon, E. E. Cox, James P. Richards, Francis E. Walter, Harold D. Cooley, George H. Mahon, Overton Brooks, Eugene J. Keogh, and A. S. Mike Monroney.

⁴ See summary, part II, No. 9.

that of democratic countries; that the demilitarization of Germany still remained a primary objective, and that any new United States-British plan should be so drawn up that it could not be used for the recovery of the Ruhr, in other words, so as not to allow that area to become again an instrument of aggression.

On September 12, the Foreign Ministers announced that a study of the possibilities of a customs union would be made among the following states: Austria, Belgium, Britain, Denmark, Ireland, France, Greece, Iceland, Italy, Luxembourg, the Netherlands, Portugal, Rumania, Turkey; and 10 other eastern European countries would probably be invited, including Russia. Russia, however, was not happy with this announcement and she warned the Scandinavian countries against the formation of any union among them because such a union would be regarded by the Soviets as yielding to the western bloc now sponsored "by reactionary Anglo-American sources."

On September 12 an aid conference was held in Paris with Secretary William Clayton, at which six basic conditions were proposed by the United States which were accepted by the conference. These were, (1) to take immediate steps toward financial and monetary stability; (2) each to guarantee its production program; (3) to agree to reduce trade barriers; (4) to make allowance in total requirements for capital needs which might be financed by the World Bank; (5) to form continuing organization and check expenditures under it; and (6) to recognize common objectives and responsibilities. This was the point at which on September 18 Deputy Commissar of Foreign Affairs Vishinsky rose in the United Nations Organization to accuse the United States of "war-mongering."

On September 20, the Senate Appropriations Committee met for a day to discuss the American financial policies abroad.

THE REPORT OF THE COMMITTEE OF EUROPEAN ECONOMIC COOPERATION (CEEC).

On September 22, the Committee of European Economic Cooperation presented its report, signed by the 16 nations participating in the conference, to the United States. The recovery plan covered all 16 signatories.

WASHINGTON CONVERSATIONS OF TECHNICIANS

Conversations opened (October 7) between the technicians of the European states and the United States with a view to clarifying the European report and the recommendations. All phases of the report were meticulously gone into.

THE EUROPEAN SITUATION WORSENS

Meanwhile the food situation in Europe continued to grow worse. On September 24, the 19-member committee chaired by Secretary Harriman made a special interim report on the grain export policy of the United States, with a view to conserving as much grain as possible for Europe.

The various committees of Congress visiting Europe saw for themselves the conditions which existed there. In addition to the House Select committees on Foreign Aid, and subcommittees of the House Foreign Affairs Committee, already in Europe, Asia, and the Near East, the Senate Armed Services and Appropriations Committee sailed on September 26, and various other groups left from time to time.

In order to assure public assistance and to insure an adequate amount of food for foreign relief, President Truman on September 25 proclaimed the national "waste less" campaign to conserve food products affecting grain supplies. He appointed a Citizens' Food Committee under the chairmanship of Charles Luckman, to direct a campaign of public participation, stating that the European economic emergency "cannot wait on a careful study required for the over-all decision on the Marshall Plan." Later, on October 27, the President took another step in order to secure further public support of the aid program. He invited 100 leaders of industry, labor, agriculture, and the general public to confer with him at the White House.

THE PRESIDENT MEETS WITH CONGRESSIONAL LEADERS

As the food prospect in Europe became increasingly bleak, Secretaries Harriman and Marshall both warned of starvation abroad unless help was forthcoming from the United States. The President's advisors engaged in an intense search for \$580,000,000 for stop-gap aid for Italy and France in order to avoid calling Congress into a special session.

They were unsuccessful, and on September 29 President Truman met with a number of congressional leaders relative to the situation abroad. He asked the Appropriations and the Foreign Relations Committees of both Houses of Congress to meet "at the earliest possible time." After informing the congressional leaders that he would consult with them again as to the necessity of a special session, he pointed out that available funds would not meet a stop-gap aid program for France and Italy. He emphasized that the long-range recovery program would be impossible unless the United States provided food and fuel to help France and Italy "to survive this critical winter as free and independent nations," and then observed that there was no use calling a special session unless the appropriations and foreign affairs committees would approve stop-gap aid. On the next day the Senate and House Foreign Affairs Committees agreed to meet in joint session on November 10 to begin hearings on the aid program. Five days later, the Senate Appropriations Committee scheduled its meetings to begin on November 18.

THE PRESIDENT SUMMONS CONGRESS FOR A SPECIAL SESSION ON NOVEMBER 17, 1947

But more definite action on interim aid seemed to the President to be necessary in time to stave off starvation and suffering in Europe. No long-range recovery program could be entered upon unless immediate needs were met, as he had already indicated in his meeting with

the congressional leaders on September 29. At a second meeting with congressional leaders convoked at the White House on October 28, he announced that he was calling Congress into session on November 17. There were two compelling reasons, namely, "the continued rise in prices * * * (and) * * * the crisis in western Europe."

II. THE CHARACTER AND THE CRISIS OF EUROPEAN ECONOMY

BACKGROUND OF THE EUROPEAN CRISIS

Europe—the land from the Ural Mountains to the Atlantic Ocean—is similar in size, resources, and economic organization to the United States, although it supports a population triple that of our country. Europe has a highly industrialized seaboard, consisting of Sweden, the Low Countries, Germany, Great Britain, and France, corresponding to our industrialized New England and Middle Atlantic States. It has an inland region, Germany, rich in iron ore and coal, which supports a great concentration of factories. We have a similar inland industrial and raw-material area in the Pittsburgh-Chicago region. Behind the industrialized seaboard and stretching around the inland industrial area of the Ruhr is the vast agricultural region of central and eastern Europe, corresponding to our Middle West and Great Plains States. Secondary industrial areas had been built up in the Russian sector of this region and in a smaller degree in Czechoslovakia. The war shifted Russia's developing industry more beyond the Urals, into Asia.

The resemblance between Europe and the United States is strong, but when it is examined more closely, it can be seen that there are important differences. The United States is a single economic and political unit with freedom of trade and movement from one part to another. Europe is a group of separate and independent nations, criss-crossed with trade barriers and without freedom of movement across national boundaries. In a general sense, that situation is one of the basic causes of the present European crisis.

The parallel to Europe would be closer if the 16 States comprised in the New England and Middle Atlantic groups plus Ohio, Indiana, Illinois, Louisiana, and Alabama (in order to simulate the isolated and strategic positions of Greece and Turkey) were all suddenly to be politically separated from the rest of the United States and formed into 16 separate and independent nations. Imagine further that these 16 new States were devastated by war and drought and were effectively cut off from trading with the rest of the United States by serious ideological and national differences, and a rift created by a foreign power that controlled all the rest of the United States. The difficulties which these imaginary countries would face in restoring their production and standards of living are like the problems which western Europe has struggled with since the end of the war, with the difference that western Europe controls extensive colonial resources.

The 16 nations of western Europe which have requested American aid are Austria, Belgium, Denmark, Eire, France, Greece, Iceland,

Italy, Luxemburg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom. With some exceptions, these countries possess considerable industrial capacity and have common problems in feeding their populations, obtaining raw materials for their factories, and marketing their products, except the fact that some possess great colonial empires while others do not. Even those possessing colonies, however, cannot develop them rapidly or adequately under present conditions. A brief summary of their chief economic characteristics will make this clear.

With the exception of Denmark, none of these countries is a net exporter of food. The following table shows the prewar percentage of home-grown food to the total food consumed in each country:

TABLE I.—*Self-sufficiency in food production—Prewar*¹

Country	Percent of home-produced food to total food consumed	Country	Percent of home-produced food to total food consumed
Austria	75	Norway	47
Belgium	47	Portugal	92
Denmark	100	Sweden	90
France	83	Switzerland	47
Greece	79	United Kingdom	32
Netherlands	62		

¹ Source: *Food and Agricultural Data for Selected European Countries*, pp. 1-3. Average for food years 1933-34 and 1937-38.

² Excluding imports of coffee, citrus fruits, tropical foods, etc.

Even before the war, therefore, these countries were unable either individually or as a group to feed their people out of their own resources. Since the war, the ability of these countries to feed themselves at least in part has been still further reduced by severe summer droughts and severe winter freezes, by spring floods in England, by lack of agricultural machinery and farm animals, and by shortages of fertilizers and farm labor.

A similar reliance upon outside supplies has existed with respect to raw materials for industry. Resources of coal and iron ore are relatively plentiful in western Europe and before the war were sufficient to meet most needs. But other important raw materials were in part or wholly lacking—especially nonferrous metals, cotton, wool, lumber, pulp and paper, rubber, petroleum, and tropical products, such as oils and heavy fibers. The war has only aggravated the dependence upon imported supplies by using up stock piles and exhausting slender natural resources of some of those products possessed by a few countries.

As a result of its inability to supply itself with food and industrial raw materials from its own sources, western Europe has to rely heavily on foreign trade. In order to import, these countries have always been forced to export so as to earn the necessary funds for purchasing abroad. Table II shows the per capita value, converted in dollars, of the foreign trade of the chief western European nations as compared with the United States in the year 1937.

TABLE II.—*Per capita imports and exports, 1937*¹

(Converted into dollars at 1937 rate of exchange)

Country	Imports	Exports
Austria.....	\$44.30	\$37.10
Belgium.....	106.25	99.00
Denmark.....	99.90	94.60
France.....	40.50	22.80
Netherlands.....	98.80	73.20
Norway.....	110.45	69.25
Sweden.....	85.10	81.10
Switzerland.....	88.75	70.55
United Kingdom.....	108.20	84.85
United States.....	22.90	25.10

¹ Source: *Foreign Commerce Yearbook*, 1938, p. 427, as corrected.

It can be seen at a glance that those countries were far more dependent upon foreign trade than the United States. The difference between the value of imports and the value of exports was, before the war, made up by the so-called invisible items in the balance of payments—earnings from the shipping trade and from insurance, income from overseas investments, remittances from emigrants, and money spent by tourists in Europe, etc. But exports paid for the great bulk of imports into western Europe and even before the war it was literally true for Europeans to say, "We must export or we die."

What did western Europe export before the war which enabled her to pay for her imports? In large part it was the products of European industry and certain specialized foods and beverages, such as cheeses, wines and liquors. But just as the war has sapped western Europe's ability to raise part of its own foodstuffs, so too has it severely reduced the output of European factories of these products, and cut off the tourist trade and other "invisible" items of export.

1. *War damage*

The physical damage to and destruction of mines, factory buildings, machinery, equipment, and transportation facilities was enormously greater in the recent war than in any previous conflict. Only a beginning has thus far been made in rebuilding and replacing plant and equipment.

2. *Shortages*

World-wide shortages of raw materials and industrial and transportation equipment have hindered European reconstruction during the past 2 years even for those countries which may have had the necessary funds for foreign purchases.

3. *Business relationships*

The commercial, financial and business relationships which knitted together and sustained the productive resources within each of the 16 countries and between western Europe and the rest of the world were shattered by the war and are only slowly being reestablished because of the disappearance of many old firms, loss of trained personnel, and the psychological and political uncertainty and insecurity of postwar Europe. Title to many important properties was in a hopeless legal snarl for much of the period since the war.

4. *Labor*

Both the supply and productivity of labor in the factories and on the farms are much less than prewar. This is especially due on the continent where millions of skilled and semiskilled workers were killed or displaced from their farms, mines, and work benches by the Germans. Nor does the reduced western European labor force work as hard today as it did before the war for physical and psychological reasons. Lack of adequate food, shelter, and clothing for over 7 years has reduced the physical stamina of the European worker, whose average age is also greater than prewar by reason of the greater mortality among and disappearance of young men. Psychologically, the incentives to hard work are gone—taxes are high and goods are scarce. Factory workers can buy little food with their wages and farmers find few manufactured goods on which to spend their incomes. The result is a vicious circle—the lower the productivity, the less there is for consumers to buy; but the less there is for consumers to buy, the less the incentive to work hard.

5. *Political situation*

A concerted program on the part of the Communist-dominated Left, designed to make recovery impossible and operating through demagoguery and sabotage, was met by the natural reactions of the Right—which certainly did not help matters—and by the inability of the Center and Liberal parties to control the economic and political factors which could produce stability and recovery. Since the Communists have been excluded from certain ministries in Europe marked improvement has been evident in the political stability of these countries and their willingness to take necessary measures for recovery.

The factors outlined above which have hampered the recovery of western Europe's industrial output are only part of the picture of the current European economic crisis. Of equal importance are changes in the direction, volume and financing of the foreign trade of the 16 countries.

GERMANY

Germany is no longer the chief single market for and supplier of the other western European nations. In 1929, 53 percent of Germany's total exports were consumed in the 16 countries of western Europe. In the same year 35 percent of Germany's imports for home consumption came from those 16 countries.¹ The difference was made up in part by the western European countries out of their earnings from transporting a substantial portion of the remaining German exports and imports to and from the rest of the world. It is unlikely that western Europe can find or create without the utmost difficulty an adequate substitute for the role which Germany played in their economies before the war. Consequently, unless and until there is a revival of western Germany's capacity to produce and consume at reasonable levels, there is little chance of restoring the western European stand-

¹ Source: Computed from figures given in *Foreign Commerce Yearbook*, 1930, vol. II, p. 253.

ard of living to the level of 1938, much less to that of 1929, without serious drain on the economy of the United States.

EASTERN EUROPE

Before the war, the European area east of a line from Stettin on the Baltic to Trieste on the Adriatic was one of the chief sources of the raw materials, especially foodstuffs, required by western Europe. But since the war, the food-producing countries of eastern Europe, especially Poland, Hungary, Rumania, and the U. S. S. R., have also suffered reduced outputs of food for the same reasons as noted above in the case of western Europe. Since the last harvest, however, relative exportable surpluses have appeared in certain eastern countries, but there are difficulties which must be overcome before they can be bought by western Europe. Chief among these are the inability of western Europe to supply, as formerly, desired manufactured goods to the eastern countries and the serious ideological and political gap between east and west which makes trade negotiations difficult.

UNITED STATES AND OTHER DOLLAR AREAS

In place of their pre-war sources of supply in Germany and eastern Europe, the 16 nations of western Europe have been forced to turn to the United States. Our exports to Europe will be three times as great in 1947 as in prewar times. Not only will we be shipping vast quantities of food and industrial products to Europe, but we will supply western Europe with some 40,000,000 tons of coal in 1947, a commodity never before imported from outside Europe. Western European countries have also been forced to expand their purchases in Canada and Latin America, where they must pay in dollars or acceptable goods for all imports. While, therefore, world shortages and the loss of German and eastern European supplies have compelled the 16 nations to expand their imports from dollar areas, they have at the same time been able to reestablish only 60 percent of their exports to dollar areas, as compared with prewar. Before the war, Europe sold less to us than she bought from us, and now the difference is much greater because of the shortage of acceptable exports from western Europe. For the past 2 years, western Europe's trade deficit with the dollar areas has been financed in one way or another by the United States.

INFLATION

The world-wide inflation has seriously affected the ability of the 16 nations to trade among themselves and with the rest of the world. What businessmen and economists call "the terms of trade" are unfavorable to all 16 western European countries except Switzerland and Sweden. This means that, because of a relatively greater internal inflation, those countries must charge higher prices for their exports than the costs of producing similar goods in competing countries outside of Europe. This is also true for trade carried on among the 16 countries wherever the degree of inflation is markedly different, as for example between France and Switzerland. At the same time,

foreign currency, especially dollars, earned by or loaned to the 16 nations buys much less than prewar in terms of goods. The result is that western Europe, except Sweden, Portugal, Switzerland, and Spain (the latter is not among the 16 nations of the Paris Conference), has difficulty in selling even the limited quantities of goods it has for export and it pays much more for goods it must import.

CURRENCY INCONVERTIBILITY AND TRADE BARRIERS

Even before the war, western European countries were experiencing difficulty in maintaining the value and free convertibility of their currencies. This situation was a result of the great depression of the 1930's which reduced Europe's foreign trade substantially and created conditions basically similar to but by no means as critical as those of the present day. In an effort to balance their trade with other countries, many of the 16 nations adopted various restrictive devices designed to limit their imports but expand their exports. The use of such devices as import and export quotas, barter and compensation agreements, blocked currency funds, etc., has been continued and strengthened since the war. It will be difficult for Western European nations to abandon these artificial aids for carrying on foreign trade until their own economies have recovered to the point where confidence is restored in their currencies and goods for export and import are in more plentiful supply.

LOSS OF FOREIGN INVESTMENTS, ETC.

As noted above, western Europe was, in general, able to balance its trade with the rest of the world before the war by reason of its earnings from the so-called invisible items of the balance of payments. During the past 7 years, however, many of the 16 nations have lost most of their income from one or another of the invisible items. Great Britain sold a large part of its foreign investments in order to finance necessary imports during the war. Great Britain, Norway, the Netherlands, and Italy no longer have maritime fleets of anything like prewar size and have lost the income formerly derived from carrying the major portion of the world's ocean traffic. Tourists no longer flock to France and Italy nor do the fortunate few that get there spend anything like in prewar days. Disorders in the Netherlands East Indies and French Indochina prevent any substantial remittances from those regions to the mother countries. Only Belgium and Britain still earn substantial profits from their overseas possessions, though potentially nearly all European colonies are economic assets.

Such, in brief, are the main reasons why western Europe cannot now grow and manufacture enough to feed, clothe and shelter its people and repair the ravages of war, or reestablish sufficient foreign trade through the normal mechanisms of commerce and finance to make up the deficit in its home production. Not even before the war did the 16 nations of western Europe have anything like the degree of self-sufficiency and independence of foreign trade so fortunately possessed

by the United States. The war and its aftermath of political unrest and world-wide shortages have only aggravated to a crisis western Europe's organic inability to support itself, without the natural flow of food and raw materials from eastern Europe. To a very great extent, the present plight of western Europe arises from the operation of factors beyond the conscious control of the people of Europe. Seven years of war, terror, uncertainty, hunger and cold have increased painful but necessary tasks.

If Europe is to recover, particularly if western Europe is to recover, without mutual assistance from an eastern Europe dominated by Russia, exports must be increased far beyond prewar levels, colonies must be better developed and open to general use, and barriers to internal as well as external trade for the 16-nation group reduced as rapidly as possible.² Population problems will remain difficult, particularly in Germany, where the bizonal area has had to absorb many millions of nonproductive exiles. At the same time, German industrial plant and technical skill are potentially the greatest factors inside Europe for providing manufactures and equipment for the rest of western Europe. Under suitable exchanges for raw materials and safe political conditions, western Germany could also greatly aid the recovery of Eastern Europe.

² See pledges, part II, No. 4.

III. EXTENT OF RECOVERY IN EUROPE

PRODUCTION

Europe has come a long way on the road to recovery since the Allied armies liberated the countries occupied by Germany. Industrial production has recovered to better than prewar levels in a number of countries of Europe, including the British Isles and the Scandinavian countries. In a second group comprising France, Belgium, and the Netherlands, production stands at approximately 80 to 90 percent of 1937. In Italy, however, production is only about one-half its prewar size, while in Germany and Austria it is considerably less.

The general extent of this recovery may be indicated by the following figures:

Index of industrial production

[1937=100]

	1945	1946	1947					
			January	February	March	April	May	June
Austria.....		41						
Belgium.....	31	72	86	77	85	88	87	85
Denmark.....	74	96	108	105	98	99	100	100
France ¹		79	86	95	96	102	102	97
Germany: ²								
United States Zone.....		37	34	31	28	46	49	48
United Kingdom Zone.....		31	28	26	30	33	34	34
Ireland.....	92	107		132				
Italy ¹		51	48	46	52			
Netherlands ¹	31	74	86	80	90	90	89	91
Norway.....	69	100	109	118	113	113	122	
Sweden.....	88	107	108	107	107	109	108	108
United Kingdom.....		102						

¹ 1938=100.

² 1936=100.

³ Manufacturing, mining, and public utilities.

Production of steel and coal in western Europe, basic ingredients of European economic recovery, is still far below prewar. Although the output of steel in the United Kingdom is higher than it was in 1938, it is still only a fraction of what it was before the war in western Germany. With the exception of France the production of coal is

far below output in 1938. These facts are brought out clearly in the following table:

Steel production in the participating countries and western Germany

(Millions of metric tons)

Country	1938	Mid-1945	October 1946
1. United Kingdom.....	10.6	11.7	12.4
2. Other participating countries.....	13.2	3.8	12.2
3. Western Germany.....	21.0	.....	3.2
4. Grand total.....	44.8	15.2	29.8

Source: CEEC, Technical Reports, p. 10.

Progress of hard-coal production in the participating countries and western Germany—Annual rate

(Millions of metric tons)

Country	1938	July 1945	May 1947
United Kingdom.....	231	168	180
France.....	47	31	47
Other participating countries.....	51	23	25
Total participating countries.....	329	222	262
Western Germany.....	163	27	75

Source: CEEC, Technical Reports, p. 9.

Agricultural production in Europe as a whole is nearly 80 percent of prewar levels. The major difficulty lies in shortages of fertilizers, farm tools and equipment, and, in certain localities, deficiencies of draft animals and farm labor. In the summer of 1945 drought struck in France and in French North Africa. The severe winter of 1946-47, culminating in early spring floods, froze seed in the ground and ruined the winter wheat crop in Britain, France, and Germany. Further damage resulted from dry weather in June and July 1947.

The rate of recovery has not been uniform over the whole area. The countries' own efforts were supported by considerable assistance from the rest of the world. The following tables are of interest:

Production and total supplies of basic foodstuffs in the participating countries and western Germany

(Millions of metric tons)

	Total available supplies		Domestic production (included in available supplies)	
	1934-38 (average)	1945-46	1934-38 (average)	1945-46
Wheat and rye.....	47.9	36.6	34.0	22.4
All cereals.....	86.8	60.7	64.5	42.1
Oils and fats ¹	6.0	3.6	2.8	1.9
Sugar.....	6.8	4.4	3.4	2.4
Meat.....	10.6	7.1	9.0	5.5
Milk ²	72.5	52.9	72.5	52.9

¹ Including butter.

² Liquid milk.

Source: CEEC, Technical Reports, p. 24.

Index of agricultural production

[1938=100]

Austria	51
Belgium	85
Denmark	76
France	75
Germany:	
United States Zone	75
United Kingdom Zone	60
Italy	84
Netherlands	77
Norway	84
Sweden	101
United Kingdom	120

CONSUMPTION

While Europe's production has recovered more than is generally appreciated in the United States, consumption has lagged far behind. In the first place, production has more work to do. In addition to providing for consumption, maintenance and depreciation of existing capital equipment and normal capital expansion, it must make up the great losses of the war. It must also accommodate far larger populations in most of the countries of Europe, resulting from population growth during the war years and from large scale movements of population.

Consumption in food has on the whole been sufficient to sustain life. In certain countries, however, it has not provided the population in general with the food needed to provide the energy for active living. Rationing has been designed to provide special allowances for miners and other types of physical workers. It has also been directed to building capital in human resources. Special food has been made available to prospective and nursing mothers, and growing children have been favored at the expense of older people. Apart from the quantity of food, its quality has deteriorated greatly, except on farms and in metropolitan black market restaurants. Bread and potatoes are the rule for the urban dweller without access to farm products.

In other consumption lines, conditions are little better. A long stretch of years looms ahead before prewar housing standards will be regained. Destruction of cities, growth of populations, influx of refugees, and in the occupied areas requisitioning of houses for occupation armies and their families have brought about the most crowded conditions known in Europe. Repair of damaged houses and the construction of temporary shelter have alleviated the situation to some extent. Building materials are scarce. Lumber to repair roofs and walls, cement for foundations, brick and masonry for new construction are not available to meet even the most urgent needs. Yet in certain areas the spirit of the people remains high.

Some progress has been made in producing clothing and shoes for the working class at one end of the scale and in the production of fashion items for the well-to-do and for export at the other. However, stocks of clothing in the average family continue to dwindle, having been stretched out over the war and the 2½ years following without substantial replacement. One of the important problems facing Euro-

pean countries generally is to insure the production of sufficient clothing to take care of the needs of growing children.

Average consumption figures conceal wide differences between the consumption of the various participating countries. Even though the figures for 1947-48 are more in the nature of consumption per head implied in estimates of requirements, the table below is of interest:

Food consumption per head
(Kg. per head per year)

	1934-35	1947-48
Bread grains.....	192	159
Potatoes.....	276	228
Sugar.....	27.4	20
Meat.....	42.9	30
Fats (oil equivalent).....	24.1	17.0

Source: CEEC, General Report, p. 43.

EXPORTS AND IMPORTS

More than any other region of the world, Europe is dependent on trade for its economic well-being. Although Europe, excluding the U. S. S. R., contains only 19 percent of the population and 4 percent of the land area of the world, European trade constituted somewhat more than half of total world trade before the war. Much of this was intra-European trade, which accounted for 54 percent of total European imports and 64 percent of exports.

The war completely disrupted this intricate trade network. Normal trade relationships and the entire European economy were hammered out of shape in order to serve the needs and the requirements of the war. As the war continued, damage and deterioration lowered production and reduced even such trade as was permitted. At VE-day trade was virtually at a complete standstill.

Exports have increased from low wartime levels in most of the countries concerned, but at current rates of production, domestic requirements have absorbed the bulk of available supplies. Import needs have been enormous. While production has exceeded consumption in most countries of Europe—though possibly not in Italy, Austria, and Germany—the margin between production and consumption would have been far wider if imports had been limited to the goods which the European countries could have bought with their own exports.

Imports of food from overseas areas far surpassing the prewar volume have been required to maintain food consumption; more coal and petroleum products have been brought in to keep the economy running; steel and machinery have been sought to repair damaged or deteriorated machinery and to expand capacity in certain lines. Imports of raw materials—textile fibers, nonferrous metals and ores, and leather—have been less than they usually were in peacetime. Normally, western Europe relied on overseas areas for these commodities and on eastern Europe for nonferrous metal ores. Since the war, however, supplies of coal and electricity have been insufficient to get ca-

capacity in these lines operating fully, while capacity itself has shrunk through the destruction of war and the depreciation of machinery. A particular factor has been the difficulties encountered in reassembling machinery which was cleared out of civilian-type factories to make room for armament machinery during the war. Textile plants were a favorite choice of German armament officials anxious both to expand airplane and general armament production and to disperse such production away from Allied bombardment.

The total value of imports has been increased not only by enlarged requirements for food, coal, and steel but also by large increases in import prices. These increases have exceeded those in the manufactured goods which western Europe normally exports.

A further new item of cost in dollars has been shipping. Because of tremendous wartime merchant marine losses, shipping which was carried formerly in European bottoms is now transported by the United States merchant marine. American shipping costs are high. Coal sold at a western Pennsylvania mine for \$4 to \$6 and \$7 to \$9 at an Atlantic seaboard port costs approximately \$16 to \$18 laid down in Cherbourg, Marseilles, or Trieste. With one and one-half million tons of grain moving eastward out of Atlantic ports monthly, and two and one-half million tons of coal, 1,500 ships of the Liberty type have been engaged in moving bulk supplies across the ocean at rates of \$10 to \$12 a ton for coal and \$20 a ton for wheat.

In 1938 the world looked to the participating countries for about 60 percent of its tonnage. Some of the progress made in the reconstruction of the merchant fleets is due to the expenditure of dollars on acquiring ships built in the United States. The following table is of interest:

Tonnage owned by the participating countries in 1938 and 1947

(Tonnage figures in millions)

Type of vessel	End 1938			Mid-1947		
	No.	G. R. T.	D. W. T.	No.	G. R. T.	D. W. T.
Passenger ^a	600	3.5	2.0	300	1.8	1.0
Dry cargo.....	7,000	25.5	36.1	5,150	20.5	29.1
Tankers.....	1,080	6.7	10.1	980	6.1	9.5
Total.....	8,680	35.7	48.2	6,430	28.7	39.6

^aFor the purpose of this report, vessels classed as "Passenger" vessels include only those which have no substantial cargo capacity. G. R. T.—Gross Register Tonnage; D. W. T.—Deadweight Tonnage. German tonnage excluded, 6.3 million D. W. T. Source: CEEC, Technical Reports, p. 349.

The economic recovery is linked with the strength of the inland transport systems. The traffic figures given below reflect the results of combined efforts since the war ended to repair material damage, build new equipment and repair old, and to revitalize the administrative machinery.

Volume of traffic in Belgium, France, and Netherlands

[Millions of metric tons]

Traffic	1938	1945	1946
Railways.....	262.6	131.1	217.1
Waterways.....	132.3	40.4	78.0
Ports.....	134.9	42.1	60.6

Source: CEEC Technical Reports, p. 333.

ECONOMIC INTERCOURSE

Apart from the difficulties of increasing production, the necessity to restrain consumption and the need for foreign aid in meeting minimum requirements both for consumption and production, European economies have been handicapped in recovery by a serious deterioration in the normal ways of doing business. This is applicable both to trade within and among the countries of Europe.

Prior to the war, the economies of Europe, with certain obvious exceptions as in the case of Germany, were in principle based on the mechanism of price and profits, and the distribution of goods to final users on the basis of price and incomes. Departures from this principle occurred in varying degrees, as governments, cartels, and other institutions took action to alter the results of the operation of a simple price economy. In general, however, the operation of the economy was fairly automatic.

During the war the price and market mechanism was drastically modified in all countries, as resources were mobilized for war. Allocations, priorities, and rationing provided the assignment of resources to particular uses and distributed products to consumers.

Since the war many countries have made an attempt to get back to the price economy. But so great have been the prevailing scarcities in some fields, and so great the degree of monetary disturbance engendered by the war and its consequences, that price control, rationing, allocations, priorities, and labor services necessarily have been retained in varying degrees in certain sectors of some economies and throughout others.

The result is that they have achieved success in neither direction. Price controls have broken down in most countries, and where they have held, as in Germany, the rationing and allocations system required to distribute goods in the absence of the price system has been inadequate to the task. Inflation and black markets exist in France, Italy, Germany, Austria, Greece, disturbing the normal division of labor between farmer and city dweller, disrupting the flow of scarce supplies into priority uses, making it impossible to insure that food is collected and distributed to those who most require it.

In Germany a barter market has evolved. The term black market is reserved for the movement of goods to final consumers outside the normal ration. When a factory, however, barter its product for raw materials—for fuel, for building materials, and for tools—this is barter, not black market trading. Factories and mines trade their

produce for food to feed their workers a noon-day meal; obtain building materials to repair the houses of the managerial staff and the workers; even pay the workers in cloth, shoes or other consumers goods which are made in the factory, to enable the workers to engage in black market trading for their own account.

In an economy where normal economic intercourse is almost totally disordered, other types of easily transferable goods take on the attributes of money—such as cigarettes and other items small in size and high in value, including nylon stockings, Paris perfumes, even flasks of penicillin.

The situation in countries other than Germany is evidently less extreme, though the economies of Austria, Italy, and France suffer in some degree from the same lack of confidence in the currency in use, from barter, and black-market trading.

In international trade the normal pattern of dealing has not been restored. At the end of the war, world trade was at a complete standstill in the countries of Europe liberated by Allied arms. As local economies gradually picked up, international trade was resumed on a barter basis or through bilateral agreements between two trading nations. Currencies were inconvertible and for the most part have remained so. Foreign monies were made available by governments only for approved imports or for import transactions undertaken by government agencies. Obtaining access to foreign materials or selling domestically produced goods abroad involved an individual or a firm in endless complications.

Bilateral trading was an improvement from the total absence of trade. But bilateral trade is restricted to the amount of goods the poorer country can buy or supply. The most acute problem in this connection has been presented by the trade of Germany, which is anxious to sell goods in Europe for dollars with which to pay for some of the wheat, fertilizer, medicine, and petroleum products bought from the United States. Other countries have had goods to sell to Germany which Germany would have liked to buy, but which with the serious shortages in basic consumption commodities it could not afford.

IV. UNITED STATES ASSISTANCE TO EUROPE

JULY 1, 1945, TO JUNE 30, 1947

United States financial assistance to Europe since the end of World War II has been of two kinds: (1) The provision of funds and supplies in the form of repayable loans and credits, and (2) the provision of funds and supplies in the form of relief and special grants not requiring specific repayment. United States assistance to western Europe has been largely of the first kind; that is, long-term interest-bearing loans and property credits.

A. INTEREST-BEARING LOANS AND CREDITS

The interest-bearing loans and credits have been of the following types:

1. The Treasury loan to the United Kingdom of 3,750 million dollars, authorized by Congress in July 1946. As of August 31, 1947, the unutilized balance of this loan was \$400 million.

2. Export-Import Bank loans for reconstruction purposes. The largest single recipient of this type of assistance has been France, which received two loans, one of \$550 million in September 1945, and one of \$650 million in June 1946.

3. The sale of United States surplus property abroad and surplus merchant vessels on long-term credit. Of the countries of Europe, France and Italy received the largest surplus property credits: France a credit of \$300 million and Italy a credit of \$180 million for the purchase of surplus property in Europe, and each a credit of approximately \$42 million for the purchase of merchant vessels.

4. Lend-lease settlement and "pipe line" credits. These lend-lease credits were established in full settlement of obligations arising out of the war on account of lend-lease and other wartime claims. They are essentially property credits for the value of civilian-type lend-lease goods held by foreign governments at the end of the war and for lend-lease goods in the process of procurement at the war's end. Among the 16 Paris Conference countries, settlements establishing long-term credits on this account have been effected with the United Kingdom, France, and The Netherlands.

Following this brief review of United States assistance to Europe are three tables which present in detail a break-down of the figures showing our aid to all the countries of the world. These tables are taken from the report by the Council of Economic Advisers on The Impact of Foreign Aid upon the Domestic Economy—often referred to as the Nourse report. It will be noted that there are separate tabulations of Export-Import Bank and other loans and property credits. Except for the United Kingdom and some non-European countries,

the former is a listing of Export-Import Bank credits only; the latter is a composite of credits for the purchase of surplus property and merchant vessels and in settlement of lend-lease obligations. In the period July 1, 1945, to June 30, 1947, the United States Government authorized repayable loans and credits to the Paris Conference countries of \$7,353 million in all.

B. GRANTS AND RELIEF

The second type of United States assistance to Europe has been in the form of grants and relief.

The programs comprehended in this group are the following:

1. *UNRRA*.—The United States Government appropriated \$2,700 million for relief distribution to the war devastated countries of Europe and Asia through the agency of UNRRA. This contribution amounted to 72 percent of UNRRA's operating budget. Italy and Greece were the largest recipients of UNRRA aid among the Paris Conference countries, which altogether received United States assistance through UNRRA amounting to approximately \$700 million.

2. *United States Foreign Relief Program*.—In May 1947, in anticipation of the expiration of UNRRA, Congress authorized the provision of further relief assistance to certain specified needy countries, and in July 1947 appropriated \$332 million for this purpose. Austria, Italy, Greece, and Trieste are the European recipients of this assistance. A donation of \$15 million was made from the appropriation to the International Children's Emergency Fund.

3. *Greek-Turkish aid*.—Congress also appropriated \$400 million in 1947 for special civilian and military aid to Greece and Turkey. Aid to Greece under this appropriation is programmed at \$300 million of which approximately one-half is for military assistance; aid to Turkey is programmed at \$100 million, solely for military assistance.

4. *Relief of occupied areas*.—Since July 1, 1945, Austria, Italy, and Germany have been the recipients of relief under the "disease and unrest" program of the War Department. The most substantial expenditures in this program have been made for Germany. Relief expenditures for Italy and Austria under this program diminished considerably after the first year and are currently negligible.

5. *Lend-lease aid*.—During the period July 1, 1945, and VJ-day, when straight lend-lease assistance to our European allies was terminated, several countries in Europe received lend-lease aid. Although this assistance was subsequently settled for in the establishment of property credits under comprehensive war settlement agreements, the lend-lease aid received by European countries in the period after July 1, 1945 (amounting to \$420 million), is recorded in the attached tables under Grants and Other Relief.

In the period July 1, 1945, to June 30, 1947, the United States Government authorized assistance under the five programs listed above of some \$1,943 million allocable to specific Paris Conference countries, a further \$767 million allocable to German relief, and a further \$481 million not allocable to specific countries in Europe but intended almost entirely for the Paris Conference countries—making a total of \$3,191 million.

In summary, loans, credits, grants, and relief to the Paris Conference countries and Germany authorized in the period July 1, 1945, to June 30, 1947, totaled approximately \$10.5 billion. Of this amount roughly two billions of dollars had not been utilized by the recipient countries.

C. PRIVATE REMITTANCES

Apart from the assistance which the United States has rendered Europe through Government channels it should be kept in mind that aid from private sources has not been inconsiderable. In 1946, according to Department of Commerce estimates, personal remittances to Europe in the way of money orders, food, clothing, etc., totaled \$285.3 million. Remittances from voluntary agencies during the same year reached a figure of \$218.3 million. The total remittances from nongovernmental sources thus ran to slightly more than half a billion dollars.

TABLE A.—U. S. Government loans, property credits, and grants¹—Amount available, utilized, and unutilized, as of June 30, 1947, by type and country

[Millions of dollars]

Country	Amount available, July 1, 1945–June 30, 1947 ¹¹			Amount utilized, July 1, 1945–June 30, 1947			Unutilized balance, June 30, 1947		
	Total	Loans and property credits ¹	Grants and other relief ¹	Total	Loans and property credits ¹	Grants and other relief ¹	Total	Loans and property credits ¹	Grants and other relief ¹
Total.....	16,303	9,128	7,174	4,257	4,309	4,266	3,727	1,819	1,908
Europe.....	12,190	7,977	4,183	9,903	6,782	2,189	2,286	1,225	1,033
Paris Conference countries.....	9,331	7,368	1,943	7,626	6,414	1,414	1,603	974	639
Austria.....	195	11	184	140	1	139	54	9	45
Belgium and Luxembourg.....	210	149	61	210	149	61	.....	.....	.....
Denmark.....	30	30	.....	15	15	.....	15	15	.....
France.....	1,926	1,907	21	1,719	1,693	21	209	209	.....
Greece.....	745	121	624	329	55	274	417	67	349
Italy.....	626	331	295	784	223	561	14	108	34
Netherlands.....	303	292	30	276	256	20	27	27	.....
Norway.....	81	80	1	11	10	1	70	70	.....
Sweden.....	1	.....	1	1	.....	1	.....	.....	.....
Switzerland.....	2	.....	2	2	.....	2	.....	.....	.....
Turkey.....	141	41	100	6	6	.....	134	34	100
United Kingdom.....	4,799	4,436	364	4,234	4,000	234	635	435	.....
Countries not at Paris Conference.....	2,859	646	1,789	1,886	337	1,629	689	299	289
Czechoslovakia ¹²	347	78	174	204	30	174	42	42	.....
Finland.....	106	106	.....	71	71	.....	35	35	.....
Germany.....	767	.....	767	687	.....	687	280	.....	280
Hungary ¹³	27	27	.....	10	10	.....	27	27	.....
Poland.....	439	60	349	279	30	249	60	60	.....
U. S. S. R.....	410	343	168	394	196	198	45	45	.....
Yugoslavia.....	301	.....	301	291	.....	291	.....	.....	.....
Europe unallocable.....	822	41	681	207	.....	207	215	41	274
Canada.....	6	6	.....	13	.....	13	6	6	.....
Latin-American countries.....	696	473	223	206	184	22	289	289	.....
China.....	1,228	239	1,089	1,222	163	1,059	66	66	.....
Japan.....	606	15	591	396	7	391	268	268	.....
Korea.....	170	25	145	48	3	45	122	22	100
Philippines.....	799	76	693	194	76	118	675	.....	576
All other countries.....	267	323	35	199	124	75	198	.....	.....
Unallocable.....	411	6	405	405	.....	405	6	6	.....

For detailed explanation of footnotes see Nourse report, p. 94.

TABLE B.—United States Government loans and property credits—Amount available, utilized, and unutilized, as of June 30, 1947, by type and country
(Millions of dollars)

Country	Amount available, July 1, 1945-June 30, 1947 ¹			Amount utilized, July 1, 1945-June 30, 1947			Unutilized balance, June 30, 1947		
	Total	Export-Import Bank and other loans ²	Property credits ³	Total ⁴	Export-Import Bank and other loans ⁵	Property credits ⁶	Total	Export-Import Bank and other loans ⁷	Property credits ⁸
Total.....	8,128	6,426	2,708	7,309	5,083	2,226	1,819	1,374	445
Europe.....	7,977	5,784	2,343	6,782	4,776	1,976	1,235	908	367
Paris Conference countries.....	7,398	5,544	1,845	6,414	4,689	1,725	974	845	130
Austria.....	11	1	10	1	—	1	—	1	—
Belgium and Luxembourg.....	149	100	49	149	100	49	—	—	—
Denmark.....	30	30	10	15	15	(*)	15	4	10
France.....	1,907	1,300	707	1,688	988	700	309	302	7
Greece.....	121	35	86	55	5	50	67	30	37
Italy.....	231	180	202	228	24	199	108	108	—
Netherlands.....	268	268	78	266	197	69	27	8	19
Norway.....	30	30	30	10	—	10	70	30	40
Turkey.....	41	38	13	6	—	6	34	28	6
United Kingdom.....	4,435	2,785	660	4,080	2,280	680	435	435	—
Countries not at Paris Conference.....	646	149	397	337	87	250	269	63	147
Czechoslovakia.....	73	38	30	30	23	8	43	(*)	—
Finland.....	108	81	26	71	68	13	35	38	—
Hungary.....	37	7	30	10	—	10	27	7	—
Poland.....	99	49	30	30	7	23	60	38	—
USSR.....	243	—	243	196	—	196	45	—	—
Europe, unallocable.....	41	41	—	—	—	—	41	41	—
Canada.....	—	—	—	—12	—12	—	6	6	—
Latin American countries.....	473	394	79	184	149	35	289	245	44
China.....	299	98	181	182	60	122	68	28	—
Japan.....	15	7	15	7	—	7	8	—	—
Korea.....	25	—	25	3	—	3	22	—	—
Philippines.....	78	70	6	78	79	6	—	—	—
All other countries.....	232	138	208	134	7	127	106	121	78
Unallocable.....	6	6	—	—	—	—	6	6	—

¹ For detailed explanation of footnotes see Nourse report, p. 67.

TABLE C.—United States Government grants and other relief—Amount available, utilized, and unutilized, as of June 30, 1947, by type and country

(Millions of dollars)

Country	Amount available, July 1, 1945-June 30, 1947 ¹					Amount utilized, July 1, 1945-June 30, 1947					Unutilized balance, as of June 30, 1947			
	Total	UNRRA and post UNRRA	Occupation program	Lend-lease	Other	Total	UNRRA and post UNRRA ²	Occupation program	Lend-lease	Other	Total	UNRRA and post UNRRA	Occupation program	Other
Total.....	7,174	2,642	2,014	1,151	1,365	5,288	2,310	1,484	1,151	319	1,908	332	530	1,046
Europe.....	4,123	1,973	1,219	420	570	3,180	1,641	989	420	99	1,023	332	230	471
Paris Conference countries.....	1,943	879	285	420	426	1,414	673	285	420	28	329	129	.....	400
Austria.....	184	104	79	.....	(³)	129	89	79	.....	.....	45	" 45	.....	.....
Belgium and Luxembourg.....	61	1	.....	60	(³)	61	1	.....	60	(³)	.....	.....	.....	.....
France.....	21	3	.....	18	2	21	3	.....	18	2	.....	.....	.....	.....
Greece.....	634	221	.....	.....	308	274	271	.....	.....	3	220	80	.....	330
Italy.....	885	289	205	.....	30	661	225	205	.....	30	34	" 34	.....	.....
Netherlands.....	29	1	.....	19	(³)	29	1	.....	19	(³)	.....	.....	.....	.....
Norway.....	1	1	.....	.....	(³)	1	1	.....	.....	(³)	.....	.....	.....	.....
Sweden.....	1	1	.....	.....	(³)	1	1	.....	.....	(³)	.....	.....	.....	.....
Switzerland.....	2	2	.....	.....	(³)	2	2	.....	.....	(³)	.....	.....	.....	.....
Turkey.....	100	.....	.....	.....	100	.....	.....	.....	.....	.....	100	.....	.....	100
United Kingdom.....	234	9	.....	225	.....	234	9	.....	" 225	(³)	.....	.....	.....	.....
Countries not at Paris Conference.....	1,720	999	771	.....	61	1,289	945	524	.....	61	299	.....	230	.....
Czechoslovakia.....	174	168	.....	.....	6	174	168	.....	.....	6	.....	.....	.....	.....
Germany.....	787	13	754	.....	.....	237	12	524	.....	.....	230	.....	230	.....
Poland.....	249	204	.....	.....	45	249	204	.....	.....	45	.....	.....	.....	.....
U. S. S. R.....	168	168	.....	.....	.....	168	168	.....	.....	.....	.....	.....	.....	.....
Yugoslavia.....	201	228	.....	.....	.....	201	228	.....	.....	.....	.....	.....	.....	.....
Europe unallocable.....	481	237	180	.....	74	297	24	180	.....	.....	274	298	.....	" 71
Latin-American countries.....	22	.....	.....	5	17	22	.....	.....	.....	.....	.....	.....	.....	.....
China.....	1,089	334	.....	644	121	1,059	334	.....	644	121	.....	.....	.....	.....
Japan.....	891	.....	591	.....	.....	291	.....	291	.....	.....	300	.....	200	.....
Korea.....	145	1	144	.....	.....	45	1	44	.....	.....	100	.....	100	.....
Philippines.....	622	10	28	.....	685	118	10	28	.....	80	575	.....	.....	" 875
All other countries.....	25	1	21	.....	2	25	1	21	.....	2	.....	.....	.....	.....
Unallocable ⁴	406	224	.....	79	2	406	224	.....	79	2	.....	.....	.....	.....

For detailed explanation of footnotes see Nurse report, p. 101.

V. RECENT POLITICAL DEVELOPMENTS IN PARTICIPATING COUNTRIES AND WESTERN GERMANY¹

The 16 countries which collaborated in the Committee for European Economic Cooperation vary widely in their historical backgrounds, their cultural and social traditions, and their degrees of economic development. They stretch from the Arctic Ocean to the Mediterranean and from the Atlantic into the Near East. In some the basic political forms have been developing over the course of centuries, others have existed as nations for only a comparatively short time. The cultural traditions of Greece were old when much of northern Europe was in a primitive state. Yet, in spite of these divergencies, they belong to the main stream of what we know as western civilization, the civilization of which we are a part. Though varying in the forms of their governments, they adhere to the principles of representative constitutional democracy. Governments derive their powers from and are responsive to the electorates; the rights of the individual, including the rights of political minorities, are recognized and protected.

Political developments in these countries show a similarity of trend, though differences in application. Generally, there has been an increase in the responsibility assumed by society, through the state, for insuring certain basic essentials to the people. This has taken not only the familiar forms of social insurance, public health, etc., but also has shown itself in an increasing tendency towards nationalization of key industries and enterprises. The dislocations of war accelerated this tendency. The immense problems of restoring war-torn economies to running order seemed insoluble except in terms of governmental action. The political and economic theories which can generally be designated as those of the Social Democrats have come to the fore and to the extent that a common political trend can be singled out, it is the emergence into a position of power of the right wing socialists supported by strong trades unions as exemplified by the Labor Government in the United Kingdom. A few indications of a move away from the planned economy of the Social Democrats may be observed in some countries, but any widespread reversal of the trend is not likely in the near future, as was shown by the acceptance by the British Conservative Party of many of the nationalization measures taken by the Labor Government.

Most of the 16 countries, and of course Germany also, belong to the category of industrialized societies, as distinguished from the more agricultural countries of eastern Europe. Therefore the war affected them in the same way, though in varying degrees. Damage and dislocation are not to be measured in physical destruction alone, but also

¹ This section is based on information obtained from the Department of State.

in the invisible disorganization which can so seriously disrupt a highly industrialized society.

Short analyses of the various countries are found below; generalization about them is difficult. However, they have basically common problems against a common background. They belong to that great tradition which we call Western Civilization. The principles of representative democratic government based on the rights of individuals are followed. All are suffering the scars of war, visible or invisible, and the economic dislocations of their industries are similar. They form part of a great trading complex whose activity is essential to international prosperity. Though local differences are great, essentially they have much in common with each other and with us.

AUSTRIA

The present Austrian Government was formed in accordance with the results of a free election in November 1945 and was simultaneously recognized by the four occupying powers on January 7, 1946. It is a coalition Government in which the People's Party and the Socialist Party share political power almost equally between them whereas the Communists represent a small minority interest. The two dominant parties have a long political tradition in Austria and a solid foundation in the social structure of the country. The People's Party represents Catholic, conservative, business, and peasant elements and the Socialist Party represents urban working-class and lower middle-class groups. They hold 161 out of 165 seats in Parliament with the People's Party having 85 and the Socialists 76. Both parties, despite programmatic differences, have cooperated closely as dominant partners in a Government which has a noteworthy record of internal stability, resistance to communism, and devotion to democratic reconstruction and national independence. The Communists have 4 seats in Parliament and 1 member in the Cabinet on the basis of 5.4 percent of the total vote. Since Austria is under Allied military occupation, the Austrian Government is subject to certain controls exercised collectively by the 4 powers as represented in the Allied Commission for Austria and individually in the 4 zones by the respective commanders in chief.

BELGIUM AND LUXEMBOURG

The present Spaak government in Belgium is a coalition of the Socialist and Catholic parties and represents the strongest combination of political forces that has governed Belgium since the liberation. The two Government parties control an overwhelming majority in the Parliament and are also supported by the two major trade union federations. The Government's program is essentially one of favoring free enterprise and progressive reduction of the remaining controls on the economy. The principal problem potentially affecting the Government's stability is the somewhat explosive monarchy question which is, however, latent for the moment but for which the Spaak government, when it came to power last March, publicly stated that

it would seek a generally acceptable solution. Other sources of possible trouble are largely economic, i. e., the possibility of having to reduce the bread ration, the decline in Belgium's dollar balances, and the problem of wage-price relationship. The Communists, although extremely vocal, are not important politically, but they do exert a certain amount of influence in some of the trade unions.

The present conservative Government of Luxembourg, a coalition of the Catholic Christian Social Party and a Liberal-Resistance combination, is quite stable. The most important Ministers, including the Prime Minister and the Minister of Foreign Affairs, are the same men who were in the prewar Government.

DENMARK

A minority cabinet of the Agrarian Party was formed in Denmark following the 1945 elections. This cabinet fell on October 4, 1947 and a new election has just been held for the Lower House of the Parliament. This resulted in gains for the Social Democrats and Agrarians and losses for the Communists and Conservatives. The Social Democrats are the largest party but do not have a majority. A new cabinet remains to be formed. Whether it will be another minority or a coalition cabinet is uncertain. As all major Danish parties are firmly anti-Communist, it seems highly unlikely the Communists will be permitted to participate in the new cabinet.

While the new Cabinet may inaugurate special economic policies peculiar, to some extent, to its political complexion, it is probable that whatever policies are adopted will be within the basic framework of a drive for increased exports, of measures to combat internal inflation, and of balanced foreign trade; in brief, an attempt to bring Danish exports and imports into balance while at the same time protecting, as far as possible, the Danish standard of living.

FRANCE

Since May 1947 France has been governed by a middle-of-the-road coalition of Socialists, Popular Republic, and Radical Socialists, excluding the powerful Communist Party and the Right. The country-wide municipal elections held throughout France on October 19 and 26 involved national rather than local issues and their results, while not technically affecting the composition of the Parliament, revealed an important change in the sentiment of the electorate. While the Communist Party's losses were slight, General de Gaulle's new Rally of the French people, campaigning largely on an anti-Communist platform, obtained a popular vote approaching 40 percent, largely at the expense of the Popular Republics and Radical Socialists, two of the center parties which compose the present coalition government. The Socialist Party roughly maintained its position.

The normal solution for such a situation would be the dissolution of the Parliament and the holding of elections for the selection of a Parliament clearly reflecting the popular will. However, this normal solution is rendered impossible by a provision in the new French Constitution which forbids the holding of general elections before

June 1948. The constitution can be amended by a two-thirds vote of the Assembly or by a majority vote of the Assembly ratified by a referendum. General de Gaulle, who now holds no official position, and who has virtually no representation in the Parliament, has issued a statement calling for an amendment of the constitution permitting immediate elections and also increasing the powers of the President. The Parliament, called into extraordinary session, has given a very narrow vote of confidence to the present coalition government. This is considered an indication of the Parliament's reluctance to vote a middle-of-the-road government out of power at a moment of mounting tension between Right and Left.

The Government is faced with serious economic problems revolving around a standard of living significantly below prewar levels, accompanied by inflation, a flourishing blackmarket, and a slowing down of industrial recovery. Like its predecessors the present Government has had only moderate success in meeting these problems.

GREECE

The current Greek Government, formed in September of this year, is based on a coalition between two historic Greek political parties: The Populists, representing the largest single parliamentary group, and the Liberals, the party which had hitherto led the parliamentary opposition. Formation of this Government was welcomed by the United States as a movement toward national unity demonstrating the desire of loyal Greek political parties to subordinate partisan differences and to work together in accord for the welfare of the Greek Nation.

Greece is confronted with serious military and economic problems. The Communists, aided by neighboring countries to the north, have endeavored to perpetuate economic and political chaos in order to discredit all non-Communist regimes and to prepare the way for the establishment of a Communist dictatorship in Greece. Toward these ends they have adopted a program of economic and political sabotage which has included systematic destruction of communications, promotion of frequent and wide-spread strikes, terrorization of Greek peasants and villagers, the dissemination of vicious and vociferous propaganda within and without Greece and, particularly since March 1948, the conduct of armed warfare against the Greek Government. Greek guerrilla forces are currently estimated in number approximately 18,000. Owing primarily to the lack of internal security and the magnitude of war-induced destruction, the Greek economy has remained in a critical situation despite assistance from UNRRA, the British Government, and, particularly since May 1947, from the United States. Progress of the American Aid Program has been, in general, satisfactory but its ultimate success has been jeopardized by the continuing guerrilla warfare and serious adverse weather conditions resulting in greatly lowered production.

The program of the Greek Government as outlined in an address delivered by Prime Minister Sophoulis in October 1947, provides for continuance of the amnesty designed to induce the desertion of non-

Communist guerrillas from the Communist-led insurgent forces, and the application of severe measures against those guerrillas that do not avail themselves of this opportunity. In the economic field, the Prime Minister has declared the Government's intention to cut expenditures to the minimum and increase revenues and announce the establishment of a foreign trade commission with control over imports and the creation of a fiscal policy designed to increase exports. As a means of improving the internal security of the country, a national guard is being organized to protect inhabited localities and to free the Greek National Army for offensive operations against the guerrillas.

ICELAND

The present Government of Iceland is a coalition of Conservatives, Progressives, and Social Democrats which came into power after several months of dissension subsequent to the withdrawal of the Communists from the Government in protest following the ratification of the Iceland Airport Agreement with the United States in October 1946.

The Icelandic Communists account for 20 percent of the voters of Iceland—the highest percentage in Scandinavia. Through their control of important trade unions the Communists are the principal thorn in the side of the Government and have a considerably greater influence than their electoral strength would indicate.

The principal economic problem of Iceland is domestic inflation which keeps the price of Icelandic fish so high as to make them uncompetitive in world markets. Upon its fish exports depends Iceland's ability to pay for essential imports. The present Government has not yet shown itself to be in a strong enough position to deal firmly with this inflation.

IRELAND

The Fianna Fail Party, a moderate party, led by Eamon De Valera, was reelected to office in the general election of 1944 with a substantial majority in the Dail (the lower house of the Irish Parliament). The party continued throughout the past year to maintain its dominant position in domestic Irish politics. The Government's strength was enhanced by its success in maintaining neutrality during the war. The principal opposition party, Fine Gael, has no effective leadership and it seems unlikely that James Dillon, the principal independent, could unite opposition parties and seriously challenge the Government. However, there has been considerable discontent with the Government's handling of inflation and with certain labor problems, although a recently concluded Anglo-Irish economic understanding may ease Irish economic problems and reduce this discontent. Because of the success of opposition parties in recent byelections, the Government has announced its intention to call a general election early in 1948.

ITALY

From the liberation of Rome until June 1947, the Italian Government was based principally on a coalition of Communists and Chris-

tian Democrats, the two largest parties. This Government was constantly faced with serious problems of political and economic rehabilitation. The protracted negotiations for the Italian peace treaty embittered the Italian people, who regarded its terms as unduly harsh. Coincident with this growing political unrest, there was a gradual deterioration in economic conditions. The cost of living rose steadily, food supplies remained at a low level, and unemployment increased.

In this situation, the Communists capitalized on political unrest to stress Italy's need for Soviet friendship. They alleged that the Western powers desired to keep the Italian nation weak and dependent, and had therefore failed to support Italy in the treaty negotiations on economic issues; they blamed the Government for its failure to solve Italy's problems and presented a program of moderate social and economic reforms as proof to the Italian people that they stood for real democracy.

Finally, in June 1947, the Christian Democrats withdrew from the coalition, charging that the Communists themselves had consistently sabotaged the Government's efforts toward reconstruction. Prime Minister De Gasperi then formed a new government of Christian Democrats and independents, excluding the Communists and left-wing Socialists. This Government has been endeavoring to carry out a program of financial and other measures, including credit restrictions, increased tax collections and a reduction in budget expenditures, designed to strengthen the domestic economy. While it has met with initial successes in curbing Communist-inspired strikes, lowering prices and restoring public confidence, this favorable trend will be reversed unless essential imports can be maintained.

NETHERLANDS

The present government in the Netherlands is a coalition government of the two major political parties, the Catholic Party and the Labor Party. In the elections in 1946 the Catholic Party (moderate right-wing to liberal) returned 32 members to the Estates General, Labor elected 29, a scattering of members were elected by the various right-wing parties, and the Communist Party elected 10. The total membership in the Estates General is 100.

The main political issue in Holland at present is the Government's handling of the Dutch-Indonesian dispute. On this issue the Government has not as yet proved the validity of its announced policy, which is the creation of an autonomous federal state in the Netherlands East Indies, to be allied to Holland in a Netherlands-Indonesian Union under the Netherlands' Crown. Failure thus far successfully to implement this policy has resulted in a decline in the popularity of the Government and in a tendency on its part to rely more heavily on the support of the Conservative Catholic members as against the Labor side of the Coalition. If the deadlock in the Netherlands Indies is continued, it may result in further cleavage within the Coalition Government and new elections, in which event it is anticipated that conservative elements will gain more power.

It is not anticipated that the Communist Party will make any serious inroads before the possible new elections (perhaps next spring) unless economic conditions in the Netherlands deteriorate seriously this winter.

NORWAY

The Norwegian Government, one of the most stable in Europe, is controlled by the Labor Party (Social Democratic), which has 76 members in the 150-member Storting (Parliament) elected in 1945 following the liberation of Norway. The Communist Party has 11 members in the Storting. Country-wide municipal elections held in October 1947 gave the Communist Party about 10 percent of the vote. It was the only party which received fewer votes than in the last municipal elections in 1945, indicating a weakening of its position, which has never been numerically strong.

Immediately following liberation all the political parties in Norway adopted a joint program for economic rehabilitation. This calls for extensive investment of capital in industry and the rebuilding of the merchant fleet by 1950. To this end, the proportion of the country's carefully controlled imports allotted to ships, machinery, and industrial materials, is larger than in prewar periods. The Norwegian Government hopes that this use of foreign exchange resources will produce the maximum return in terms of increased productive and earning capacity. It has been frank in stating to the Norwegian public that this program involves some hardships and the foregoing of present improvements in the living standard.

PORTUGAL

Portugal is governed by a strong and highly centralized government which came into power in 1926. Through widespread government control and the solid support of the Army, a quiet and stable situation is maintained within the country.

Extensive economic controls have assisted the Government in maintaining relative economic stability and an average level of economic activity. Portugal's budgetary and financial situation is sound, with sufficient gold and foreign exchange holdings to finance improvements in its economy. The Government has undertaken long-range programs to improve the transportation system, to develop hydroelectric power, for industrial modernization and expansion and to increase its merchant marine. In addition, the Government has initiated a large-scale development program in its colonies, particularly in Angola and Mozambique.

While there have been some recent inflationary tendencies in Portugal, there is no immediate threat to the stability of the Portuguese Government from political or economic causes.

SWEDEN

The present Cabinet of the Swedish Government is Social Democratic. This party has a slight majority in the Swedish Parliament which it will keep at least until the elections in September 1948. It

is fairly generally believed that the Social Democrats will lose some of their strength in the next elections for a number of reasons grounded largely in domestic politics, and that a coalition government, possibly between the Social Democrats and one of the nonsocialist parties, will then be formed. The Communists obtained about 10 percent of the votes in the 1944 elections, but it is widely believed they may show less strength in the next elections, barring unforeseen developments. The other parties show signs of increasingly firm anti-Communism.

As regards economic policy the present Cabinet follows a policy of State planning, social welfare measures, nationalization of enterprises where it can be demonstrated the enterprises affected would be more economical than under private ownership, state control of foreign trade (though leaving actual purchase, sale, and distribution to private enterprise), and measures to control inflation. Its approach to these problems is basically "sound" and rarely doctrinaire.

SWITZERLAND

The national parliamentary elections recently held in Switzerland resulted for the most part in a retention of the traditional party lineup with a combination of parties representing business and agrarian interests controlling a large majority in both the Federal Assembly and the Federal Council. The middle of the road Radical Democrats are now the strongest single political party, followed by the Social Democrats, an essentially moderate, nonrevolutionary workers' party, supported by the bulk of the trade unions. Communism is not a great problem; the party has only a handful of seats in the Federal Assembly, and even in the trade unions it exerts little influence. Switzerland is essentially a country of the conservative middle class, proud of its independence, jealous of its neutrality, and heartily in favor of free enterprise. There are no apparent internal political or economic problems that threaten the stability of the Swiss Government.

TURKEY

A republican form of government was established in Turkey in 1923 under a constitution embodying most of the progressive principles common to the American, British, and French systems. These principles have not always been adhered to in practice, but since World War II there has been a general tendency toward democratization along accepted Western lines, within limits imposed by considerations of national security. In 1946 an opposition party of substantial strength came into being which has violently criticized some of the government's domestic economic policies, while supporting the national foreign policy.

The present political regime, headed by President Ismet Inonu is fundamentally both stable and secure. Subjected since 1945 to an unremitting war of nerves by the Soviet Union, the Turkish Government has steadfastly refused to submit to foreign domination, and in so doing has thus far been successful in opposing certain major Soviet moves. Russian demands include bases in the Straits, territories in

Eastern Anatolia, as well as press and radio clamor for the overthrow of the "reactionary, fascist" Turkish Government.

Turkey's foreign policy is based on close cooperation with Great Britain and the United States. A neutral during most of the war, Turkey qualified for charter membership in the United Nations, and has consistently supported the principles of that organization.

Since its physical economy suffered no damage during the war, the Turkish problem is one of development rather than recovery.

UNITED KINGDOM

The Labor Party came into power July 1945 with a parliamentary majority of 393 seats out of 640, a clear majority of 146 over all other parties combined.

Although there have been 30 byelections since the Labor government was elected to power, it has not lost any seats in the House of Commons. It has, however, retained these seats by majorities smaller than it received in 1945. Widely held municipal elections on November 1st, reveal the first clear and unmistakable trend toward the Conservatives since 1945.

The Labor Party's principal support comes from the trade-union movement although large sections of lower and middle income groups also support the party. The Labor government recently imposed additional austerity measures and assumed the power to direct the employment of both male and female labor, in order to increase production of essentials. Although there is within the parliamentary Labor Party a dissident left-wing element, the party leadership has maintained unity.

Labor's long-term program is characterized by economic planning within the framework of parliamentary democracy to achieve full employment and a prosperous economy with some redistribution of purchasing power. It includes the nationalization of certain key industries and services which when completed will include an estimated 20 percent of British industry.

There is no divergence of view between the Government and the Conservatives on broad issues of foreign policy. The Conservative Party at its recent conference approved a program accepting some of the nationalization measures thus far adopted by the Labor government.

WESTERN GERMANY

The three western zones comprise 11 German Lander (including the city states of Hamburg and Bremen). The eastern zone of Germany, which is under Soviet administration, is not presently considered to be within the program of European cooperation for recovery. Each Land has a democratically elected diet, to which the government is responsible. Most governments are based on a coalition between the Social Democratic and the "bourgeois" parties (chiefly the Christian Democratic Party), except the Bavarian government (entirely Christian Democratic) and the government of Schleswig-Holstein

(entirely Social Democratic). The Communists are represented in six of the eleven Land governments.

The principal issue between the parties is whether the reconstruction of Germany is to follow the capitalist or the socialist pattern. The Liberal Democratic Party, representing chiefly business interests, and the Christian Democratic Party, which draws its chief strength from the middle classes, the agricultural population, the former Christian trade-unions, and the Catholic hierarchy, are generally for a conservative social and economic policy, although the latter party has gone on record for the socialization of certain key industries.

The Social Democratic Party continues to be the major working class party in the western zones, although it attracts a considerable segment of middle class voters. The party is committed to a socialist policy, but insists that such a policy be executed by democratic means only. Its commitment to the political forms of western democracy makes the Social Democratic Party anti-Communist.

Communist popular strength in the western zones as shown in the general elections is between 7.8 and 10.4 percent. However, the Communists have gained considerable influence on the lower echelons of the trade-unions and in the works councils.

Although all parties advocate the reestablishment of a united Germany, they would—with the exception of the Communists—endorse the formation of a western German state as opposed to unification under conditions which might facilitate the extension of the eastern zone political pattern into the western zones.

VI. OFFICIAL ATTITUDES OF PARTICIPATING COUNTRIES, SOVIET UNION AND UNITED NATIONS TOWARD EUROPEAN RECOVERY PROGRAM¹

Secretary Marshall's speech of June 5, 1947, evoked an immediate response from the governments of many of the European countries. The majority of officials who made public statements indicated that they were encouraged by this evidence of the willingness of the United States to consider further assistance to Europe and many welcomed the opportunity to cooperate with their European neighbors in a recovery program. The United Kingdom and France took up the suggestion in concrete fashion by inviting the other nations to confer. They had previously been unsuccessful in inducing the Soviet Union to join them in this invitation and the Soviet Union subsequently stated its belief that the proposal of the Secretary was "altogether unsatisfactory and incapable of yielding any positive results".

There follow some of the more significant expressions of the governmental attitudes of the participating countries toward the European recovery program, together with the views of the Soviet Union and the UN.

AUSTRIA

On July 1, 1947, the Austrian Federal Government officially notified the Department of State of its readiness to cooperate wholeheartedly in a program for European economic cooperation to the limit of its ability. In a public announcement on July 9 of its decision to participate in the Paris Conference on economic cooperation, the Austrian Government indicated that it was moved by the favorable effect on Austria's difficult economic position which it expected from general European recovery and because of its belief that the project was not directed against any nation or the sovereignty of any participating country.

In a radio address on this subject on September 24, Foreign Minister Gruber stated that the economic recovery program "is based upon the realization that collaboration and willingness to extend aid constitute one of the most essential functions of democracy and that America wishes to give aid and not doles or annuities." Dr. Gruber also said, "it is not clear why such a new form of international collaboration, based upon magnanimous American aid, should constitute the formation of a bloc."

BELGIUM

The Belgian Government has been a strong and consistent supporter of the Marshall proposals ever since the Secretary made his Harvard address in June. On October 27, Prime Minister Spaak stated to an

¹ This section is based on information obtained from the Department of State.

officer of the American Embassy in Brussels that failure to make the Marshall plan effective would be both an economic and political catastrophe for Europe.

DENMARK

The first indication of Denmark's official attitude toward the Marshall Plan was given by Prime Minister Kristensen in a speech at a Danish-American Fourth of July celebration. He said that "hardly anybody could be in doubt that Denmark will go in for these ideas." The invitation to the Paris Conference was accepted promptly and without reservation.

FRANCE

In a letter to the French Ambassador in Washington M. Bidault said on June 7, "I should like you, without delay, to inform Mr. Marshall that the French Government has noted with the greatest interest the terms of his speech at Harvard. It agrees with him, in his belief that any policy of European reconstruction must be based on a program of cooperation." The President of the Council and other Cabinet members have also made public statements in support of a constructive recovery program based on self-help measures and mutual cooperation. All of the parties in the National Assembly, with the exception of the Communists, who are violently opposed, have expressed their support for this program. General de Gaulle, while virtually without representation in the Assembly but having a 40-percent plurality in the recent municipal elections, has likewise indicated his full support.

GREECE

The official Greek reaction to the Marshall Plan was contained in a communiqué issued jointly by the Prime Minister and the Foreign Minister welcoming the proposals as "the most constructive yet advanced," as "foreshadowing global economic and political cooperation," and as "constituting the most realistic means for meeting urgent European needs."

ICELAND

While there is not available an official statement concerning the attitude of the Government of Iceland toward Secretary Marshall's proposals, Iceland was the first of the Scandinavian countries to accept the invitation to the Paris Conference. The Icelandic Government is deeply interested in resuming normal trade with Europe and hopes to achieve this in the working out of the European recovery program.

IRELAND

The Government of Ireland responded enthusiastically to the proposals for European reconstruction made by the Secretary of State in his speech at Harvard. It welcomed the opportunity to participate in the work of rebuilding Europe. When Prime Minister De Valera

signed the report of CEEC on behalf of Ireland on September 22 he said:

We should be very grateful to the American Secretary of State, whose speech at Harvard University gave our nations this great opportunity for coming together in mutual help. We are all pleased that the opportunity has been so well availed of. May I express the hope that the cooperation now so significantly begun will continue long into the future.

To seek from another what one could supply by one's own efforts is always unworthy. It is doubly so when the assistance is requested from a friend who has proved himself generous repeatedly.

I am happy to sign this report on behalf of Ireland * * *

ITALY

Speaking before the Constituent Assembly on June 20, Italy's Foreign Minister, Count Sforza, praised the Marshall Plan and pledged Italy's cooperation in its fulfillment. In an earlier press interview, Sforza had said " * * * the proposal * * * is a great step towards peace and prosperity * * * . The United States do not intend to impose their plans for European reconstruction; rather, they expect that Europe should achieve it spontaneously, with their assistance."

NETHERLANDS

Response in The Netherlands, both official and in the press, to the European recovery program and subsequent conferences in connection therewith has been overwhelmingly favorable. Government officials are generally optimistic regarding the CEEC Report. Wide publicity resulted in Right and Center endorsement, some moderate Left-Wing criticism and bitter Communist condemnation.

In a radio broadcast on August 8, Finance Minister Liefstinck expressed "admiration" for the recovery program. More recent statements of Mr. Liefstinck have centered attention on the need in the relatively near future for temporary balance of payment aid which the people expect through the Marshall Plan.

The Minister of Transport, addressing the Economic Congress of the Labor Party, referred to alleged "political conditions" for European recovery program aid. He said conditions involving cooperation, with partial surrender of national sovereignty in the economic field, were acceptable, but warned against any endeavor to impose as a condition for aid the blocking of socialistic trends realized through democratic process in The Netherlands and elsewhere.

NORWAY

The Norwegian Government indicated early interest in the Marshall Plan by requesting available information following the Secretary's Harvard speech. Norway promptly accepted the British-French invitation to meet in Paris; upon announcing this acceptance the Norwegian Foreign Minister noted Norway's view that the administration of the plan should not interfere in the internal affairs of any country or with normal trade relations. He expressed the hope that

all the countries of Europe would participate and that the UN should be employed so far as possible in the administration of the program.

PORTUGAL

The Portuguese Government has, from the beginning, supported the basic principles of the European recovery program. The Government has stated that it will not request financial assistance and that it will cooperate with other European countries to the limit of its ability, especially in the export of certain commodities and, in appropriate cases, in the extension of credits to participating countries to assist in the purchase of these commodities.

SWEDEN

The Government of Sweden has stated that it deems the earliest possible economic reconstruction of Europe as a vital need of Sweden and hence is prepared to consider any plan which offers hope of achieving that objective. It believes that the most desirable approach to a solution of the problem should be on a Europe-wide basis preferably through an agency of the United Nations. It, therefore, looks upon the adhesion of only a group of European nations to the European recovery program as a defect in the program as it now stands. Nevertheless, Sweden will participate in the program if it seems to offer reasonable prospects of achieving the economic reconstruction of a large part of Europe without necessitating the alienation of Sweden from nonparticipating countries.

SWITZERLAND

The official attitude toward the European recovery program as expressed by the Swiss Government reflects its belief that, while Switzerland does not require aid from the United States, nevertheless a viable European economy is in the long run essential to the economic well-being of Switzerland. Consequently, Switzerland accepted the invitation to participate in the Paris discussions but with three reservations:

"1. That Switzerland would undertake no engagement incompatible with its traditional status of neutrality;

"2. That resolutions affecting the Swiss economy would not become binding on the Confederation without its consent; and

"3. That Switzerland reserved the right to maintain her present trade agreements and negotiate new ones with nations which would not be taking part in the Conference."

TURKEY

Turkish political leaders in Ankara stated to the American Ambassador that they viewed the Marshall Plan as a "magnificently constructive historic step."

The Turkish Foreign Minister told the American Ambassador that "We must now face the fact of a divided Europe by the act of Soviet

Russia. Everything possible must be done to make non-Soviet Europe a going concern economically, while at the same time leaving the door open for Russia and countries under Russian domination to come in if they ever want to."

A Turkish Foreign Office official stated to an American Embassy official that the President of Turkey was interested in the recovery program. He also stated that the Turkish Government realizes perhaps better than other governments the necessity for the success of this plan. It would, therefore, be a great triumph for the U. S. S. R. if the program were not supported by the American people.

UNITED KINGDOM

British official reaction to the Secretary's Harvard speech was prompt and enthusiastic. Mr. Bevin took the initiative and flew with his economic experts to Paris where he met M. Bidault. After Russian withdrawal Bevin went ahead and with the French brought the conference into being by issuing invitations. Throughout the Paris meetings the British delegation provided initiative and leadership. Mr. Bevin speaking in the House of Commons June 19 stated " * * * we regard Mr. Marshall's offer as a great opportunity for Europe. It is a chance that His Majesty's Government will not miss." He stated that the British "will seize this opportunity and try to turn it to the greatest possible account." He added "We shall continue pushing ahead with all possible energy" and also "When the Marshall proposals were announced I grabbed them with both hands." Mr. Anthony Eden speaking for the opposition in the House of Commons said, "That momentous offer * * * has brought new hope to Europe and to the world. It is, indeed, a generous action, and one which deserves to rank with 'the most un-sordid act in history.'"

WESTERN GERMANY

Because of the nonexistence of a central government, public opinion in Germany is expressed chiefly by the major political parties. Reaction to the European recovery program is overwhelmingly favorable in the western zones. The various expressions indicate the hope that the program will strengthen the economic and political position of Western Germany by integrating it into the orbit of the Western Powers, and that it will provide an effective instrument for promoting economic reconstruction and combatting Communism. Apprehension has been expressed by the Social Democrats that the program may be used for imposing American commercial and political interests (chiefly prevention of socialization) upon Germany. The Communists denounce the program as a device for subordinating Europe to American "monopoly capitalism."

SOVIET UNION

The Soviet Union has not only officially refused to participate in the European recovery program but, through the Soviet Foreign Minister, Mr. Molotov, has criticized it as being "altogether unsatisfactory

and incapable of yielding any positive results," as an infringement of the sovereignty of the participating countries and as "dividing Europe into two groups of states and creating new difficulties in the relations between them." Mr. Molotov, also, went further and officially cautioned "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 their 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 recovery program 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, with the statement that "Czechoslovakia's participation would be interpreted as an act directed against our friendship with the Soviet Union." The official communique stating that there was "no possibility" of the Finnish Government's participation in the Paris Conference said that the Marshall Plan "has developed into a cause of serious conflict among the great powers," and attributed Finland's nonparticipation to a desire "to remain outside the political strife of the world." 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.

In addition, the Soviet Union, acting through the All-Union Communist Party which, according to the Soviet Constitution (art. 126) is "the leading core of all organizations of the working people, both public and state," has initiated active efforts to prevent the Marshall Plan from becoming a success. The Resolution passed by the representatives of the nine Communist parties (Russian, Polish, Czechoslovakian, Yugoslavian, Hungarian, Bulgarian, Rumanian, French, and Italian) participating in the recent Cominform meeting states "The Truman-Marshall Plan is only a farce, a European branch of the general world plan of political expansion being realized by the United States of America in all parts of the world." On that occasion Mr. Zhdanov, one of the leading members of the Politburo, the principal policy-making body of the All-Union Communist Party, which is, under Premier Stalin, the final repository of power in the Soviet Union, made the statement "as for the U. S. S. R., it will make all efforts to see to it that this plan is not realized."

UNITED NATIONS¹

In the annual report of the Secretary General on the work of the United Nations Organization the following statement is made:

At present important discussions are still in progress with regard to the economic problems of Europe and their relation to assistance from the United States of America. It will be possible to evaluate these problems fully only when the discussions have been concluded.

¹ See "International Organizations and the Recovery Program" in part II, No. 11.

There is no record of any other public statements by the Secretary General or other officials of the United Nations, but the following substantive statements were made in the Economic Commission for Europe, which has had one session of the full Commission since Mr. Marshall made his speech at Harvard. At that session, which began July 5, the British delegate informed the Commission that the Executive Secretary of the Economic Commission for Europe had been sent a copy of the joint United Kingdom-French invitation in order to maintain contact with both the Economic Commission for Europe and with the United Nations in New York. The head of the French delegation further expressed the hope that the European countries who had thus far been reluctant to participate in the Paris meetings would still do so.

Mr. Zorin, head of the Russian delegation, then read a lengthy statement in which he stated the United Kingdom and France, with the aid of the United States, and behind the back of the Soviet Union, had agreed on a general economic program for Europe; that they intended to set up a super-economic organization outside the United Nations framework which would be dominated by the United Kingdom and France, and which would be used primarily to overcome their own economic difficulties.

Mrs. Koch, the principal Swedish delegate, also made a formal statement specifically relating to the Marshall plan. She regretted that closer economic cooperation among all European countries had not resulted from Mr. Marshall's speech. She emphasized that there should be no conflict of functions between the work in Paris and the Economic Commission for Europe, and that she felt the Economic Commission for Europe should be organized quickly and efficiently so that in the future it would be in a position to handle any calls placed upon it.

During the Paris Conference, and in the report from the Conference (par. 110, vol. I), the countries members of the Economic Commission for Europe also expressed their desire to use that organization, where possible, in furthering the objectives of the European recovery plan.

VII. EUROPE'S NEEDS AS ESTIMATED BY THE COMMITTEE OF EUROPEAN ECONOMIC COOPERATION¹

The report of the Committee of European Economic Cooperation estimates that the total value of goods required from foreign sources by the participating countries and western Germany during the period 1948-51 will amount to approximately 57 billion dollars, distributed fairly evenly over the 1948-51 period. In addition, requirements of dollar shipping are estimated at 1.7 billion dollars. These estimates were predicated on the following main assumptions: (1) That foreign exchange to pay for essential imports would be available; (2) that consumption standards would not exceed those which the respective countries expect to be able to maintain after 1951; (3) that import requirements would be consistent with the aim of reducing the dollar deficit of the countries by 1951 to that manageable thereafter without special external assistance; and (4) that production and consumption would be at levels consistent with "high and stable employment." For some commodities expected to be in short supply relative to import needs, such as cereals, meat, and timber, the data used were the estimated available supplies rather than the import requirements. The statistics over the entire period were converted to value on the basis of prices ruling on July 1, 1947 "in the most likely outside source of supply."

Because of the loss of supplies from customary prewar sources, the 16 European countries expect to depend heavily on the United States and other American countries for imports of needed commodities. During the period 1948-51, it is estimated that 61 percent of total commodity requirements will come from the Western Hemisphere (35 percent from the United States and 26 percent from other American countries), compared with about 45 percent in prewar years. Assuming a gradual resumption of imports of goods from customary prewar sources such as eastern Europe and southeast Asia, however, the share of total imports from the United States is estimated to decrease from 43 percent in 1948 to 30 percent in 1951; on the other hand, the share of imports from non-American countries is estimated to increase from 34 percent in 1948 to 43 percent in 1951. Import

¹ See in part 2, No. 3, detailed summary of CEEC report, and summary of Harriman report and "Magnitude of the Problem," Nos. 7 and 7a.

requirements of the participating countries and western Germany, in billions of United States dollars, are estimated to be as follows:

	1948	1949	1950	1951	Total
United States.....	6.0	5.8	4.8	4.3	20.4
Other American countries.....	3.3	3.9	3.3	3.9	14.8
Rest of world.....	4.7	5.4	5.9	6.2	22.2
Total.....	13.9	14.6	14.5	14.4	57.4
Dollar shipping.....	.6	.4	.4	.3	1.7

In term of value, requirements of the participating countries and western Germany for foreign goods are expected to consist primarily of food, fuel, and fertilizer, which together are estimated to amount to 73 percent of total imports during the 4 years 1948-51. Imports from the United States are anticipated to be chiefly food and fertilizer (28 percent of total imports from the United States); fuel (14 percent); other raw materials (27 percent); and various types of equipment (25 percent). Import requirements from other countries in the Western Hemisphere are expected to consist principally of food and fertilizer (59 percent) and other raw materials (35 percent).

FOOD, FEEDSTUFFS, AND FERTILIZERS

The need for large imports of food to maintain standards of consumption in the participating countries during the period agricultural production is being restored is emphasized by the committee; because of the increase in population, however, the consumption of food per capita by 1950-51 is expected to be still somewhat below prewar levels. Substantial imports of feedstuffs and fertilizers are also considered necessary to achieve the projected levels of agricultural production. Total import requirements of these goods for the four crop years 1947-48 to 1950-51 are estimated at 31.8 billion dollars; of this amount, imports of food and feedstuffs are estimated at 31.3 billion dollars and fertilizers at 450 million dollars. Sources of these imports are considered to be as follows: dependent overseas territories, 6.2 billion dollars; United States, 6.7 billion dollars; other Western Hemisphere countries, 8.8 billion dollars; and rest of the world, 10.1 billion dollars.

COAL AND OTHER SOLID FUELS

During the period of the recovery program, requirements for solid fuel are expected to increase from 535 million tons in 1948 to 620 million tons (65 million tons, or 12 percent, above the 1938 level) in 1951. These requirements exceed anticipated production by a total of 187 million tons. To supply this deficit, import requirements from the United States are estimated at 86 million metric tons, valued at 774 million dollars; and requirements from Poland and other countries at 101 million tons, valued at 1,515 million dollars. After 1951, it is expected that imports from the United States, which are uneconomic because of the long haul, will not be required.

PETROLEUM PRODUCTS

Total requirements for petroleum products in the 16 European nations and western Germany, including necessary imports, are expected to increase materially during the period 1948-51. Import requirements of crude oil in these years are estimated at 87 million metric tons, valued at 1.2 billion dollars; of this, 46 million tons, valued at 580 million dollars, is expected to be needed from sources requiring payment in dollars. Imports of refined products are estimated at 156 million tons, valued at 3.5 billion dollars; of this 62 million tons, valued at 1.9 billion dollars, is expected to be needed from dollar sources.

IRON AND STEEL

To achieve the planned production of crude steel, to utilize fully steel finishing capacity, and to supply certain requirements of finished products, the participating countries estimate their import needs of iron and steel products during the 4 years 1948-51 as follows: Steel-making materials (excluding coke), 446 million dollars; crude and semifinished steel, 662 million dollars; and finished steel, 330 million dollars. Total import requirements of these products are valued at 1,438 million dollars; of this amount, 1,165 million dollars, or 81 percent, is expected to be available from the United States.

TIMBER

The available supply of timber during 1948-51 is not expected to be sufficient to furnish all the important requirements of the participating countries for softwood, or for pitprops, pulpwood, and poles. Quantities expected to be available, including import requirements of hardwood, are estimated to cost 2.4 billion dollars during the 4-year period 1948-51. Of imports of timber, about 15 percent is expected to be available from the United States, 26 percent from other American countries, and 59 percent from other nonparticipating countries.

EQUIPMENT

To achieve the planned production program, the participating countries and western Germany anticipate the need for importing various types of machinery and equipment. Total import needs of equipment for the period 1948-51 are estimated at 5.2 billion dollars, virtually all of which is expected to be required from the United States. Of the total amount, 500 million dollars represents electrical equipment; 555 million dollars, petroleum equipment; 400 million dollars, steel plant equipment; 1,188 million dollars, agricultural machinery; 220 million dollars, mining machinery; 490 million dollars, inland transportation equipment; 57 million dollars, timber equipment; and 1,800 million dollars, miscellaneous equipment.

MARITIME TRANSPORT

To assist in the replacement of wartime losses of merchant tonnage as well as in the expansion of their maritime transport capacity, the participating countries propose to purchase from the United States 3 million dead-weight tons of shipping at an estimated cost of 300 million dollars, in addition to 500 million dollars already purchased. During 1948-51, however, the total carrying capacity of the participating countries will be insufficient to meet their requirements and those of western Germany. To make up the deficit, the use of substantial, but decreasing, amounts of dollar tonnage for dry cargo shipping are considered necessary. These requirements are estimated to decrease from 500 million dollars in 1948 to 130 million dollars in 1951; total costs are expected to be 1,220 million dollars. On the other hand, requirements for dollar tonnage of tankers are expected to increase, as imports of petroleum increase, from 70 million dollars in 1948 to 180 million dollars in 1951; total costs of tankers are estimated to be 485 million dollars.

VIII. FOREIGN AID AND THE UNITED STATES DOMESTIC ECONOMY ¹

Although in comparison with the aggregate resources and real income of the United States the estimated 22 billion dollar deficit of the 16 cooperating European countries for the next 4 years is relatively small, the furnishing of the scarce commodities which are most needed and any method of financing which imposes a greater burden on the budget of the United States will put a heavy burden on the total economy of the United States.

PRODUCTIVE CAPACITY

The United States emerged from the war with a productive capacity far in excess of anything previously attained. Since VJ-day our income, measured in physical as well as in monetary terms, is vastly in excess of what it was prior to the war. The gross national product of the United States in the first half of 1947 reached the staggering total of 224 billion dollars (annual rate) and, even though the export surplus in the same period was at the high annual rate of almost 12 billion dollars, the proportion of the product that remained available for domestic civilian use reached 90 percent, the highest since 1939. During the war the proportion had reached a low point of 59 percent.

PERSONAL INCOME

That the tremendous increase in the national product is not merely a phenomenon of rising prices is indicated by the fact that disposable personal incomes, on a per capita basis and expressed in terms of 1944 dollars, are now only slightly lower than in 1946 but considerably larger than in 1939. The following figures show that disposable personal incomes in 1947 compare favorably with those of recent previous years.

Disposable personal income on a per capita basis ¹

	Current dollars	"1944" dollars
1939.....	678	606
1943.....	868	482
1946.....	936	677
1947.....	868	930
1944.....	1,067	1,087
1946.....	1,123	1,014

SEASONALLY ADJUSTED ANNUAL RATES

	Current dollars	"1944" dollars
First quarter 1947.....	1,184	968
Second quarter 1947.....	1,188	953
Third quarter 1947.....	1,243	970

¹ From Report of the President to the Council of Economic Advisers (the Nourse report), October 1947.

² See also part 2, Nos. 5, 6, 7, and 9.

Measured in terms of physical units, Americans are consuming, per person, 25 percent more of the leading foodstuffs than they did before the war.²

Notwithstanding such aggregate abundance, the complaint of rising prices and high living costs is heard everywhere. Pent-up demands are so great, and money is so plentiful, that we are already enmeshed in the familiar wage-price-cost inflationary spiral.

EXPORT

A sometimes convenient, but altogether inadequate, explanation of our inflationary difficulties is our rapidly increasing export surplus. Before the war, from 1936 to 1938, exports were running at the rate of about 4 billion dollars a year. Imports during the same period averaged about 3.6 billion dollars, leaving a net export surplus of approximately one-half billion dollars. By 1946, due to enormous pent-up demands throughout the world and to the continuance of United States foreign aid, exports had risen to around 15 billion dollars and imports to around 7 billion dollars, leaving a net export surplus of around 8 billion dollars. In 1947 exports are at the rate of approximately 19 billion dollars and imports around 8 billion dollars, which represents an excess of exports over imports of over 11 billion dollars.

The big increase in United States exports has been not to Europe but to North and South America, Asia, and Oceania. In fact, it has been all that the European countries could do to pay us for a part of the food and raw materials that they have required from us. Only 36 percent of our exports in the third quarter of 1947 went to Europe, in contrast to 41 percent in the corresponding period in 1946, and to 52 percent in the third quarter of 1945. And, if it were not for the aid that we have been granting them these figures would be still lower, for thus far in 1947 Europe has been able to pay in the form of exports of goods to us for only about 15 percent of its merchandise imports in contrast to 57 percent in the 1936-38 period.

Europe's inability to export has in turn contributed to the large increase in our exports to non-European areas. Latin American and other non-European countries, finding it impossible to secure manufactured goods from their accustomed European markets, have turned to the United States. In consequence, United States exports—principally of manufactured goods—to these areas increased from 432 million dollars per quarter in the 1936-38 period to 2.2 billion dollars in the third quarter of 1947.

To deny that exports of those few types of goods that are in serious short supply has added to the price-lifting pressures on such goods would be to dodge an annoying fact. But, to attribute to exports the sole, or even the principal, blame for rising prices would be to err much more seriously in the opposite direction. With an increase in gross national product from 90 billion dollars before the war to 213 billion dollars in 1945, and to 224 billion dollars in 1947 it is difficult

² *Ibid.*, p. 20.

to see how the sole cause could be an increase in the excess of exports over imports from one-half billion before the war to 6 billion dollars in 1945, and to 10 billion dollars in 1947.

The basic inflationary pressures are far too insidious and all-pervading to be explained away so easily. As pointed out in the report of the Council of Economic Advisers, rising prices must be explained in terms of large individual incomes, huge pent-up demands throughout the war period, ample financial reserves in the hands of both individuals and institutions, and numerous production bottlenecks and commodity shortages.

Since recent exports have been financed so largely by existing and expiring foreign aid programs it is practically inevitable that in the absence of a new foreign aid program our export surplus will decline to 4 or 5 billion dollars. Taking the requirement figures of the Paris Conference Report as their point of departure the Council of Economic Advisers concludes^a that "the export surplus resulting from any future foreign aid program will at no time equal, and for most of the time will be substantially less, than levels which have been reached during the current year." In point of fact, then, so far as exports are concerned, the question of a new foreign aid program revolves around the question of the desirability or undesirability of continuing exports at roughly their present rate.

Optimistic though the picture is, so far as the basic wealth of the Nation is concerned, there is grave danger in failing to look beyond the relationship of aggregates and into some of the details.

Although the export surplus, both recent and likely under a new foreign aid program, is small in relation to the real income and the basic resources of the country, the impact of exports happens to be greatest in those very fields in which commodity shortages both here and abroad are the most serious; namely, food (principally grains), coal, fertilizer, and iron and steel.

COMMODITIES IN LIMITED SUPPLY

It is precisely because food and coal constitute an important share of the consumer's budget, and because the "cost of living" and the price of coal and steel constitute such an important part of the cost of all manufacturing, that price rises in these commodities are dangerously inflationary. When consumers find their living costs mounting higher and higher, and manufacturers similarly are confronted with rising costs of production, the pressure for higher wages and higher selling prices breaks beyond the resistance point. Unless the familiar wage-price-cost spiral is halted the consequences are likely to be serious.

It is essential, therefore, in reaching decisions as to the amount of foreign aid to be authorized and the manner in which it is to be made available, to be aware of the inflationary dangers that we shall face if we allow the demands for goods in tight supply to have unrestrained impact on the limited supplies of those goods. This impact is out of all proportion in its inflationary effects to the dollar volume involved.

^a October 1947 report, p. 74.

FOOD

Current foreign food demands on the United States are abnormal. Wheat, the cheapest effective source of the calories needed to meet basic foreign requirements, was exported in 1939 at the rate of 93 million bushels as compared with about 393 million bushels in the 12-month period ending July 1, 1947, and an estimated 400 to 500 million bushels in the current year.

For the immediate future, the food situation is very serious. The huge 1947 wheat harvest has been more than counterbalanced by a short corn crop which raises the probability that without some kind of joint action wheat will be fed to animals in even greater quantities than at present since the demand for meat and dairy products is bound to remain heavy. On top of this domestic demand is the world shortage caused by lack of fertilizer and bad-weather conditions resulting in the poorest harvest in decades in the important western Europe area.

There seems to be little question but that domestic and foreign demands together will result in still further increases in the prices of foodstuffs, prices that are already considered to be inflated. Expansion of production is quite remote; indeed, considerable concern is expressed that current production cannot be maintained since weather conditions have been better than normal during the past several years.

STEEL

Of the 62 million tons of rolled-steel products produced (annual rate) during the first half of 1947, slightly more than 10 percent was exported, of which something more than a quarter went to Europe. Domestic demand for steel is strong and is not being satisfied. It is certain that this superimposition of foreign upon domestic demand has had price repercussions. Since, however, steel prices are determined mainly by conscious decisions of business policy it is not possible even to approximate the effect. Both the Krug and the Nourse reports emphasize that steel shortages are due, in part, to the failure of the industry to expand at an aggressive rate and indicate the belief that steel capacity is not sufficient to handle even the domestic requirements of the United States economy at full employment. Current shortages of scrap and pig iron are further complicating factors. Even if this judgment on the complex factors as to steel expansion and demand is reasonable, the temporary expansion of steel capacity in the United States to meet an emergency demand in Europe is of questionable merit if European sources, such as Germany, can be brought into play to the same end. This would be particularly true if, as the CEEC figures seem to show, a great part of the added steel requirements from the United States are for reexport.

Maximum demands of the participating European countries for steel are estimated at about 4 percent of current United States production, which compares with about 2.8 percent in recent years. A major portion of steel exports is now going to other than European countries which would normally buy in other markets.

The present demand-supply situation with regard to steel is dangerous. Increases in prices of steel products are felt throughout the

economy and consequently can easily generate rises in the prices of many other products.

The Council of Economic Advisers,⁴ pointing to food and steel as the really tight areas, observes that "whether the domestic situation worsens considerably or progresses satisfactorily depends upon the use of vigorous, affirmative measures to assure distribution to the most urgent uses and to prevent a spiraling of prices."

COAL, PETROLEUM, FERTILIZER, AND INDUSTRIAL EQUIPMENT

As a result of war damage, shortages of transportation and other equipment, and labor difficulties, Europe's production of coal has been critically short. In 1946, 18 million tons were shipped to Europe from this country and it is estimated that 37 million tons will be shipped in 1947. Since domestic production is running at the rate of 660 million tons this means that only about 7 percent is being exported. European demand will be as great or greater in 1948, after which time it should taper off.

The coal problem in the United States is essentially a transportation problem rather than one of mining capacity. Coal availabilities of about 600 million tons for the domestic market are considered fairly satisfactory although shortages of certain types of coal at different times will almost surely result unless some program of allocation and delivery is devised. The inflationary pressure of the foreign demand for coal is not apt to be nearly so dangerous as in the case of steel and food.

Though the shortages of petroleum products do not assume the same importance in dollar volume, their immediate impact on an extremely tight position for petroleum supplies in the United States and particularly for distillates may be very serious. This is also in part a transportation problem, for the moment, but it is on the longer-run requirements submitted by the CEEC more a problem of the rate of development of petroleum supplies and of refining capacity. The world supply picture does not present any reasonable prospect of meeting the European requirements as stated up to 1951 unless "oil country" goods and steel and refining equipment can be made available in much greater amount from Europe and especially from Germany.

NITROGEN FERTILIZERS

Although world production of nitrogen fertilizers is above prewar levels, demand has increased so sharply that there are serious deficiencies in Europe and elsewhere. Production in the United States has about tripled but consumption has increased at about the same rate. United States production in 1946 was 900,000 tons while domestic demand was estimated at about 1,000,000 tons. Relatively little nitrogen is now being exported through domestic channels. Two hundred and twenty-five thousand tons were produced in Government ordnance plants and will go through Army channels to occupied areas. European requirements for the next 3 years are considerably larger

⁴ October 1947 report, p. 77.

than our current exports. Thereafter, European producers are expected to supply the major portion of their requirements.

Exports of nitrogen are, of course, much more economical than the exportation of food. In addition, the sacrifice involved in expanded exports of nitrogen is much less, and the inflationary pressures small, compared with the expansion of food exports. Such expansion could be met in part by a fuller conversion of wartime nitrogen facilities, yet it appears that without some curtailment of domestic use and allocation for export there seems little hope, because of the enormous domestic demand, that we will export in a volume sufficient to alleviate the nitrogen shortage in Europe.

EQUIPMENT

Of vital concern to the European economy are industrial equipment requirements, most important among which are gondola cars, mining and electrical equipment, and certain types of agricultural machinery. Production of these items is closely tied up with the supply of steel. Furthermore, domestic demands for these products are intense. The difference in degree of inflationary pressure on the supplies of food and steel on the one hand, and on supplies of industrial equipment on the other, however, is to be found in the fact that industrial equipment is itself very nearly an end product. Hence price increases are not necessarily felt throughout the whole economy.

IMPACT ON EXHAUSTION OF NATURAL RESOURCES

Though the volume of foreign aid in itself does not seriously drain the economic resources of the United States, it is nevertheless in a few major items a matter of some importance.

The expansion of acreage for wheat cultivation beyond the normal needs for the United States or its ordinary export markets, if long continued, would constitute a serious drain on our soil resources. The extension of wheat cultivation into the dust bowl area has certainly been encouraged by the extreme need for cereal products. It is therefore of critical importance to get back larger areas of food production outside the United States, both to meet the world deficit and to take the abnormal burden off our own land resources.

The exhaustion of our iron-ore resources in the United States is not involved in the export of a few extra million tons of steel annually, but the pressure on the Lake Superior grade iron ore which moves across the Great Lakes may bring this deposit to lower yields in terms of iron ore content before effective measures can be taken to cushion the change. The whole location of the steel industry is involved in the matter of accessible transportation unless the timing of foreign high-grade iron ore imports and the improvement of domestic resources can be made to coincide with the exhaustion of the high-grade ores from the Mesabi range.

If the European requirements for petroleum and petroleum products were to be met, the United States resources would have to be heavily tapped. It has been indicated that they cannot be met without devel-

opment of foreign oil sources at a more rapid rate than is presently projected.

The export of our best grades of coking coal does not reduce the 60-odd years of estimated supply by a serious amount, but it is an unnecessary export in view of the possibility of more rapid and adequate production of both German and British coal and the availability of Polish coal.

Exports of certain exhaustible nonferrous metals, such as lead and copper, from the United States, would also be negligible if foreign sources are properly tapped.

THE SUPPLY OF MONEY AND CREDIT

Current inflationary levels could not have been reached, nor could they rise much further, were the supply of money and credit not so large and not so elastic.

The present monetary situation has arisen primarily out of: (1) Wartime deficit financing which resulted in the purchase by commercial and Federal Reserve banks of some 90 billion dollars of Government securities (almost one-fourth the total war expenditure); (2) Federal Reserve open market policy of protecting the Government securities market by offering to buy at par, all Government securities with the result that the government securities held by banks (currently four times their 1940 holdings) can be easily converted into cash for reserve requirements; (3) the steady influx of gold, stemming from our export surpluses and which in 12 months ending September 30, 1947, amounted to 2.7 billion dollars allowing a credit expansion of several times that amount; (4) a large increase in currency and (5) a widespread, vigorous, and effective demand by businesses and real-estate owners created by the favorable prospects for profits; by consumers, for durable goods, and by State and local governments for public projects. Bank loans increased by 7 billion dollars in the 12-month period ending September 1947, and at the end of that period at the rate of 10 billion dollars; the largest expansion in so brief a period in the history of American banking.

Much of this expansion, occurring after demands for credit for conversion purposes had been satisfied, has served to bid up the prices of labor and materials rather than to add to physical production.

Of the contributing elements to the enormous domestic money supply perhaps the most significant at the present time is the heavy influx of gold into the Federal Reserve System. So great was this movement in 1947 that commercial banks were able to expand bank loans at a record rate without having to sell any substantial amount of their holdings of Government securities.

Of even greater potential importance, perhaps, so far as inflationary dangers are concerned, are the almost limitless expansion possibilities inherent in the extremely large commercial bank holdings of both short-term and long-term Government securities which, considered in conjunction with Federal Reserve open market activities, are the equivalent of cash for reserve purposes.

There is serious question as to whether existing monetary and credit powers of the Federal Reserve System are adequate to halt the present credit expansion or to prevent a run-away inflation if such were to develop.

The President's Council of Economic Advisers, after having stressed the inflationary dangers in the present situation, concludes on the following optimistic note:

"The relative shortages of specific commodities require export controls, allocations for domestic use, discouragement of misuse or excessive use, efficient transportation and distribution, and the curbing of speculation and hoarding of goods.

"The general inflationary threat resulting from the combined impact of foreign and domestic demand requires the continuance of tax revenues at present levels, maximum economy in Government expenditures, stimulation of saving, and the enlargement and aggressive use of measures to control dangerous expansion of credit.

"The proposal for new foreign aid requires that we face with greater wisdom and courage than ever before the dangers to our whole economy that are now revealing themselves in the form of relative shortages and inflationary pressures at strategic spots in the economy. The foreign-aid program compels us to face certain domestic problems squarely, but remedial and preventive measures available to us are adequate if we have the courage to use them."

IX. CONTROL POWERS NOW IN EFFECT IN THE UNITED STATES¹

Any program for the recovery of Europe will be affected by the controls which still exist in the economy of the United States. While it was the clearly expressed will of the Congress that the executive branch of the Government should use its control powers sparingly and while the Eightieth Congress eliminated a number of the wartime regulations, several wartime controls still remain over exports, imports, domestic production, distribution, prices, transportation, and shipping.

FOREIGN TRADE

Controls are being exercised at the present time over 20 percent of our exports in order to: (1) Limit the quantity of certain types of commodities leaving the country; (2) direct the flow of American goods to certain countries and (3) distribute American export business among those foreign agencies which supply the United States with certain goods and purchase other goods from this country. Some influence over the export business is also felt from the actions of the Government itself when it procures goods for export and thus affects the over-all exports by commodities.

Controls over imports consist chiefly of quota regulations of cotton, wheat, tin, tin products, antimony, cinchona bark, quinine and quinine purchased by Government agencies, fats, oils, rice, rice products, nitrogenous fertilizers, rubber, and rubber products. While there is statutory power for determining quotas on sugar, it is not being exercised. Concurrent with these regulations of imports there are some controls over the distribution of the imported supplies.

ALLOCATION OF DOMESTIC PRODUCTION

Controls over domestic distribution are of interest because a particular export commitment may result in domestic shortages. Control of the conservation type exists for rubber, antimony, tin, and tin products.

RAILROAD TRANSPORTATION AND SHIPPING

Priority and allocation powers continue with respect to rail carriers. These are exercised sparingly by the Office of Defense Transportation.

Such control over ocean shipping as is now being exercised is effected through Government ownership of bottoms. Approximately 1,700 United States-owned vessels are now being operated under charter or on a cost-plus basis. In addition, 300 tankers are being operated on an agency basis. Without the sale of ships presently owned by

¹ See fuller report in pt. 2, No. 16.

the United States Government to either United States or European shipping lines, or the extension of authority for the operation of United States ships under charter agreements, a serious shortage will result. The pertinent controls expire March 1, 1948.

Existing legislation requires that exports fostered by loans extended by any United States agency shall be carried exclusively in United States bottoms provided they are available at reasonable rates.

MISCELLANEOUS CONTROLS

Control powers still in effect relate to limitations of agricultural production, increases of agricultural production through the price support programs, agricultural prices; export subsidies in case of domestic surpluses, trading on commodity exchanges, and the requisitioning of ships for the defense of the United States or during an emergency.

X. NEED FOR INTERIM AID AND ITS RELATIONSHIP TO RECOVERY PROGRAM¹

The deterioration which has been occurring in the position of European countries regarding the means available to them to procure essential imports has reached an acute stage in the case of France, Italy and Austria. The evidence indicates that these countries have practically exhausted all of their available means for paying for the essential imports which they need to feed and clothe their people and to prevent an immediate and drastic reduction in agricultural and industrial activities with consequent unemployment and internal instability.

The financial position of these countries has been affected by the following factors:

(a) Severe losses in agricultural products, particularly grain, due to last winter's freeze and the past summer's drought. These losses can be made up only by imports of grain from abroad for exceeding normal import requirements;

(b) The general retardation of European production resulting from shortages of food, coal, consumers goods, and industrial supplies. This has seriously limited exports to the dollar area and thereby restricted the availability of dollars for these countries;

(c) The higher costs of essential imports caused by rise in prices, particularly in the United States; and

(d) The effects of the unexpected inconvertibility of sterling. France and Italy had counted upon conversion of sterling holdings into dollars for imports of essential commodities.

The current assets of Austria are negligible and her essential imports at the present time are being supplied principally through the United States Foreign Relief Program. Funds available for Austria under this program are sufficient to last only until early in the first quarter of 1948.

France and Italy have acted forthrightly in scaling down the level of dollar expenditures by taking all feasible measures to eliminate supplies which are not absolutely essential. In June 1947, Italy stopped making governmental purchases of all commodities except cereals, coal, and petroleum products. France took action late in August in stopping the placement of all new dollar contracts, except those for cereal, coal, and petroleum products. Indications are that before the end of December France will have no funds even to buy food and fuel. In the case of Italy funds will be needed early in December to procure food, fuel, and other essential supplies for shipment in January.

Thus the program of aid to Europe possesses two aspects: (1) The long range recovery program and (2) interim aid, whose purpose is to tide over Austria, France, and Italy during the coming winter months.

¹ This section has been prepared by the Department of State.

The first program being placed before the Congress is for interim aid to the extent necessary to provide food, clothing, and other essential supplies needed by the people of these countries and to prevent serious economic retrogression in those countries. The proposal includes the necessary financial requirements through March 31, 1948. The program is not a recovery program but is intended to assist in maintaining conditions which are essential if any recovery program which might subsequently be approved is to succeed.

When President Truman, on October 23, summoned the Congress into special session on November 17, he made this distinction clear in the following words:

However, a period of crisis is now at hand. The perils of hunger and cold in Europe make this winter a decisive time in history. All the progress of reconstruction and all the promise of future plans are endangered. If European nations are to continue their recovery, they must get through this winter without being crippled by economic paralysis and resulting chaos.

In advance of our decision on the long-range European recovery plan, we must help some nations through this immediate crisis. The most imminent danger exists in France and in Italy. If the economies of these countries collapse and the people succumb to totalitarian pressures, there will be no opportunity for them or for us to look forward to their recovery so essential to world peace.

PART TWO: DOCUMENTS FOR REFERENCE

1. PRESIDENT TRUMAN'S RADIO ADDRESS ON REASONS FOR CALLING SPECIAL SESSION OF CONGRESS, OCTOBER 24, 1947

I have called the Congress to meet on November 17th to consider the problems of high prices at home and emergency aid abroad. These are questions of vital importance to all of us. I want to talk to you frankly tonight about both of these problems.

Since VJ-day, we have moved steadfastly toward two goals. We have sought peace and prosperity—prosperity for all our people, peace for all the world.

As we measure our progress toward these goals and chart the course ahead, we find that recent events have raised new and dangerous obstacles in our path. Our domestic prosperity is endangered by hunger and cold in other lands.

These obstacles must be overcome by prompt and courageous action. Legislation by the Congress is essential. The need is too pressing—the results of delay too grave—for congressional action to wait until the next regular session in January.

Let me speak first about our domestic prosperity. In many ways we are now more prosperous than we have ever been. More workers have jobs—and at better wages—than at any time in the past. Farmers are receiving a greater share of our national income than they have in many years. Manufacturers and retailers are enjoying record business and record earnings. We are producing more goods for civilian use than ever before in history.

But these signs of prosperity do not tell the whole story. Although production is high, prices are shooting up. Although nearly everyone is employed, many people cannot afford essential items. Although national income has reached a new high, the buying power of many people is shrinking.

A few figures—and they are startling figures—show how the cost of living is going up.

Since the middle of 1946, this is what has happened: Clothing prices have gone up 18 percent; household furnishings have gone up 18 percent; food has gone up 40 percent. The average for all items is up 23 percent.

And the cost of living is still climbing. In the last 8 months it has climbed at a rate of over 16 percent a year.

Wholesale prices are also increasing. Since the middle of 1946, textiles have gone up 30 percent; metals, up 35 percent, and building materials, up 41 percent. These increases in wholesale prices affect every industry and trade and they will eventually be reflected in retail prices.

INCOME-COST GAP INCREASES

For some of our people the increased cost of living has been offset by increased incomes. But for most of our people, increases in income are falling behind increases in the cost of living.

Millions of families of low or moderate income are already victims of inflation. These families are using up savings. They are mortgaging their future by going into debt. They are doing without things they should have.

I know the worries of the breadwinner whose earnings cannot keep up with the high cost of living. I know of the difficulties of the housewife who tries to stretch the family income to pay for groceries and clothes and rent. I know how hard it is to skimp, and save, and do without.

When so many people are not sharing fairly in prosperity, the road is being paved for a recession or a depression.

None of us can afford to overlook this danger. Farmers will remember how they suffered after 1920 because price inflation was followed by a collapse. Businessmen and bankers will recall how they suffered after 1929 because wild speculation was followed by the depression. Even those who are prosperous today are prospective victims of inflation tomorrow.

Inflation must be stopped before it is too late.

It is within our power to stop it. Our economy is basically sound. It has been immensely strengthened in recent years. The average buying power of our people today is 40 percent higher than it was in 1929. But we are losing some of this gain as rising prices pull away from incomes. We can prevent further loss, and can even go on to new gains, if we use our economic strength wisely.

DEMAND GREAT

The major cause of high prices in this country is the great demand among our own people for available goods. An attempt has been made to place the blame upon our foreign-aid program, but this is not borne out by the facts. During the war, we learned that we could improve our standard of living with less than 60 percent of our output available for civilian use. At present, even with current exports to all countries, a far greater percent of our production is available for civilian use. With sound policies, we can protect our own standard of living and carry on a substantial foreign-aid program at the same time.

We now have—and will continue to have—enough food and clothing and other goods in the United States to meet our needs. But excessively high prices mean that these goods are not being distributed wisely and fairly. High prices ration the essentials of life by squeezing out the less fortunate of our citizens. We can meet this problem only by bringing prices into line with the incomes of our people.

In our free enterprise system, we place major reliance upon voluntary action by businessmen, farmers, workers, and consumers. That is why I have repeatedly urged voluntary price reductions.

But the responsibility of Government extends beyond aiding voluntary action. The Government must respond to the needs of the people.

The American people now have a compelling need for protection from the dangers of price inflation and the rising cost of living. They recognize this need and are asking for the protection to which they are entitled. The Government must assume a larger share of the responsibility for putting an end to excessive prices and the hardships and dangers which accompany them. For this purpose, prompt enactment by the Congress of comprehensive legislation is necessary.

This, then, is one reason why I am calling the Congress into session on November 17. When it meets, I shall recommend a program for dealing with inflation, high prices, and the high cost of living. Adequate measures—enacted in time—are necessary to correct the present situation.

WORLD NEEDS MUST BE MET

Let me turn now to the other reason for calling the Congress into session. This is the problem of hunger and cold and human suffering abroad. It is the problem of men and women and children who look to us for help at this crucial time.

We are following a definite and clear foreign policy. That policy has been, is now, and shall be to assist free men and free nations to recover from the devastation of war, to stand on their own feet, to help one another, and to contribute their full share to a stable and lasting peace. We follow that policy for the purpose of securing the peace and well-being of the world. It is nonsense to say that we seek dominance over any other nation. We believe in freedom, and we are doing all we can to support free men and free governments throughout the world.

In furtherance of this foreign policy, we now have under consideration the part which the United States should play in aiding a long-range recovery program for western Europe. This plan presents great hope for economic security and peace in that vital part of the world. It will take some time to complete the consideration of this plan and to make all the important decisions required for putting it into effect.

However, a period of crisis is now at hand. The perils of hunger and cold in Europe make this winter a decisive time in history. All the progress of reconstruction and all the promise of future plans are endangered. If European nations are to continue their recovery, they must get through this winter without being crippled by economic paralysis and resulting chaos.

In advance of our decision on the long-range European recovery plan, we must help some nations through this immediate crisis. The most imminent danger exists in France and in Italy. If the economies of these countries collapse and the people succumb to totalitarian pressures, there will be no opportunity for them or for us to look forward to their recovery so essential to world peace.

Their first need is food. Exceedingly bad weather this year has caused the worst crops in western Europe in a generation. Crop failures in France—the worst in 100 years—and in Italy make it necessary for those countries to import half the grain they need to live on during the coming months.

The other major shortage is fuel. Fuel supplies were depleted by last year's severe winter. War damage to railroads, and the reduced efficiency of miners laboring on an inadequate diet, have prevented the rebuilding of fuel stocks.

The financial reserves of France and Italy have been nearly exhausted by the cost of their imports since the end of the war. Rising prices in the United States and in other countries where they must buy have further reduced the purchasing power of their remaining funds. They now face the coming winter without sufficient resources to pay for essential food and fuel.

The figures tell the story.

FRENCH, ITALIAN NEEDS

France can meet her minimum needs, with present funds, until the end of December, but she will enter the new year without funds to pay for essential imports. The French will need \$357,000,000 to carry them until March 31, 1948.

Italy will not be able even to get through the rest of this year. Italy must have \$142,000,000 to carry her until December 31 and an additional sum of \$143,000,000 to get through the first quarter of 1948.

Serious difficulties have also been encountered in the occupied areas—Germany, Japan, and Korea. Additional funds will have to be appropriated this year in order for us to maintain our position in these areas.

It can readily be seen that congressional action to meet these needs cannot be delayed until January.

My action in convening the Congress on November 17 in no way reduces the necessity for pressing forward with our voluntary food-saving program. Dollars appropriated by the Congress cannot feed hungry people if there is no food for the dollars to buy. There will not be enough food unless we—the people of the United States—save vast quantities of grain. I am deeply gratified at the splendid response of the American people to our national food-saving program. It is an earnest effort to meet the needs of humanity.

CHALLENGE FOR UNITED STATES

Even with the proposed aid from this country, the people of Europe this winter will be on short rations. They will be cold, and they will be without many necessities. But our emergency aid will be definite assurance of the continuing support of this Nation for the free peoples of Europe.

The two problems I have been discussing with you tonight—high prices at home and hunger and cold abroad—present a challenge to the American people.

We could choose the course of inaction. We could wait until depression caught up with us, until our living standards sank, and our people tramped the streets looking for jobs. Other democratic nations would lose hope, and become easy victims of totalitarian aggression. That would be the course of defeatism and cowardice.

Our other course is to take timely and forthright action. If we do this, we can halt the spiral of inflation at home, relieve hunger and cold abroad, and help our friendly neighbors become self-supporting once again.

I know that it is the heartfelt wish of the American people that action be taken which will overcome the obstacles to peace and prosperity confronting this Nation.

It is within our power to lead the world to peace and plenty.

With resolution and united effort we shall achieve our goal.

October 23, 1947.

CONVENING THE CONGRESS

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

Whereas the public interest requires that the Congress of the United States should be convened at twelve o'clock, noon, on Monday, the Seventeenth day of November 1947, to receive such communication as may be made by the Executive;

Now, therefore, I, Harry S. Truman, President of the United States of America, do hereby proclaim and declare that an extraordinary occasion requires the Congress of the United States to convene at the Capitol in the City of Washington on Monday, the Seventeenth day of November 1947, at twelve o'clock, noon, of which all persons who shall at that time be entitled to act as members thereof are hereby required to take notice.

In witness whereof, I have hereunto set my hand and caused to be affixed the great seal of the United States.

Done at the City of Washington this twenty-third day of October, in the year of our Lord nineteen hundred and forty-seven, and of the Independence of the United States of America the one hundred and seventy-second.

HARRY S. TRUMAN.

By the President:

ROBERT A. LOVETT,
Acting Secretary of State.

OCTOBER 23, 1947.

STATEMENT BY THE PRESIDENT

I have met this afternoon with a group of congressional leaders. I presented to them detailed information concerning the alarming and continuing increase in prices in this country and the situation regarding the need for emergency foreign aid. I informed them that I had concluded it was necessary to convene the Congress on Monday, November 17.

By that date the members of Congress who are now abroad obtaining first-hand information will have returned to the United States.

There are two compelling reasons for convening the Congress at an early date.

It is urgently necessary for the Congress to take legislative action designed to put an end to the continued rise in prices, which is causing hardship to millions of American families and endangering the prosperity and welfare of the entire Nation. When the Congress meets, I shall recommend to it suitable measures for dealing with inflation, high prices, and the high cost of living.

It is also necessary for this Government to take adequate steps to meet the crisis in western Europe, where certain countries have exhausted their financial resources and are unable to purchase the food and fuel which are essential if their people are to survive the coming winter.

It now appears that the minimum needs of France can be met with present funds only until about the end of December, and that it will enter the new year without funds to pay for essential imports. Italy's needs are even more immediate, for Italy will require substantial assistance before the end of this year. Moreover, it appears that additional funds will be needed to maintain our position in occupied areas. It is clear, therefore, that congressional action cannot be delayed until January.

The convening of the Congress in November will also furnish an opportunity for it to speed up its consideration of the part to be played by the United States in the long-range European recovery program.

I have just signed a proclamation convening the Congress at 12 o'clock noon on Monday, November 17, 1947.

Tomorrow evening, at 10 o'clock, over all the networks, I shall make a radio address to the American people describing the present situation in detail and explaining why action by the Congress is necessary prior to the regularly scheduled session in January.

2. TEXT OF SECRETARY MARSHAL'S SPEECH, JUNE 5, 1947¹

EUROPEAN INITIATIVE ESSENTIAL TO ECONOMIC RECOVERY

I need not tell you gentlemen that the world situation is very serious. That must be apparent to all intelligent people. I think one difficulty is that the problem is one of such enormous complexity that the very mass of facts presented to the public by press and radio make it exceedingly difficult for the man in the street to reach a clear appraisal of the situation. Furthermore, the people of this country are distant from the troubled areas of the earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connection with our efforts to promote peace in the world.

In considering the requirements for the rehabilitation of Europe, the physical loss of life, the visible destruction of cities, factories, mines, and railroads was correctly estimated, but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of European economy. For the past 10 years conditions have been highly abnormal. The feverish preparation for war and the more feverish maintenance of the war effort engulfed all aspects of national economies. Machinery has fallen into disrepair or is entirely obsolete. Under the arbitrary and destructive Nazi rule, virtually every possible enterprise was geared into the German war machine. Long-standing commercial ties, private institutions, banks, insurance companies, and shipping companies disappeared, through loss of capital, absorption through nationalization, or by simple destruction. In many countries, confidence in the local currency has been severely shaken. The breakdown of the business structure of Europe during the war was complete. Recovery has been seriously retarded by the fact that 2 years after the close of hostilities a peace settlement with Germany and Austria has not been agreed upon. But even given a more prompt solution of these difficult problems, the rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than had been foreseen.

There is a phase of this matter which is both interesting and serious. The farmer has always produced the foodstuffs to exchange with the city dweller for the other necessities of life. This division of labor is the basis of modern civilization. At the present time it is threatened with breakdown. The town and city industries are not producing adequate goods to exchange with the food-producing farmer. Raw materials and fuel are in short supply. Machinery is lacking or worn

¹ Made on the occasion of commencement exercises at Harvard University on June 5, 1947, and released to the press on the same date.

out. The farmer or the peasant cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable transaction. He, therefore, has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and finds for himself and his family an ample supply of food, however short he may be on clothing and the other ordinary gadgets of civilization. Meanwhile people in the cities are short of food and fuel. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction. Thus a very serious situation is rapidly developing which bodes no good for the world. The modern system of the division of labor upon which the exchange of products is based is in danger of breaking down.

The truth of the matter is that Europe's requirements for the next three or four years of foreign food and other essential products—principally from America—are so much greater than her present ability to pay that she must have substantial additional help or face economic, social, and political deterioration of a very grave character.

The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole. The manufacturer and the farmer throughout wide areas must be able and willing to exchange their products for currencies the continuing value of which is not open to question.

Aside from the demoralizing effect on the world at large and the possibilities of disturbances arising as a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation, and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a piecemeal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative. Any government that is willing to assist in the task of recovery will find full cooperation, I am sure, on the part of the United States Government. Any government which maneuvers to block the recovery of other countries cannot expect help from us. Furthermore, governments, political parties, or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States.

It is already evident that, before the United States Government can proceed much further in its efforts 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 would be neither fitting or efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This 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.

An essential part of any successful action on the part of the United States is an understanding on the part of the people of America of the character of the problem and the remedies to be applied. Political passion and prejudice should have no part. With foresight, and a willingness on the part of our people to face up to the vast responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome.

3. SUMMARY OF THE REPORT OF THE COMMITTEE OF EUROPEAN ECONOMIC COOPERATION (CEEC)¹

In response to the speech of Secretary of State Marshall, made at Harvard on June 5, 1947, representatives of 16 European nations met in Paris beginning on July 12 to examine their prospective requirements and resources during the period 1948-51 and to formulate an economic recovery program. The countries represented were Austria, Belgium, Denmark, France, Greece, Ireland, Italy, Luxemburg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom; western Germany was also included in the analysis and calculations of the Committee. //

ORGANIZATION

To prepare the CEEC report, a number of technical committees were set up, dealing with food and agriculture, fuel and power, iron and steel, transport (internal and maritime), timber, and manpower, as well as a balance of payments committee and a committee of financial experts. The food and agriculture committee considered problems of agricultural machinery and fertilizer, in addition to those of food and feedstuffs. The fuel and power committee considered the problems of coal, electricity, and petroleum products, and, in addition, those relating to mining machinery, electrical equipment, and petroleum equipment.

The first concern was to obtain the necessary statistical information. For this purpose, the technical committees sent questionnaires to each of the participating countries and western Germany, requesting data for their respective commodities on total requirements, production plans, expected exports, and required imports. The Balance of Payments Committee used the findings of the technical committees in their respective fields, and also obtained information by questionnaire on anticipated payments and receipts of all other items; these data were combined into an over-all statement of the anticipated surplus and deficit of the participating countries and western Germany with the rest of the world.

ASSUMPTIONS

In obtaining the necessary basic data through questionnaires, the technical committees requested the governments of the respective countries to adopt certain assumptions, and presumably the same assumptions were followed by the committees in the assessment and

¹ An official summary was released September 22, 1947, by the Department of State which released *General Report* on same date. *Technical Reports* appeared a few weeks later.

correlation of the statistics and information submitted. These assumptions were that: (1) Foreign exchange to pay for essential imports would be available; (2) consumption standards would not exceed those which the respective countries expect to be able to maintain after 1951; (3) import requirements would be consistent with the aim of reducing the dollar deficit of the countries by 1951 to that manageable thereafter without special external assistance; and (4) production and consumption would be at levels consistent with "high and stable employment." It should also be pointed out that for some commodities expected to be in short supply relative to import needs, such as cereals, meat, and timber, the data used by the committees correspond to estimated available supplies rather than to total import requirements. Finally, because of the difficulty of accurately predicting prices, the technical committees calculated all values on the basis of prices prevailing on July 1, 1947 "in the most likely outside source of supply."

For the purpose of developing a balance of payments, and thereby determining the deficit in means of payment of the participating countries and western Germany with the rest of the world, certain further assumptions were adopted which relate particularly to this section of the CEEC report. These assumptions were that: (1) Production in the participating countries will increase greatly; (2) the imports required for increased production will be available; (3) an increasing part of the necessary imports can be obtained from eastern Europe and Southeast Asia; (4) the goods which the participating countries produce for export can be sold to the Western Hemisphere and to the rest of the world; (5) the nonparticipating countries will so far as necessary be able to pay for goods imported from the participating countries in dollars; and (6) there will be a progressive reduction in the price of imports into the participating countries in relation to the price of exports from those countries.

THE RECOVERY PROGRAM

¶ The report of the CEEC outlines a program of economic recovery for the sixteen participating nations and western Germany based on four lines of action:

(1) A production program in the participating countries and western Germany, designed in general to restore agricultural production to prewar levels by 1951 and to increase industrial production by 1951 somewhat above the 1938 levels;

(2) The creation and maintenance of internal financial stability;

(3) The development of economic cooperation among the participating countries in production, in joint development of resources, in trade, in the movement of persons and transport, and in the establishment of a continuing organization;

(4) A solution of the dollar deficit of the participating countries, particularly by the expansion of exports.

IMPORT REQUIREMENTS

To carry out the production program, the CEEC report emphasizes that the 16 European nations and western Germany will require a large and uninterrupted flow of goods from the rest of the world, and in particular from the American continent. The total value of the goods required from foreign sources during the period 1948-51 is estimated to be 57.4 billion dollars, distributed fairly evenly among the 4 years. In addition, requirements of dollar shipping are estimated to be 1.7 billion dollars.

Because of the loss of supplies from customary prewar sources, the 16 European nations expect to depend heavily on the United States and other American countries for imports of needed commodities. During the period 1948-51, it is estimated that 61 percent of total commodity requirements will come from the Western Hemisphere (35 percent from the United States and 26 percent from other American countries), compared with about 45 percent in prewar years. Assuming a gradual resumption of imports of goods from customary prewar sources such as eastern Europe and southeast Asia, however, the share of total imports from the United States is estimated to decrease from 43 percent in 1948 to 30 percent in 1951; on the other hand, the share of imports from non-American countries is estimated to increase from 34 percent in 1948 to 43 percent in 1951. Total import requirements of the participating countries and western Germany, by area, are shown in table I.

TABLE I.—Total import requirements of participating countries (excluding dependent territories) and western Germany, by area

[In billions of U. S. dollars]

	1948	1949	1950	1951	Total
United States.....	6.0	5.3	4.8	4.3	20.4
Other American countries.....	3.2	2.9	3.8	2.9	14.8
Total, Western Hemisphere.....	9.2	8.2	8.6	7.2	33.2
Rest of world.....	4.7	5.4	6.9	6.3	23.3
Total, all countries.....	13.9	14.6	14.5	14.4	57.4
Dollar shipping.....	.6	.4	.4	.3	1.7

In terms of value, requirements of the participating countries and western Germany for foreign goods are expected to consist primarily of food, fuel, and fertilizer, which together are estimated to amount to 73 percent of total imports during the 4 years 1948-51. Imports from the United States are anticipated to be chiefly food and fertilizer (28 percent of total imports from the United States); fuel (14 percent); other raw materials (27 percent); and various types of equipment (25 percent). Import requirements from other countries in the Western Hemisphere are expected to consist principally of food and fertilizer (59 percent) and other raw materials (35 percent). Estimated import requirements of the participating countries from the American continent, 1948-51, are shown in table II.

TABLE II.—*Estimated import requirements of the participating countries (excluding dependent territories) and western Germany from the American Continent for the period 1948-51*

[In billions of U. S. dollars]

	United States	Other American countries	Total
Food, foodstuffs, and fertilizers.....	5.6	8.7	14.3
Coal.....	.7		.7
Petroleum products ¹	2.2		2.2
Iron and steel.....	1.3	.1	1.3
Timber.....	.4	.6	1.0
Equipment.....	5.1	.1	5.2
Other imports ²	5.3	5.3	10.5
Total imports.....	20.4	14.8	35.2
Shipping services.....	1.7		1.7

¹ Amount required from dollar sources.

² Primarily raw materials, such as cotton, wool, nonferrous metals, woodpulp, hides and leather, and chemicals, not covered in the studies of the technical committees; also includes 110 million dollars for semi-manufactures, 1,300 million dollars for consumer goods, and 500 million dollars for ships and airplanes.

Assuming the fulfillment of the import requirements of the participating countries and western Germany, the means of payment for those imports of goods and services, without special outside assistance, will be only partially available. The stated purpose of the recovery program outlined by the participating countries is to reduce steadily the annual deficit in means of payment during 1948-51 to that manageable thereafter without special external aid.

The size of the deficit in means of payment is tentatively estimated in the CEEC report by the Balance of Payments Committee. On the basis of certain assumptions mentioned above, the Committee estimates that the total deficit of the participating countries will be reduced from 8.3 billion dollars in 1948 to 1.6 billion dollars in 1951, and will amount to 19.6 billion dollars for the 4-year period 1948-51. The year-to-year reduction is to be accomplished to a great extent by increasing exports of goods which are expected to be valued at 6.5 billion dollars in 1948 and 10.8 billion dollars in 1951.

The dollar deficit with the American Continent, which is emphasized in the CEEC report, is estimated at 22.4 billion dollars for the period 1948-51, decreasing from 8 billion dollars in 1948 to 3.4 billion dollars in 1951; 16.5 billion dollars is expected to be with the United States and 5.9 billion dollars with other countries in the Western Hemisphere. As against the dollar deficit, a surplus in means of payment with the rest of the world for the period 1948-51 is estimated at 2.8 billion dollars which, if dollars are available in the trade with the rest of the world, is expected to reduce the total deficit of the participating countries to 19.6 billion dollars. The Committee emphasizes that these statistics no more than indicate the prospective size of the deficit in means of payment, and do not necessarily correspond to the amount of special assistance which will be required. If imports of capital equipment are financed by loans from the International Bank, the total deficit could be reduced by as much as an estimated 3.1 billion dollars. Loans from other sources as well as the expendi-

ture of other financial resources by the participating countries would further reduce the deficit. On the other hand, if the 16 European countries are unable to earn dollars for their exports, the anticipated surplus with the rest of the world could not be employed to reduce the dollar deficit with the Western Hemisphere. The estimated net balance of payments of the participating countries, indicating deficit or surplus, is shown in table III.

TABLE III.—Estimated net balance of payments of the participating countries, their dependent territories, and western Germany, 1948-51

(In millions of United States dollars)

	1948	1949	1950	1951	Total
With United States	-6,001	-4,532	-3,355	-2,498	-16,478
With other Western Hemisphere.....	-1,944	-1,818	-1,206	-915	-5,977
Total:					
Western Hemisphere.....	-6,035	-6,350	-4,650	-3,410	-22,445
With rest of world.....	-240	+280	+1,000	+1,800	+2,810
Total—All countries.....	-8,275	-6,100	-3,650	-1,610	-19,635

NOTE. — Indicates deficit; + indicates surplus. Data for 1948 were calculated on the basis of prices ruling on July 1, 1947. Data for 1949-51 were adjusted for estimated changes in the relation between the cost of imports and price of exports and, hence, are not comparable with other statistics. See General Report of the CEEC, vol. I, pp. 121-22.

EUROPEAN SELF-HELP

In addition to unilateral and cooperative action on the part of each of the 16 western European countries to attain the projected levels of production and to solve the problem of the dollar deficit, the CEEC report sets forth certain fields wherein additional mutual effort would be of benefit to the recovery program. First the Committee of Economic Cooperation points out that for "increased production in the area to make its full contribution to the restoration of the European economy and the reduction of abnormal demands on the rest of the world, it must be accompanied by a freer movement of goods and services within Europe itself." Consequently, the participating countries resolved to remove as soon as possible abnormal restrictions on their mutual trade and, as between themselves and the rest of the world, to work toward the adoption of a multilateral trading system envisaged in the draft charter for an international trade organization. To the end of expanding their mutual trade, 18 of the 16 participating countries created a study group to examine the problems involved and the steps to be taken in the formation of a customs union between themselves.

The Committee also recommended collective action in certain specific fields. Among these were the cooperative exploitation of electric power resources (summarized below in the section on electric power), standardization of equipment such as mining machinery and freight cars, pooling arrangements of freight cars, and interchange of information on the development and modernization of steel industries to avoid duplication and overexpansion.

COMMITTEE OF FINANCIAL EXPERTS

The report of the Committee of Financial Experts recognizes the necessity of internal financial and monetary stability to the success of the European recovery program. At the Paris Conference, declarations were made by representatives of a number of countries, including Austria, Belgium, Denmark, France, Greece, Italy, the Netherlands, Norway, Portugal, Sweden, Switzerland, and the United Kingdom, relative to monetary conditions within their countries and the steps which their governments proposed to take to achieve internal financial stability. To this end the Committee suggested that it would be of assistance if supplementary foreign resources specifically intended to raise the gold and dollar reserves of various countries were made available. Although a precise calculation was not attempted, the total amount of such financial assistance required was tentatively estimated at 3 billion dollars.

After internal financial stabilization has been achieved and can be successfully maintained, the 16 European countries have pledged themselves to make their currencies convertible, as defined in the articles of agreement of the International Monetary Fund, at appropriate rates of exchange. In addition, the Committee considered the problems of making more flexible inter-European payments agreements to the end of assisting the development of their mutual trade. //

REPORTS OF THE TECHNICAL COMMITTEES

1. FOOD AND AGRICULTURE

The food-production program of the participating countries and western Germany includes the restoration of prewar levels of production of bread grains, coarse grains, fats and oils, and milk by the crop year 1950-51. The output of sugar by 1950-51 is expected to be 15 percent larger than in prewar years, while the production of meat is anticipated to reach only 90 percent of prewar levels. Because of the increase in population (estimated at 278 million persons in 1951, compared with 270 million in 1947 and 246 million in 1938), the consumption of food per capita by 1950-51 is expected to be still somewhat below prewar levels. Specifically, per capita consumption of bread grains by 1950-51 is expected to be 7 percent below prewar levels; sugar, 11 percent; fats and oils, 12 percent; and meat, 20 percent. Consumption of potatoes, however, is expected to be about 3 percent above prewar levels by 1950-51. During the 4 years of the program, a large increase in the output of agricultural machinery and fertilizers is also planned. Production of tractors is expected to increase from 182,000 in 1947-48 to 380,000 in 1950-51, production of other agricultural machinery from 922,000 metric tons to 1.5 million tons, and production of fertilizer from 3.2 million tons to 6.2 million tons.

The report emphasizes the need for large imports of food to maintain standards of consumption in the participating countries during the period production is being restored, and also the need for substantial imports of fertilizers and machinery to achieve the planned

levels of production. Total import requirements of these goods for the 4 crop years 1947-48 to 1950-51 are estimated at 32.7 billion dollars; of this amount, imports of food and feedstuffs are estimated at 31.3 billion dollars, fertilizers at 450 million dollars, and tractors and machinery at 950 million dollars. Sources of these imports are considered to be as follows: Dependent overseas territories, 6.2 billion dollars; United States, 7.6 billion dollars; other Western Hemisphere countries, 8.8 billion dollars; and the rest of the world, 10.1 billion dollars.

2. COAL

The participating countries and western Germany plan to expand the production of coal from 439 million metric tons in 1948 to 584 million tons in 1951, or to 6 percent greater than the 1938 output. To achieve this goal, a substantial program of manufacturing coal-mining machinery within the participating countries is planned, as well as special inducements in housing and pay to assure an adequate labor force. Necessary imports of coal-mining machinery, amounting to about 6 percent of total machinery requirements, are estimated at 220 million dollars for the 4 years 1948-51.

During the period of the recovery program, requirements for solid fuel are expected to increase from 535 million tons in 1948 to 620 million tons (65 million tons, or 12 percent, above the 1938 level) in 1951. These requirements for 1948-51 exceed anticipated production by a total of 187 million tons. To supply this deficit, import requirements from the United States are estimated at 86 million metric tons, valued at 774 million dollars, and requirements from Poland and other countries at 101 million tons, valued at 1,515 million dollars. After 1951 it is expected that imports from the United States, which are uneconomic because of the long haul, will not be required.

3. ELECTRIC POWER

The annual production of electric power in the participating countries and western Germany, which is estimated at 170 billion kilowatt-hours in 1947, is now greater than the 1938 output of 130 billion kilowatt-hours. The total requirements of electric power, however, are expected to increase markedly during the recovery period, from 178 billion kilowatt-hours in 1947 to 243 billion kilowatt-hours in 1951. Consequently the participating countries plan a series of so-called national expansion programs intended to increase the total generating capacity of electric power plants from 43.4 million kilowatts in 1947 to 65.5 million kilowatts in 1951, or an increase of about 50 percent; the output in 1951 expected from this expanded plant is estimated to be 237 billion kilowatt-hours, or about 2 percent less than estimated requirements. To conserve coal, the participating countries plan to establish hydroelectric plants where possible; of the total estimated increase in annual power output between 1947 and 1951 (67 billion kilowatt-hours), hydroelectric power accounts for 30 billion kilowatt-hours, which is estimated to be the equivalent of about 20 million tons of coal. In addition to the national programs, a so-called international program is planned, involving the establishment of 9

electric power plants with a combined capacity of 2.3 million kilowatts in the countries of France, Italy, Switzerland, Austria, and western Germany. Six of the plants will be hydroelectric, one geothermic, and two will use brown coal. The average annual output from these plants is expected to be 6.6 billion kilowatt-hours; it is anticipated that most of the plant could be completed within 4 years, and would serve to make up at least part of the electric-power deficit.

The participating countries plan to supply a large part of the equipment and supplies necessary for the projected expansion of generating capacity. The "national" programs are estimated to cost 5 billion dollars, of which 300 million dollars represents specialized equipment required from the United States. The supplementary "international" program is estimated to cost 315 million dollars, of which equipment from the United States is expected to amount to 200 million dollars.

4. PETROLEUM PRODUCTS

Total requirements for petroleum products in the participating countries and western Germany are expected to increase materially during the period of the recovery program, amounting to an estimated 68.7 million metric tons in 1951, compared with 53.0 million tons in 1948; requirements in 1938 amounted to 33.3 million tons. Increased production of crude oil at home, in dependent territories, and in other overseas areas is planned, as well as the expansion of refining facilities within the participating countries to two and a half times the prewar level, or sufficient to process 31.4 million tons of crude in 1951 compared with 11.3 million tons in 1947 and 18 million tons in 1938.

During the period 1948-51, total import requirements of crude oil are estimated at 87 million metric tons, valued at 1.2 billion dollars; of this, 46 million tons, valued at 580 million dollars, is expected to be needed from sources requiring payment in dollars. Imports of refined products are estimated at 156 million tons, valued at 3.5 billion dollars; of this amount, 62 million tons, valued at 1.9 billion dollars, is expected to be needed from dollar sources. Total equipment requirements for the 4-year period are calculated at 1.8 billion dollars; of this amount, 0.6 billion dollars are expected to consist of machinery and supplies from the United States.

5. IRON AND STEEL

The production program of the participating countries and western Germany relating to iron and steel is planned to be one primarily of modernization and capacity use of existing facilities. Expanded production in the 16 participating countries alone is expected to increase the output from 26.8 million tons of crude steel in 1947 to 42.7 million tons in 1951; output of crude steel in those countries in 1938 amounted to 24.7 million tons. Production of steel in western Germany, controlled by the level of industry plan, is limited to greatly less than the 1938 output; hence, the planned output of the participating countries and western Germany combined amounts to 55.4 million tons of crude steel in 1951 compared with 30.3 million tons in 1947 and 45.5 million tons in 1938.

The production program in iron and steel is based on the assumption of full supplies of raw materials, as are the other production programs formulated in the CEEC report. It appears, however, that there may be deficits in the supply of some steel-making materials. The most serious potential deficit is considered to be in the supply of coke. It is hoped that coke shortages can be overcome by increased imports of coking coal, chiefly from the United States, by diverting coke from nonmetallurgical uses, and by reducing coke requirements through the use of richer iron ores. Other potential shortages of steel-making materials relate to scrap, manganese ore, and, in 1951, to rich iron ore. These anticipated shortages, excluding consideration of coke deficits, may reduce production during 1948-51 to about 5 percent below the planned levels; shortages of coke amounting to 4 million tons out of total requirements of 65.6 million tons in 1948, for example, would reduce crude steel production about 15 percent below that planned.

To achieve the planned production of crude steel, to fully utilize steel-finishing capacity, and to supply certain requirements of finished products (principally tinplate and sheet), import requirements for the period 1948-51 are estimated as follows: Raw materials (excluding coke), 446 million dollars; crude and semifinished steel, 662 million dollars; finished steel, 330 million dollars; and equipment, 400 million dollars. Total import requirements of these products are valued at 1,838 million dollars; of this amount, 1,565 million dollars, or 85 percent, is expected to be needed from the United States.

6. TIMBER

The production of timber in the participating countries and western Germany in 1951 is expected to supply about 60 percent of softwood requirements, 70 percent of hardwood requirements, and 80 percent of the requirements for pit props, pulpwood, and poles. Available supplies of timber, however, are not considered sufficient to furnish all the requirements for softwood, or for pit props, pulpwood, and poles. Timber expected to be available is estimated at 2.4 billion dollars during the 4-year period 1948-51. Imports of equipment deemed necessary in order to meet the production program of the participating countries are estimated at 57 million dollars. Of imports of both timber and equipment, about 17 percent is expected to be available from the United States, 25 percent from the other American countries, and 58 percent from other nonparticipating countries.

7. INLAND TRANSPORT

The participating countries consider it necessary to improve their inland transportation system so that the railways can carry 854 million metric tons of cargo in 1951 compared with 738 million tons in 1948, and so that the waterways can carry 174 million tons in 1951 compared with 122 million tons in 1948. Except for deficiencies in railway stock, however, the participating countries expect to be able to supply their own equipment needs. Import requirements of rail-

way stock, amounting to 103,000 freight cars and 2,500 passenger cars for the period 1948-51, are estimated to cost 479 million dollars; requirements of special equipment for Greece are estimated to be 11 million dollars. The United States is expected to be the only possible source of these imports.

8. MARITIME TRANSPORT

The 16 participating countries plan, by the end of 1951, to have a maritime transport capacity of 39.2 million dead-weight tons of dry-cargo shipping and 14.4 million tons of tankers. The program involves not only replacement of large losses of cargo ships suffered during the war but also some expansion to make up in part the loss to world shipping of the German and Japanese fleets. The shipping capacity of the 16 participating countries in 1938 amounted to 36.1 million tons of dry-cargo shipping and 10.1 million tons of tankers; the German fleet included 5.9 million tons of dry-cargo shipping and 0.4 million tons of tankers. To carry out the expansion program, the countries propose to purchase from the United States 3 million dead-weight tons of shipping at an estimated cost of 300 million dollars, in addition to 500 million dollars already purchased, and to supply the remainder by new construction.

During the replacement and expansion period, the total carrying capacity of the participating countries will be insufficient to meet their requirements and those of western Germany. To make up the deficit, the use of substantial, but decreasing, amounts of dollar tonnage for dry-cargo shipping are considered necessary. These requirements are estimated to decrease from 500 million dollars in 1948 to 130 million dollars in 1951; total costs are expected to be 1,220 million dollars. On the other hand, requirements for dollar tonnage of tankers are expected to increase, as imports of petroleum increase, from 70 million dollars in 1948 to 180 million dollars in 1951; total cost of tankers are estimated to be 485 million dollars.

9. MANPOWER

Combined labor requirements of the 16 participating countries and western Germany for agriculture and industry are estimated at about 680,000 persons. Present labor resources are considered to be principally 2 million unemployed Italian workers and 500,000 displaced persons. Immigration of labor is expected, therefore, to supply labor requirements in terms of numbers. The manpower committee pointed out, however, that requirements for various types of skilled labor, such as miners, exceed the numbers of skilled workers available. Consequently, programs of vocational training are required in the participating countries.

4. PLEDGES MADE IN THE REPORT OF THE COMMITTEE OF EUROPEAN ECONOMIC COOPERATION

In order to ensure that the recovery programme is carried out, the 16 participating countries pledge themselves to join together, and invite other European countries to join with them, in working to this end. This pledge is undertaken by each country with respect to its own national programme, but it also takes into account similar pledges made by the other participating countries. In particular, each country undertakes to use all its efforts—

(i) to develop its production to reach the targets, especially for food and coal;

(ii) to make the fullest and most effective use of its existing productive capacity and all available manpower;

(iii) to modernise its equipment and transport, so that labour becomes more productive, conditions of work are improved, and standards of living of all peoples of Europe are raised;

(iv) to apply all necessary measures leading to the rapid achievement of internal financial monetary and economic stability while maintaining in each country a high level of employment;

(v) to cooperate with one another and with like-minded countries in all possible steps to reduce the tariffs and other barriers to the expansion of trade both between themselves and with the rest of the world, in accordance with the principles of the draft Charter for an International Trade Organisation;

(vi) to remove progressively the obstacles to the free movement of persons within Europe;

(vii) to organise together the means by which common resources can be developed in partnership. † (General report, p. 13.)

The countries represented on the Committee of Cooperation have pledged themselves that, where stabilisation programmes are required, they will carry them out in a spirit of determination.—(General report, p. 27.)

The Governments represented on the Committee of Cooperation have pledged themselves after stabilisation has been fully achieved and can be successfully maintained to make their currencies convertible as defined in the Articles of Agreement of the International Monetary Fund at appropriate rates of exchange. The Governments concerned further pledge themselves that any external assistance received for this purpose will be used for this purpose only and applied in constructive and comprehensive measures to put an end to inflation and eventually, when the necessary conditions have been fulfilled, to make their currencies convertible.—(General report, p. 29.)

† To achieve the freer movement of goods, the participating countries are resolved—

(i) to abolish as soon as possible the abnormal restrictions which at present hamper their mutual trade;

(ii) to aim, as between themselves and the rest of the world, at a sound and balanced multilateral trading system based on the principles which have guided the framers of the draft Charter for an International Trade Organisation.—(General report, p. 31.)

Arrangements have been made for continuing this work of mutual help and consultation begun in Paris, both through the United Nations machinery and in other ways.—(General report, p. 59.)

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UNDER PETROLEUM PRODUCTS

During the period 1948-1951 it is the intention of the participating countries to—

(a) continue efforts to increase production both at home and in dependent oversea territories;

(b) develop oil production in overseas concessions outside the dependent territories;

(c) develop refining capacity at home with a view to economising in dollar currency, providing raw materials for the increasingly important chemicals from oil industries, and working up at the main centres of consumption the increasing oil output of the Middle East, for which sufficient refining capacity is not at present available.—(General report, p. 89.) 71

“ * * * The participating countries will do all that lies in their power to promote the development of production in their overseas territories, and this will be a further contribution to the narrowing of the gap. Moreover, these countries will do all that lies in their power to develop and make more efficient their production of exportable goods and thus will provide a condition, so far as they are concerned, for a rapid expansion of their exports to the American continent.—(General report, pp. 117-118.) ”

5. OFFICIAL SUMMARY OF "NATIONAL RESOURCES AND FOREIGN AID" BY THE KRUG COMMITTEE

(Released October 10, 1947)

The report "National Resources and Foreign Aid" declares that from the standpoint of preserving the national security and our standards of living, our economy in general is physically able to provide the resource requirements of a considerable program of foreign aid.

A foreign-aid program will serve not only a humanitarian interest in preventing hardship and starvation for millions of people, but can also provide the basis for getting the world economy off dead center and creating the circumstances under which all areas of the world may be full productive and wisely exchanging their products with each other.

The report declares that the economy is operating at the highest levels in history and shortages resulting from high consumption will be intensified, particularly in such commodities as wheat, steel, coal, nitrogen fertilizers, and certain items of industrial equipment. These shortages present the problem of supply and consequent economic repercussions to be faced during the next year. Most of the supply problems are of short-run nature that will tend to diminish throughout the 5 years under study, because increases in some domestic capacities are being undertaken and because foreign aid needs for many critical commodities can be expected to taper off sharply as production abroad gets under way. The supply impacts, moreover, can be minimized by establishing effective procedures for careful screening of requirements and for channeling of supplies so that they will serve to maintain production here and provide the means for rehabilitation abroad.

The survey makes clear that with or without a foreign-aid program, this country faces a pressing urgency for expanding its conservation practices such as those for preserving the fertility of the soil and the productivity of its forests and for extending its efforts to discover and develop new sources of supply for many basic materials. The Report stresses the need for stepping up our resources into new and better methods of using low-grade ores, byproducts, and what are now waste materials.

Selected for study in the report are those commodities which represent the bulk of current exports which are most likely to be required for a foreign-aid program. Included are agricultural products; coal; iron and steel; nitrogen fertilizers; metals (exclusive of iron and steel); machinery and equipment (including vehicles and agricultural machinery); petroleum and petroleum products; chemicals and related products; rubber and rubber manufactures; textiles; leather and

leather manufactures; fish; fats and oils; forest products and other building materials.

Studies of specific commodities reveal that in most instances exports are not a large claimant for the current high levels of production and are not relatively as large as before the war. Though many items are in scarce supply in the United States, chiefly as the result of the war and the extraordinarily high level of domestic demand, the only serious problems of supply to be anticipated in connection with foreign aid will be those related to shortages that are world-wide in character and result chiefly from wartime destruction or devastation of production facilities.

The small number of key commodities simplifies the problem, but their basic and interrelated character complicates it. Maximum effort to relieve current food deficiencies abroad interferes to some extent with the aim of restoring foreign economies to a self-supporting basis. At current high prices, United States farmers are eager to increase output and their strong competition for available supplies of nitrogen fertilizers and farm machinery increases the difficulty of satisfying export demands for these goods. Similarly, foreign demands for coal and steel compete with those for mechanical equipment. The need to effect a reconciliation among these and other competing demands, many of which are relatively unessential, poses the central problem of supply, so far as the foreign-aid program is concerned.

Specific discussion of the principal commodities that will be affected by the program follows:

WHEAT

In terms of volume and cost, for it is the cheapest source of calories needed to meet basic food deficiencies in foreign lands, wheat is by far the most important item of American food production in relation to foreign needs. Export of foods other than grains is important, but many of them are ordinarily too expensive in terms of cost per calorie to be substituted for wheat in large quantities in meeting demands.

Our current production of wheat is vastly in excess of our domestic food requirements. The wheat crop of 1947 was 1,400 million bushels, compared with 1,158 million bushels for 1946, and the ten-year average (1936-45) of 890 million bushels. Of almost 19 million long tons of food exported by the United States in the 12 months ended June 30, 1947, cereals made up 80 percent by weight, and exports of wheat alone (including flour) amounted to 10½ million long tons, or nearly 400 million bushels. These exports did not significantly reduce domestic use of grain products for human food, although additional grain could have been converted into meat and milk.

For 1948 and the following years the problem is to assure maximum wheat production for as long as it is needed to meet world shortages. The production goals that have been set are designed to encourage maximum wheat production and exports next year. Similarly high goals should be set in the years thereafter if the world wheat shortage continues. But whether such goals can be met will depend upon weather.

The immediate problem is securing the wheat for shipment during the current crop year. This supply problem, again is largely a result of the weather, both here and abroad. To be sure, the 1947 wheat crop in the United States exceeds the highest previous year by more than 200 million bushels and would ordinarily have permitted a substantial increase in exports over last year with a corresponding improvement in the food situation of importing countries. However, adverse weather has resulted in a short corn crop in this country, and in a drastic reduction in bread grain production in Europe. There is, consequently, an extremely serious wheat supply problem for the current crop year. The short corn crop means that exports of corn and other coarse grain during the rest of this fiscal year will be small and that relatively large amounts of domestic wheat will be fed to livestock, thereby reducing quantities available for export. The reduced grain production in Europe means that European food imports would have to be increased by the equivalent of 200 million bushels of wheat to maintain the low consumption levels of 1946-47. The supply problem is also affected by the level to which our carry-over stocks may safely be drawn down at the end of the fiscal year. In 1948 wheat crop prospects, as of next spring, are very good, carry-over stocks might again be brought down to the level of July 1947. If 1948 wheat prospects are relatively poor, it could be desirable to carry larger stocks into 1948-49.

From the standpoint of world food needs in 1947-48, it would be desirable for the United States to export much more wheat than the 1946-47 total of, roughly, 400 million bushels. However, our ability to increase wheat exports above this level will depend to a considerable extent upon our ability to hold wheat feeding of livestock below the levels that now seem probable. Government action to reduce wheat feeding by means of direct limitation orders could not be taken without additional legislation.

Possible types of action to assure maximum supplies of wheat for export would include food conservation programs, measures designed to reduce consumption (and hence prices) of other grains and livestock products, efforts among farmers, feed dealers and feeders to limit the use of wheat for feed, programs to limit the use of wheat and coarse grains by industrial users, such as the brewers and distillers, and measures to encourage freer movement of wheat from farms.

Consideration should be given to supplementing wheat exports by exporting other foods, particularly those in long supply to make up any discrepancy in wheat exports.

NITROGEN FERTILIZERS

The current low level of food production in many countries is due in part to inadequacy of current fertilizer supplies and to accumulated deficiencies of fertilizer applications during the war. Of the three essential plant nutrients, nitrogen, phosphorus and potassium—the first is used to obtain immediate increases in food production. Fertilizer phosphate and potash are necessary to the long run preservation of the fertility of the soil, but are not as effective for securing

immediate crop increases. Therefore, nitrogen is the most important fertilizer production and supply problem. Europe and North Africa possess ample reserves of the two other fertilizer minerals, and it is probable that production of these two fertilizers can gradually be brought into balance with European needs, if mining machinery, coal and other supplies can be made available.

While United States production of nitrogen (including the output of ordnance plants) has increased three fold since before the war, domestic consumption of nitrogen fertilizers has more than doubled. Although European production of nitrogen is almost back at prewar levels, total production abroad is still considerably below capacity, owing chiefly to an insufficiency of coal and electric power and world needs for nitrogen are greater than before the war.

With the exception of the nitrogen being produced in Army ordnance plants and exported to occupied areas, relatively small quantities of nitrogen are currently shipped from this country and even these quantities are secured only through the use of priority programs. Unless special measures are taken, American nitrogen capacity will expand only enough to keep pace with domestic requirements.

Considering transportation and cost, it appears desirable to export nitrogen for increased food production abroad rather than to continue to ship the greater tonnages of equivalent food from the United States. The most effective means of increasing nitrogen export include the stimulation of fuller utilization of plant capacity, the curtailment of industrial use of nitrogen and the diversion of fertilizers from domestic to foreign markets. Greater production from Government plants could probably be secured at higher cost until the plants are consolidated for efficient operation.

Exports of nitrogen do not constitute a significant drain on the natural resources of the country.

At least 380,000 metric tons of nitrogen capacity could be put in operation in Europe by making 3,000,000 metric tons of coal available for the purpose. This coal tonnage is about 1 percent of the total now being used for all purposes in Europe. Rehabilitation of war damaged plants or new construction would be needed in other cases to increase production. Production could also be increased through the use of idle nitrogen fixation facilities particularly in Europe and Japan.

COAL

The amount of coal which may be exported during the 1947-52 period is insignificant in terms of the vast resources of the United States, the report declares.

United States coal production, which reached high levels in the first half of 1947, is now being limited by a critical shortage of coal cars. This factor is a definite handicap to increasing coal exports.

At present production rates, total hard and soft coal output this year will approximate 660 million net tons, as compared with 593 million tons in 1946, when production was interrupted by two major strikes. Production in 1944 was 684 million tons, an all-time peak.

Consumption in the United States and Canada will be 627 million tons this year. If transportation facilities were adequate, sufficient

coal could be produced to meet United States and Canadian requirements and enough coal would be available for export to meet the most essential foreign requirements.

European demand for coal, excluding Soviet Russia, is at least 550 million tons annually. This is almost 100 million metric tons (110 million net tons) greater than European production. In 1946 the United States exported 41,198,000 tons of bituminous and 6,506,829 tons of anthracite. The report states that it would be possible to export 63 million tons of bituminous and 9 million tons of anthracite in 1947 if there are no interruptions of production and if sufficient cars were available to assure continuous operation of the mines.

In order to procure sufficient coal for domestic and export requirements during the balance of the year, the Report declares that the following steps are necessary:

(1) Adoption of a pooling arrangement at the ports to increase capacity (if such increase is needed). This pooling should improve the car supply, by permitting quicker unloading and shortening the turn-around time of coal cars.

(2) Promotion of coal purchasing during the season of slack demand which would spread the production load more evenly.

(3) Establishment of a more orderly purchasing system by foreign purchasers.

European requirements are expected to remain at a level approaching United States port capacity for possibly 2 years and then are expected to taper off in 1949, as production in Europe is rising steadily and, when accelerated, a steady drop in coal imports will be noted. Before the tapering off starts, however, overseas exports may reach an annual high point of 48 to 52 million net tons.

Notwithstanding high production, there is at present a tight market for all coals and for several months there has been a definite shortage of the better grades of coking and byproduct coal. Since the termination of distribution controls this spring, European buyers have been purchasing the better grade coals at premium prices and this has resulted in higher prices for some of the deep mine coal of the Appalachian area and has made the procurement of such coals difficult for United States buyers.

Some of the finest seams of high grade coking coals are nearly exhausted, while others are seriously depleted or have short life expectancies. This problem will not be seriously aggravated by a short-term foreign-aid program but, for the long-term outlook, requires attention. The report stresses the need for more information on coking coal reserves, more research on lower grade coals for coking, and the development of new technologies.

STEEL

Steel presents, in many ways, the most troublesome problem of all. Neither time nor facilities were available for fully adequate appraisal of the world-wide steel problem and the report states that the importance of steel in the world economy dictates that such an appraisal be made. It makes clear, however, that at present, there is a crippling shortage of steel in all foreign countries striving to recover from the

effects of the war. Existing iron- and steel-making plants in foreign countries are incapacitated chiefly because of shortages of raw materials, especially scrap and coking coal.

Foreign-aid requirements for steel products compete importantly with domestic demands and with the demands of South America and other developing areas. The accumulation of backlogs for both producers' and consumers' goods and the effects of population growth have raised domestic steel consumption to the highest peacetime levels. In most of the studies of specific commodities, the shortage of steel or steel products is indicated to be one of the principal bottlenecks to maintaining or increasing production.

To increase the current level of exports of iron and steel mill products without reducing domestic consumption will necessitate the breaking of certain domestic bottlenecks, particularly the shortage of steel sheet. Additional sheet and strip capacity is being installed by the steel industry and is becoming available in increasing quantities. A considerable portion of the most urgent foreign demand is for various kinds of ingots and rough shapes for which adequate finishing capacity is available in the United States. The basic limiting factor to exports, therefore, is not finishing capacity but ingot production which in 1947 will total some 6 million tons less than rated capacity. Everything possible should be done to bring this unused capacity into production promptly.

The gap between output and capacity reflects the shortage of raw materials, namely steel scrap and pig iron. Energetic efforts by industry with appropriate government encouragement and assistance will ease these raw material shortages. The most promising possibilities in addition to prompt return of industrial scrap, exist in the accelerated scrapping of remaining war surplus materials and the organization of systematic collection of obsolescent scrap. Another possibility is in the extension of the high pressure and oxygen techniques to increase output of pig iron from existing capacity.

Increasing the capacity of the steel industry by construction of new facilities would not be effective unless raw materials are available in adequate quantities, to make such new facilities fully productive. Moreover, such construction would require the use of steel that is critically needed both here and abroad. Careful consideration must therefore be given to every possible alternative for making maximum amounts of steel available and to assure its use for the most critical needs.

It may be possible to increase pig iron and ingot capacity through new technological means as a substitute for the construction of new blast and steel furnaces. The practicability of the use of oxygen enriched air in the open hearth process has already been demonstrated and indicates considerable increase in production. Every effort should be directed to accelerate the speedy development of foreign steel facilities.

INDUSTRIAL EQUIPMENT

In order to provide for the rehabilitation of European economy, certain items of industrial equipment will be needed. Many items of such equipment are readily available for export and will have little or no effect upon our domestic economy. There are particular types of equipment, however, that are especially needed abroad and are also in heavy demand at home and for which productive capacity is limited.

One of the most important items of foreign-aid requirements is freight cars, especially open tops for the transport of coal. In this country, the coal car shortage is one of the limiting factors in production. Mining machinery, including rubber conveyor belts, is another serious shortage that limits output per worker both in the coal mines of Europe and in the phosphate and potash mines of North Africa and Europe.

These and similar items of equipment are needed to assist in breaking some of the more serious bottlenecks in Europe's recovery. To the extent that they make coal and fertilizer available, they will permit the tapering off of outside aid in the form of these essentials and the food and steel products that are creating the greatest supply problems in this country and the world generally.

FARM MACHINERY AND TRACTORS

Production in the farm machinery industry, including nonfarm tractors, has reached a record annual rate of 1,225 million dollars. Compared to 1946 this represents a 20-percent increase, but only about half of this increment reflects a higher physical volume of production. The remaining 10 percent merely reflects an increase in prices during the first 4 months of 1947 as compared with the average for 1946.

The present level of exports of farm machinery, though about 50 percent higher than last year, has not deprived American farmers of needed equipment to the extent that any substantial reduction in food production has resulted. Even if present exports, estimated at 12 percent of production were further increased to 50 percent by 1948 it is doubtful whether the amount of new machinery available for domestic use would be reduced since total production in 1948 is likely to increase at least by an equivalent amount. Exports of farm equipment will not create any substantial drain on United States raw material resources, the report indicates.

PETROLEUM AND PETROLEUM PRODUCTS

Estimated 1947 rates of production and consumption of petroleum in the United States are at all-time highs, exceeding 2 billion barrels a year. This is more than the entire world consumed in 1938 and 800 million barrels more than this country consumed that year. Exports at about 159 million barrels, are much lower relative to production than they have been in the past, and for the first time in about 25 years

we have imported as much, or more petroleum than we were exporting.

Localized petroleum shortages may arise in the United States in the coming year. These will result, however, not from a deficiency in the domestic and foreign petroleum resources nor from exports, but principally from the shortages of tubing, casing, and pipeline for oil field development and the inadequate transportation capacity to carry the tremendous volumes of petroleum products now in demand in the United States.

Since 1918 United States exports of petroleum products have ranged from 14 to 20 percent of total United States production, except in the years 1932-36 when exports were about 10-11 percent of production. Currently, however, exports bear a much smaller proportion to production estimated at less than 8 percent in 1947—and are slightly below the level of imports in volume terms.

United States exports to Europe and elsewhere can be expected to decline somewhat over the next few years. As it becomes possible for us to do so, we can, if we choose, conserve our own oil resources by importing more petroleum for current consumption. The magnitude of such imports could exceed our present exports to Europe as to make the latter a negligible factor in the long range conservation picture.

6. OFFICIAL SUMMARY OF "THE IMPACT OF FOREIGN AID UPON THE DOMESTIC ECONOMY "BY THE COUNCIL OF ECONOMIC ADVISERS ("NOURSE REPORT")

(Released November 1, 1947)

In order that the principal findings and conclusions of the report may stand out clearly, they are now brought together in summary form.

SCOPE AND PURPOSE

The principal questions considered in the report are the extent of the burdens that would be imposed on the economy of the United States by providing further foreign aid during the next few years and the capacity of the economy to support those burdens. Since a companion report prepared under the direction of the Secretary of the Interior deals with national resources and physical capacities, the Council of Economic Advisers centers its attention upon the effect of exports, financed in part with Government funds, upon domestic production, consumption, and prices. Burdens are measured first in terms of goods made available abroad and withdrawn from domestic consumers, and second in terms of price effects; then these price impacts are looked at in their relation to the general functioning of the domestic economy; and then the effect on Government finance and the tax structure is examined.

THE IMPACT OF PAST AID—SIZE

The effect of the export surplus to date is highly relevant to an inquiry into the general impact of a new foreign-aid program because, at the levels of new foreign aid under discussion, the export surplus in the future will be lower than it has been in the recent past, while our total domestic output of goods and services will probably be higher in future years.

The size of the export surplus furnishes a general measure of impact, since it represents the excess of goods and services sent abroad over the goods and services that we import. In 1946, total exports were 15.3 billion dollars and the export surplus was 8.1 billion dollars. In the second quarter of 1947, total exports reached a peak annual rate of 21 billion dollars, imports were about 8 billion dollars, and the export surplus rose to an annual rate of 13 billion dollars, but in the third quarter exports declined to an annual rate of 18.3 billion dollars, and the export surplus to 10.3 billion dollars.

Since the end of the war, Government financial aid to European countries has financed about four-fifths of their excess of purchases from us in 1946, and nearly all of it in the second quarter of 1947.

The large part of the export surplus financed through our foreign-aid program has reflected economic conditions in Europe and the depletion of their buying resources. Since the end of the war, the Government has financed about one-third of our exports to the world as a whole, and about two-thirds of our total export surplus. The impact of aid has, therefore, been substantially less than that of the total export surplus.

EFFECT OF PAST AID ON DOMESTIC CONSUMPTION

The size of the export surplus to date has naturally decreased the amount of goods available for domestic consumption. But it has not, in view of the tremendous increase in American productive capacity during and since the war, prevented the American consumer from enjoying a general standard of living far above any prewar level. Actual domestic consumption of most significant items is now far higher than before the war. For example, per capita consumption of meat has risen from 125 pounds a year in the prewar period to an estimated 155 pounds for 1947. Such shortages of goods as we experience reflect unparalleled levels of domestic demand based on high national income.

EFFECTS ON PRICE LEVEL TO DATE

The high foreign demand has added to the inflationary pressure on prices, but the much larger domestic demand has been the principal cause of the upward pressure. Prices remained stable during the second quarter of 1947, when the export surplus reached its peak. In the third quarter of this year, although the export demand has been diminishing, it has played an important part in the increases in grain prices, due to high foreign demand for wheat in the face of adverse crop developments. Grain price increases have spread to livestock and other food products. But even for food, the sharp rise stemmed largely from the exceptionally high domestic demand. Looking at the economy generally, price inflation has been caused mainly by domestic factors, but shortages of specific commodities present different problems as will be shown later.

THE GENERAL IMPACT OF A NEW FOREIGN-AID PROGRAM

In the absence of a new foreign-aid program, it is likely that our export surplus would sink to an annual rate of 4 to 5 billion dollars by next year, contrasted with the 13 billion dollar annual rate in the second quarter of 1947 and an estimated current annual rate of about 10 billion dollars. Assuming that our imports remain at approximately the current level of about 8 billion dollars a year, our total exports during next year would sink to an annual rate of 13 billion dollars or less, compared to an annual rate of 21 billion dollars in the second quarter of 1947 and an estimated current annual rate of about 18 billion dollars. The major reductions would occur in our exports to Europe.

While this rapid reduction in exports would probably not inflict serious short-run damage on our own economy, substantial problems of readjustment would be generated. Moreover, the industrial paralysis which could be expected to result in some other countries would have repercussions of major proportions upon our own economy and upon world stability.

The report assumes for illustrative purposes a foreign-aid figure based upon the Paris Conference report which would reach a maximum annual rate of 8 billion dollars during the first year, including about 1 billion dollars already authorized, and which would produce a maximum export surplus of about 12 billion dollars a year. This would mean total exports at a peak of not more than 20 billion dollars a year, assuming 8 billion dollars of imports. Since these levels are lower than those reached during the second quarter of 1947 and would decline appreciably from year to year, it follows that the export surplus resulting from any future foreign-aid program will at no time equal, and for most of the time will be substantially less, than levels which have been reached during the current year.

In view of the long-run prospect for increasing American output if maximum employment and production are maintained, these facts lead to the conclusion that the general impact of a new foreign aid program of the assumed size upon the American economy could be sustained because a larger impact has already been sustained. The report stresses, however, that problems raised by specific commodities in relatively short supply could distort or overturn this generally optimistic picture if not dealt with effectively.

THE PROBLEM OF SPECIFIC COMMODITIES

Food, steel, industrial and agricultural machinery, coal, and fertilizer are items of key significance because foreign demand for these goods is especially urgent whereas they are in relatively short supply in this country.

The impact of the grain shortage.—The food situation is the most serious. The problem stems from a very short corn crop at home, coinciding with a bad crop year for food grains in Europe. Although the domestic wheat crop was at a record level, adverse corn crop developments and high meat prices have provided incentives for feeding large amounts of wheat to livestock.

Exports of wheat will need to be maintained at recent levels. At the same time, the domestic demand both for grains, and for meat, poultry, and other food continues to be very high despite record prices. Food price increases have already become serious, and further food price increases would decrease the value of each dollar of foreign aid extended, work additional hardships upon American families of low or moderate income, and threaten an inflationary price-wage spiral which could adversely affect the whole economy. If wheat exports continue at the levels set by foreign need, and if the domestic demand for food remains at or near its postwar level, conservation and other measures to regulate use and hold prices in check will be needed in

this country. With such measures to maintain healthful nutritional standards, the supply here would be adequate to serve nutritional and other needs satisfactorily although not luxuriously.

Steel and steel products.—Our total production of rolled-steel products during the first half of 1947 was at an annual rate of more than 62 million short tons, contrasted with less than 35 million tons in 1939. Although exports rose from about 2½ million tons in 1939 to an annual rate of 3½ million tons in the first half of 1947, the amount of steel available for domestic consumption is much higher than before the war. But owing to the enormous increase in our steel-using industry, the relative steel shortage is of serious proportions, and there is not much prospect of large increase in production in the short run. The chief danger here is that this supply situation may be translated into further increases in the price of steel and steel products which would give an additional inflationary impetus to the whole economy. High domestic and foreign demand for industrial and agricultural machinery is closely connected with the steel problem.

The general conclusion regarding steel as well as food is this: Whether the domestic situation worsens considerably or progresses satisfactorily depends upon the use of vigorous, affirmative measures to assure distribution to the most urgent uses and to prevent a spiraling of prices.

Coal and fertilizer.—In the case of coal and fertilizer, for which there is a large foreign need to quicken the process of economic restoration, the domestic economy can well afford to continue or even increase shipments of these commodities. Domestic shortages are not serious (for coal, the problem is mainly one of transportation), while shipments abroad will lessen the demand for other imports by hastening the revival of production in Europe.

FISCAL IMPACT OF FOREIGN AID

Foreign Aid to date has been financed with revenues derived from taxation and not through increasing the national debt. This policy should continue so long as our own economy continues to operate at high levels and under inflationary pressure. Even had there been a smaller foreign-aid program in the past, and even without a new foreign-aid program, it would be undesirable to reduce the level of taxes while such pressures exist. On the other hand, from the budgetary standpoint, a new foreign-aid program should not call for increased taxes. Further, since the general impact of a new foreign-aid program would be less than the recent impact of foreign aid, such a new program would not increase inflationary pressures above recent levels and therefore would not call for still higher taxes as an anti-inflationary measure. The amount of exports financed with Government aid has ranged between 2 and 3 percent of our gross national product, and will be less in the future, and our general financial capacity to support such a program cannot be questioned.

SOME LONG-RANGE IMPLICATIONS OF FOREIGN AID

To the extent that aid is provided through loans, these can be repaid only through restoration of the export trade of other countries. This will expose American industry to added competition, a test which must be faced. Some outright gifts to meet emergency demands, however, will more rapidly qualify these countries for loans from the International Bank and private sources and more rapidly restore a well-balanced world trade.

In the longer run, the economic restoration of Europe will benefit our own economy by enabling us to obtain more goods by advantageous trade. On the other hand, a cessation of foreign aid would force an economic reorientation of Europe which would be detrimental to our economy.

SOFTENING THE IMPACT OF FOREIGN AID

A new foreign-aid program will have a severe or a moderate impact on our economy depending upon the domestic measures we adopt. These measures involve both the administration of foreign aid and related questions of domestic economic policy.

The seriously inflationary consequences that would result from mismanagement of the situation in such commodities as food and steel require selective distribution to the most necessary domestic and foreign uses. The two types of uses are interrelated, because the demand in both cases takes place at the same strategic spots in the American market. The consequences can be dealt with effectively only through careful coordination of all measures undertaken.

The relative shortages of specific commodities require export controls, allocations for domestic use, discouragement of misuse or excessive use, efficient transportation and distribution, and the curbing of speculation and hoarding of goods.

The general inflationary threat resulting from the combined impact of foreign and domestic demand requires the continuance of tax revenues at present levels, maximum economy in Government expenditures, stimulation of saving, and the enlargement and aggressive use of measures to control dangerous expansion of credit.

The proposal for new foreign aid requires that we face with greater wisdom and courage than ever before the dangers to our whole economy that are now revealing themselves in the form of relative shortages and inflationary pressures at strategic spots in the economy. The foreign-aid program compels us to face certain domestic problems squarely, but remedial and preventive measures available to us are adequate if we have the courage to use them.

7. OFFICIAL SUMMARY OF "EUROPEAN RECOVERY AND AMERICAN AID" BY THE PRESIDENT'S COMMITTEE ON FOREIGN AID (HARRIMAN REPORT)¹

(Released November 8, 1947)

PRINCIPLES

The President's Committee on Foreign Aid was asked to determine the limits within which the United States could safely and wisely extend aid to western Europe. It has approached this assignment in a spirit of realism.

We believe that the future of western Europe lies very much in its own hands. No amount of outside aid, however generous, can by itself restore to health the economies of the 16 nations which met at Paris in July. Except in western Germany, where the United States has direct governmental responsibility, the success of any aid program depends ultimately on hard work and straight thinking by the people and the governments of the European nations themselves. The 16 nations, and western Germany, comprise over 275,000,000 men and women. They possess great agricultural and industrial resources. Even at its present depressed state, the production of this area is vastly greater than any aid which this country can provide. Such aid must be viewed not as a means of supporting Europe, but as a spark which can fire the engine.

The Committee is also aware that the volume of aid required from the United States is of such proportions that it will place a substantial burden on the people of the United States. For all its resources, The United States is no limitless cornucopia. The population of this country represents something less than 7 percent of the population of the world. This country has heavy responsibilities at home as well as in Europe, in Asia, and in our own hemisphere. The aid which we give represents, to be sure, only a small fraction of our total production. But at the present time, there is no slack in the American economy and every shipment abroad of scarce goods—especially food which Europe must have—adds to the inflationary pressure at home.

The Committee regards as nonsense the idea which prevails to a considerable degree in this country and abroad that we need to export our goods and services as free gifts, to insure our own prosperity. On the contrary, we are convinced that the immediate economic danger to the United States is inflation, which means, among other things, a shortage of goods in relation to demand. We believe that our goal

¹ Parts 1 and 2, Summary and General Report; part 3, Special Reports. Washington, D. C., November 1947. Mimeographed. About 879 pages.

should be to bring about a condition where exports from this country are more nearly balanced by a return flow from abroad of services and materials essential to our own economy. We also believe that the European nations desire to achieve such equilibrium in the interests of their self-respect and prosperity. To make this equilibrium possible should be a major objective of any program of aid.

The interest of the United States in Europe, however, cannot be measured simply in economic terms. It is also strategic and political. We all know that we are faced in the world today with two conflicting ideologies. One is a system in which individual rights and liberties are maintained. The opposing system is one where iron discipline by the state ruthlessly stamps out individual liberties and obliterates all opposition.

Our position in the world has been based for at least a century on the existence in Europe of a number of strong states committed by tradition and inclination to the democratic concept. The formulation of the Paris report is the most recent demonstration that these nations desire to maintain this concept. But desire is not enough. The democratic system must provide the bare necessities of life now and quickly rekindle the hope that by hard work a higher standard of living is attainable. If these countries by democratic means do not attain an improvement in their affairs they may be driven to turn in the opposite direction. Therein lies the strength of the Communist tactic: It wins by default when misery and chaos are great enough. Therefore the countries of western Europe must be restored to a position where they may retain full faith in the validity of their traditional approaches to world affairs and again exert their full influence and authority in international life.

2. POLICIES

The success of any program for aid which may be adopted will depend on the policies which this country and the European nations pursue. It should be made a condition of continued assistance under such a plan that the participating countries take all practicable steps to achieve the production and monetary goals which they have set for themselves in the Paris report. Failure to make genuine efforts to accomplish these results would call for cessation of further assistance.

However, aid from this country should not be conditioned on the methods used to reach these goals, so long as they are consistent with basic democratic principles. Continued adherence to such principles is an essential condition to continued aid but this condition should not require adherence to any form of economic organization or the abandonment of plans adopted in and carried out in a free and democratic way. While this Committee firmly believes that the American system of free enterprise is the best method of obtaining high productivity, it does not believe that any foreign-aid program should be used as a means of requiring other countries to adopt it. The imposition of any such conditions would constitute an unwarranted interference with the internal affairs of friendly nations.

The goals which the European governments have set for themselves and with which our Government may legitimately concern itself are conditioned by the nature of the European economic problem. The reasons for the inability of western Europe to balance its accounts with the rest of the world at the present time are generally understood and are ably analyzed in the CEEC report. Western Europe is cut off from the food and supplies which flowed from eastern Europe before the war. Foreign investments and shipping revenues have been lost. The costs of essential food and raw material imports have risen and are still rising. To overcome these disadvantages European production must expand well above prewar levels; yet in important industries, especially coal mining, and important areas, especially Germany, it is lagging badly. It is the judgment of all competent observers that these troubles flow from an acute shortage of working capital and from the serious disintegration of organized economic life rather than from wartime physical destruction. Working capital in the form of fuel, raw materials, and food is needed to sustain Europe until its production is built up. Some capital equipment is needed to further the rehabilitation of industry. An effective restoration of the purchasing power of money is essential to the resumption of ordered economic life.

The Paris report cannot be praised too highly for its emphasis on this point. It clearly states that European production can expand only as currencies and exchange rates are stabilized, as budgets are balanced, and as trade barriers are reduced. Postwar experience has abundantly proved that if money demand is vastly in excess of the supply of goods, the effects of "repressed inflation" are almost as bad as the disease itself. Germany is merely the most horrible example of an attempt to restore economic life without giving people a money they can trust. In this situation, the rapid spread of black markets undermines the respect for law. Normal monetary incentives cease to operate. The worker has no just reward for his labor and the farmer refuses to sell his produce. Resources are dissipated. Trade degenerates to barter. Controls tend to become self-perpetuating.

Achievement of monetary stability would allow a gradual restoration of normal incentives and a gradual return to a system where individuals, and enterprises, both public and private, can operate in markets. It would also allow the stabilization of exchange rates, which is all but impossible so long as inflation proceeds apace. It is obvious that this situation makes balance of payments problems that much more difficult. The Committee believes that in the near future some adjustment of exchange rates must be made. The prelude to that is internal monetary reform.

The Paris report rightly emphasizes the need for scaling down restrictions on trade between countries. But the reduction of tariffs is of little moment if exchange controls and other controls have to be maintained indefinitely. Whatever one's attitude toward planning and free enterprise may be, there is all but universal agreement that true economic recovery depends on releasing the energies of individuals and cutting down on time-consuming regulation of production and distribution.

3. NEEDS AND CAPACITIES

In emphasizing these points, the Committee is simply making explicit the principles that are imbedded in the Paris report. It does not wish to imply that confidence in currencies can be restored without increased production abroad combined with substantial injections of American aid. It believes that the need for holding inflation in check in this country and in Europe bears directly on the magnitude of the aid we can and should extend.

The Committee found little evidence that the goals set at Paris to restore standards of living were excessive in terms of basic necessities. Even if all the estimates submitted at Paris were to go through as planned, Europeans would not be eating as well in 1951 as they ate in 1938. If food were available, it would pay to meet these estimates in full in the interest of political stability. This is especially true in the case of western Germany, where more food is essential to secure more coal production and the revival of an economy now obviously on dead center.

The Committee, however, is not convinced that the participating nations at Paris were wholly realistic in their plans for capital expansion. On the first point, it is obvious that if Europe is to be revived and made self-supporting—if our aid program is not to degenerate into just another relief program—the European nations will have to rehabilitate their capital plant. But it cannot be too strongly stated that the process of investment and capital formation imposes a severe strain on the country undertaking it. It means the introduction of money income into the economy, with no comparable output of consumer goods to sop up this purchasing power. This process is highly inflationary. To the degree that capital goods are sent to Europe from the United States, it is true, the strain is transferred from European economies to our own. Nevertheless, the secondary effects of large capital programs should not be overlooked. At the present time, gross investment in the United States is running at about 17 percent of total national product at the height of a boom. Some of the European nations have attempted to exceed this rate. It seems unlikely that European nations can prudently afford to sustain capital formation on as large a scale as they have planned. What this means, in effect, is that housing programs and capital development may have to be slowed down until European recovery is much more advanced than at present.

In addition the program written at Paris may have to be modified by a shift in the amounts going to the separate countries. As this shift is made, we believe that the amount of aid allotted to Germany may have to be higher than was set at Paris. This Committee wishes to state emphatically that the overwhelming interest of the United States is to prevent the resurgence of an aggressive Germany. The fears of neighboring nations are thoroughly understandable. On the other hand, it is generally admitted that the revival of Ruhr coal output, along with the increase in British coal output, is the crux of the problem of getting western Europe back on its feet. Apparent savings to the American taxpayer, accomplished by spending too little

money on Germany, have thus far been more than offset by the consequent deterioration of the general European economic situation.

The final determining factor in the size of a prudent program is the availability of commodities in this country. The Committee has canvassed such availability in detail. At the Paris Conference, it was concluded that the Western Hemisphere simply did not have the food resources to supply all of the estimated needs. As against estimated need for 85 million tons of grain, the Paris Conference conceded that 25 million tons was the maximum which could be obtained from the outside world with about 9 million tons coming from the United States. In 1947, the United States will probably export some 15 million tons of grain with about 9 million tons going to Europe. In view, however, of the poor American corn crop and the lack of fall rains, only a most favorable crop year in 1948 would make any such performance possible.

With a number of other commodities, the situation is only a little less stringent. Steel and the steel-making materials, especially scrap, are in particularly short supply in the United States. Because it is a basic industrial material, the effects of this shortage are pervasive. Coal exports at a high rate are possible, though they are imposing a strain on the United States transportation system and there may be a few shortages in the coming winter. The margin between supply and demand of petroleum products is very narrow in this country. The European countries do not expect to import this commodity from the United States in volume, but the shortage, like that of steel products, is world-wide. There is little likelihood that these requirements set forth at Paris can be met.

The situation is much the same in regard to most of the items of machinery and equipment the European nations need. In the middle of an agricultural boom, the demand of American farmers for farm machinery is well beyond the capacity of the industry. As to mining machinery, coal output is at a high rate and American mine operators are buying as much machinery as they can obtain. Heavy electrical equipment of all kinds is perhaps the tightest industrial item of all. The story is much the same for certain of the basic raw materials.

These remarks do not imply that the United States can do little toward the rehabilitation of Europe. European governments and private firms have placed large orders in the United States for industrial equipment. A voluntary food-conservation program has been initiated to make food available for export. In spite of shortages here, manufacturers of automobiles and farm machinery are voluntarily maintaining exports. If funds were available to finance European purchases and if European requirements were known in detail, exports could at least be maintained, and in many cases stepped up. In overall terms, a foreign-aid program would not even require the maintenance of present rates of exports. The conclusion that does emerge from the examination of particular markets for particular commodities is that supply will be a limiting factor in many cases and that many European requirements cannot be met in full.

4. THE MAGNITUDE OF AMERICAN AID

On the basis of revised estimates of European imports and exports, the Committee calculates that the cost of the European aid program to the Government of the United States would be about 5.75 billion dollars for the first year, and between 12 and 17 billion dollars for the whole program here suggested.

These figures are not comparable to those contained in the Paris report. The latter are estimates of the deficit the participating European countries would incur in their trade with the Western Hemisphere. They measure the margin by which the European countries expect their payments in dollars for goods and services imported from the Western Hemisphere to exceed their receipts in dollars.

The Paris estimates of imports have had to be revised downward, mainly on the grounds of unavailability of goods. To the extent of this revision the estimated cost of the program was also reduced. At the same time it was necessary, on grounds of realism, to revise downward the European estimates of exports and to modify the figures in a number of other ways which increase the cost. The result was an estimate by the Committee that the balance of payments deficit would be 1 billion to 1.5 billion dollars lower in the first year and possibly as much as 5 billion dollars lower for the whole plan than that contained in the Paris program.

The Committee's estimate of the cost to the United States Government is a smaller figure than the foreign-trade deficit. First, a deduction must be made for the part of the program that can be financed through the International Bank. Second, there may be private financing. Third, a large part of the European deficit with the American Continent is with countries other than the United States. In its own interest, the United States will probably have to supply funds to cover a part of this deficit but we should not have to finance it in full. When allowance is made for these deductions, the resulting figures are those given above for the cost to the United States Treasury.

It is helpful to compare the figures for the cost to the United States Government with what the United States has been doing for Europe in the past. Before the run on sterling in July the annual rate of withdrawals on the British loan was about 2.6 billion dollars. In addition, in the first half of 1947 the rate of withdrawal on other European aid programs—relief, UNRRA, and special grants—was about 2 billion dollars. In 1947 the United States assumed only half of the cost of German occupation, but in 1948 it seems likely that it will have to assume the whole burden, amounting to about 1 billion dollars.

When all these factors are taken into account, the program of aid proposed for 1948 proves to be a moderate increase on what the United States has in the recent past been spending in Europe and what will probably have to be expended in Germany in any case. In addition the program calls for increased lending operations by the International Bank.

Looking to the years beyond calendar 1948, the Committee emphasizes that any estimates are altogether speculative. The American

people have an understandable interest in trying to ascertain the drain on their resources in the future. But it is totally impossible, and indeed unwise, to attempt to calculate this with accuracy. The Paris conference suggested that the total European foreign exchange deficit for the 4-year period 1948-51 would be about \$22,000,000,000. The Committee's estimates range from \$17,000,000,000 to \$23,000,000,000. When deductions are made for various types of financing, the range of possible appropriations would be \$12,000,000,000 to \$17,000,000,000. But the Committee cannot emphasize too strongly that any aid extended to Europe must be on a year-to-year basis. It must be subject to constant, vigilant review of the Congress.

5. FINANCE AND ADMINISTRATION

Even to carry out a prudent program in 1948 entails the execution of certain fundamental policies on the part of the United States Government and the most careful administration. The Committee believes that any aid to Europe offered by the United States should be financed out of taxes, not out of borrowing. The maintenance of a surplus in the United States Treasury is a necessity in this inflationary period.

A foreign-aid program will require means to make available goods that are in short supply. Voluntary measures should be relied upon wherever possible. If and when they are not, the Government will probably require authority to set priorities in order to insure the availability for export of limited amounts of the items most critically needed. It might also have to issue limited orders to control consumption of critical materials such as those still in effect for tin. Especially in the field of food it might be necessary to use the device of requiring that limited quantities be set aside for export.

It must be emphasized that these suggestions apply only to the foreign-aid program and not to the broad problem of inflation. The Committee is convinced that inflation is a serious deterrent to the stability of the American economy, but any consideration of a program to control inflation would have been beyond its competence and its terms of reference.

The Committee is convinced that the administration of the program is of primary importance because it will be necessary, for reasons given above, to adjust the program as it goes forward. To insure unity of administration, it is recommended that a new independent agency be set up in the Federal Government. The head of this agency should be appointed by the President and confirmed by the Senate. A board of directors should be appointed, representing the departments of Government concerned with the program, including the Secretary of State and such other persons as the Congress may see fit to add.

The head of the new organization should be chairman of this board which should have power only to establish and adjust general policies within the framework of congressional action.

The operating decisions should be made by the head of the new organization, but it will be necessary for him to work out effective

means for cooperation with the State Department concerning these major decisions which have an important bearing on the foreign policy of the United States.

The closest possible relations should be maintained between the new organization and the Congress. This is a question to be solved by the Congress, but we suggest it might be done by a special joint committee created for this purpose, as in the case of the Atomic Energy Commission.

The new organization must have a chief representative in Europe, reporting directly to the head of that organization, and responsible to him, to deal with the continuing committee set up by the participating countries, and also to coordinate the activities of the various local representatives of the organization in those countries. In addition, representatives will be needed in the different countries. They will have to report to and be under the direct control of the head of the new organization. But they should keep the Ambassadors in the respective countries informed of their communications. In all cases where there is necessity for taking up important matters with governments, it should be done by the Ambassador to the end that there will be only one diplomatic representative of the United States in these countries. Due to the need for flexibility in the program, the Committee recommends that the corporate form of organization be given careful consideration.

6. SUMMARY

The basic conclusions of the President's Committee on Foreign Aid may be summarized as follows:

1. The hope of western Europe depends primarily on the industry and straight thinking of its own people.

2. The United States has a vital interest—humanitarian, economic, strategic, and political—in helping the participating countries to achieve economic recovery.

3. The aid which the United States gives will impose definite sacrifice on this country.

4. The magnitude of western Europe's deficit with the American Continent in 1948 will be of the order of \$7,000,000,000, but when all possibilities of financing are taken into consideration, the approximate need for appropriations past and future to cover the calendar year of 1948 may be on the order of \$5,750,000,000.

5. The extension of such aid, now or in the future, calls for anti-inflationary fiscal policies on the part of this country, and a new agency to administer the aid extended. //

As a final word, both on the magnitude of the program recommended and on the policies outlined, it is well to bear in mind that success depends on giving way neither to over-optimism or to undue pessimism. It is one thing to propose a program, it is another to see it through. The immediate months and indeed years ahead are not apt to be easy either for this country or for the European nations. It is not wise to underestimate the steepness of the climb.

By the same token, however, it is essential to maintain perspective. The years following World War I were years of intense dislocation and dissolution both at home and abroad. Yet, by 1924, Europe, which seemed totally disorganized in 1919, was well on its way to recovery. Even more in point would seem to be the wartime experience of this Nation and other democracies. In 1940, it seemed inevitable that a large part of what we call western civilization was irreparably lost. In late 1941, following Pearl Harbor, the fortunes of this Nation were at an all-time ebb. Yet 4 years later, complete victory had been gained, American arms stood triumphant in the east and in the west, and it was obvious that the United States had entered into a new period of power, prestige, and responsibility. The following years have contained many disappointments. Wartime alliances have melted away. Yet it is safe to say that at no time in history has there been more need for western Europe and the United States to stand firmly together. And who will say that, if we apply to the making of the peace the same spirit which triumphed in war, we may not see an equally dramatic vindication of the ideals and principles of free men everywhere? //

7a. THE MAGNITUDE OF THE PROGRAM

(Sec. 7 of Part II of "European Recovery and American Aid" by President's Committee on Foreign Aid)

A. NATURE OF THE CALCULATIONS

The analysis in section IV on requirements and availabilities indicates limits on the quantities of a number of key commodities that can be made available to Europe. . . . It is now urgently necessary to estimate the over-all cost and it is understandable that Americans and Europeans attach great significance to any such estimate, whether it is the CEEC estimate as a measure of European need or an American estimate as a measure of what the United States can undertake. This section of the report sets forth estimates of over-all magnitude. . . . But in presenting them, the Committee wishes to make two observations, both of which are warnings against overemphasizing the importance of any such figures of over-all dollar magnitudes.

The first observation is that, while total magnitudes have to be expressed in dollars, the basic decisions should be made not in terms of amounts of money but of quantities of goods. This has nothing to do with administration. It does not mean that any part of a program of American aid should necessarily take the form of the supply of commodities rather than the transfer of funds. It is rather a way of emphasizing the fact that the real cost to the people of the United States depends upon the amounts of goods and services supplied; that is, the real wealth transferred to the governments and people of other countries. It does not depend upon the size of entries in books of account.

The second observation has to do with the nature and imperfections of the figures. The amount of American aid required can be estimated only by calculating the foreign exchange deficit of the participating countries. To make such a calculation even for a limited period it is necessary to engage in a kind of economic forecasting which is subject to a wide range of error, no matter how honestly and carefully done. An estimate of what Europe will actually import must take account of the availabilities of supplies elsewhere in the world. European exports depend directly upon production and that, in turn, upon imports. Unpredictable though they are, Europe's imports, exports, and production can be more reliably forecast than can the prices at which European exports can be sold and the prices that will have to be paid for imports of food and raw materials. Yet a change in the forecasting of any one of these alters the estimate of the foreign exchange deficit.

Because of the inherent impossibility of narrowing the margin of error to a tolerable size, no honest man will try to decide at this time

how much aid Europe will need and how much it would be wise for the United States to give for a period as long as four years. Grave consequences would follow from any ill-advised attempt to achieve a finality for which there is no basis. A rigid ceiling set too low would provoke another crisis; one set too high would encourage waste. Nor is finality necessary. Presumably, funds to cover most of whatever program is approved will be provided by congressional appropriation or by a public corporation whose annual budgets would be subject to congressional review. Hence, the final decision will be made year by year; administratively, the unpredictability of the need will be recognized. However, the American people have a right to know what is likely to be the ultimate cost of any commitment upon which they enter. Accordingly the estimates presented here are in the form of a range of possibilities defined by an upper and a lower limit rather than in terms of a specific figure. Estimates in this form of the magnitude of the whole program must be supplemented by more precise figures covering the first year.

B. THE BURDEN ON THE UNITED STATES TREASURY

The committee believes that the burden on the United States Treasury in the form of grants and loans would be approximately 5.75 billion dollars for the first calendar year of the program and between 12 and 17 billion dollars over the whole 4-year period. If American aid is promptly made available so that the calendar year 1948 may be taken as the first year, the unexpended portions of appropriations already made for aid to the participating countries will cover a part of the cost. It is estimated that approximately three-quarters of a billion of such funds will remain which would reduce the amount of new appropriations needed to approximately 5 billion dollars.

These figures do not represent the full foreign exchange deficit of the participating countries. The way they are calculated is summarized on the following pages in table I for the year 1948 and in table II for the years 1948-51. The first step is to estimate the imports that the European countries will need from the United States and from Canada and Latin America. This is the major cost that the countries in question have somehow to cover in currencies other than their own. Next, it is necessary to estimate the participating countries' exports to the Western Hemisphere. To the extent of their exports they will be paying for their imports with their own production. Although exports and imports are the two largest elements in the balance of payments, there are other costs they will incur and other revenues they will receive in the currencies of the Western Hemisphere countries. One cost is that of supplies for dependent territories. Another is for services of all kinds, especially shipping services. The revenue items include earnings on their remaining investments in this hemisphere and what we pay for shipping and other services. All of these items are summed up in the third and fourth lines of tables I and II. The result is a figure for the estimated balance of payments deficit which measures the excess of the costs that must be met by the participating countries in the Western Hemisphere over their revenues from the Western Hemisphere.

TABLE I.—Balance of payments projection, 1948

(Billions of dollars)

	CEEC			Low availability			High availability		
	U. S. A.	Other America	Total America	U. S. A.	Other America	Total America	U. S. A.	Other America	Total America
1. Imports.....	-5.98	-2.24	-8.17	-4.25	-2.96	-7.21	-5.05	-2.41	-6.46
2. Exports.....	+2.85	+1.21	+2.15	+2.70	+1.10	+1.80	+2.85	+1.21	+2.15
3. Net position on invisible account.....	-3.13	-1.03	-4.16	-1.55	-1.86	-2.41	-2.20	-1.20	-3.31
4. Net position of dependent territories.....	-0.25	-0.11	-0.46	-0.25	-0.11	-0.46	-0.20	-0.10	-0.40
5. Unadjusted balance of payments.....	-5.99	-2.05	-8.05	-4.45	-1.86	-6.31	-4.92	-2.14	-7.06
Terms of trade assumptions:									
6. Assumption of stable prices of imports.....						-0.55			-0.55
7. Assumption of falling prices of imports.....									
Adjusted balance of payments:									
8. Assumption of stable prices of imports.....						-0.85			-0.85
9. Assumption of falling prices of imports.....			-0.05			-0.33			-0.38
10. Non-Treasury financing.....			+0.92			+1.10			+1.22
Financed from U. S. Treasury:									
11. Assumption of stable prices of imports.....						0.75			0.75
12. Assumption of falling prices of imports.....			0.18			0.23			0.23

TABLE II.—Balance of payments projection 1948-51

(Billions of dollars)

	CEEC			Low availability			High availability		
	U. S. A.	Other America	Total America	U. S. A.	Other America	Total America	U. S. A.	Other America	Total America
1. Imports.....	-21.03	-14.05	-35.08	-14.91	-13.31	-28.22	-18.80	-15.61	-34.41
2. Exports.....	+4.87	+7.63	+12.50	+4.10	+5.50	+9.60	+4.88	+7.63	+12.51
3. Net position on invisible account.....	-1.56	+0.01	-1.57	-1.28	+0.50	-0.78	-1.02	+0.00	-1.02
4. Net position of dependent territories.....	-0.29	-0.27	-0.66	-0.33	-0.33	-0.66	-0.17	-0.29	-0.46
5. Unadjusted balance of payments.....	-18.33	-6.68	-25.01	-12.42	-8.64	-19.09	-15.11	-7.87	-22.98
Terms of trade assumptions:									
6. Assumption of stable prices of imports.....						-0.04			
7. Assumption of falling prices of imports.....			+2.57			+2.03			+2.53
Adjusted balance of payments:									
8. Assumption of stable prices of imports.....						-19.10			-19.10
9. Assumption of falling prices of imports.....			-22.44			-16.98			-16.98
10. Non-Treasury financing.....			+3.13			+4.48			+4.48
Financed from U. S. Treasury:									
11. Assumption of stable prices of imports.....						14.62			14.62
12. Assumption of falling prices of imports.....			19.31			12.80			12.80

It is impossible to go further in the calculation without encountering a major complication. Plainly, the size of the European balance of payments deficit will very directly affect the prices the European countries will have to pay for European imports. If prices decline, they will be able to buy needed food and raw materials more cheaply; if prices stay at present levels or rise further, their imports will cost them proportionately more. The CEEC made its calculations on the basis of an assumption the committee believes to be unrealistic. However, to rest any conclusions on any specific assumption as to the behavior of prices introduces into them an unpredictably large element of uncertainty. Therefore, two alternative assumptions have been employed. One takes account of the present high prices and allows for little price decline in the next four years. The other is the optimistic assumption employed by the CEEC that the prices the European countries pay for their imports will decline steadily. The estimate of the balance of payments deficit has been adjusted on the basis of each of these two assumptions and the adjusted figures are those in lines 8 and 9.

The resulting adjusted deficits are considerably larger than the estimated burden because they will not have to be covered in full by grants or loans from the United States Government. In order to arrive at the cost of the program to the United States Government at least three deductions must be made from these figures. First, whatever dollar funds the International Bank makes available for the financing of capital development programs will serve to make up a part of the deficit. Second, unless it is contemplated that the United States Government shall make up the entire balance of payments deficit incurred by the European nations in their trade with Canada and Latin America, a further deduction can be made for that proportion of it that is covered in some other way. Third, there will almost certainly be some private capital funds available to finance European governments and enterprises, especially in the latter part of the period. The American corporations that have branch plants, for instance, will probably have to provide some such funds. Effective monetary and exchange stabilization would make some European private dollar balances available. A successful recovery program will certainly place a number of the European governments in a position to go to the private capital market before the four years have elapsed. These deductions should total between 1 and 1.25 billion dollars in 1948 and from 4 to 5 billion dollars over the 4-year period. The estimates set forth above of the burden on the Treasury are arrived at by making these deductions from the adjusted balance of payments deficits.

The final results appear in lines 11 and 12 of tables I and II. As to the cost of the whole 4-year program, the lowest figure arrived at by the most favorable combination of assumptions is 12.7 billion dollars, the highest is 17.2 billion dollars. There is a similar range of possible estimates for the year 1948. However, certain possibilities as to the first year can be discarded as highly unrealistic. It seems particularly unlikely that European imports can be bought during the next 12

months at the prices that prevailed last July, in view especially of the large increase in the price of food that has taken place since then and the world shortage that seems certain to continue for another year at least. Consequently, the range of figures for the cost to the Treasury that is believed by the Committee to be relevant is from about 5.5 to just over 6 billion dollars. It is recommended that planning proceed on the basis of the figure of 5.75 billion dollars as stated above.

C. EUROPEAN IMPORTS

This statement of conclusions needs to be supported and explained by some reference to the underlying estimates. It is logical to begin with the figures for European imports. Certain import requirements appear to have been overstated even as requirements. However, those for foodstuffs and for most consumers goods have not, and probably raw-material requirements are reasonable as such. But certain of the figures for capital goods and equipment are decidedly high. The most extreme case is that of agricultural machinery. The amount stated to be required is so large that there is the gravest doubt as to whether it could be utilized by the importing countries even if it could physically be made available and its import could be financed. Mining machinery is another case in point. Although a high priority is and should be attached to expanding coal production, a highly competent study by the European coal organization suggests the requirement may be lower than that stated by the CEEC.

Far more serious than the overstatement of needs is the revision in import estimates required by limitations on supply in the United States and elsewhere. Total food and fertilizer imports will almost certainly be 3 to 4 billion dollars less over the 4-year period than those projected in the Paris program. The supply limitation will be serious in the case of cotton and nonferrous metals and it will be the controlling factor with regard to shipments of many types of equipment and machinery from the United States.

Revised estimates of imports are set forth on the following page in table III in comparison with the Paris figures. As the margin between the two alternative sets of revised estimates indicates, there is greater uncertainty concerning imports from the Eastern Hemisphere than those from Canada and Latin America or from the United States. Total imports from the United States for the 4-year period are estimated to be from 2.5 to 6 billion dollars lower than estimated by the CEEC when adjusted in the light of supply possibilities. However, the revised figures for shipments from other Western Hemisphere destinations range from three-quarters of a billion below to 1.5 billion dollars above the CEEC figures. The Paris estimates of what would be available from Canada and Latin America would appear to have been more realistic than their appraisal of the supply position in the United States.

TABLE IIIA.—*CHEC states import requirements for 16 participating countries and western Germany*

(In billions of dollars)

	1948			Total, 1948-51		
	United States of America	Other America	Eastern Hemisphere	United States of America	Other America	Eastern Hemisphere
<i>Imports of commodities covered by Paris Technical Committee</i>						
COMMODITIES						
1. Food, feeding stuffs, and fertilizer.....	1,453	1,846	1,937	5,910	7,007	9,723
2. Coal and other solid fuels.....	842	.....	255	668	.....	1,515
3. Petroleum products.....	1,512	¹ n. a.	n. a.	1,217	n. a.	n. a.
4. Iron and steel products.....	370	.....	43	1,293	.....	169
5. Timber.....	96	170	243	331	621	1,417
EQUIPMENT						
6. Agricultural machinery.....	370	.....	n. a.	1,198	.....	n. a.
7. Mining machinery.....	80	.....	n. a.	230	.....	n. a.
8. Electrical equipment.....	180	.....	n. a.	500	.....	n. a.
9. Petroleum equipment.....	165	.....	n. a.	555	.....	n. a.
10. Steel plants.....	100	.....	n. a.	400	.....	n. a.
11. Inland transport equipment.....	208	.....	n. a.	490	.....	n. a.
12. Timber equipment.....	10	.....	n. a.	23	.....	n. a.
13. Subtotal programmed items.....	3,853	2,026	2,488	12,791	8,428	12,810
OTHER IMPORTS						
14. Machinery, n. e. s.....	1,267	.....	n. a.	1,146	.....	n. a.
15. Unspecified.....	1,757	1,212	2,211	6,086	5,619	9,388
16. Total imports (13+14+15).....	-5,927	-3,236	-4,699	-21,026	-14,047	-22,198

¹ Estimate of dollar costs for petroleum imports from all sources.² Partial estimate.³ Not available.TABLE IIIB.—*Estimated imports of 16 participating countries and Western Germany assuming low availability*

(In billions of dollars)

	1948			Total, 1948-51		
	U. S. A.	Other America	Eastern Hemisphere	U. S. A.	Other America	Eastern Hemisphere
<i>Imports of commodities covered by Paris Technical Committee</i>						
COMMODITIES						
1. Food, feeding stuffs, and fertilizer.....	1,120	1,800	1,020	4,320	6,450	5,190
2. Coal and other solid fuels.....	370	.....	200	226	.....	1,160
3. Petroleum.....	230	1,235	(¹)	830	1,365	(²)
4. Iron and steel products.....	175	20	25	675	80	70
5. Timber.....	96	140	200	345	530	1,126

¹ Estimate of dollar costs of petroleum imports from all sources other than U. S. A.² Estimate of imports not available see footnote 1.

TABLE IIIB.—Estimated imports of 16 participating countries and Western Germany assuming low availability—Continued

[In billions of dollars]

	1948			Total, 1948-51		
	U. S. A.	Other America	Eastern Hemisphere	U. S. A.	Other America	Eastern Hemisphere
EQUIPMENT						
6. Agricultural machinery.....	75	15	(?)	455	90	(?)
7. Mining machinery.....	80	(?)	(?)	220	(?)	(?)
8. Electrical equipment.....	100	(?)	(?)	355	(?)	(?)
9. Petroleum equipment.....	75	(?)	(?)	375	(?)	(?)
10. Steel plants.....	50	(?)	(?)	200	(?)	(?)
11. Inland transport equipment.....	60	(?)	(?)	150	(?)	(?)
12. Timber equipment.....	15	(?)	(?)	55	(?)	(?)
13. Subtotal programed items.....	2,498	1,910	1,458	8,855	8,505	7,535
OTHER IMPORTS						
14. Machinery, n. e. s.....	400	-----	(?)	1,350	-----	(?)
15. Unspecified.....	1,450	1,050	1,900	4,700	4,900	7,900
16. Total imports (13+14+15).....	-4,345	-2,900	-3,355	-14,905	-13,305	-15,435

° Negligible.

¶ Not available.

TABLE IIIC.—Estimated imports of 16 participating countries and Western Germany assuming high availability

[In billions of dollars]

	1948			Total, 1948-51		
	United States of America	Other America	Eastern Hemisphere	United States of America	Other America	Eastern Hemisphere
<i>Imports of commodities covered by Paris technical committees</i>						
COMMODITIES						
1. Food, feeding stuffs, and fertilizer.....	1,270	1,825	1,600	5,320	8,825	8,500
2. Coal and other solid fuels.....	370	-----	255	775	-----	1,515
3. Petroleum.....	250	235	(?)	1,000	1,215	(?)
4. Iron and steel products.....	300	20	25	1,135	90	70
5. Timber.....	95	170	215	345	630	1,250
EQUIPMENT						
6. Agricultural machinery.....	125	15	(?)	655	90	(?)
7. Mining machinery.....	105	-----	(?)	320	-----	(?)
8. Electrical equipment.....	125	-----	(?)	455	-----	(?)
9. Petroleum equipment.....	130	-----	(?)	525	-----	(?)
10. Steel plants.....	100	-----	(?)	350	-----	(?)
11. Inland transport equipment.....	60	-----	(?)	210	-----	(?)
12. Timber equipment.....	15	-----	(?)	55	-----	(?)
13. Subtotal programed items.....	2,945	2,265	2,095	11,145	10,330	11,335
OTHER IMPORTS						
14. Machinery, n. e. s.....	500	-----	(?)	1,700	-----	(?)
15. Unspecified.....	1,600	1,140	2,000	5,750	5,290	8,500
16. Total imports (13+14+15).....	-5,045	-3,405	-4,095	-18,595	-15,610	-19,835

1 Estimate of dollar costs of petroleum imports from all sources other than United States of America.

2 Estimate of imports not available, see footnote 1.

3 Not available.

D. EUROPEAN EXPORTS

It is more difficult to make any reasonable estimate of European exports. Since the physical availability of supply will be the limiting factor on imports in so many cases, a basis exists for determining what may reasonably be expected. However, European export capabilities depend primarily on European production. There is little doubt that European exports were overestimated in the Paris report, probably by a rather large percentage. Domestic production goals set forth in the Paris report are generally on the optimistic side. The evidence of recent production rates and recent exports suggest that it will be difficult for the Europeans to reach the goals they have set. A small percentage decline in domestic production may be sufficient entirely to wipe out an exportable surplus. Moreover, it would be unwise for the European governments to maintain exports by imposing too severe an austerity upon domestic consumers. Wholly aside from the intrinsic desirability of maintaining an adequate standard of living, some increase in the supply of consumers goods seems almost essential to the restoration of production incentives. The attempt to reach export goals if expectations of production are not fulfilled will only add to the inflationary pressures that are responsible for so many of the present dislocations in the European economy.

It appears impossible for European exports of finished steel products to reach anything like the Paris figures without very damaging effects on their domestic steel-consuming industries. The textile industry may turn out to be another case. The world supply of cotton does not appear to be adequate to permit operation of existing facilities to capacity without which large exports could not be achieved. The quantitative importance of this particular component is impossible to gauge because it is not separated out in the CEEC report. As these two examples illustrate, the expectation of European exports as large as those projected in the Paris report is not consistent with reduced estimates of imports. The larger the reduction of imports imposed by supply limitations, the greater the reduction of exports. On the basis of the smaller of the two alternative estimates of European imports in table II, it has seemed realistic to cut the CEEC figures for exports to the Western Hemisphere during the whole period of the program by about one-sixth. In dollars the cut is 1.7 billion dollars. Even taking the highest estimate of European imports, somewhat lower export figures must be used to take account of specific shortages such as steel and cotton. The figures used in arriving at a rough calculation of the balance of payments deficit are given in tables I and II.

E. PRICES

The exports and imports of participating countries will be the decisive elements in their balances of payments. However, a third factor which will decisively affect the result is the relationship between the prices the European countries receive for their exports and the prices they have to pay for their imports. The Paris calculations assume that price relationships will change over the next 4 years in

favor of the participating countries. To give effect to this assumption, the figures for gross imports are reduced by 7½ percent for 1949, 10 percent for 1950; and 12½ percent for 1951. The downward adjustment in the cost of imports from the Western Hemisphere (shown in line 9 in tables 1 and 2) amounts to over 2½ billion dollars for the 4-year period.

In appraising the realism of this assumption, it should be borne in mind that it implies a decline in the prices of food and raw materials by more than the assumed reduction of 12 percent in the prices of all European imports. Unless future price changes follow a totally different pattern from any that have occurred in the past, the prices of many products will be relatively rigid even in the face of a decline in the general price level. Specifically, there is no reason to expect that the dollar cost of most items of machinery and equipment will be sharply reduced. Most of the reduction in the average cost of imports would have to come about through a decline in the prices of foods and raw materials. These flexible price items make up about a third of CEEC's estimate of imports from the United States and more than half of total estimated imports from all sources. Thus, the CEEC assumption implies a decline in the cost of food and raw materials in the order of 20 percent over the next 4 years.

This assumption is difficult to accept. It is pointed out in the sections of this report dealing with specific commodities that European import needs in many fields cannot be met because of the unavailability of goods. World supplies of grain, meat, and fats and oils will probably be inadequate for 4 years. Petroleum requirements of the magnitude estimated by CEEC cannot be met because of the limitations on world production, refinery capacity, and means of transportation. The story is the same with regard to many raw materials and manufactured goods. This outlook for a continued shortage of the foods and raw materials which Europe must import, which are also the goods with the most sensitive prices, is not consistent with the assumption of a pronounced fall in the prices to be paid for imports by the participating countries. Moreover, the prices assumed by the CEEC for the first year of the program are those of July 1, 1947. Thus, the starting point is too low, especially for foods. Realism requires an upward revision for the first year.

Although the CEEC's assumption about prices is almost certainly too optimistic, any specific alternative assumption would also be subject to an extremely wide margin of error. Therefore, in recalculating the foreign exchange deficit of the participating countries, two alternative assumptions about prices have been used to determine a range of possibilities, as with exports and imports. The CEEC assumption derives a certain authority from its use in the Paris report; it has therefore been employed as the most optimistic alternative. To define the less optimistic alternative, it has been assumed that prices in the first year would be 7½ percent higher than July 1, 1947, and 7½ percent lower in the fourth year. The Committee believes that the actual course of events will be much closer to the less optimistic assumption.

F. TRADE WITH THE EASTERN HEMISPHERE

The only other factor of major importance in the calculation of the balance of trade deficit is the treatment of trade between Europe and the Eastern Hemisphere countries. The CEEC estimated that this trade would be approximately in balance in the first year of the program and that the European nations would accumulate a surplus of over 3 billions dollars in the course of the 4-year period. It further assumed that this surplus could be used to reduce the foreign exchange deficit expected to be incurred in trade with the Western Hemisphere. A discussion of this point would lead too far afield from the text of the report and it is deferred to the appendix on the magnitude of the program in part III. The assumption actually used in the revised calculations given in tables 1 and 2 is that only half of the Eastern Hemisphere surplus could be applied against the Western Hemisphere deficit.

G. SIGNIFICANCE OF THE ESTIMATED BUDGETARY COST

If the estimates of the cost of the foreign-aid program to the United States Treasury discussed in this section are to be seen in perspective, it is necessary to be clear as to what the figures include. In the first place, they include an estimate of the occupation costs incurred by the United States Army in Germany and Austria, minus the direct cost of United States troops and personnel. This item will soon be running at a rate of over \$1,000,000,000 a year. The net figures also include items of the sort that have been financed in the past by the so-called post-UNRRA relief program and, indeed, all forms of United States Government grant or loan. For the first half of calendar 1947, withdrawals and disbursements for relief, loan, and grant-in-aid purposes in Europe, excluding the British loan, have been at an annual rate of about \$2,000,000,000 a year. Prior to the establishment of convertibility for sterling on July 1, and the run on sterling, British loan withdrawals were at the rate of \$1,300,000,000. Taking the three items together, Germany plus other relief plus British loan, it may properly be said that the United States has been covering the European foreign exchange deficit at a rate of over \$4,000,000,000 per year. We know that we are committed to at least one major continuing outlay for occupation costs. To this extent, at least, the proposed program is not a net additional burden over and above those which we would have had to bear in any case.

In the light of these comments, the Committee's judgment as to magnitudes can be expressed in qualitative terms as follows: First, as to the immediate future, what is required is the continuation and a moderate increase of what the United States Government has been doing, together with the initiation of large-scale lending by the International Bank. Although this would not involve an increase in total amount, the expenditures would be better directed and better controlled as to destination and use, and they would be made in pursuit of a more constructive and more clearly defined objective. Second, as

to the whole 4-year program, precise calculation is impossible; the CEEC's estimate of the foreign exchange deficit will probably turn out to have been too large; nevertheless, the deficit will be of the order of magnitude indicated in the Paris report.

Viewed from the standard of the United States interest in European recovery, an estimate of the amount of aid required is an estimate of the price that must be paid for certain important benefits. The benefits are human, economic, and political; they include the preservation of a certain kind of society and, it is hoped, the prevention of World War III. The Committee desires to emphasize its profound belief that there could be no more wasteful procedure than to make too small an investment. European requirements should be examined realistically. The United States should limit its aid to what is really necessary for recovery and must limit its aid so as to safeguard its own resources. But if too narrow a conception of what is needed for recovery prevails, the recovery program will degenerate into costly relief.

8. CABINET COMMITTEE ON WORLD FOOD PROGRAMS—REPORT

STATEMENT BY THE PRESIDENT (SEPTEMBER 25, 1947)

I am making public today a report from the Cabinet Committee on World Food Programs which emphasizes a critical situation calling for immediate action by every American. The report stresses the extremely grave food situation abroad and the relationship between our ability to help meet urgent foreign food needs and the price situation in the United States.

The Committee states that adverse crop developments, including those of recent weeks, both in North America and in Europe, make apparent a food shortage even worse than a year ago. The losses from heavy frosts in northwestern Europe last winter have been increased by a general European drought this spring and summer. Any significant cut in the already low rations in those countries will have most serious consequences for their rehabilitation.

In the face of this situation, the report shows that, without further action, we would be able to carry through a large export program; but, as a result of sharply reduced corn production and continued high domestic demand for grain, exports would not equal last year's total shipments—even though world needs are greater.

The United States cannot rest on this export prospect. To ship more abroad without adjustments in domestic demand, however, would aggravate our own price situation.

In presenting their report the Cabinet Committee stressed the urgency of doing everything possible to meet the problem at home and abroad. It recommended further emphasis on shipments of food other than grain in rounding out our export program and on arrangements for the fullest participation by other nations in the combined effort to increase available supplies and to channel them to points of greatest need.

The committee made it clear, however, that definite steps to conserve on use of foodstuffs at home and reduce the feeding of grain to livestock will be essential if we are to make our fullest contribution towards meeting minimum foreign needs and at the same time relieve the upward pressure on prices at home.

As a primary step, I am therefore appointing a Citizens Food Committee to advise on ways and means of carrying out the necessary conservation effort. Charles Luckman of Cambridge, Mass., will serve as chairman of this nonpartisan committee. I am asking the Citizens Food Committee to meet at the earliest possible moment to develop plans for bringing the vital problem of food conservation to the attention of every American for action.

At the same time, I am establishing a working organization which will mobilize the resources of the Government in support of the overall program. I will also confer with the congressional leaders of both parties regarding legislative action which may be necessary.

While waiting for detailed recommendations from the Citizens Committee, there is one immediate and personal thing each of us can do. We can start now to conserve by being more selective in foods we buy, particularly livestock products whose production requires large quantities of grain. Such action on our part will do two things. We will save on our family budget and we will help others who are in desperate need. I am confident that the American people, realizing the extreme seriousness of the situation, will cooperate fully.

The following letter was addressed to the President by the Cabinet Committee on Food:

SEPTEMBER 24, 1947.

The PRESIDENT,
The White House.

DEAR MR. PRESIDENT: This will confirm our oral recommendations to you, made September 22, at the time we submitted our report containing a factual appraisal of the food situation.

We wish to emphasize again the seriousness of this situation. The needs of other countries for food have increased substantially over the past year through a succession of unfavorable weather conditions at critical periods in the development of their 1947 crops. Similar conditions in this country have produced a serious drop in our own corn production with the result that there will undoubtedly be a strong temptation to feed more wheat to livestock. This will reduce the availability of United States grain for export shipment more than 2,000,000 tons below last year's level unless additional positive action is taken.

We wish to make entirely clear our feeling that the rate of exports which can now be definitely planned is not enough in view of the increased needs in the deficit areas abroad. Even if we could approximate the level of last year's shipments, other countries would still be left in a difficult food supply situation.

The difficulty of attempting to enlarge our grain exports beyond what is now indicated lies in the domestic problems resulting from high prices. We are already faced with the need for vigorous action to prevent a further inflationary price spiral.

In these circumstances, we recommend a number of measures to help meet the situation. Some of these are embodied in the report; others have been discussed with you verbally.

We, the American people, must conserve our use of grain, in food and in animal feed, so that additional supplies will be available for meeting the most urgent needs of other countries. The appointment of a special committee to develop ways and means of carrying out a successful conservation campaign is recommended.

Other steps should include: increased exports of United States foods other than grains; joint international efforts to assure maximum food shipments from all exporting countries; further efforts by importing countries to increase their own collections of food; and the channelling of exports to the most critical areas.

We wish to emphasize that the most important immediate measure, however, and the only one which can both increase the available supplies and relieve inflationary pressures, is an all-out drive for domestic conservation.

Respectfully,

MEMBERS, CABINET COMMITTEE
ON WORLD FOOD PROGRAMS.

THE CABINET COMMITTEE ON WORLD FOOD PROGRAMS,
September 22, 1947.

DEAR MR. PRESIDENT: Because of adverse crop developments, particularly in recent weeks, both in North America and in other areas of the Northern Hemisphere, it is now apparent that the world food shortage is even worse than it was a year ago. There is a serious gap between minimum needs of food-deficit countries and total supplies available for shipment from surplus-producing areas.

Your Cabinet Committee on World Food Programs is submitting herewith a general appraisal of the food situation.

Respectfully yours,

CABINET COMMITTEE ON WORLD FOOD PROGRAMS,
CLINTON P. ANDERSON,

Secretary of Agriculture (Chairman).

G. C. MARSHALL, *Secretary of State.*

W. A. HARRIMAN, *Secretary of Commerce.*

REPORT ON THE FOOD SITUATION

SEPTEMBER 22, 1947.

It is now generally known that the world food shortage is even worse than it was a year ago. Storms and floods last winter, followed by droughts this summer, have taken a heavy toll of crops in many important food-importing countries. Grain harvests in France, Italy, and other European countries are substantially below last year. Production prospects for potatoes, sugar beets, pulses, and fodder crops have been lowered in central and western Europe. Much of this deterioration in world food production has taken place in the last 30 to 60 days.

As a result of these conditions, the gap between available exports and minimum needs of the importing countries is estimated at about 15 percent—or 4,500,000 tons—in terms of grain alone. It was hoped earlier that increased local production of other foods might serve to reduce this gap, but the recent declines in crop prospects in these deficit areas make it clear that this hope is now lost.

This situation in the deficit areas points up the direct obligation that rests upon the United States, along with all other exporting countries, to do everything possible to make up the inevitable shortages. There is no need to review here the place of adequate food supplies as a foundation stone in building a stable structure of economic and political rehabilitation. We must send every pound of food that it is practical to ship to these countries of greatest need. There can be no disagreement on this basic purpose.

Our plans to carry out this purpose have been complicated by crop developments in North America during recent weeks. Deterioration in United States corn crop prospects has reduced the estimated supply of corn for the year ahead to a total about 700,000,000 bushels below last year. The total supply of the four principal feed grains will be

down about a billion bushels. This makes it appear certain that continuation of heavy demand and high prices for livestock products would provide the incentive for farmers to feed much more wheat, cutting heavily into the record 1947 crop. A further complication is the fact that Canada's wheat prospects have recently been estimated at about 15 percent below last year.

These facts call for careful appraisal. The need to ship large supplies abroad is unquestionably great. Also important is the need to protect our own economy and price structure. In this situation, it is imperative that a balance be struck which will call for shipment of the last food calorie which can be provided without undermining the Nation's strength and effectiveness.

It is obvious that such a balance cannot be an inflexible determination. It will be affected by changing conditions. The measure of the United States contribution in the world-wide effort to keep rations from dropping below the danger point will also be relative. In appraising export possibilities for 1947-48, it will be helpful to compare them with our shipments last year.

From July 1, 1946, through June 30, 1947, the United States exported nearly 18,500,000 long tons of foodstuffs—the largest total ever shipped from one country in a single year. These shipments represented about 49.6 trillion calories of food—enough to supplement the diets of 300,000,000 people to the extent of around 450 calories a day throughout the year. The following table gives a rough break-down of the calorie value of 1946-47 exports, by major commodity groups:

1946-47 food exports

	Trillion of calories	Percent of total
Wheat and flour.....	31.2	62.9
Coarse grains.....	12.1	24.4
Rice.....	1.3	2.6
Beans and peas.....	.6	1.2
Edible fats, oils, and peanuts.....	2.0	4.1
Dairy products.....	1.3	2.6
Dried fruits.....	.3	.6
Citrus juices.....	(¹)	(¹)
Vegetables (including potatoes).....	.2	.6
Meat and poultry products and fish.....	.5	1.0
Total.....	49.6	100.0

¹ Negligible.

Last year's exports included 14,500,000 long tons of grain (more than 550,000,000 bushels). Wheat, and flour in wheat equivalent, made up nearly 400,000,000 bushels of this total, with corn, oats, barley, rye, and grain sorghums accounting for the rest. In terms of food calories, grains represented nearly 88 percent of all export shipments.

This year there will not be available, under conditions now prevailing, as large a volume of grain for shipment. It now seems likely that about 400,000,000 bushels of wheat and flour will be available for export—about the same as last year. However, the total of other grains and grain products estimated to be available for shipment this

year are not much more than one-third the quantity exported during 1946-47—about 70,000,000 bushels as compared with 175,000,000 bushels. Corn exports will have to be limited almost entirely to the 19,000,000 bushels bought last spring and moved out during July and August. Barley, grain sorghums, oats, and rye will make up the rest of the expected 70,000,000 bushels of these "coarse grains."

In arriving at these estimates, the probable price effects of exports at various levels were given careful consideration. The undesirable results of a price spiral, with impacts both at home and abroad, are apparent.

Present indicated domestic use of grain would leave about 470,000,000 bushels (12,300,000 long tons) of all grain for export—more than 2,000,000 long tons short of last year's record shipments. (See following table showing availability of grain, 1946-47 and 1947-48, and possible utilization of 1947-48 United States grain supplies.)

Grain availability—1946-47 and 1947-48¹

(Millions of bushels)

	1946-47 production			1947-48 production		
	Carry-in ²	Production and imports	Total supply	Carry-in ²	Production and imports	Total supply
Wheat.....	100.0	1,156.0	1,256.0	83.0	1,469.0	1,492.0
Corn.....	173.0	3,299.0	4,481.0	269.0	2,404.0	2,754.0
Oats.....	262.0	1,516.0	1,802.0	378.0	1,227.0	1,595.0
Barley.....	88.6	269.4	327.0	55.6	266.9	321.5
Grain sorghums.....	9.2	105.7	115.9	16.0	99.0	108.0
Rye.....	2.3	20.2	22.4	2.3	26.6	28.9
Total.....	635.1	6,366.3	6,994.4	778.9	5,492.5	6,231.4

¹ All grains on a July-June year except corn which is on an October-September year.

² Grain only.

Possible utilization of 1947-48 grain supplies¹

(Millions of bushels)

	Food	Feed	Seed	Industrial and other uses	Carry-out ²	Total domestic utilization	Balance available for export
Wheat.....	510	320.0	87	.....	147.0	1,064.0	469
Corn.....	180	2,290.0	13	66	174.0	2,782.0	21
Oats.....	80	1,150.0	110	.....	185.0	1,495.0	10
Barley.....	80	108.0	19	10	68.5	235.5	22
Grain sorghums.....	3	67.0	2	3	10.0	82.0	14
Rye.....	7	6.3	5	6	2.6	26.9	2
Total.....	860	4,962.3	227	84	578.1	5,762.4	470

¹ All grains on a July-June year except corn which is on an October-September year.

² At this time, before next year's crops can be estimated, these figures represent the minimum safe carry-overs. Final estimates will depend upon crop prospects next spring.

³ Includes 19,000,000 bushels of corn exported in the July-September quarter of 1947, which is an addition to the 3,000,000 bushels estimated to be exported during the corn crop year.

It is obvious that the United States will have to put more emphasis on shipments of foodstuffs other than grain. A careful survey of possibilities, which are regarded as practicable under present circum-

stances from the price and other points of view, shows that even then we shall probably fall short of last year's total shipments unless arrangements can be made for shipment of supplies which are produced in other countries. The movement of substantial quantities of Cuban sugar to food-deficit countries is an important illustration of this possibility.

The next table gives a rough estimate of United States export availabilities of all foods for the 1947-48 year. It is broken down in terms of calorie value, percentage for major commodity groups, and cost on a calorie basis. The cost item, of course, is a vital one. Some commodities which conceivably might be exported, but for which the calorie cost would obviously be so great as to remove them from practical consideration, have not been listed.

The table shows that the calorie value of grains in the export program for this year would be only about 82 percent of the total, as compared with 88 percent last year. From the cost point of view, the following listed commodities would cost, at present prices, from 2 to 5 dollars per 100 thousand calories: wheat, flour, coarse grains, dry peas, lard, and edible oils. (Cuban sugar also falls in this price range.) Foods costing between 5 and 10 dollars per 100 thousand calories would include: milled rice, dry beans, dried prunes, raisins, peanuts, and nonfat dry milk solids. Most other dairy products would range from 15 to 20 dollars per 100 thousand calories. Concentrated citrus juices would range between 20 and 30 dollars. Practically all other animal products and processed fruits and vegetables would run considerably higher than 30 dollars.

The table follows:

Estimated export availabilities, 1947-48

	Trillions of calories	Percent of total	Probable cost	Percent of total	Average cost per 100,000 calories
			<i>Million dollars</i>		<i>Dollars</i>
Wheat, flour.....	32.9	71.9	1,066.0	46.0	3.24
Coarse grains.....	4.6	10.1	149.1	6.7	3.15
Rice.....	2.5	5.6	84.6	3.9	6.77
Beans and peas.....	.7	1.5	32.2	1.5	4.61
Edible fats, oils, and peanuts.....	2.0	6.6	133.9	7.1	5.09
Dairy products.....	1.7	3.7	253.5	11.7	14.81
Dried fruits.....	.6	1.3	46.3	2.1	8.15
Citrus juices.....	.1	.2	18.5	.8	21.74
Vegetables (including potatoes).....	.2	.4	46.3	2.1	22.54
Meat and poultry products and fish.....	.7	1.5	328.0	15.1	46.02
Total.....	45.8	100.0	2,178.6	100.0	4.75

The United States will not, of course, be working alone in the job of getting food to deficit areas. The world food problem requires the full cooperation of all nations. It is believed that food exports in 1947-48 from countries other than the United States could be increased by about 5.3 million tons over the quantities shipped in 1946-47. Over 3 million tons of this total would be accounted for by increases in ex-

ports of grains (including coarse grains) and rice. Sugar shipments can be increased by about 1.8 million tons, according to present estimates, and increases in shipments of edible fats and oils would account for most of the remainder. (See following table.)

Argentina and Australia could provide most of the increase in grains (Argentina 1.3 million tons, Australia 0.8 million tons), and Burma most of the increase in rice export (775,000 tons out of an estimated total increase of 1 million tons). Cuba can be expected to supply most of the increase in available sugar, and the Philippine Republic almost the entire increase in edible fats and oils.

Exports, 1946-47, and estimated quantities available for export, 1947-48, from countries other than the United States

	1946-47	1947-48
	<i>Thousand long tons</i>	<i>Thousand long tons</i>
Bread grains.....	9, 733	11, 000
Coarse grains.....	3, 688	4, 500
Rice.....	1, 500	2, 500
Subtotal.....	14, 921	18, 000
Edible fats and oils.....	2, 100	2, 600
Meat.....	1, 989	1, 972
Cheese.....	171	155
Eggs (shell equivalent).....	109	133
Subtotal.....	4, 369	4, 860
Sugar ¹	7, 600	9, 400
Total.....	26, 890	32, 290

¹ Raw value.

Even with this expected increase in exports from other countries, together with the food that would be available under present circumstances for shipment by the United States, there would still be a serious gap between the minimum needs of deficit countries and the total of foodstuffs which could be supplied.

In view of this serious situation, additional steps should be taken to increase the availability of food supplies for export and the efficiency of their use. A definite responsibility rests on the deficit countries to make the most effective possible use of their indigenous production by strengthening their collection and distribution systems, and by spreading carefully all available supplies over the full 12-month period of the marketing year. As mentioned in this report, increased emphasis must be placed on foods other than grains for shipment from the United States, and supplies from all exporting countries must be channeled to the areas of most critical need.

Immediate consideration must be given to the conservation of our grain supplies, through a voluntary campaign to economize domestic use—particularly of those livestock products whose production requires large amounts of grain. Recommendations for any legislative action which might be necessary to maximize the availability of United States grain for export should also be considered.

9. AGREED POINTS ON PRINCIPLES OF FOREIGN AID REACHED BY THE SELECT COMMITTEE ON FOREIGN AID IN PREPARATION OF ITS PRELIMINARY REPORT (HERTER COMMITTEE)

(Released November 7, 1947)

The committee has agreed upon certain points to be more fully covered in its preliminary report on proposed principles and organization for any program of foreign aid. Since the issuance of this report with the statistical material to support its conclusions will not be made for several days, it was thought by the committee to be worth summarizing its conclusions to date. It must be emphasized that these are in the nature of provisional conclusions which may be subject to revision as its studies of the materials collected abroad and the availabilities at home proceed and are subjected to further checks.

EMERGENCY AID

As previously reported, the committee is in agreement on the following points:

1. Emergency aid presents the same problems as does any general European aid program and the Congress should bear this in mind in setting up any emergency aid program.

2. Should Congress, through its responsible legislative committees, find that as a practical matter it will not be able to set in motion other machinery of foreign aid by the end of the special session, the committee recommends that action should be taken prior to that time to authorize funds for the purchase of supplies through the Export-Import Bank and the Commodity Credit Corporation for any aid for France and Italy found necessary to assist those countries through March 31.

3. The emergency, though aggravated this year by crop failure, is not a temporary one. This fact must be faced and, if remedial action is to be taken, plans must be formulated accordingly.

ADMINISTRATION

The Committee wishes to report further agreement on the following points:

4. Additional governmental machinery for foreign aid should be limited to that necessary to provide efficient coordination of existing Government agencies and to fill gaps of authorities which may exist. The administration of any foreign-aid program requires the setting up of a new authority in a corporate form over which congressional con-

trol would be maintained by the regular review of its funds and operation. This authority should have a bipartisan board of directors appointed by the President and confirmed by the Senate. The corporation should

(a) have direction of the purchasing of foodstuffs, fuel, and fertilizers;

(b) Screen all requests for foreign aid;

(c) Exercise whatever legal controls are deemed necessary for protecting the economy of the United States and for the equitable and efficient allocation of United States supplies shipped abroad, particularly to see that the aid reaches those for whom it is intended.

(d) This corporation should be authorized to enter into arrangements with countries in need of foreign aid, under which food, fuel, and fertilizer would be made available to them, and to determine the form of consideration to be obtained on the basis of its best estimate of the recipient country's capacity to pay.

The corporation should hold and administer the consideration received by it for any supplies delivered where such consideration is not in the form of United States currency. Receipts in dollars would be credited to the corporation's capital account. When the consideration is in the form of local currency funds of the recipient countries, the corporation should appoint, with respect to each such fund, a board of administrators of not less than three nor more than five individuals. A majority should be citizens of the United States designated by the corporation with the approval of the Secretary of State and acceptable to the recipient country; and the balance should be designated by such recipient country. Each such local fund should be utilized and invested for the primary purpose of contributing to the recovery of the recipient country and to the development of any new sources of wealth therein. As much as practicable, the creation of new wealth should include increased facilities for the production of strategic and critical materials. Agreements for such increased facilities should provide, on the one hand, that a portion of the increased production should accrue to the producing country and thereby aid in providing exchange and, on the other, that the remainder should be delivered to the United States for sterilized stock piles which would be held out of competition with normal commercial markets.

5. The committee believes that the International Bank for Reconstruction and Development and the Export-Import Bank can be utilized to meet the remaining genuine requirements for foreign aid in capital goods, equipment, and raw materials. The Export-Import Bank should be strengthened and provided with such additional resources as may be necessary to carry out these functions.

CONDITIONS AND PRINCIPLES OF FOREIGN AID

6. In order to protect the economy of the United States and to be effective in accomplishing its objectives, the corporation should take into account in the handling of any foreign-aid programs the following points:

(a) The recipient countries should make vigorous efforts, individually and jointly, to increase the production of food and materials needed to meet not only their essential internal needs but the needs of other countries. Increased local production to assure decreasing deficits should be sought, so as to limit the requirements from abroad to a minimum consistent with a sound economic balance.

(b) The recipient countries should, through mutual help and cooperation, facilitate the economic interchange of goods and services among themselves, provide effective distribution and use of their own resources, as well as of the resources received from outside, and work toward the elimination of exchange controls, quota restrictions, and other obstacles to trade. (The progress already made by Belgium, the Netherlands, and Luxemburg toward a customs union seems to the Committee a step in the right direction.)

(c) Certain countries other than the United States which are in a position to supplement a program of aid, which have the same incentive as we to do so and which enjoy access to United States supplies, should be expected to cooperate each in relation to its respective capacity.

(d) Every encouragement should be given and every facility extended to private initiative to assume, as conditions permit, the activities which have developed on governments in the present crisis.

(e) The recipient countries should adopt fiscal, financial, and monetary programs designed to arrest inflation, to correct existing monetary weaknesses, to accomplish stabilization of exchanges, and generally to restore confidence in their currencies.

FOREIGN AID COUNCIL FOR POLICY DECISIONS

7. Any programs formulated by the corporation should coordinate policies through a foreign aid council presided over by the Secretary of State, and including all the top officials of Government agencies concerned with matters relating to foreign aid.

CONTROLS

8. The Committee is agreed that there should be a retention of the existing controls as necessary to protect our domestic economy in a period of serious shortages. In particular, export controls are needed to prevent an excessive flow of these short items abroad.

PROBLEM OF AVAILABILITY OF SUPPLIES

9. No estimates for the capitalization of the new authority recommended can be justified until availabilities of commodities in short supply both in the United States and in the world can be more carefully studied.

The immediate problem is as much one of the availability of commodities as of dollars.

10. BRIEF DESCRIPTION OF UNITED STATES AGENCIES CONCERNED WITH PHASES OF RECOVERY PROGRAM

ADVISORY COMMITTEE ON SECOND DECONTROL ACT

Interdepartmental committee consisting of representatives from State, Agriculture, Interior, National Military Establishment, Office of Defense Transportation, with Assistant Secretary for Foreign and Domestic Commerce as chairman. Objective of committee is to promote effective operations of materials control as it relates to the domestic economy, and to assist in establishing sound international economic relations. Assisted by review committee from these agencies and the National Housing Agency, and a subcommittee on priority assistance for export. Order dated August 13, 1947.

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

Established to succeed the President's War Relief Control Board to tie together the governmental and private programs in the field of foreign relief and to work with the Famine Emergency Committee and other interested agencies and groups. Exercises advisory functions to guide the public, and agencies seeking support of the public, in the appropriate and productive use of contributions for voluntary foreign aid, including projects of relief, rehabilitation, reconstruction, and welfare. Conforming agencies, after acceptance by the Committee, are permitted to state "programs, budgets, and audits voluntarily recorded for public inspection with the Advisory Committee on Voluntary Foreign Aid of the United States Government." Represents interests of private agencies in obtaining allocations from Agriculture for export of critically scarce food items, as clearing agent for zones occupied by United States Army, and administers \$5,000,000 appropriation to pay for ocean transportation of relief items.

Approximately 65 agencies are recorded with the Advisory Committee.

AGRICULTURE, DEPARTMENT OF

Inherited wartime controls over foodstuffs and agricultural products of the War Food Administration and the rationing controls that were left in this area from Office of Price Administration. Has substantially dispensed with all these at this time. (See Commodity Credit Corporation.)

ALIEN PROPERTY, OFFICE OF, DEPARTMENT OF JUSTICE

Exercises the functions of the Attorney General in controlling or vesting foreign-owned property. Has charge of litigation arising

from the foreign funds program of the Treasury Department, and prepares informal legal opinions to Treasury Department involving problems relating to alien property or foreign funds control.

COMMERCE, DEPARTMENT OF

Inherited portions of the Civilian Production Administration and remaining number of priority controls and allocations which expire in February 1948 except for rubber. Administers export controls which run until March 1948. Fosters, promotes, and develops foreign commerce. Prepares official annual report on balance of international payment of the United States. Facilitates United States participation in peacetime trade with former enemy and other areas in which normal channels of trade do not operate.

President Truman announced June 22, 1947, a nonpartisan committee, composed of 19 domestic leaders in the fields of finance, economics, business, and labor headed by Commerce Secretary W. Averell Harriman. Full report, European Recovery and American Aid released November 8. Popularly referred to as Harriman report or committee. Committee charged with determining character and quantities of United States resources available for economic assistance abroad and advise the President on limits within which the United States may safely and wisely extend such aid in relation to domestic economy.

COMMERCIAL COMPANY, U. S.

See under Reconstruction Finance Corporation.

COMMODITY CREDIT CORPORATION

The fiscal and operating arm of the Production and Marketing Administration for buying and selling agricultural commodities. Powers vested in the CCC have not been substantially altered since the war. Limited by its commitments to Congress and by its charter which expires June 1948. CCC still exercises, through indirect power over export, ability to require foreign purchasers of foodstuffs to clear their purchases through it where these foodstuffs are on export control list.

Buys directly for foreign account to assure procurement of cereals, notably wheat. No power remains to issue set-aside orders to processors or food growers. Work within framework of Production and Marketing Administration of Department of Agriculture.

COUNCIL OF ECONOMIC ADVISERS

President Truman announced study by Council on June 22, 1947. Report, The Impact of Foreign Aid Upon the Domestic Economy, transmitted to the President, October 28, and released November 1. Letter of transmittal signed by Edwin G. Nourse, chairman, Leon H. Keyserling, vice chairman, and John D. Clark. Report popularly referred to as Nourse report.

EXPORT-IMPORT BANK OF WASHINGTON

Permanent, independent agency with management vested in bipartisan board. Authorized capital stock of \$1,000,000,000, and borrowing power of \$2,500,000,000. By charter bank is to supplement and not compete with private capital, and loans should generally be for specific purposes and offer reasonable assurance of repayment. Approximately \$700,000,000 of uncommitted funds remain.

HARRIMAN COMMITTEE

See Department of Commerce.

INTERIOR, DEPARTMENT OF

Chief responsibility within Government for petroleum and coal industries.

President Truman announced June 22, 1947, a study by committee of specialists under direction of and to be named by Interior Secretary J. A. Krug, Report, National Resources and Foreign Aid, released October 19, 1947. Experts, technicians, and clerical workers made available by various departments and agencies. Popularly referred to as "Krug report."

KRUG COMMITTEE

See Department of Interior.

MARITIME COMMISSION

Sole disposal agency for surplus merchant ships. Received functions, powers, and duties of War Shipping Administration. No direct control powers in existence. Authority to charter and/or sell United States owned ships expires March 1948.

MUNITIONS BOARD, ARMY AND NAVY

Administers the Stock Pile Act of July 23, 1946, in collaboration with the Bureau of Federal Supply, Treasury Department, and in policy matters works with National Security Resources Board.

NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL PROBLEMS

Representatives of Departments of State, Commerce, and Agriculture, Export-Import Bank, Federal Reserve System, under chairmanship of Secretary of the Treasury. Coordinates and develops international financial and monetary policy including policies of United States representatives on International Monetary Fund and the International Bank.

NATIONAL SECURITY RESOURCES BOARD

Has policy powers in field of stockpiling.

RECONSTRUCTION FINANCE CORPORATION

Has now substantially liquidated its position in procurement of strategic materials. Permanent stockpiling function transferred to Treasury's Bureau of Federal Supply which operates under instructions from Munitions Board. Small amount of stockpiling procurement in metals handled by RFC subsidiaries, mainly from surplus, now being concluded.

Power to buy and sell in liberated areas and occupied areas, where commercial purchasing is not feasible, has been questioned. United States Commercial Company which operated in this field now in liquidation.

STATE, DEPARTMENT OF

Has developed economic sections to handle work previously done by Foreign Economic Administration and Lend-Lease and some of the foreign aid programs which were administered by the Army, as well as by FEA and later, UNRRA. Has created agencies abroad for administering allocation and spending of \$350,000,000, plus a children's fund, to take place of UNRRA.

Overseas granting of aid on both a military and a direct relief and reconstruction basis to Greece, and on a military basis to Turkey. Interested in relief matters in occupied territories. Supervises American representatives in the United Nations and in numerous international organizations. Conducted negotiations related to the International Trade Organization and its implementation through tariff agreements.

Supervises the activities of the Institute of Inter-American Affairs and the Inter-American Educational Foundation, a heritage from war program of Coordinator of Inter-American Affairs.

Issued on behalf of Committee of European Economic Cooperation the committee's General Report (vol. 1) and Technical Reports (vol. 2).

Center of development of interim and recovery programs.

TRANSPORTATION, OFFICE OF DEFENSE

Retains limited wartime powers which expire March 1948. Instructed to assure maximum utilization of the domestic rail transportation facilities.

TREASURY, DEPARTMENT OF THE

Distribution and controls attached to credits like the British loan and supervision of numerous other international obligations. Supervision of arrangements between central banks insofar as they affect directly the position of the United States in matters of currency, gold reserves, etc.

Bureau of Federal Supply has former stock-piling function of RFC. Its Lend-Lease Division performed special services accorded to supplies purchased for UNRRA or on a cash reimbursable basis for foreign governments. Also acts as procurement agency in connection with United States Government supply program;

The Secretary is chairman of National Advisory Council on International Monetary and Financial Problems and United States Governor of the International Monetary Fund and the International Bank for Reconstruction and Development.

WAR DEPARTMENT

Policies, operations, and economy in occupied territories closely related to recovery program.

WAR SHIPPING ADMINISTRATION

Functions, powers, duties transferred to Maritime Commission, September 1, 1946.

PRIVATE AGENCIES IN FOREIGN RELIEF

(Complete list as recorded by Advisory Committee on Voluntary Foreign Aid available for public inspection)

AMERICAN COUNCIL OF VOLUNTARY AGENCIES FOR FOREIGN SERVICE

Established in 1943 to promote joint planning and action on matters of mutual interest to its member bodies. Uses areas and functions committees. At present, member organizations rely upon their own respective means of raising funds.

CARE

Nonprofit corporation—Cooperative for American Remittance to Europe, Inc.—formed by 27 major voluntary foreign-relief agencies which were members of the above council. CARE packages made available on order for delivery to individuals and institutions from stock piles established in each of the food-deficit countries. Governments have provided free customs entry, freedom from other duties, taxes or ration controls.

COMMISSION FOR INTERNATIONAL EDUCATIONAL RECONSTRUCTION (CIER)

For full list prepared with cooperation of more than 300 organizations, see CIER Handbook; Organizations With Programs for International Educational Reconstruction, August 1947, 744 Jackson Place NW., Washington 6, D. C. CIER established in September 1946, to stimulate and coordinate American voluntary efforts on behalf of education in war-torn lands. Designated by United States National Commission for UNESCO to coordinate American efforts in response to UNESCO's appeal in this field.

CRALOG

Council of Relief Agencies Licensed for Operation in Germany, generally known as CRALOG, established February 9, 1946. Fifteen organizations participate in the Council. Operates on the basis of plans approved by the military authorities.

11. INTERNATIONAL ORGANIZATIONS AND THE RECOVERY PROGRAM¹

Paragraph 110 of the Paris report states that it is the desire of the participating countries that wherever suitable international machinery exists it should be used in the implementation of the European Recovery Program. The report, both in this paragraph and in a number of specific instances in the technical reports, suggests that the Economic Commission for Europe be used for continuing study of certain production problems and other questions having a direct bearing on the economic recovery program. Although the work of the Economic Commission for Europe is most directly related to the carrying out of the European Recovery Program, there are a number of other international organizations which could also be of assistance, namely, the Food and Agriculture Organization (FAO), the International Emergency Food Council (IEFC), the International Labor Organization (ILO), the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the International Trade Organization (ITO) when established.

1. ECONOMIC COMMISSION FOR EUROPE

The Economic Commission for Europe is a Commission of the Economic and Social Council of the United Nations, and has as its members all the European members of the United Nations and the United States. It was established by the Economic and Social Council early in 1947. The terms of reference of the Commission provide that it shall

initiate and participate in measures for facilitating concerted action for the economic reconstruction of Europe, for raising the level of European economic activity, and for maintaining and strengthening the economic relations of the European countries both among themselves and with other countries of the world.

It was also provided in the terms of reference that immediately upon its establishment the Commission should consult with the member governments of the Emergency Economic Committee for Europe, the European Coal Organization, and the European Central Inland Transport Organization, with a view to the termination of those organizations and the continuation of their essential work by the ECE.

The Emergency Economic Committee for Europe, the European Coal Organization, and the European Central Inland Transport Organization were set up at the close of the European war to provide for mutual consideration among the European countries of immediate postwar problems. These organizations were set up by mutual agreement among governments in the period before the United Na-

¹This section has been prepared by the Department of State.

tions was organized. The United States was a member of all three organizations. The U. S. S. R. was a member of only the European Central Inland Transport Organization. One of the principal reasons for establishing the Economic Commission for Europe was to bring these three organizations into closer relationship and to continue and expand the work they had begun within the framework of the United Nations.

The Economic Commission for Europe has had two sessions of the full Commission, has already taken over the work of the Emergency Economic Committee for Europe, and the European Central Inland Transport Organization, and will take over the functions of the European Coal Organization in January 1948. In addition to the two sessions of the full Commission, the ECE has also held meetings of the following technical committees: Alkalies, fertilizers, housing, timber, electric power, and transport. Meetings of the committees on industry and materials and on coal are scheduled for November.

In the commodity committees emphasis has been placed on the need to increase production of the commodities under consideration and to facilitate their interchange among the European countries. The transport committee has established working groups to examine methods of identification and repatriation of rolling stock; standardization of transportation equipment; bottlenecks limiting repair, maintenance, and renewal of transport equipment; and other similar problems, with a view to a more efficient use of existing equipment. It is continuing for the time being the meetings of BIDAC, a subgroup formerly attached to ECITO which handles bidding and acceptances of traffic through Germany.

The technical reports of the Paris committees have been used by the Secretariat of the ECE in preparing background papers for consideration by the committees, and account has been taken, where appropriate, of specific suggestions made by the Paris Conference for further study of particular problems in the ECE.

One of the most important functions of the ECE beginning in January 1948 will be the continuation of the work heretofore done by the European Coal Organization. Since its establishment at the close of the European war, the ECO has made recommendations to the United States Government and to the appropriate control authorities in Germany on the distribution among ECO countries of any coal available for export to those countries from the United States and the Ruhr and the Saar. These recommendations made by ECO have been agreed upon and have been honored to the fullest extent. Poland has recently become a member of the ECO and has participated in its allocations. However, the difficulties of securing adequate amounts of coal from Poland for western Europe to be distributed according to need rather than market or political requirements have appeared in the functioning of the ECO. The ECO has also assisted in the procurement and distribution of mining supplies and equipment. It is expected that the ECE will continue both aspects of ECO's work.

The Commission has no executive powers, but is empowered to make recommendations on any matter within its competence directly to its member governments and to governments participating in a consulta-

tive capacity and to specialized agencies. Five of the sixteen countries participating in the Paris Conference are not members of the Commission, since they are not yet members of the United Nations. These countries—Italy, Switzerland, Eire, Austria, and Portugal—are, however, invited to attend the meetings of those committees of the Commission in whose work they have an interest. The U. S. S. R., the Ukrainian S. S. R., and the Byelorussian S. S. R. have attended none of the meetings of the technical committees which have thus far been held. The other members of the Commission—the United Kingdom, the United States, France, Belgium, the Netherlands, Luxemburg, Denmark, Norway, Sweden, Poland, Czechoslovakia, Yugoslavia, Greece, and Turkey—have attended some or all of the meetings of the technical committees and have participated fully in their work.

2. FOOD AND AGRICULTURE ORGANIZATION

The Food and Agriculture Organization was established in October 1945, and is authorized to "collect, analyze, interpret, and disseminate information relating to nutrition, food, and agriculture (including fisheries and forestry); * * * promote and * * * recommend national and international action with respect to scientific, technological * * * research, improvement of education and administration relating to nutrition, food, and agriculture; * * * improved methods of agricultural production; improvement of processing, marketing, and distribution of food and agricultural products; * * * to furnish such technical assistance as governments request."

The FAO has a membership of 54 countries, and includes all the countries participating in the European recovery program except Sweden and Turkey. Other European members of the organization are Czechoslovakia, Finland, Hungary, Poland, and Yugoslavia.

The third session of the Conference meeting recently in Geneva established a Council of the FAO composed of representatives of 18 member governments elected by the Conference. This Council will exercise certain functions of the Conference between annual sessions. The Director General has also established a number of standing advisory committees in various technical fields. In addition, many of the member countries of FAO have established FAO national committees, usually consisting of representatives of both government and private organizations concerned with the work of FAO, and organized for the purpose of helping to carry out FAO recommendations and programs within the country concerned.

The FAO is at present engaged in preparing a complete analysis of food and agricultural production in Europe as a whole as a part of a larger report on European reconstruction being prepared by the Economic Commission for Europe. This report will include a survey of farm machinery and draft-power requirements and availabilities as well as information on food production. The Forestry Division of FAO is also cooperating with the Economic Commission for Europe in obtaining information concerning timber resources, both within Europe and for import into Europe. Technical forestry assistance is being made available to individual European countries on request.

3. INTERNATIONAL EMERGENCY FOOD COUNCIL

The International Emergency Food Council was established by the FAO in May 1946 and became, in fact, the successor to the war-time Combined Food Board. The IEF C is authorized:

* * * (a) to consider, investigate, inquire into, and formulate plans with regard to any question * * * relating to the supply and distribution in or to any part of the world, of foods, agricultural materials from which foods are derived, and equipment and nonfood materials ancillary to the production of such foods and agricultural materials and to make recommendations to the Member governments in respect of any such question * * *

(b) to work in collaboration with others of the United Nations (and with other international bodies) toward the best utilization of their food resources and in collaboration with the interested nation or nations to formulate plans and recommendations for the most effective use of their food resources during the present emergency.

The IEF C has a membership of 35 governments, including all of the 16 countries which met in Paris except Luxemburg and Iceland. The only other European members are Czechoslovakia, Finland, Hungary, and Poland.

Governments become members of the IEF C through membership in one or more of the several commodity committees. At the present time there are committees concerned with the following commodities: Beans and peas, cereals, cocoa, fats, oils and feeds, fertilizers, fishery products, meat and meat products, rice, seeds, and sugar.

The IEF C, operating through its several commodity committees, makes recommendations to the member governments concerning the allocations of foodstuffs and materials in short supply. The IEF C itself cannot enforce these recommendations but the member governments, in joining IEF C, accept certain undertakings with regard to the implementation of IEF C recommendations. These undertakings include such matters as the necessary domestic legislation required to implement allocations recommendations.

The third session of the FAO Conference, which included most of the IEF C member governments, and others in addition, recommended that the functions of the IEF C be transferred to the FAO as of December 31, 1947, under conditions to be agreed upon.

4. INTERNATIONAL LABOR ORGANIZATION

The International Labor Organization, established in 1919, was the first specialized agency to be brought into relationship with the United Nations. Among its 53 members are the 16 countries which participated in the Paris meetings. Finland, Poland, Hungary, Czechoslovakia, and Bulgaria are also members. Yugoslavia is still nominally a member, but in July 1947 gave the constitutional 2-year notice of intention of withdrawal. The U. S. S. R. resigned its briefly held membership in 1939.

The primary function of the ILO is to promote improved labor standards through international agreements which are formulated by its annual International Labor Conference. Each country sends to the Conference two governmental delegates and one representative each

of employers and of workers, chosen in agreement with the most representative employer or labor organization.

Representatives of each group compose the governing body of the International Labor Office, which sets the policy to be followed by the Director General and approximately 450 staff members who comprise the permanent office.

On June 28, 1947, the ILO Conference at Geneva adopted a resolution referring to the Foreign Ministers meeting in Paris and promising "its readiness, within the scope of its functions, to make its full contribution and that of the forces which it represents to the great work of world reconstruction of which this date should be the starting point."

The ILO might be of assistance in developing standards for bilateral or multilateral agreements for the migration of labor from countries of unemployment to areas where manpower shortages are serious, and in connection with recruitment and placement of immigrant workers, including displaced persons. Such operating functions—as distinct from the setting of standards—would represent a practically new function which the ILO would assume only upon request of the members involved.

Its employment service experts might assist individual countries in the improvement of their employment-service methods. Similarly, ILO experts might be utilized for vocational guidance work to retrain workers for new jobs as well as to train new additions to the industrial or agricultural labor supply.

5. INTERNATIONAL MONETARY FUND

The International Monetary Fund came into existence in December 1945 and now has 45 members. Of the 16 countries participating in the European recovery program, the following are not members of the fund: Portugal, Sweden, Switzerland, Austria, and Ireland.

The purposes of the fund, as stated in article I of the fund agreement, are to promote international monetary cooperation, to facilitate the expansion and balanced growth of international trade, to promote exchange stability, to maintain orderly exchange arrangements of members, to assist in the establishment of a multilateral system of payments and in the elimination of foreign exchange restrictions, to give confidence to members by making the fund's resources available to them under adequate safeguards, thus providing them with an opportunity to correct maladjustments in their balances of payments without resorting to measures destructive of national or international prosperity, and to shorten the duration and lessen the disequilibrium in the international balances of payments of members.

The fund may thus help members meet deficits in their balances of payments which are of a temporary nature, such as a deficit due to a crop failure. The fund's resources are not available for relief, reconstruction, and development purposes, nor to meet a continuing drain of a country's external resources due to fundamental disequilibrium, although the articles of agreement provide for a waiver of these limitations in exceptional circumstances. The fund is to assist countries in meeting emergencies in normal times and was not designed for capital

or long-term operations. The articles of agreement visualize prompt repayment and the charges rise sharply with the time the advance remains unpaid. The fund's resources amounted to the equivalent of 7.920 billion dollars on August 31, 1947, of which 3.274 billion dollars was in gold or dollars.

The authors of the fund at the Bretton Woods Conference did not intend that the fund's resources be used for postwar reconstruction, and accordingly established the International Bank to assist in this field. They realized that if the fund's resources were depleted by advances for reconstruction purposes the fund would be permanently weakened and unable to fulfill its original purpose.

6. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

The International Bank for Reconstruction and Development was established simultaneously with the fund and has an identical membership. The bank's resources are for the benefit of its members, and according to the articles of agreement, "the bank shall pay due regard to the prospects that the borrower * * * will be in a position to meet its obligation under the loan." Its loans therefore are available to member countries whose credit standing indicates repayment prospects are satisfactory.

Although the bank's subscribed capital amounts to a little over 3 billion dollars, only 20 percent of this amount is available for loans, the remainder being in the form of a guaranty fund. Of the 20 percent of the capital which has been paid in, most was in currencies other than dollars. On September 30, 1947, the bank's holding of liquid dollar assets amounted to approximately 740 million dollars. The bank in July 1947 borrowed 250 million dollars through the sale of its own bonds. Borrowing operations of this type constitute the main source of funds for lending. The bank's bonds are now slightly under par and the bank feels that its ability to borrow is strictly limited, especially at the present time. The bank believes that the kind of loans it makes has an important bearing on its ability to borrow. The bank has made loans to France of 250 million dollars, Denmark 40 million dollars, the Netherlands 195 million dollars, and Luxemburg 12 million dollars.

The bank is prepared to consider loans for the purchase of capital equipment and other projects which will aid this program, keeping in mind the bank's lending capacity, its statutory limitations, and its obligations to non-European members.

7. INTERNATIONAL TRADE ORGANIZATION

A United Nations Conference on World Trade and Employment will convene in Habana on November 21, 1947, to agree upon and recommend to governments a charter for an International Trade Organization. The draft charter which was agreed upon in Geneva last August contains provisions relating to national policies regarding tariffs, customs administration, hidden restrictions on trade, import and export quotas, exchange controls, preferences and other forms of discrimination, state trading, subsidies, restrictive business practices

in international trade, intergovernmental commodity agreements, international aspects of domestic employment policies, economic development, and international investment.

It will be the function of the International Trade Organization to watch over the observance of the principles embodied in the charter, to facilitate consultation among its members and, generally to carry out the substantive provisions of the charter. The organization as proposed in the draft charter will consist of a conference of member states, and an executive board, with continuing administration in the hands of a director-general and staff.

Although there may be some difference in emphasis, the general objectives of the European recovery program and the proposed ITO are essentially the same, namely an expansion of production and trade resulting in a maximization of real income and a rise in living standards. The difference in emphasis arises from the fact that the recovery program is primarily concerned with the immediate problem of economic reconstruction over the next 4 years. The ITO's greatest usefulness can be expected after European production is restored.

The draft ITO charter specifically foresees the possibility of the formation of new customs unions, including arrangements of an interim character, provided such arrangements include definite plans for generalizing their conditions within a reasonable time.

INTERNATIONAL TIN COMMITTEE¹

This committee set up in 1931 functions under the agreement of September 9, 1942, entered into between the United Kingdom (for Malaya and Nigeria), Belgium (for Belgian Congo), the Netherlands (Netherlands Indies), and Bolivia. The committee decides on the exportable surpluses that are to be made available by the nations controlling the chief tin-producing areas and establishes quotas for consuming nations. The United States and other consuming nations attend quarterly allocation meetings and give advice as to stocks, consumption, and requirements. The United States during 1947 received approximately 50 percent of the declared exportable surplus.

¹ Added by staff.

12. TEXT OF TASS STATEMENT OF SOVIET VIEWS ON EUROPEAN AID

(New York Times, June 30, 1947)

LONDON, June 29 (AP)—The text of a Moscow-broadcast Tass dispatch, recorded by the Soviet Monitor, on the Marshall Plan:

On June 28 the (Paris) newspapers l'Aube and le Monde published a detailed exposition of the French Government's stand at the conference of the three Ministers in Paris. It is also known that the British Government's viewpoint in this respect coincides in general with the French viewpoint.

We have been given the opportunity to expound the viewpoint of the Soviet Government at this conference. The Soviet stand is as follows:

As is known, the Paris Conference was called in connection with the speech delivered by the United States Secretary of State, Mr. Marshall, at Harvard University on June 5. In this speech Mr. Marshall expressed his apprehensions with regard to the economic conditions prevailing in the European countries following the Second World War.

He pointed to the grave consequences of the war, which caused immense losses in manpower and the destruction of towns, factories, mines, and railways, and he pointed also to postwar difficulties in the economic life of the European countries. He pointed out that the quantities of commodities now being produced is inadequate, that there are shortages of food, raw materials, and fuel and that machinery has become badly worn out, especially in the years of war.

Noting that the demand of certain European countries for food and other necessities, now being received chiefly from America, exceeds by far their present ability to pay, he said that the United States of America must do everything in its power to assist in the return of normal economic conditions in the world.

SETS UNITED STATES GAINS IN WAR

Dealing with the possibility of America's rendering economic assistance to the European countries, Mr. Marshall said that countries of Europe should themselves ascertain their needs and arrive at some kind of agreement among themselves, assuming the initiative in this matter. He said in this connection that the role of the United States of America should be that of affording friendly assistance in working out a European program and of giving subsequent support for such a program, insofar as this might be practicable for the United States of America.

Quite obviously, the rehabilitation and further development of the national economies of the European countries could be facilitated if the United States of America, whose production capacities—far from

declining—considerably increased during the war, rendered the economic assistance which those countries need. At the same time the United States of America, for its part, is also interested in making use of its credit possibilities for expanding its external markets, especially in view of the approaching crisis.

When, in connection with Mr. Marshall's speech, the French and British Governments suggested a conference of the three Ministers, the Soviet Government received this proposal favorably, despite the fact that the system of planning on which the Socialist national economy in the U. S. S. R. is based precludes the possibility of the various crises and economic shake-ups mentioned in the above speech of the American Secretary of State.

Naturally, the present conference will achieve its object only if it correctly formulates its tasks and methods of work.

OPPOSES FRENCH PLAN

A definite plan of work prepared by the French Government and endorsed by the British Government has been presented at the conference. The Soviet delegation expressed grave doubts with regard to this plan.

It is one thing to ascertain the economic needs of the European countries for American aid in the form of credits and deliveries of goods by means of the estimates drawn up by the European countries themselves. This is acceptable and may prove very useful to the European countries.

It will be an entirely different matter if the conference engages in drawing up an all-embracing economic program for the European countries as envisaged by the French project, and will only in passing ascertain their needs for American economic aid. If the conference deviates to this path it will digress far from the task set it and will fail to yield any positive result.

It is stated here that France has an economic plan of her own and that the French Government hopes for positive results from this plan. Great Britain also has an economic program of her own. It is widely known that in the Soviet Union the rehabilitation and development of the national economy is based on a state socialist plan.

The Soviet people has already carried out more than one five-year plan. At present the Soviet people is successfully carrying out its postwar Stalin Five-Year Plan. This insures a steady rise of the material and cultural well-being of the Soviet people.

CONDEMNS FOREIGN INTERFERENCE

It is also known that certain other European countries also are now engaged in rehabilitating their national economies on the basis of 2-year and 3-year plans. Considerable successes have already been achieved in the implementation of these plans. Hitherto it was taken for granted that each nation should decide for itself how best to secure the rehabilitation and rise of its economy. No European government intends to interfere and say whether Monnet's (French) plan is good

or bad for France. This is the affair of the French people itself. But the same applies to Great Britain and the Soviet Union, to Poland, Czechoslovakia, and every other European country.

This is how the matter is understood in the Soviet Union, which more than once offered resistance to attempts at foreign intervention into its affairs. It was considered perfectly obvious that internal economic affairs are to be decided by the sovereign peoples themselves and that other countries should not interfere in these internal affairs.

It is only on this basis that the normal development of relations among countries is possible. Attempts at outside interference in the economic life of various countries have not yielded favorable results, nor can they yield them.

If that is true, then any attempts to compel the conference to engage in drawing up an all-embracing economic program for the European countries—which will inevitably entail intervention on the part of some states into the affairs of other states—cannot be accepted as a basis for cooperation among the European countries. At present certain powers display such strivings, but they are doomed to failure and will only undermine their international prestige.

The conference is faced with the task of ascertaining the needs of the European countries for American economic aid by means of receiving appropriate estimates from the countries concerned and subjecting them to a joint examination.

WANTS OTHERS INVITED

It should be believed that the task of the conference is to establish cooperation among the European countries in drafting estimates of the needs of these countries for American economic aid, to ascertain the possibility of obtaining such economic aid from the United States and to assist the European countries in obtaining this aid.

This is no easy task and will require considerable efforts. But if the conference copes successfully with this task, an important step will have been made in developing cooperation among the European countries, and at the same time in developing cooperation between the countries of Europe and the United States of America.

What European countries should cooperate in this undertaking?

In this respect, too, there is a difference between the positions of the various countries, so it would be wrong not to consider the difference which should exist in the Allies' attitude to the Allied states, the former enemy states and the neutral states.

The Soviet Government maintains that the ascertaining of the needs (estimates) of the European countries for American economic aid cannot be the concern of only the three countries taking part in the present conference. Other European countries, too, should be invited to take part in working on the problems involved.

WOULD AID WAR ALLIES FIRST

In so doing, account should be taken in the first place of the needs of those European countries which suffered German occupation and rendered support to the common cause of the Allies in defeating the

enemy. It is those countries that should be invited in the first place to take part in the economic cooperation in Europe which is now being planned. Their needs should be given special attention when the questions of American economic aid come under consideration.

As to the former enemy countries, they must be invited for appropriate consultations.

The question of Germany is quite a special one. It is known that the Allied countries have not yet achieved agreement on such fundamental problems as the creation of an all-German Government, the payment of reparations by Germany, Germany's industrial level and so forth. These problems are under consideration by the Council of Foreign Ministers, in which not only these three countries, but the United States of America as well is a member.

That is why the German question is to be considered by the Council of Foreign Ministers and not by the present conference.

As to the methods of examining the problems at this conference, the Soviet delegation believes it desirable to set up appropriate committees composed of representatives of the three countries and to invite representatives of the other European states, and in the first place the above-mentioned Allied countries, to take part in those committees. It is also necessary to consider the question of the relations to be established with the (United Nations) European Economic Commission.

13a. STATEMENTS BY MOLOTOV, BEVIN, AND BIDAULT ON EUROPEAN AID PLAN

(From New York Times, July 3, 1947)

Paris, July 2 (AP).—Following is the text of Soviet Foreign Minister Molotov's statement at the final meeting of the three-power conference on the Marshall Plan and excerpts from subsequent statements by British Foreign Secretary Bevin and French Foreign Minister Bidault:

BY MR. MOLOTOV

The Soviet delegation has carefully examined the proposal submitted by the French delegation on July 1.

The French draft as well as the previous proposal of the British delegation sets the task of drawing up an economic program for the whole of Europe, even though the majority of European countries are known to have no Nation-wide economic programs of their own. With a view to elaborating such a comprehensive European program it is proposed to set up a special organization charged with assessing the resources and needs of European countries and even with determining the development of the main branches of industry of these countries and only after that with ascertaining the possibilities of receiving American economic aid.

Therefore, the question of American economic aid of which indeed nothing definite is yet known has now provided an occasion for the British and French Governments to seek the creation of a new organization standing over and above the countries of Europe and interfering in their internal affairs down to determining the line of development to be followed by the main branches of industry in these countries. Furthermore, Great Britain and France together with the countries close to them are laying claim to a predominant position in the organization or in the so-called Steering Committee for Europe as it has been named in the British draft.

Verbal reservations are now being made to the effect that this organization would allegedly not intervene in the internal affairs of these states and would not encroach upon their sovereignty. But it clearly follows from the tasks which are being set before this organization or before the steering committee that the European countries would find themselves placed under control and would lose their former economic and national independence because it so pleases certain strong powers.

OUTSIDE PRESSURE FEARED

In any case it is now suggested that the possibility of American aid being received by this or that country involves an obedient attitude on

its part vis-à-vis the above-mentioned organization and its steering committee.

Where is this likely to lead?

Today pressure might be put on Poland to produce more coal even though it be at the expense of the other branches of Polish industry because that is in the interest of certain European countries; tomorrow it will be said that Czechoslovakia must be required to increase her agricultural production and to reduce her engineering industry and it will be proposed that Czechoslovakia should receive machinery from other European countries wishing to sell goods at higher prices.

Or, as the newspapers recently reported, Norway will be compelled to discontinue the development of her steel industry because that is more convenient to certain foreign steel corporations, etc.

What would then remain of the economic independence and sovereignty of such European countries?

Under these conditions how would the small countries and in general the less powerful states be able to safeguard their national economies and independence?

The Soviet Government certainly cannot venture along this path and continues to support its proposals put forth at this conference June 30. Nor does the Soviet Government share the enthusiasm regarding foreign support made apparent in the last French draft.

FORESEES CONTROLS BY UNITED STATES

When efforts are directed toward Europe helping herself in the first place and developing her economic potentialities as well as the exchange of goods between countries, such efforts are in conformity with the interests of the countries of Europe. When, however, it is stated as in the French proposal that the decisive hold on the rehabilitation of the economic life of European countries should belong to the United States and not to the European countries themselves, such a position stands in contradiction to the interests of European countries since it might lead to a denial of their economic independence, which denial is incompatible with national sovereignty.

The Soviet delegation believes that internal measures and the national efforts of each country should have a decisive importance for the countries of Europe and not make calculations for foreign support which should be of secondary importance. The Soviet Union has always counted above all on its own powers and is known to be on a steady way of progress of its economic life.

The first form of cooperation is based on the development of political and economic relations between states possessing equal rights and in that case their national sovereignty does not suffer from foreign interference.

Such is the democratic basis for international cooperation which brings nations closer together and facilitates the task of their mutual aid.

There exists, however, a different form of international cooperation based on the predominant position of one or several strong powers in relation to other countries which slip into the position of subordinated countries deprived of their independence.

FRENCH PLAN REJECTED

It is perfectly obvious that the first form of cooperation between states when they act as parties possessing equal rights is radically different from the second form of international cooperation, when this principle is not observed.

The Soviet Government, while favoring the development of international collaboration on the basis of equal rights and mutual respect for the interests of the contracting parties, cannot lend its assistance to anyone in arranging his affairs at the expense of other countries of less strength or size because this has nothing in common with normal cooperation between states.

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, rejects this plan as being altogether unsatisfactory and incapable of yielding any positive results.

On the other hand the Soviet Union favors the fullest development of economic collaboration between European and other countries on a healthy basis of equality and mutual respect for national interests and has itself constantly contributed and will contribute to this end by the expansion of trade with other countries.

DIVIDED GERMANY FEARED

The fact that the Franco-British proposals raise the question of Germany and her resources merits special attention. It is proposed that the above-mentioned organization or the steering committee should also deal with the utilization of German resources although it is generally known that the justified reparation claims of those Allied countries which had suffered from German aggression still remain to be met.

Therefore, not only is no special concern being shown for those countries which had made the greatest sacrifices during the war as well as important contributions to Allied victory but indeed it is at their expense that it is proposed to direct the resources of Germany for purposes other than reparations.

On the other hand nothing is being done to expedite the setting up of an all-German government which would be qualified to take care of the needs of the German people better than anyone else.

On the contrary the policy of federalizing Germany is still being carried out in the western zones of Germany as well as the line of action directed toward a still great separation of western German territories from the rest of Germany, a fact which is incompatible with the genuine restoration of Germany as a united democratic state forming part of the European family of peace-loving states.

PREDICTS "NO GOOD RESULTS"

What would the implementation of the Franco-British proposal concerning the setting up of a special organization or of a steering committee for the elaboration of a comprehensive European economic program lead to?

It would lead to no good results.

It would lead to Great Britain, France, and that group of countries, which follows them separating themselves from the other European states and thus dividing Europe into two groups of States and creating new difficulties in the relations between them.

In that case American credits would serve not to facilitate the economic rehabilitation of Europe but to make use of some European countries against other European countries in whatever way certain strong powers seeking to establish their domination should find it profitable to do so.

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 their 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.

BY MR. BEVIN

Mr. Molotov's objections to the Franco-British program were based on a complete travesty of the facts and a complete misrepresentation of everything the British Government had submitted. I suppose the method is to go on repeating those misrepresentations in the hope that someone would at least believe them. The British documents would speak for themselves.

It is a fundamental principle by which we work not to interfere in the internal affairs of other countries and we hope the national sovereignty of European powers will be recognized and respected equally by everyone while this attempt is being made to achieve economic cooperation.

From the beginning I have seen in the Marshall proposal a way to secure quickly the rehabilitation and independence of Europe—not a way to undermine it; to make Europe free—not to provide for the domination of any one state.

When this meeting began I had hoped that all three of us would be able jointly to give Europe a lead, to cooperate in finding a way to put the continent on its feet again.

That has not proved to be the case.

But Britain will continue to strive for the unity of Europe, for the independence of Europe and for the independence of its national units.

REGRETS MOLOTOV THREAT

I regret that Mr. Molotov has threatened that if we continued this beneficent work we must face grave consequences.

Well, my country has faced grave consequences and threats before. It is not the sort of prospect which will deter us from doing what we consider our duty.

Nevertheless, I profoundly regret that threat.

Our policy is to dominate none and to cooperate with everyone. We shall work as closely as we can with the United Nations organization and inform it and its various bodies and all the governments of what we are doing.

If there are governments which will not cooperate, then we shall at least have discharged our duty by trying to help them.

I regret that in the course of the meeting, suspicions have been expressed of Britain's intentions. By our action we will prove these to have been unjustified and in the end, perhaps by example, we may win when by argument we can't.

By M. BIDAULT

I have heard with much interest, and also with some disappointment, the declaration of Mr. Molotov. His conclusion puts my country on guard. I would like for my part to put the Soviet delegation on guard against any action which might result in separating Europe into two groups.

So far as it is concerned, the French Government rejects every suspicion of hegemony. The interest of European peoples is to be united and not to be divided. The universe is witness that France has done all she can to prevent such a division, and she solemnly declines all responsibility for the consequences of a decision which she has done her utmost to avert.

I would like to present some observations on the criticisms which have been made against the last proposal of the French Government. Several times it was mentioned that it was in effect a program imposing certain restraints on various European nations.

I recall, once again, that what we want to ask of European nations is a balance sheet and that their independence is entirely preserved. National statistics ought to be added up and compared in a manner to determine their resources and their needs.

In this procedure there is not a shadow of suspicion of restraint imposed upon Europe. As to the organization which ought to attempt to establish this balance sheet it will operate without force and according to facts which will be furnished to it.

It has been mentioned that American aid was uncertain. It will be even more uncertain if the facts of the problem are not respected and if naturally Europe does not speak up to say—I repeat this for at least the fourth time—what she can do for herself and what we as a whole are lacking.

DENIES SEEKING DOMINATION

They tell us: This is a pretext to interfere in the internal affairs of other peoples. I have declared several times, I have even put it in writing, that it is not a question of fixing directives by way of authority. It is simply a question of knowing the production and

objectives of these various countries and of harmonizing them in complete liberty.

Neither England, I am sure, nor France, in any case, I affirm, seeks a dominating place in such an organization. But we have learned from the experience of existing international organizations that the role of great powers cannot be underestimated. This is why we have thought, as is normal in every other case, that it was their duty to take the initiative.

Consequently there were not only verbal reserves as to noninterference in internal affairs and as to guarantee of the individual sovereignty of states, but clear and categorical commitment. There can be no question of controlled countries which would be subjected to the pleasure of some great powers. Acceptance of European countries is not conditioned on their obedience but on their independent acceptance.

They will participate if they so desire and my information is that a great number of them wish to participate. Their benevolent cooperation will be very welcome. Naturally no cooperation other than benevolent cooperation can be accepted.

All hypotheses which have been put forth by Molotov—one, for example, that Poland would be obliged to concentrate on coal to the detriment of other industries, that Czechoslovakia would be obliged to abandon certain industries in which she excels in favor of development of her agriculture, that Norway would have to reduce her steel production—none of these can be upheld.

REASSURES OTHER NATIONS

We are well qualified to say that no plan concerning any one of these countries has ever been in the mind of the French delegation

These three countries need help. All that would be asked of them is what they are capable of providing from their side to Europe in exchange for possible aid which would come first of all from other European countries and later from America.

They have facts better than we have them and we ask them to furnish them in view of establishing an over-all balance sheet.

What, then, remains of independence of European states? That is a question which has been posed. There remains exactly all of it. I have never been able to understand that collaboration of states can be achieved only at expense of their independence. Cooperation among states, neighbors or distant, is carried on with respect for mutual independence, and collaboration which does not respect that independence is without value.

It is consequently in independence and for independence that their cooperation is sought. * * * It is a question in the first place of the individual effort of each state which nothing can replace. Each state ought do the maximum possible with the means which the destruction of war have left to it to reconstruct itself.

Then upon the Continent, of limited extent, we must organize an effort of indispensable mutual assistance to coordinate our means in friendship and within this maintained independence.

Finally, for the difference and in a temporary manner, it is fitting to turn ourselves to another Continent which emerged from war unscathed and whose resources are immense, to aid countries which have horribly suffered because they were the first and the principals to endure the horror.

SAYS UNITED STATES HAS LEADING ROLE

I realize that a term has been placed in the French delegation's proposal—the words “decisive role” of American aid. I must excuse myself to have to give here an explanation of vocabulary. “Decisive role” does not signify the principal role.

Since around this table we are former companions in combat—even sometimes of combat among ourselves—I might recall that in French victory and in French defeat at Marengo, at Waterloo, the decisive role was played by several thousand men who arrived at the last moment. It was the decisive role but it was not the principal role.

As to the principal role we will assume it is each of us, all of us together, I hope, while the decisive role for several months to come we hope will be played by the United States.

The United States is the several thousand men who will decide the battle and victory against misery.

So far as Germany is concerned I want to say again what I had to say yesterday. The position of the French Government is not changed on the question of reparations. The only reference to it in the French proposal provides for consultation of commanders in chief.

As for countries which suffered from the war which were victims of Hitlerian aggression I have myself mentioned in a spirit of sympathy for the Soviet proposition the possibility of setting up all priorities possible.

I now see reappearing, it is true, the idea of a unified government for Germany to which, as is well known, the French Government is not at all favorable, at least not today. I want to recall that this matter cannot be the object of three-sided deliberation. Thus on all points concerning Germany it seems to me they were answered yesterday. I do not want to embark upon useless repetition.

The French proposition does not and will not intend to enchain the economies of smaller countries but on the contrary to liberate them.

The day when we have modernized our economy, when we are able to pay for our essential purchases with our own sales of our own products with our own means, then we shall be truly independent. Independence is not achieved in misery and isolation but affirmed in human cooperation and prosperity.

13b. BEVIN AND BIDAULT AT OPENING OF PARIS CONFERENCE

(From New York Times, July 13, 1947)

PARIS, July 12 (AP).—Following are the texts of the statements of French Foreign Minister Bidault and British Foreign Secretary Bevin at the opening session of the Paris aid conference:

BY M. BIDAULT

For the first time since the end of World War II, nations which history parted before reuniting them again are gathered in a common will of mutual and peaceful help. I am happy that Paris has been chosen as the place of the meeting which, out of the solidarity of unhappiness, must create, for everybody's sake, the assertion of a brotherly will.

It is not the fault of any one of us that all the European nations are not represented at this meeting. Everything that was in our power has been done to obtain a favorable answer from a unanimous Europe to the appeal made by the United States Secretary of State. Faithful to the thought that has constantly inspired us, we will take care not to say or do anything that would set aside any nation. We still hope that seats empty today will be occupied some day. This seems to us, without any doubt, in conformity with the collective interest of Europe, as well as with the particular interest of every one of the absentees.

We are today facing a task whose amplitude and urgency are evident to any honest mind.

Following a terrible ordeal, which repeated in the same generation the first universal disaster that struck humanity, Europe, our Continent, cradle of modern civilization, is weakened and ravished. A great statesman, Mr. Marshall, addressed to Europe on June 5 an appeal which we want to answer in such a way that Europe's mutual self-aid will create conditions for temporary but indispensable American aid to the Continent.

DENIES INFRINGEMENT OF RIGHTS

It is obviously unnecessary to recall today the events since General Marshall's offer and until the Anglo-Franco-Soviet talks in Paris ended the way you know. The documents have already been published. Anyone may draw his conclusions after studying them, learn what has been done for the sake of conciliation and by whom; what was the obstacle to this conciliation, and how.

It has been alleged with a certain tendency toward uniformity, in a bold assertion which I notice without wishing to explain it, that

this conference was a menace not only to the sovereignty of nations, but also to their independence.

In opposition to this charge, whose insistence does not compensate for its inexactness, the sovereignty and the independence of the nations are here, today, being affirmed.

What is the object of this present conference? Simply to establish an organization which can tally the balance sheet of Europe's resources and needs.

It is indispensable that this be done quickly. This is the reason why the Franco-British invitation was handed to you the day after the break-up of the Three-Power Conference at Paris. This is also the reason why such a short period was left for an answer.

Tomorrow, numerous nations will no longer know how to meet the purchase of essential goods which they are forced to make by the current distress of our continent without holding corresponding resources in foreign currency.

STRESSES FREEDOM OF ACTION

Such is the motive for the initiative taken in common by Great Britain and France in the mutual interest of Europe, having failed to associate the Soviet Union in their invitation.

We have absolutely no intention of imposing views or methods, even less to employ this conference to establish in Europe a hegemony with which you know, gentlemen, that you are not here threatened.

What we are proposing to you is to organize, freely and according to what we decided altogether, the effort of European nations here present so as to limit the assistance of the United States to strict necessities; that is, what we ourselves cannot do for ourselves by our own means.

It has been alleged that the unavowed aim of our meeting is to rebuild Germany first. The resources of Germany ought to be utilized for Europe, Germany included. I want to emphasize in the name of the French delegation that any other interpretation is improper.

The hour has come to construct a Europe, not—as a great French voice, that of Aristide Briand, proclaimed already 20 years ago—not against other nations, not against any other country or group of countries, but for a better disposition of the immediate conditions of peace to put an end to a state of anarchy which gives rise to conflicts by maintaining distress.

The whole of Europe is not present here but those who are present have the right to speak in her name, and to act for her.

Reinforcements will come, I am sure of it, when our loyal work will have proved to all, with obvious interest, what was the path of genuine independence.

The hour has come to accomplish the destiny of Europe by returning her to the place which was hers, since the deepness of the ages, in the life of the civilized world.

The noble initiative of the Government of the United States is for our peoples and appeal which we cannot ignore without betraying them.

Together, then, we will make, and make it quickly, the effort of mutual self-aid which will make us worthy of being aided.

For generations, men of all countries who rejected a selfish nationalism have longed for this assembly which is being held today. Let us be proud to be witness to it and to be the good craftsmen of a task dreamed of for centuries and, at the present time, urgently necessary.

I repeat that we did not want any refusal, that we spared no effort to make our gathering more numerous. Such as it is, our meeting is a great motif for hope for all of us who are here and for all those who will follow.

By MR. BEVIN

Gentlemen, I would like to express to you my thanks for electing me chairman of this conference.

I regard this as an historic conference.

On behalf of my Government I desire to express our thanks to so many countries for their prompt response to the invitation which the French Government and His Majesty's Government took the responsibility of issuing.

The political difficulties which have inevitably arisen as a result of the war will take a considerable time to settle. In the meantime, there is the vexed problem of the economic problems from which Europe is suffering today. The speech of Mr. Marshall, we felt, gave an opportunity and a challenge for a prompt reply, and called upon us to grapple immediately with the European problem as a whole. It was continent speaking to continent.

We believe that an energetic approach to the economic problems of Europe will not only bring immediate benefit and reduce the sufferings caused by the war but, if our handling of this problem is successful, it will in fact facilitate ultimately the right political settlement in Europe as well. For a country like ours and France to be accused of interfering with the sovereignty of small nations, after the suffering that we have incurred in their defense in two world wars, is a charge which, history itself by our actions proves, I think, to be just nonsense.

The motive, therefore, that prompted us in taking this step was a desire to utilize by voluntary, I emphasize voluntary, arrangement, the resources of Europe in order that they may benefit the whole of Europe and, indeed, assist her to get back to the proud independence she enjoyed so long, only utilizing the supplementary assistance offered by Mr. Marshall to facilitate that end.

DENIES POLITICAL LINKS

I repeat, therefore, that this conference is economic and not political in its conception or intention.

On behalf of the British Government I am authorized to state that, not only its own resources but, insofar as it can influence them, the resources of the great Commonwealth will be directed as far as possible to help rehabilitate Europe. We regard that not only as our duty but as our interest, since the quicker Europe can be brought back to a state of economic health the more we shall all mutually benefit.

It is a matter of regret that certain countries in eastern Europe have not been able to attend this conference, and if one follows the news and views expressed I am sure they regret it as much as we regret their absence. We fully understand, and we express our sympathy. But I think that I voice the general sentiment of all the countries, not only in this conference but outside Europe, when I say that I think it is their wish, as certainly it is ours, that the door shall remain wide open to all those of good will who want to contribute to the healthy life of Europe.

But this is a business meeting, and it is essential to expedite our business with the greatest possible speed. We have no idea of setting up a permanent organization rival to the United Nations. It is a piece of ad hoc machinery to grapple with this special problem, and, I repeat, effective and quick action is required.

Our loyalty to the United Nations remains as it always has, complete and firm, and we are anxious to work in cooperation to the fullest possible extent with the appropriate organs of the United Nations; but I repeat again that the prime purpose of our action was to respond to the United States proposal.

The British and French Governments, in their invitations, have made certain suggestions. These suggestions are based on the principle that the relief of the European countries must relate to European resources as well as European needs. We must pay particular attention to the commodities in short supply in Europe, particularly food and agricultural products, coal and power, iron and steel, transport, balance of payments, immigration, and problems of that character.

Our first immediate step, therefore, should be to agree that an organization be set up. I suggest that it would be inappropriate for the Ministers to work out the details relating to the organization, and I would suggest that our first step should be to create a working committee representing all the members of the conference to examine these questions and to report back to this conference in the shortest possible time. I suggest that this working committee ought to be appointed at once and get to work at once. To this end I would propose to submit a suggestion for consideration to the conference, which I suggest we should proceed to discuss forthwith.

The resolution which I would suggest in order that the committee might get to work and obtain the views of all the governments is as follows:

"Resolution submitted by the United Kingdom delegation.

"This conference, having noted the suggestions contained in the annex to the invitations issued by the British and French Governments on July 4, further resolves to set up as a matter of urgency a series of committees which shall meet in Paris to prepare a response to the suggestions of the United States through their Secretary of State and, for this purpose.

"Appoints at once a working committee on which all countries members of this conference shall be represented to consider the question of the organization of the committees concerned with particular reference to the conduct of business and membership of these committees and to produce a report for consideration by the conference on July 15."

14a. PUBLIC LAW 75—EIGHTIETH CONGRESS

[CHAPTER 81 —1ST SESSION]

[S. 4338]

AN ACT

To provide for assistance to Greece and Turkey.

Whereas the Governments of Greece and Turkey have sought from the Government of the United States immediate financial and other assistance which is necessary for the maintenance of their national integrity and their survival as free nations; and

Whereas the national integrity and survival of these nations are of importance to the security of the United States and of all freedom-loving peoples and depend upon the receipt at this time of assistance; and

Whereas the Security Council of the United Nations has recognized the seriousness of the unsettled conditions prevailing on the border between Greece on the one hand and Albania, Bulgaria, and Yugoslavia on the other, and, if the present emergency is met, may subsequently assume full responsibility for this phase of the problem as a result of the investigation which its commission is currently conducting; and

Whereas the Food and Agriculture Organization mission for Greece recognized the necessity that Greece receive financial and economic assistance and recommended that Greece request such assistance from the appropriate agencies of the United Nations and from the Governments of the United States and the United Kingdom; and

Whereas the United Nations is not now in a position to furnish to Greece and Turkey the financial and economic assistance which is immediately required; and

Whereas the furnishing of such assistance to Greece and Turkey by the United States will contribute to the freedom and independence of all members of the United Nations in conformity with the principles and purposes of the Charter: Now, therefore,

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding the provisions of any other law, the President may from time to time when he deems it in the interest of the United States furnish assistance to Greece and Turkey, upon request of their governments, and upon terms and conditions determined by him—

(1) by rendering financial aid in the form of loans, credits, grants, or otherwise, to those countries;

(2) by detailing to assist those countries any persons in the employ of the Government of the United States; and the provisions of the Act of May 25, 1938 (52 Stat. 442), as amended,

applicable to personnel detailed pursuant to such Act, as amended, shall be applicable to personnel detailed pursuant to this paragraph: *Provided, however,* That no civilian personnel shall be assigned to Greece or Turkey to administer the purposes of this Act until such personnel have been investigated by the Federal Bureau of Investigation;

(3) by detailing a limited number of members of the military services of the United States to assist those countries, in an advisory capacity only; and the provisions of the Act of May 19, 1926 (44 Stat. 565), as amended, applicable to personnel detailed pursuant to such Act, as amended, shall be applicable to personnel detailed pursuant to this paragraph;

(4) by providing for (A) the transfer to, and the procurement for by manufacture or otherwise and the transfer to, those countries of any articles, services, and information, and (B) the instruction and training of personnel of those countries; and

(5) by incurring and defraying necessary expenses, including administrative expenses and expenses for compensation of personnel, in connection with the carrying out of the provisions of this Act.

SEC. 2. (a) Sums from advances by the Reconstruction Finance Corporation under section 4 (a) and from the appropriations made under authority of section 4 (b) may be allocated for any of the purposes of this Act to any department, agency, or independent establishment of the Government. Any amount so allocated shall be available as advancement or reimbursement, and shall be credited, at the option of the department, agency, or independent establishment concerned, to appropriate appropriations, funds or accounts existing or established for the purpose.

(b) Whenever the President requires payment in advance by the Government of Greece or of Turkey for assistance to be furnished to such countries in accordance with this Act, such payments when made shall be credited to such countries in accounts established for the purpose. Sums from such accounts shall be allocated to the departments, agencies, or independent establishments of the Government which furnish the assistance for which payment is received, in the same manner, and shall be available and credited in the same manner, as allocations made under subsection (a) of this section. Any portion of such allocation not used as reimbursement shall remain available until expended.

(c) Whenever any portion of an allocation under subsection (a) or subsection (b) is used as reimbursement, the amount of reimbursement shall be available for entering into contracts and other uses during the fiscal year in which the reimbursement is received and the ensuing fiscal year. Where the head of any department, agency, or independent establishment of the Government determines that replacement of any article transferred pursuant to paragraph (4) (A) of section 1 is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.

(d) (1) Payment in advance by the Government of Greece or of Turkey shall be required by the President for any articles or services furnished to such country under paragraph (4) (A) of section 1 if they are not paid for from funds advanced by the Reconstruction Finance Corporation under section 4 (a) or from funds appropriated under authority of section 4 (b).

(2) No department, agency, or independent establishment of the Government shall furnish any articles or services under paragraph (4) (A) of section 1 to either Greece or Turkey, unless it receives advancements or reimbursements therefor out of allocations under subsection (a) or (b) of this section.

SEC. 3. As a condition precedent to the receipt of any assistance pursuant to this Act, the government requesting such assistance shall agree (a) to permit free access of United States Government officials for the purpose of observing whether such assistance is utilized effectively and in accordance with the undertakings of the recipient government; (b) to permit representatives of the press and radio of the United States to observe freely and to report fully regarding the utilization of such assistance; (c) not to transfer, without the consent of the President of the United States, title to or possession of any article or information transferred pursuant to this Act nor to permit, without such consent, the use of any such article or the use or disclosure of any such information by or to anyone not an officer, employee, or agent of the recipient government; (d) to make such provisions as may be required by the President of the United States for the security of any article, service, or information received pursuant to this Act; (e) not to use any part of the proceeds of any loan, credit, grant, or other form of aid rendered pursuant to this Act for the making of any payment on account of the principal or interest on any loan made to such government by any other foreign government; and (f) to give full and continuous publicity within such country as to the purpose, source, character, scope, amounts, and progress of United States economic assistance carried on therein pursuant to this Act.

SEC. 4. (a) Notwithstanding the provisions of any other law, the Reconstruction Finance Corporation is authorized and directed, until such time as an appropriation shall be made pursuant to subsection (b) of this section, to make advances, not to exceed in the aggregate \$100,000,000, to carry out the provisions of this Act, in such manner and in such amounts as the President shall determine.

(b) There is hereby authorized to be appropriated to the President not to exceed \$400,000,000 to carry out the provisions of this Act. From appropriations made under this authority there shall be repaid to the Reconstruction Finance Corporation the advances made by it under subsection (a) of this section.

SEC. 5. The President may from time to time prescribe such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred upon him pursuant to this Act through such department, agency, independent establishment, or officer of the Government as he shall direct.

The President is directed to withdraw any or all aid authorized herein under any of the following circumstances:

(1) If requested by the Government of Greece or Turkey, respectively, representing a majority of the people of either such nation;

(2) If the Security Council finds (with respect to which finding the United States waives the exercise of any veto) or the General Assembly finds that action taken or assistance furnished by the United Nations makes the continuance of such assistance unnecessary or undesirable;

(3) If the President finds that any purposes of the Act have been substantially accomplished by the action of any other inter-governmental organizations or finds that the purposes of the Act are incapable of satisfactory accomplishment; and

(4) If the President finds that any of the assurances given pursuant to section 3 are not being carried out.

SEC. 6. Assistance to any country under this Act may, unless sooner terminated by the President, be terminated by concurrent resolution by the two Houses of the Congress.

SEC. 7. The President shall submit to the Congress quarterly reports of expenditures and activities, which shall include uses of funds by the recipient governments, under authority of this Act.

SEC. 8. The chief of any mission to any country receiving assistance under this Act shall be appointed by the President, by and with the advice and consent of the Senate, and shall perform such functions relating to the administration of this Act as the President shall prescribe.

Approved May 22, 1947.

14b. JOINT RESOLUTION PROVIDING FOR RELIEF TO DEVASTATED AREAS

[PUBLIC LAW 84—80TH CONGRESS]

[CHAPTER 90—1ST SESSION]

[H. J. Res. 153]

JOINT RESOLUTION

Providing for relief assistance to the people of countries devastated by war

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby authorized to be appropriated to the President not to exceed \$350,000,000 for the provision of relief assistance to the people of countries devastated by war, such relief assistance to be limited to the following: Food, medical supplies, processed and unprocessed materials for clothing, fuel, fertilizer, pesticides, and seed: *Provided,* That from the funds authorized under this section the President shall make contributions to the International Children's Emergency Fund of the United Nations for the special care and feeding of children, and such contributions shall not be subject to the limitations and requirements provided in this joint resolution, but after \$15,000,000 has been so contributed, no further contributions shall be made which would cause the aggregate amount so contributed by the United States (1) to constitute more than 57 per centum of the aggregate amount contributed to said fund by all governments not receiving assistance from said fund, including the United States; or (2) to exceed \$40,000,000, whichever is the lesser.

There shall be established and maintained, out of the funds authorized under this joint resolution, a relief distribution mission for each of the countries receiving aid under this joint resolution. Such missions shall be comprised solely of American citizens who shall have been investigated as to loyalty and security by the Federal Bureau of Investigation. Such missions shall have direct supervision and control, in each country, of relief supplies furnished or otherwise made available under this joint resolution, and, when it is deemed desirable by the field administrator provided for in section 4, such missions shall be empowered to retain possession of such supplies up to the city or local community where such supplies are actually made available to the ultimate consumers.

Not more than \$15,000,000 of the funds authorized under this joint resolution shall be available for relief in any countries or territories other than Austria, Greece, Hungary, Italy, Poland, Trieste, and China. This provision shall not imply any obligation to give relief to any of the countries mentioned.

Notwithstanding the provisions of any other law, the Reconstruction Finance Corporation is authorized and directed, until such time as an appropriation shall be made pursuant to this section, to make advances, not to exceed in the aggregate \$75,000,000, to carry out the provisions of this joint resolution, in such manner and in such amounts as the President shall determine. From appropriations authorized under this section, there shall be repaid to the Reconstruction Finance Corporation the advances made by it under the authority contained herein.

SEC. 2. (a) Under the direction of the President, such relief assistance shall be provided in the form of transfers of supplies, or the establishment in this country of credits subject to the control of the President, in such quantities and on such terms as the President may determine; except that no such transfers of supplies or establishment of credits may be made after June 30, 1948, and except that not more than 6 per centum of the amount herein authorized shall be used for the procurement of supplies outside the United States and its Territories and possessions.

(b) In carrying out this joint resolution, funds authorized herein may be used to pay necessary expenses related to the providing of such relief assistance, including expenses of or incident to the procurement, storage, transportation, and shipment of supplies transferred under subsection (a) or of supplies purchased from credits established under subsection (a).

(c) Funds authorized under this joint resolution may be allocated for any of the purposes of this joint resolution to any department, agency, or independent establishment of the Government and such sums shall be available for obligation and expenditure in accordance with the laws governing obligations and expenditures of the department, agency, or independent establishment, or organizational unit thereof concerned, and without regard to sections 3709 and 3648 of the Revised Statutes, as amended (U. S. C., 1940 edition, title 41, sec. 5, and title 31, sec. 529).

(d) Such additional civilian employees as may be required by the War Department in connection with the furnishing of procurement, storage, transportation, and shipment services under this joint resolution and which services are paid for from funds herein authorized, shall not be counted as civilian employees within the meaning of section 607 of the Federal Employees Pay Act of 1943, as amended by section 14 of the Federal Employees Pay Act of 1946.

(e) When any department, agency, or independent establishment of the Government receives request from the government of any country for which credits have been established under subsection (a) and receives, from credits so established, advancements or reimbursements for the cost and necessary expenses, it may furnish, or procure and furnish (if advancements are made), supplies within the category of relief assistance as defined in section 1 and may use sums so received for the purposes set forth in subsection (b) of this section. When any such reimbursement is made it shall be credited, at the option of the department, agency, or independent establishment concerned, either to the appropriation, fund, or account utilized

in incurring the obligation, or to an appropriate appropriation, fund, or account which is current at the time of such reimbursement.

(f) In order to supplement the general relief assistance made available under the terms of section 1 and to effect the economical and expanded use of American voluntary relief contributions, funds authorized under this joint resolution, not to exceed \$5,000,000, may be used to pay necessary expenses related to the ocean transportation of supplies donated to or purchased by American voluntary and non-profit relief agencies, and in such quantities and kinds and for such purposes as the President may determine to be essential supplements to the supplies provided for such general relief assistance.

(g) The relief supplies provided under the terms of this joint resolution shall be procured and furnished by the appropriate United States procurement agencies unless the President shall determine otherwise.

SEC. 3. No relief assistance shall be provided under the authority of this joint resolution to the people of any country unless the government of such country has given assurance satisfactory to the President that (a) the supplies transferred or otherwise made available pursuant to this joint resolution, as well as similar supplies produced locally or imported from outside sources, will be distributed among the people of such country without discrimination as to race, creed, or political belief; (b) representatives of the Government of the United States and of the press and radio of the United States will be permitted to observe freely and to report fully regarding the distribution and utilization of such supplies; (c) full and continuous publicity will be given within such country as to the purpose, source, character, scope, amounts and progress of the United States relief program carried on therein pursuant to this joint resolution; (d) if food, medical supplies, fertilizer, or seed is transferred or otherwise made available to such country pursuant to this joint resolution, no articles of the same character will be exported or removed from such country while need therefor for relief purposes continues; (e) such country has taken or is taking, insofar as possible, the economic measures necessary to reduce its relief needs and to provide for its own future reconstruction; (f) upon request of the President, it will furnish promptly information concerning the production, use, distribution, importation, and exportation of any supplies which affect the relief needs of the people of such country; (g) representatives of the Government of the United States will be permitted to supervise the distribution among the people of such country of the supplies transferred or otherwise made available pursuant to this joint resolution; (h) provision will be made for a control system so that all classes of people within such country will receive their fair share of essential supplies; and (i) all supplies transferred pursuant to this joint resolution or acquired through the use of credits established pursuant to this joint resolution and any articles processed from such supplies, or the containers of such supplies or articles, will, to the extent practicable, be marked, stamped, branded, or labeled in a conspicuous place as legibly, indelibly, and permanently as the nature of such supplies, articles, or containers will permit in such manner as to indicate to

the ultimate consumer in such country that such supplies or articles have been furnished by the United States of America for relief assistance; or if such supplies, articles, or containers are incapable of being so marked, stamped, branded, or labeled, that all practicable steps will be taken to inform the ultimate consumers thereof that such supplies or articles have been furnished by the United States of America for relief assistance.

Sec. 4. When supplies are transferred or otherwise made available to any country pursuant to this joint resolution, the President shall cause representatives of the Government of the United States (1) to supervise the distribution of such supplies among the people of such country, (2) to observe and report with respect to the carrying out of the assurances given to the President pursuant to section 3, and (3) to seek arrangements that reparations payable from current production by any such country to any other country by treaty be postponed during the period of such relief.

With respect to the furnishing of relief assistance pursuant to this joint resolution, the President shall appoint, by and with the advice and consent of the Senate, a field administrator who shall direct the supervision of such relief assistance. Such administrator shall receive compensation at a rate not to exceed \$12,000 per annum, and any necessary expenses, as the President shall determine. He shall act in accordance with the instructions of the President.

The authority of the President under sections 2 and 3 and under this section may, to the extent the President directs, be exercised by the Secretary of State.

Sec. 5. (a). The President shall promptly terminate the provision of relief assistance to the people of any country whenever he determines (1) that, by reason of changed conditions, the provision of relief assistance of the character authorized by this joint resolution is no longer necessary, (2) that any of the assurances given pursuant to section 3 are not being carried out, (3) that an excessive amount of any supplies transferred or otherwise made available pursuant to this joint resolution, or of similar supplies produced locally or imported from outside sources, is being used to assist in the maintenance of armed forces in such country, or (4) that supplies transferred or otherwise made available pursuant to this joint resolution, or similar supplies produced locally or imported from outside sources, are being exported or removed from such country.

(b) Relief assistance to the people of any country, under this joint resolution, shall, unless sooner terminated by the President, be terminated whenever such termination is directed by concurrent resolution of the two Houses of the Congress.

Sec. 6. To the extent that relief supplies procured with funds authorized under this joint resolution are not furnished on terms of repayment in dollars, they shall be furnished only upon condition that the government of the receiving country agree that when it sells such relief supplies for local currency (a) the amounts of such local currency will be deposited by it in a special account; (b) such account will be used within such country, as a revolving fund, until June 30, 1948, only upon the approval of the duly authorized representative of

the United States, for relief and work relief purposes, including local currency expenses of the United States incident to the furnishing of relief; and (c) any unencumbered balance remaining in such account on June 30, 1948, will be disposed of within such country for such purposes as the United States Government, pursuant to Act or joint resolution of the Congress, may determine.

Sec. 7. The President shall submit to the Congress quarterly reports of expenditures and activities under authority of this joint resolution.

Approved May 31, 1947.

15. AGREEMENT ON AID TO GREECE

(Signed at Athens, June 20, 1947; entered into force June 20, 1947.)

The Government of the Kingdom of Greece having requested the Government of the United States of America for financial, material, and technical assistance to avert economic crisis, promote national recovery, and restore internal tranquillity; and

The Congress of the United States, in the Act approved May 22, 1947,¹ having authorized the President of the United States to furnish such assistance to Greece, on terms consonant with the sovereign independence and security of the two countries; and

The Government of Greece, in a note to the Government of the United States of June 15, 1947,² having proposed certain measures within Greece which it deems essential to the effective use of United States assistance and of Greece's own resources in promoting reconstruction and recovery in Greece as soon as possible; and

The Government of the United States and the Government of Greece believing that the furnishing of such assistance will help to achieve the basic objectives of the Charter of the United Nations³ and will further strengthen the ties of friendship between the American and Greek peoples:

The undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:

ARTICLE 1

The Government of the United States will furnish the Government of Greece such assistance as the President of the United States may authorize to be provided in accordance with the Act of Congress approved May 22, 1947, and any Acts amendatory or supplementary thereto.

ARTICLE 2

The Government of Greece will make effective use of any assistance furnished to Greece by the United States and of Greece's own resources in order to advance reconstruction and secure recovery in Greece as soon as possible. To this end the Government of Greece has already undertaken, and hereby agrees, to effectuate the measures proposed in its note of June 15, 1947, to the Government of the United States and will take such further action as may be appropriate.

¹ Public Law 75, 80th Cong., *post*, pp. 32-36.

² *Post*, p. 27.

³ Treaty Series 933; 59 Stat. 1031.

ARTICLE 3

The Government of the United States will send to Greece a mission to be known as the American Mission for Aid to Greece (hereinafter referred to as the American Mission). The Chief of the American Mission, designated by the President of the United States, will represent the Government of the United States on matters relating to the assistance furnished under this agreement.

ARTICLE 4

The Chief of the American Mission will determine, in consultation with representatives of the Government of Greece, the terms and conditions upon which specified assistance shall from time to time be furnished under this Agreement. Under the direction of the Chief, the Mission will provide such advisory assistance and will exercise such functions as are necessary and proper to assist the Government of Greece to make the most effective use of any assistance furnished to Greece by the United States and of Greece's own resources and thereby to advance reconstruction and secure recovery in Greece as soon as possible. Certain of these functions are contained in the measures proposed by the Government of Greece in its note of June 15, 1947.

ARTICLE 5

The Government of Greece will furnish all practicable assistance to the American Mission to facilitate the performance of its functions, the movement of Mission personnel to, in or from Greece, the employment of Greek nationals and residents, the acquisition of facilities and services, and the performance of other activities of the Mission. The personnel of the American Mission and the property of the Mission and of its personnel shall enjoy in Greece the same privileges and immunities as are enjoyed by the personnel of the United States Embassy in Greece and the property of the Embassy and of its personnel.

ARTICLE 6

The Government of Greece will permit the members of the American Mission to observe freely the utilization of assistance furnished to Greece by the United States. The Government of Greece will maintain such accounts and records, and will furnish the American Mission such reports and information, as the Mission may request for the performance of its functions and responsibilities.

ARTICLE 7

The Government of Greece and the Government of the United States will cooperate in assuring the peoples of the United States and Greece full information, consistent with the security of the two countries, concerning the assistance furnished to Greece by the United States. To this end—

(1) Representatives of the press and radio of the United States will be permitted to observe freely and to report fully regarding the utilization of such assistance; and

(2) The Government of Greece will afford the American Mission opportunity for, and will cooperate with it in providing, full and continuous publicity within Greece, including periodic reports by the Mission, as to activities under this Agreement and the purpose, source, character, scope, amounts, and progress of such assistance.

ARTICLE 8

The Government of Greece will make such provisions as may be required by the President of the United States for the security of any article, service, or information received pursuant to this Agreement. It will not transfer, without the consent of the President of the United States, title to or possession of any such article or information nor permit, without such consent, the use of any such article or the use or disclosure of any such information by or to anyone not an officer, employee, or agent of the Government of Greece or for any purpose other than that for which the article or information is furnished.

ARTICLE 9

The Government of Greece will not use any part of the proceeds of any loan, credit, grant, or other form of aid rendered pursuant to this Agreement for the making of any payment on account of the principal or interest on any loan made to it by any other foreign government.

The Government of Greece will not, except with the approval of the Government of the United States, allocate any funds or make available any foreign exchange for payment of principal or interest on the foreign indebtedness now in suspense of the Government of Greece and of all public and private debtors.

ARTICLE 10

Any or all assistance authorized to be provided pursuant to this Agreement will be withdrawn—

(1) If requested by the Government of Greece representing a majority of the Greek people;

(2) If the Security Council of the United Nations finds (with respect to which finding the United States waives the exercise of any veto) or the General Assembly of the United Nations finds that action taken or assistance furnished by the United Nations make the continuance of assistance by the Government of the United States pursuant to this Agreement unnecessary or undesirable;

(3) Under any of the other circumstances specified in section 5 of the aforesaid act of Congress or if the President of the United States determines that such withdrawal is in the interest of the United States; or

(4) If the Government of Greece does not take reasonable steps to effectuate those measures proposed in its note of June 15, 1947, or subsequently agreed upon which are essential to reconstruction and recovery in Greece.

ARTICLE 11

This agreement shall take effect as from this day's date. It shall continue in force until a date to be agreed upon by the two Governments.

ARTICLE 12

This agreement shall be registered with the United Nations.

Done in duplicate, in the English and Greek languages, at Athens, this 20th day of June 1947.

For the Government of the United States of America:

Lincoln MacVeagh,

LINCOLN MACVEAGH,

Ambassador Extraordinary and Plenipotentiary.

For the Government of the Kingdom of Greece:

Constantine Tsaldaris,

CONSTANTINE TSALDARIS,

Deputy Prime Minister and Minister for Foreign Affairs.

16. CONTROL POWERS NOW IN EFFECT IN THE UNITED STATES

Controls over the economy which are now in effect represent only a small portion of those which were in effect during wartime.¹ During the Eightieth Congress legislation was enacted to eliminate or reduce to a minimum the wartime controls over exports, imports, domestic production, distribution, prices, transportation and shipping. Pursuant to the clearly expressed will of the Congress, the executive branch has used sparingly the controls which were left on the statute books. There follows a brief outline of such controls as are now provided by law and the actual use that has been made of them with particular emphasis on those controls that affect United States export trade.

CONTROLS RELATING TO EXPORTS

Export controls are now being used to determine the total quantity of the exports of particular commodities which leave the country, to direct the flow of exports to particular countries and in some instances to particular end-uses within those countries, and to determine the distribution of export business among United States suppliers and in some instances among procurement agencies and foreign consigners.

At present approximately 20 percent of total exports are affected by export controls, the rest being uncontrolled. The chief purpose behind these controls and their chief effect is to protect the domestic economy by limiting the total amount of scarce commodities—those included in the so-called positive list²—which leave the country. It has been estimated by the Department of Commerce that without limitations, the export of these commodities would have been twice as great as has actually been the case. However, in the actual issuance of licenses within the over-all quotas which has been set,³ support is given to United States supply commitments⁴ to particular countries, and limits are placed upon exports to certain countries such as Spain⁵ and Russia.

A very limited number of controls over the distribution of domestic production are exercised in order to force exports which would not be

¹ No consideration is given here to controls over money and credit or controls exercised through taxation or tariff duties.

² This list includes meats, edible oils and fats, butter, grains, feeds, inedible oils and fats, fibers, lumber, petroleum, iron and steel, aluminum, nonferrous metals, machinery, railway cars, coal tar products, medicines, basic chemicals, paints, fertilizers, and soap. Exports of commodities on the positive list are controlled for all countries except Canada.

³ Quotas are generally set on a quarterly basis.

⁴ More than two thirds of the exports of commodities on the positive list moved to Europe in July 1947; whereas only one-fourth of the exports of commodities not under control was shipped to Europe.

⁵ All exports to Spain require a specific license. But in practice screening has not been particularly severe except for items for military end uses.

made without controls. The only instances of this are tin plate, nitrogenous fertilizer, and machinery for the production of tin plate in Indonesia—a large portion of which is imported into the United States.⁶ However, the existence of limited powers to force exports has in some instances enabled the Department of Commerce to expedite export shipments on a voluntary basis.

A considerable influence over exports is exercised by direct United States Government procurement for export. Although Government purchases are not large except for wheat, they may be expanded within the limits of funds provided for foreign relief. Export quotas are set to cover Government purchases as well as private purchases for export. In the case of Government purchasing, however, an export quota might be met which could not otherwise be met except through the use of allocation powers, since the Government as a purchaser has sufficient funds to procure well in advance of needs and generally is in a position to extract a larger quantity of commodities from the domestic market than would result under commercial export operations. However, Government procurement for export is limited in practice through the establishment of over-all export quotas by commodities and the break-down of these quotas into United States Government procurement, foreign government procurement, and commercial procurement. The Government agencies which are claimants for export do not have the final say as to these export quotas or what portion of the quotas fixed will be procured by United States Government agencies.

Under existing legislation, complete authority to limit exports is provided by the Export Control Act of 1940 as amended.⁷ The Second Decontrol Act of 1947⁸ extended this authority to February 29, 1948. Authority to allocate domestic production for export purposes is provided by title III of the Second War Powers Act⁹ as restricted and limited by the Second Decontrol Act. This limits export production allocations to tin, nitrogenous fertilizer, exports which will facilitate the production abroad of materials critically needed in the United States, and materials¹⁰ upon the certification by the Secretary of State on foreign-policy grounds provided the Secretary of Commerce decides such exports will not have an unduly adverse effect on the United States economy. In practice, this last provision has never been exercised and, in view of its legislative history, it probably will not be used except for occasional individual spot shipments of great importance.

Policy decisions with respect to export controls are made by a set of interdepartmental committees including the Advisory Committee on the Second Decontrol Act, the Review Committee, which is subordinate to the Advisory Committee, and a few commodity committees. However, according to the law, the authority of the Secre-

⁶The Second Decontrol Act (P. L. 188, 80th Cong.) specifically provides for such allocations.

⁷P. L. 638, 76th Cong., June 30, 1942 (50 Stat. 463).

⁸P. L. 188, 80th Cong., July 15, 1947. Printed in full below.

⁹P. L. 507, 79th Cong., approved March 27, 1942 (56 Stat. 176).

¹⁰Except foods, certain fibers and cordage, and fertilizer.

tary of Commerce is final even with respect to agricultural commodities.¹¹

With respect to Government procurement, there are several limiting laws which are of interest. Revised Statutes 3709-3710 require competitive bidding in Government contracts.¹² But this restriction does not apply to wholly owned Government corporations. The First War Powers Act,¹³ which is still in effect, provides that the President may authorize exemptions from this and other requirements of Federal law relating to contracts "whenever he deems such action would facilitate the prosecution of the war." Under this act the President has authorized Federal agencies to purchase without competitive bidding. However there is considerable question whether purchase for export under the European recovery program can be deemed to "facilitate the prosecution of the war," so that even though the First War Powers Act should remain on the statute books, consideration should be given to the continuance of the exemption in legislation for the European recovery program if it is considered to be important.¹⁴

The Buy-American Act of 1933¹⁵ provides that only domestically produced articles shall be acquired for public use, but this does not apply to articles acquired for use outside the United States.¹⁶ However, the Act for the Relief of Countries Devastated by War provides that only 6 percent of the purchases for export under that act may be made outside the United States.¹⁷ The Buy-American Act is made applicable to procurement for stock-piling purposes by the Strategic and Critical Materials Stock-Piling Act of 1947,¹⁸ but the exceptions continued in the buy-American law are technically adequate to permit-foreign purchases where to use domestic supplies would result in depletion of United States resources.¹⁹

IMPORTS AND DISTRIBUTION OF IMPORTED SUPPLIES

Under section 22 of the Agricultural Adjustment Act as amended, authority to control imports is provided where needed to protect programs undertaken under the Soil Conservation Act of 1937 and the export subsidy provisions (sec. 32) of the act of August 21, 1935, as amended. At present import quotas under the authority of these acts are in effect only for cotton and wheat. The Sugar Act of 1948²⁰ provides for import quotas and the allocation of these quotas among domestic refineries but these powers are not being exercised.

The Second War Powers Act as amended by the Second Decontrol Act of 1947, provides for authority to limit imports of the following: tin and tin products,²¹ antimony, chinchona bark, quinine, and quini-

¹¹ Except for specific items such as narcotics, munitions, etc.

¹² The law provides an exemption where immediate delivery is required.

¹³ 55 Stat. ch. 593.

¹⁴ It has been contended that by implication P. L. 84, 80th Cong. Relief to Countries Devastated by War, provides an exemption for purchases made under the authority of that act.

¹⁵ 47 Stat. 1530 (1933).

¹⁶ Other exemptions are where the domestic price is unreasonable, where the supply is inadequate, or where it is held to be in the public interest to procure outside the United States.

¹⁷ P. L. 84, 80th Cong.

¹⁸ 60 Stat. 598.

¹⁹ However, it would be advisable to make this explicit in new legislation when approved.

²⁰ P. L. 388, 80th Cong.

²¹ Except for ores and concentrates.

dine purchased by government agencies, fats and oils, rice and rice products, nitrogenous fertilizers. The Rubber Act²² provides for import controls over rubber and rubber products. The authority over imports carries with it authority over the domestic distribution of imported supplies. Responsibility for exercising these controls is exercised by the Secretary of Commerce advised by the same interdepartmental committees referred to under "Controls Relating to Exports."

DOMESTIC ALLOCATION OF DOMESTICALLY PRODUCED MATERIALS AND PRODUCTS

Controls over domestic distribution are of interest in connection with the European Aid Program because, in the case of tight commodities, the meeting of a particular export commitment may result in domestic shortages. In the case of rubber, antimony, and tin there is control authority over the domestic distribution of such domestic production as exists. The only instance where controls are authorized over items which are primarily domestically produced is in the case of tin products. The only such control that is presently in effect is of the conservation type. Responsibility for this control is vested in the Secretary of Commerce advised by the same interdepartmental committees referred to under Export Controls.

RAILROAD TRANSPORTATION

Under the Second Decontrol Act, the priority and allocation powers over transportation and shipping of the Second War Powers Act are continued only with respect to "the use of transportation equipment and facilities by rail carriers."²³ The President has conferred such powers on the Office of Defense Transportation which has exercised them sparingly. The chief formal orders of O. D. T. provide for full carloading, advance commitments for prompt storage or shiploading in the case of shipments to ports in the interest of quick turn-around time, and regulations of the use of several hundred high-pressure tank cars.²⁴ O. D. T. has set up an Advisory Carriers Committee. Through this Committee and through the American Railroad Association, O. D. T. attempts to secure voluntary steps on the part of the roads to meet transportation bottlenecks. However, such efforts have not prevented serious transportation hold-ups in rail movements of both coal and wheat to ports for export.

Although the I. C. C. possesses extensive powers over the use of rail transportation equipment,²⁵ and issues service orders, there is question as to whether its procedures are sufficiently speedy to enable it to deal effectively with acute rail bottlenecks.

²² P. L. 24, 80th Cong. This act expires March 1948.

²³ Such powers expire February 29, 1948.

²⁴ See O. D. T. Orders Nos. 1, 16c, 16a.

²⁵ Secs. 1, 10, 114, 115, of the I. C. C. Act as amended. I. C. C. has power to do virtually everything that O. D. T. has done.

SHIPPING

Such control over ocean shipping as is now being exercised, is effectuated through Government ownership of bottoms. Aside from the 100 merchant ships operated by the United States Army Transportation Corps, approximately 1,700 United States owned vessels are now being operated under charter or on a cost-plus basis. In addition 300 tankers are being operated on an agency basis. Although the Government has no direct control over the routing of chartered ships, it is unlikely that the charter parties or operators would refuse to accommodate the Government on urgent export shipments. However, the Merchant Ship Sales Act of 1946²⁰ provides that all ships not sold by March 1, 1948,²¹ should go into the Fleet Reserve from which they cannot operate for commercial purposes. Further, appropriation for salaries and administrative expenses in connection with charter hire expires March 1, 1948.²² Without the sale of ships presently owned by the United States Government to either United States or European shipping lines, or the extension of authority for the operation of United States ships under charter agreements, a serious shortage will result.

Existing legislation requires that exports, fostered by loans extended by any United States agency shall be carried exclusively in United States bottoms provided they are available at reasonable rates.²³

MISCELLANEOUS CONTROLS

Other control powers still in effect are—

1. Limitations of agricultural production exercised by virtue of the Agricultural Marketing Agreement Act of 1937, the Agricultural Adjustment Act of 1938, or the price-support laws. Such powers are not now being used to any considerable degree.

2. Increases of agricultural production through the price-support programs. Such powers are not being used to any great extent.

3. Controls over agricultural prices exercised through the various price-support and production-control programs. These powers are not now being exercised to any great extent.

4. Export subsidies in the case of domestic surpluses.²⁴

5. Regulations of trading on the commodity exchanges under the Commodity Exchange Act.

6. Power to requisition ships for the defense of the United States or during an emergency.²⁵ This power is not now being used.

²⁰ P. L. 321 : 70th Cong.

²¹ The original date was extended by P. L. 299, 80th Cong.

²² P. L. 299, 80th Cong., July 31, 1947.

²³ 48 Stat. 560 (1934).

²⁴ U. S. C., 1940 ed., 612c : 56 Stat. 775 (1944).

²⁵ Sec. 902 of Merchant Marine Act of 1936.

CITATION OF LAWS

Extract from act of July 2, 1940, as amended by act of June 30, 1942 (58 Stat. 463), sometimes referred to as Export Control Act:

Sec. 6. (a) The President is hereby authorized to prohibit or curtail the exportation of any articles, technical data, materials, or supplies, except under such rules and regulations as he shall prescribe. * * *

(d) The authority granted by this section shall terminate on June 30, 1944, or upon any prior date which the Congress by concurrent resolution, or the President, may designate. * * *

Extract from title III of Second War Powers Act, 1942 (56 Stat. 176):

TITLE III—PRIORITIES POWERS

Sec. 301. Subsection (a) of Section 2 of the act of June 28, 1940 (54 Stat. 676), entitled "An Act to expedite national defense, and for other purposes," as amended by the Act of May 31, 1941 (Public Law No. 89, 77th Cong.), is hereby amended to read as follows:

"Sec. 2 (a) (1) * * *

"(2) Deliveries of material to which priority may be assigned pursuant to paragraph (1) shall include, in addition to deliveries of material under contracts or orders of the Army or Navy, deliveries of material under—

"(A) Contracts or orders for the government of any country whose defense the President deems vital to the defense of the United States under the terms of the Act of March 11, 1941, entitled 'An Act to promote the defense of the United States';

"(B) Contracts or orders which the President shall deem necessary or appropriate to promote the defense of the United States;

"(C) Subcontracts or suborders which the President shall deem necessary or appropriate to the fulfillment of any contract or order as specified in this subsection (a).

"Deliveries under any contract or order specified in this subsection (a) may be assigned priority over deliveries under any other contract or order; and the President may require acceptance of and performance under such contracts or orders in preference to other contracts or orders for the purpose of assuring such priority. Whenever the President is satisfied that the fulfillment of requirements for the defense of the United States will result in a shortage in the supply of any material or of any facilities for the defense or for private account or for export, the President may allocate such material or facilities in such manner, upon such conditions, and to such extent as he shall deem necessary or appropriate in the public interest and to promote the national defense."

²² This date was extended several times—on the last occasion by the Second Deco-control Act (Public Law 188, 80th Cong., see below).

[PUBLIC LAW 188—80TH CONGRESS]

[CHAPTER 248—1ST SESSION]

[H. R. 3647]

AN ACT

To extend certain powers of the President under title III of the Second War Powers Act and the Export Control Act, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be cited as the "Second Decontrol Act of 1947".

FINDINGS OF FACT AND DECLARATION OF POLICY

SEC. 2. (a) Certain materials and facilities continue in short supply at home and abroad as a result of the war. The continued exercise of certain limited emergency powers is required to complete the orderly reconversion of the domestic economy from a wartime to a peacetime basis, to protect the health, safety, and welfare of the American people, and to support the foreign policy of the United States.

(b) The Congress hereby declares that it is the general policy of the United States to eliminate emergency wartime controls of materials except to the minimum extent necessary (1) to protect the domestic economy from the injury which would result from adverse distribution of materials which continue in short world supply; (2) to promote production in the United States by assisting in the expansion and maintenance of production in foreign countries of materials critically needed in the United States; (3) to make available to countries in need, consistent with the foreign policy of the United States, those commodities whose unrestricted export to all destinations would not be appropriate; and (4) to aid in carrying out the foreign policy of the United States.

TEMPORARY RETENTION OF CERTAIN EMERGENCY POWERS

SEC. 3. To effectuate the policies set forth in section 2 hereof, title XV, section 1501, of the Second War Powers Act, 1942, approved March 27, 1942, as amended, is amended to read as follows:

"Sec. 1501. (a) Except as otherwise provided by statute enacted during the Eightieth Congress (including the First Decontrol Act of 1947 and Public Law Numbered 145, approved June 30, 1947) and except as otherwise provided by subsection (b) of this section, titles I, II, III, IV, V, VII, and XIV of this Act and the amendments to existing law made by such titles shall remain in force only until March 31, 1947. After the amendments made by any such title cease to be in force, any provisions of law amended thereby (except subsection (a) of section 2 of the Act entitled 'An Act to expedite national defense, and for other purposes', approved June 28, 1940, as amended) shall be in full force and effect as though this act had not been enacted.

"(b) Title III of this Act and the amendments to existing law made by such title shall remain in force until February 29, 1948, for the exercise of the powers, authority, and discretion thereby conferred on the President, but limited to—

"(1) the materials (and facilities suitable for the manufacture of such materials), as follows:

"(A) Tin and tin products, except for the purpose of exercising import control of tin ores and tin concentrates;

"(B) Antimony;

"(C) Cinchona bark, quinine, and quinidine, when held by any Government agency or after acquisition (whether prior to, on, or after July 16, 1947) from any Government agency, either directly or through intermediate distributors, processors, or other channels of distribution, or when made from any of such materials so acquired;

"(D) Materials for export required to expand or maintain the production in foreign countries of materials critically needed in the United States, for the purpose of establishing priority in production and delivery for export, and materials necessary for manufacture and delivery of the materials required for such export;

"(E) Fats and oils (including oil-bearing materials, fatty acids, butter, soap, and soap powder, but excluding petroleum and petroleum products) and rice and rice products, for the purpose of exercising import control only; and nitrogenous fertilizer materials for the purposes of exercising import control and of establishing priority in production and delivery for export;

"(F) Materials (except foods and food products, manila (abaca) fiber and cordage, agave fiber and cordage, and fertilizer materials), including petroleum and petroleum products, required for export, but only upon certification by the Secretary of State that the prompt export of such materials is of high public importance and essential to the successful carrying out of the foreign policy of the United States, for the purpose of establishing priority in production and delivery for export, and materials necessary for the manufacture and delivery of the materials required for such export: *Provided*, That no such priority based on a certification by the Secretary of State shall be effective unless and until the Secretary of Commerce shall have satisfied himself that the proposed action will not have an unduly adverse effect on the domestic economy of the United States; and

"(2) The use of transportation equipment and facilities by rail carriers.

"(c) Notwithstanding the extension through February 29, 1948, made by subsection (b), the Congress by concurrent resolution or the President may designate an earlier time for the termination of any power, authority, or discretion under such title III. Nothing in subsection (b) shall be construed to continue beyond July 15, 1947, any

authority under paragraph (1) of subsection (a) of section 2 of the Act entitled 'An Act to expedite national defense and for other purposes', approved June 28, 1940, as amended, to negotiate contracts with or without advertising or competitive bidding; and nothing contained in this section, as amended, shall affect the authority conferred by Public Law 24, Eightieth Congress, approved March 20, 1947, or the Sugar Control Extension Act of 1947."

TEMPORARY EXTENSION OF CERTAIN EXPORT CONTROLS

SEC. 4. To effectuate the policy set forth in section 2 hereof, section 6 (d) of the Act of July 2, 1940 (54 Stat. 714), as amended, is amended to read as follows:

"(d) The authority granted by this section shall terminate on February 29, 1948, or any prior date which the Congress by concurrent resolution or the President may designate."

EXEMPTION FROM ADMINISTRATIVE PROCEDURE ACT

SEC. 5. The functions exercised under title III of the Second War Powers Act, 1942, as amended (including the amendments to existing law made by such title), and the functions exercised under section 6 of such Act of July 2, 1940, as amended, shall be excluded from the operation of the Administrative Procedure Act (60 Stat. 237), except as to the requirements of sections 3 and 10 thereof.

ADMINISTRATION BY SECRETARY OF COMMERCE

SEC. 6. (a) The Secretary of Commerce, subject to the direction of the President, shall have power to establish policies and programs to effectuate the general policies set forth in section 2 of this Act, and to exercise over-all control, with respect to the functions, powers, and duties delegated by the President under title III of the Second War Powers Act, 1942, as amended, and section 6 of the Act entitled "An Act to expedite the strengthening of the national defense", approved July 2, 1940, as amended. The Secretary is further authorized, subject to the direction of the President, to approve or disapprove any action taken under such delegated authority, and may promulgate such functions as are necessary and proper to assist the Government form the functions, powers, and duties imposed upon him by this section.

(b) The Secretary shall make a quarterly report, within thirty days after each quarter, to the President and to the Congress of his operations under the authority conferred on him by this section. Each such report shall contain a recommendation by him as to whether the controls exercised under title III of the Second War Powers Act, 1942, as amended, and section 6 of the Act entitled "An Act to expedite the strengthening of the national defense", approved July 2, 1940, as amended, should or should not be continued, together with the current facts and reasons therefor. Each such report shall also contain detailed information with respect to licensing procedures under such

Acts, allocations and priorities under the Second War Powers Act, 1942, as amended, and the allocation or nonallocation to countries of materials and commodities (together with the reasons therefor) under section 6 of the Act entitled "An Act to expedite the strengthening of the national defense", approved July 2, 1940, as amended.

PERSONNEL

SEC. 7. Notwithstanding any other law to the contrary, personnel engaged in the performance of duties related to functions, powers, and duties delegated by the President under the Second War Powers Act of 1942, as amended, and section 6 of the Act entitled "An Act to expedite the strengthening of the national defense", approved July 2, 1940, as amended, and whose employment was terminated, or who were furloughed, in June or July 1947, may be reemployed to perform duties in connection with the functions, powers, and duties extended by this Act.

APPROPRIATIONS

SEC. 8. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the purposes of this Act.

EFFECTIVE DATE

SEC. 9. This Act shall take effect on July 16, 1947.

Approved July 15, 1947.

17. BASIC ASSUMPTIONS STATED IN THE CEEC, KRUG AND NOURSE REPORTS

In making estimates for a period in the future, it is frequently necessary to do so on the basis of assumptions which are often stated explicitly.

a. COMMITTEE OF EUROPEAN ECONOMIC COOPERATION

Certain assumptions made by the Committee of European Economic Cooperation in their General Report, volume 1, are as follows:¹

In making the "Tentative Estimate of the Net Balance of Payments of the Participating Countries, their Dependent Territories, and Western Germany 1948-51", the assumptions are:

- // that their production will increase greatly,
- that the imports required for this will be available,
- that a state of full employment and full use of productive resources will be continuously maintained,
- that an increasing part of the needs of the participating countries and Western Germany can be obtained from Eastern Europe, and from South-East Asia,
- that the goods which the participating countries can produce for export can be sold to the American continent and to the rest of the world,
- that there will be a progressive reduction in the price of imports in relation to the price of exports, and
- that nonparticipating countries will so far as necessary be able to pay for such goods in dollars * * * (p. 112). //

Commenting on the terms of trade, 1948 calculations of import and export values are made at the prices ruling on the first of July 1947. For 1949, 1950, and 1951, the assumptions made in the report are:

(a) That for exports, there will be no change in prices as compared with those ruling at first of July 1947;

(b) That for imports, prices will be reduced, as compared with first of July 1947—

In 1949 by 7½ percent.

In 1950 by 10 percent.

In 1951 by 12½ percent.

The assumption that the prices of exports will be unchanged and that the prices of imports will be reduced is made in order to put the matter in a simple form. In fact no doubt the prices of both exports and imports will vary; but what matters is the relative change in import prices and export prices (p. 122).

In drawing up the "Estimate of Balance of Payments of the Participating Countries (Excluding their dependent territories) and Western Germany with Nonparticipating Countries," since not all countries

¹ Refer to preceding "Magnitude of the Program" for certain comments on these assumptions and to "Appendix on the Estimation of Magnitudes" in the complete report. Part III of the Harriman Committee.

provided estimates of their imports and exports for the whole period 1948-51, to reach total estimates, it has been assumed:

(a) that *total imports and exports of all participating countries will change in the same ratio as the total imports and exports of the countries which have given their estimates for 1948-51: Austria, France, Greece, Italy, Netherlands, United Kingdom, Germany (B-Zone)*—which together account for nearly 75 percent of the total imports and exports of the participating countries;

(b) that the *geographical distribution of imports and exports of all participating countries will change during 1948-51 in the same proportions as the estimated distribution of the imports and exports of those countries which have provided estimates for those years.*

(iii) *Invisible Items:* The net balance with each currency area is assumed to change from 1948 to 1951 in the same ratio as the net balance of the countries which have given estimates for these years.

The Table for Technical Committee Goods is based on figures supplied by Committees for each year (pp. 126-28).

b. NATIONAL RESOURCES AND FOREIGN AID

Certain assumptions stated explicitly in the "Krug Report" are as follows:

The assumptions that have been necessary to develop the projections of future capacities and requirements in this study of national resources and foreign aid are in no sense predictions. . . . It has been necessary . . . to make certain basic assumptions, and these assumptions have been carried through each phase of the statistical work of the study. . . .

At the time when the data were assembled for these studies, no estimates of either the levels or the patterns of foreign-aid requirements were available. Concurrently with the preparation of this report, such requirement figures are being assembled (I, p. 55).

It was therefore necessary to assume the general outlines of the foreign-aid program. Current high levels of exports were used both as an indication of the levels and the character of the requirements. It was also assumed that the foreign-aid program will require about five years for its completion; that it will be a program of diminishing aid over that period; that though relief might be the immediate task, reconstruction of the European economy would be the ultimate goal; and finally that the program would be predicated upon a policy of requiring the utmost self-help and mutual aid among the participating nations.

The Level of Economic Activity. The basic assumption underlying all of the projections—that the American economy will be characterized by continued high levels of peacetime employment and business activity—was chosen because it provides a concrete limiting case and the case most likely to result in the maximum scope and intensity of supply-and-resource problems (I, p. 56).

The assumption of continued high levels of employment does not, in itself, determine the levels of production and consumption for particular commodities . . . (I, p. 76)

For the purpose of projecting patterns of consumption as well as production, it has been assumed that the labor force will continue to increase at the present rate of approximately half a million per year as a result of national population growth and the continuation of long-time trends in the proportion of persons available for work (I, p. 57).

. . . . No general and consistent assumptions with respect to technological improvements, increased plant capacity and productivity, greater conservation, increased imports or similar factors are possible, but these considerations have been taken into account in the study of each commodity (I, p. 58).

. . . . The projection of resource reserves and requirements involves a number of specialized assumptions and judgments in addition to those already discussed. Here, too, there are limitations to a purely statistical approach to the problem (I, p. 58).

C. "THE IMPACT OF FOREIGN AID UPON THE DOMESTIC ECONOMY" BY
COUNCIL OF ECONOMIC ADVISERS

The present report will not attempt to define any precise quantitative limits to a "supportable" aid program. If the country could support a war program, it can support any lesser program--if the reasons are sufficiently compelling (pp. 2, 3).

Chapter III examines alternative assumptions in appraising the size of the future export surplus and its effect upon the domestic economy (1) in the event of no future foreign-aid program and (2) in the event of future foreign aid of assumed proportions.

* * * It is assumed in this study that the export surplus resulting from any future foreign-aid program will at no time equal, and for most of the time will be substantially less than, levels which have been reached during the current year (pp. 32-33).

Looking beyond 1948, therefore, it may be assumed that there will be a decrease in the export surplus through increased imports as well as lower exports. It may also be assumed that nonaid countries will be drawing their export-import relations into closer balance, thus further reducing the export surplus of the United States (p. 33).

The report assumes for illustrative purposes a foreign aid figure based upon the Paris Conference report which would reach a maximum annual rate of 8 billion dollars during the first year, including about 1 billion dollars already authorized, and which would produce a maximum export surplus of about 12 billion dollars a year (p. 74).

**18. STATEMENT OF THE SECRETARY OF STATE BEFORE
THE JOINT SESSION OF THE SENATE COMMITTEE ON
FOREIGN RELATIONS AND THE HOUSE COMMITTEE
ON FOREIGN AFFAIRS, MONDAY, NOVEMBER 10, 1947, AT
10: 30 A. M., EASTERN STANDARD TIME**

The Congress in the coming session will be called upon to make decisions which, although less spectacular and dramatic, will be no less important for the future of our country and the world than those of the war years. Your responsibilities as members of the committees directly concerned with our foreign relations are accordingly very great.

It appears unnecessary to elaborate for you on the somber picture of the world situation. You all, I am sure, are fully aware of its gravity and the immense responsibility which the course of events has placed upon our country.

The President will lay before the Congress the program of his administration for aid to Europe. My duty as Secretary of State is to present the reasons for this program; the reasons why I profoundly believe that the vital interest of the United States is directly involved.

In concentrating upon the problem of aid to Europe I do not ignore the fact that there are other areas of the world beset by economic problems of tremendous gravity. But the very magnitude of the world problem as a whole requires a careful direction of our assistance to the critical areas where it can be most immediately effective.

The need for our assistance in the European area is real and it is urgent. The report of the 16 nations represented on the Committee of European Economic Cooperation sets this forth, I think, in a convincing manner.

As a result of the war, the European community which for centuries had been one of the most productive and indeed creative portions of the inhabited world was left prostrate. This area, despite its diversity of national cultures and its series of internecine conflicts and wars, nonetheless enjoys a common heritage and a common civilization.

The war ended with the armies of the major Allies meeting in the heart of this community. The policies of three of them have been directed to the restoration of that European community. It is now clear that only one power, the Soviet Union, does not for its own reasons share this aim.

We have become involved in two wars which have had their origins in the European continent. The free peoples of Europe have fought two wars to prevent the forcible domination of their community by a single great power. Such domination would have inevitably menaced the stability and security of the world. To deny today our in-

terest in their ability to defend their own heritage would be to disclaim the efforts and sacrifices of two generations of Americans. We wish to see this community restored as one of the pillars of world security; in a position to renew its contribution to the advancement of mankind and to the development of a world order based on law and respect for the individual.

The record of the endeavors of the United States Government to bring about a restoration of the whole of that European community is clear for all who wish to see. We must face the fact, however, that despite our efforts, not all of the European nations have been left free to take their place in the community of which they form a natural part.

Thus the geographic scope of our recovery program is limited to those nations which are free to act in accordance with their national traditions and their own estimates of their national interests. If there is any doubt as to this situation, a glance at the present map of the European continent will provide the answer.

The present line of division in Europe is roughly the line upon which the Anglo-American armies coming from the west met those of the Soviet Union coming from the east. To the west of that line the nations of the continental European community have been grappling with the vast and difficult problem resulting from the war in conformity with their own national traditions without pressure or menace from the United States or Great Britain. Developments in the European countries to the east of that line bear the unmistakable imprint of an alien hand. All the nations of Europe, 16 in number, which were in a position to exercise free choice gave a prompt and energetic response to the simple suggestion made at Harvard on June 5 last and thereby an impressive demonstration of the continuing vitality of European civilization.

It would be well, therefore, to deal briefly with what the area encompassed by those 16 nations plus western Germany has meant to us and has meant to the world. This community before the war accounted for nearly one-half of the world's trade. They owned nearly two-thirds of the world's shipping. Their industrial production in terms of the basic commodities of coal, steel, and chemicals was before the war slightly greater than that of the United States. Their economy was highly integrated, each part depending upon the efficient working of the other.

I think that the figures cited will indicate the importance, even from a purely economic point of view, of the 16 nations who have joined together to develop a program for their mutual recovery. Their response to our suggestion of June 5 was a remarkable cooperative effort in a postwar world in which that element has hitherto been distressingly lacking.

Congress will wish to go into the objectives and the details of the European recovery program at some length, but I feel that a brief summary of the tentative conclusions we have reached may serve the useful purpose of making clear the distinction between the long range recovery program and the stop-gap program, which we refer to as interim aid.

LONG-TERM EUROPEAN RECOVERY PROGRAM

The Committee of European Economic Cooperation, meeting in Paris, produced a recovery program extending over 4 years. After the most careful checking, with the assistance of experts drawn from many governmental agencies, we have concluded that the Paris report correctly identifies the courses of action necessary to produce recovery and indicates an approximate order of magnitude of the cost for the full 4-year program. On the basis of present indications, the estimated cost to our Treasury of this program may be of the order of magnitude of 16 to 20 billion dollars. We feel, however, that the uncertainties of weather and crops, supply availabilities, prices, et cetera, inject a degree of assumption which makes the total cost impossible to forecast with accuracy at this time. I therefore will not recommend to the President that the Congress appropriate for the full 4-year period.

I feel, however, that we can estimate with reasonable accuracy and assurance the sum required for the first stage of the recovery program, which will cover a 15-month period from April 1, 1948, to June 30, 1949.

Our tentative estimate of the cost, subject to final checks in the light of the Harriman report, is something under 1.5 billions for the last 3 months of the fiscal year 1948 and somewhat less than 6 billions for the fiscal year ending June 30, 1949. The findings contained in the Krug report, the Nourse report, and the Harriman report, together with the studies made by our interdepartmental committees, make it clear that a program in this order of magnitude can be safely undertaken by this country. I shall therefore recommend to the President that the United States support the European recovery program and that an amount be appropriated for the 15-month period ending June 30, 1949.

It is of cardinal importance that an able and effective United States administration manage the funds which may be made available by the Congress. How best to achieve this and the other essential elements of an organizational and administrative structure for the program of aid to European recovery is a matter which the Congress will wish to examine with great care. There are several important principles which I believe should determine the nature of this organization:

(a) The operation of this program will in many ways define and express the foreign policy of the United States in the eyes of the European countries and the world. Therefore, the operation must fully accord with the foreign policy of the President as expressed through the Secretary of State.

(b) The organization, if it is to afford successful and dynamic management to the complex recovery program, must be granted the widest practicable flexibility both in its operations and in the use of the funds placed at its disposal. The program of United States support will achieve its objective only if it is kept responsive to changing situations and varying supply conditions.

(c) Full use should be made of the existing governmental agencies in carrying out those parts of the program which fall within the scope of their present activities. The Departments of Commerce, Treasury, Agriculture, Interior, the National Military Establishment, and other agencies are well-equipped to perform many of the necessary functions. The National Advisory Council and other competent inter-departmental agencies will have important parts to play.

(d) Strong central administrative direction is essential in a complex and varied program of this kind. There must be a high degree of integration in our operation, both in the United States and overseas. Unity of command, rather than diffusion of authority and responsibility is required.

The President will submit to the Congress his recommendations concerning the administration of the European recovery program.

There will be important functions for the United States to perform in Europe. Much of this work will be negotiation with governments of a nature constituting essentially an extension of the conduct of the entire relationship of the United States with the participating countries. Such matters are now handled through our embassies and legations and clearly should continue to be. There will be certain additional functions arising directly out of the operating program, such as screening of specific import requirements, arrangements for furnishing technical assistance and other similar specialized activities which will require the appointment of qualified men who can devote their full attention to such matters. These men in their dealings with participating governments should work through our Ambassadors because it is essential to maintain a single channel of responsibility for United States negotiations with other governments.

For general coordination of the operations in Europe and for central representation in the continuing European organization which the participating countries have decided to establish, consideration should be given to the designation of a special United States representative for the European recovery program, with ambassadorial rank, appointed by the President with the advice and consent of the Senate.

As a general principle, aid should take the form of grants or loans, depending in each case upon the capacity of the particular country to repay and the effect which accumulation of additional external debt would have upon sustained recovery. The precise determination in each case should be made by the administrative agency with the advice of the Department of State and the National Advisory Council. In practice it is felt that, where need is clearly demonstrated and where repayment cannot reasonably be expected, imports of supplies which are quickly consumed, such as food, fertilizer, and fuel, of indispensable items of capital equipment for immediate replacement and repair, and of essential raw materials should be financed by means of grants. Loans should be made to cover imports of capital equipment and raw materials which will directly produce the means of repayment and where such repayment can reasonably be expected. At the same time every encouragement should be given to early initiation of private financing so as to eliminate as far as possible the necessity for direct assistance from the United States Government. Use should

also be made of the resources of the International Bank whenever in the opinion of the Bank the necessary and appropriate conditions for loans can be met.

It is obvious that the basic responsibility for European recovery rests on the European countries themselves. However, this Government must have assurance that the aid it provides is effectively utilized for the achievement of European recovery as rapidly as possible.

It is contemplated that, to this end, bilateral agreements will be negotiated between the United States and each of the countries participating in the recovery program, setting forth the reciprocal undertaking relating to American Assistance. These agreements will vary in form and content as between countries, depending upon the nature of the aid to be furnished and the conditions deemed important in each case.

The commitments should include undertakings to adopt monetary, fiscal, and other measures to maintain stability in price and cost structures; to develop production to reach targets set by the participating countries and in particular, to increase the production of coal and basic foods; and to cooperate in reducing barriers to trade and promoting increased interchange of goods and services. Many other points and more detailed provisions to be covered in the agreements will be presented and discussed during the hearings.

Assistance to Europe will, to a considerable extent, take the form of commodities. The proposal to be submitted to the Congress contemplates the use of funds provided under the program for purchases outside the United States of commodities not readily available in sufficient quantities in this country. This policy will tend to protect our home economy against inflationary price movements which might result from concentrated buying in our markets. It seems clearly in our interest that the greatest possible amount of these supplies be obtained for Europe from other countries. Such countries should be encouraged to contribute directly as much as they can to the recovery program through grants-in-aid or by extending credits for exports to Europe.

EFFECTS ON WORLD ECONOMY

I have so far confined my remarks to the European recovery program itself. But the economic effects of this program will extend far beyond the boundaries of the 16 countries involved. It is in one important sense a world recovery program. The delay in European recovery has created serious problems for many countries which normally supply the European market with raw materials and other commodities. Where Europe's trade with the rest of the World would normally have been balanced by an equivalent exchange of goods and services, the low level of European production and the limited availability of exports has drastically reduced such payment possibilities. Furthermore, the habitual triangular trade patterns have almost disappeared, whereby Europe met its deficit for goods obtained from the Western Hemisphere by means of balances obtained from other parts of the world. Similar patterns of triangular trade used to provide certain other countries in the Western Hemi-

sphere with balances from Europe which were used to purchase goods in the American market. With the break-down of these trade patterns supplying countries, to a substantial degree, have had to accept nonconvertible currency or extend credit in order to sell in the European market. Neither of these procedures has given them dollars with which to purchase in the American market. The net result has been that trade continued around the world in large part on the basis of American grants or credits which made dollars available to other countries to meet their import requirements. The diminishing supply of dollars is restricting trade everywhere.

The European recovery program will be quick^{ly} reflected in other countries, if the important element of flexibility in purchasing is provided. To the extent that supplies for Europe are procured from nonparticipating countries for dollars, the trade position of these countries with the United States will be improved. In this way we feel that the problems of the other Western Hemisphere countries can be met through a combination of the European recovery program purchases and normal Export-Import Bank transactions.

More important in a fundamental sense, with increases in production in Europe such as those contemplated in the Paris report, exports from Europe will increase, and the necessity for the various supplying countries to accumulate nonconvertible currencies or to extend credit will diminish. Just as the progress of each individual country among the 16 will affect the progress of the others, so the recovery of Europe will inevitably be a significant link in a chain reaction creating or maintaining economic activity in other countries.

The situation in China continues to cause us deep concern. The civil war has spread and increased in intensity. The Chinese Communists by force of arms seek control of wide areas of China.

The United States and all other world powers recognize the National Government as the sole legal government of China. Only the Government and people of China can solve their fundamental problems and regain for China its rightful role as a major stabilizing influence in the Far East. Nevertheless we can be of help and, in the light of our long and uninterrupted record of friendship and international cooperation with China, we should extend to the Government and its people certain economic aid and assistance. A definite proposal is under preparation for early submission.

I do not have to tell you that this foreign economic program of the United States seeks no special advantage and pursues no sinister purpose. It is a program of construction, production, and recovery. It menaces no one. It is designed specifically to bring to an end in the shortest possible time the dependence of these countries upon aid from the United States. We wish to see them self-supporting.

This is certainly not the program of a country seeking to exercise domination or to influence unduly any foreign country. The nations and political groups which have now declared their opposition to the program apparently wish to block for their own reasons the revival of Western Europe.

INTERIM AID PROGRAM

I have gone at some length into the major features of the long-range plan for European reconstruction and the part that the United States can prudently and wisely contribute because I fully realize that the speedy and adequate consideration of the interim aid program which will be the first item of business presented to you cannot be dealt with by the Congress without understanding its relationship to the program of long-range reconstruction of Europe.

I would, however, urge upon you the necessity of a speedy decision in regard to the interim aid program. What is immediately needed is aid to maintain the status quo in food and in the material necessary to keep the wheels turning and people at work.

It will do little good to discuss the merits of a recovery program for Europe if in the meantime political and economic conditions have deteriorated to a point where such a program could not possibly succeed. The problem of overseas payment has become particularly acute in the case of Austria, France, and Italy. It is clear that the people of these countries in the absence of immediate assistance will, during the next few months, begin to suffer from a lack of food and other necessities of life and the whole economic and social life of the people will be seriously affected. Within a short time these countries will have exhausted all of the dollar resources which they can muster to maintain the flow of essential supplies.

Austria, whose economy is carrying the weight of a military occupation of four powers, has been able to survive in recent months largely through the assistance rendered to her under the United States foreign-relief program. These funds will be exhausted shortly after the beginning of the year. The dollar resources of France will permit her to procure essential food and fuel from abroad only until the end of December. Because of her rapidly dwindling reserves, she took steps at the end of August to reduce sharply the placement of contracts for most other imports. Italy's financial situation is even more serious than that of Austria or France. Last June the Italian Government took steps to eliminate the purchase of most of the raw materials and supplies which she required for the operation of her economy. The United States foreign-relief program has been able to provide food and coal until the present time. Funds are not in sight, however, beyond the first of December to maintain the flow of these necessary commodities.

In order to meet this emergency, I recommend that you give immediate and urgent consideration to a bill authorizing the appropriation of sufficient funds to provide the supplies necessary to permit the people of these three countries to continue to eat, to work, and to survive the winter. This is not a recovery program. It is designed to help provide the essentials of existence to the people of these three countries.

To accomplish this purpose it is recommended that the Congress authorize an appropriation of 597 million dollars. Of this amount Austria needs 42 million, France needs 328 million, and Italy needs 227 million dollars. These funds should be sufficient to meet the situa-

tion until March 31, 1948, before which time we hope that some decision may have been taken by the Congress regarding a broad recovery program. In the absence of a recovery program the problem of maintaining existing levels in Europe rapidly becomes more complex after March 31. Additional countries will by that time practically have exhausted their dollar resources, and the cumulative effect of the uncertainties as to the future and the continued low levels of production and consumption will have serious consequences throughout Europe.

The program of interim aid would be concentrated largely on such items as food, fuel, fertilizer, fibers, seeds, and medical supplies. With such resources as they can make available, the countries should be able themselves to procure other imports needed to prevent economic deterioration. The program should be sufficiently flexible to take account of such changes in requirements and availabilities as may occur.

Interim aid should be given to these countries under agreement to make efficient use of the commodities which we would supply. The bilateral agreements would also require that the local currency equivalent of the value of the commodities which we supply would be used only for such purposes as we and the recipient country might agree. They should also include a provision that the receiving government make known to its people the purpose and source of our supplies, and that it would make available full information concerning their distribution and use.

The operation of a program of the type which is proposed can be handled expeditiously by existing agencies of the Government. The procedures and machinery which are being used in the current relief program have been set up in accordance with the relief bill enacted last summer.

The urgency of the situation is so great that I recommend that no new agency be set up to handle this interim program. The time required to organize such an agency, to hire personnel, and establish new procedures would defeat its very purpose. Whatever agency might be created to administer the long-term European recovery program could, of course, take over the operation of interim aid as soon as it comes into existence.

I have endeavored to present in broad outline the long-range European recovery program and, in somewhat more detail, the interim aid program. The proposals will be presented in full to your respective committees.

CONCLUSION

In considering them I know you are aware of the momentous importance to the world of your decisions. While we are dealing at the moment with the drab though vital facts of economic life, they carry with them fateful consequences.

There is one further element with respect to interim needs. It is my understanding that the Department of the Army will be presenting certain additional requirements for funds for occupied areas above the present appropriations available for this purpose during:

the current fiscal year. I am told that these will be on the general order of \$500,000,000 of which slightly more than \$300,000,000 will be for additional requirements in western Germany.

The automatic success of the program cannot be guaranteed. The imponderables are many. The risks are real. They are, however, risks which have been carefully calculated, and I believe the chances of success are good. There is convincing evidence that the peoples of western Europe want to preserve their free society and the heritage we share with them. To make that choice conclusive they need our assistance. It is in the American tradition to help. In helping them we will be helping ourselves—because in the larger sense our national interests coincide with those of a free and prosperous Europe.

We must not fail to meet this inspiring challenge. We must not permit the free community of Europe to be extinguished. Should this occur it would be a tragedy for the world. It would impose incalculable burdens upon this country and force serious readjustments in our traditional way of life. One of our important freedoms—freedom of choice in both domestic and foreign affairs—would be drastically curtailed.

Whether we like it or not, we find ourselves, our Nation, in a world position of vast responsibility. We can act for our own good by acting for the world's good.

19. CHRONOLOGY OF THE EUROPEAN RECOVERY PROGRAMS

June 5, 1947--Secretary of State George C. Marshall in Harvard University commencement speech outlines basis for the economic recovery of Europe, since called the Marshall Plan.

June 11--President Truman in Ottawa address restates Marshall doctrine and emphasizes that initiative lies with Europe.

June 13--Foreign Minister Ernest Bevin of Britain hails Marshall Plan as "a real attempt * * * to (create) a healthy world * * * (and produce) cooperation between Europe and the * * * Western Hemisphere."

June 14--French Foreign Minister Georges Bidault invites Bevin to Paris to discuss proposal.

June 15--Pravda, official Soviet Communist mouthpiece, in editorial assails Marshall Plan as "President Truman's plan for political pressure with dollars" and "as a program of interference in the internal affairs of other states."

June 15--Ex-President Herbert Hoover, in letter to Senator Styles Bridges, chairman of Senate Appropriations Committee, sent at the Senator's request, without mentioning Marshall Plan, raises questions about a need for limitation of aid to foreign countries.

Points out: (1) United States cannot reconstruct world alone; (2) in 2 years we have expended 29 billion dollars, provided 13 billions in relief, and are committed to 6 billion expenditure in coming year. Russian obstruction has cost the United States billions; need to coordinate all relief, credit, and export activities, prevent excessive prices and export, modify consumption at home, and in return for our sacrifices require assistance to the United States with stock-piling strategical materials obtainable abroad for national defense.

June 17--Talks open in Paris between Foreign Ministers Bevin and Bidault, accompanied by experts.

Subjects: (1) Making raw materials accessible on equitable bases; (2) elimination of tariff and trade barriers; (3) fiscal and currency reforms; (4) priority of aid for basic areas.

June 19--In speech in House of Commons, Foreign Minister Bevin warns that Britain is prepared to go ahead with Marshall Plan, with or without the Soviet Union.

June 19--Paris talks broken off and invitation sent to Foreign Secretary Molotov to join Bevin and Bidault.

June 20--The Soviet press reports that the U. S. S. R. wishes further information on the conditions of the credits to be granted by the United States and the relation of the plan to the United Nations Organization.

June 22--President Truman appoints a committee of specialists within the Government (Krug committee) to study the state of the Nation's

resources with a view to determining the ability of the United States to support the Marshall Plan.

June 22—President Truman appoints Council of Economic Advisers (Nourse committee) to study "the impact on our economy of aid to other countries."

June 22—President Truman appoints 19-member advisory committee (Harriman committee), consisting of financial, business, and farm leaders, to study the broad aspects of the aid program and to advise the President "on the limits within which the United States may safely and wisely plan to extend such assistance."

June 23—Foreign Minister Molotov accepts invitation to Big Three Conference scheduled for Paris June 27.

June 24—Poland agrees to cooperate with Marshall Plan.

June 26—President Truman gives Marshall Plan unqualified endorsement and through his National Advisory Council on International Monetary and Financial Problems sends report to that effect to Congress.

June 27—Paris Conference opens with Foreign Ministers Bevin and Bidault opposing Foreign Minister Molotov in several major issues.

June 27—Anglo-French plan calls for immediate creation of a steering committee consisting of Big Three and other states.

Function: To coordinate subcommittees charged with surveying resources and programming to meet the Marshall Plan. Russia proposes that the United States be asked the exact amount of help she would be willing to grant, and that each nation should make its own survey and estimates; regards steering committee as meddler in domestic affairs of nations.

June 29—Tass attacks European aid program as American interference in Europe; then calls for aid program on broader basis than the Marshall Plan.

June 30—Pope Pius endorses Marshall Plan for European recovery.

June 30—Paris Conference deadlocks over Foreign Minister Molotov's refusal to accept basic principle of Marshall Plan—that European nations should first make a common effort to aid themselves.

July 2—The Soviets oppose any over-all economic organization for Europe.

July 2—The conference of the Foreign Ministers of France, Great Britain, and U. S. S. R. ends. France and Great Britain reveal intention to push Marshall Plan without Russia.

July 2—Secretary Marshall announces conditions of recovery plan as:

(1) Any United States contribution shall be effectively used for the purpose for which it was intended; (2) it should not be expended to serve foolish economic or political interests; (3) it should be employed specifically in economic rehabilitation; (4) it should serve a great purpose in restoring hope and confidence among the people concerned that the world will know peace and security in the future.

July 2—Foreign Ministers Bevin and Bidault issue joint communiqué inviting 22 additional European nations to meet in Paris for further discussion of Marshall Plan.

Program calls for committee of cooperation to prepare report by September 1947 on available needs of Europe for the next few years and availability of resources.

- July 5—Invitation of Foreign Ministers Bevin and Bidault accepted by 10 nations for conference to meet July 12.
(Italy, Portugal, the Netherlands, Sweden, Denmark, Ireland, Greece, Poland, Austria, Czechoslovakia.)
- July 7—Tass, official Russian news agency, reports Poland, Yugoslavia, and Rumania cannot attend.
- July 9—Rumania, Bulgaria, Poland, Yugoslavia refuse invitation. Premier Clement Gottwald of Czechoslovakia flies to Moscow for instructions.
- July 10—Czech Government withdraws acceptance when Kremlin instructions are telephoned by Premier Gottwald to Czechoslovakia.
Reason given: "Acceptance of the invitation might be construed as an action against the Soviet Union."
Hungary, Albania, and Finland send refusal.
- July 11—Secretary Marshall meets with Senate Foreign Relations Committee to explain his plan.
- July 12—Conference convenes in Paris. Forty-eight diplomats represent 16 nations. In attendance representatives of Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, United Kingdom. Not represented: Finland, Poland, Hungary, Rumania, Bulgaria, Yugoslavia, Czechoslovakia, Russia.
Door left open to Russia and satellite states to come in subsequently if they desire.
- July 12—Premier Clement Gottwald and Foreign Minister Masaryk bring back 5-year trade pact with Russia.
- July 12—Bulgarian Cabinet completes 87-million-dollar trade agreement for 1947-48 with Soviet Russia.
- July 14—Secretary Marshall warns that United States must help nations of western Europe rehabilitate themselves or see them drift into Russian orbit.
- July 15—Working committees set up to prepare reports during summer and to reconvene in Paris to complete report for submission to United States on September 1, 1947. After 4-day session an over-all operating committee to direct the report and four subcommittees created to deal with (1) food and agriculture, (2) iron and steel, (3) transport, (4) fuel and power.
- July 15—New directive issued to United States Military Government in Germany ordering Lt. Gen. Lucius D. Clay to take all possible steps to increase German production; and United States and Britain reach tentative agreement on plan to double German production.
- July 17—Hungary signs trade pact with Russia.
- July 18—Supplementary appropriation bill carrying additional \$1,353,024,900 for all foreign aid, and relief funds for Poland and Hungary cut by 18 millions, favorably reported by voice vote from House to Senate. House refuses to adopt Dirksen motion to deny aid to all nations that fail to cooperate with Marshall plan.
- July 21—Secretary Marshall meets with House Foreign Affairs Committee in closed session to explain his plan.
- July 21—President Truman says Marshall plan for aid to Europe lies "at the core" of United States foreign policy. Lasting benefits

make it profitable to endure temporary shortages. The cost of effective foreign aid, he stated, will be only a small fraction of the cost of winning a war.

July 22—House decides to make own inquiries into foreign needs during recess of Congress and instructs Foreign Affairs Committee to direct investigation; also sets up new 19-man committee to make special inquiries.

July 25—France indicates willingness to participate in Three-Power conference on German problem.

July 26—L'Osservatore Romano, Papal newspaper, urges Western European statesmen to pay attention to Russian fears that Marshall Plan might represent danger for sovereignty of European nations.

July 27—Moscow grants Albania a "small credit" for machinery.

July 28—At a meeting of the United Nations Economic and Social Council the Soviet representatives again reject a French plea to participate in the Marshall Plan. They state that the United Nations has not officially been informed of the plan and further, that the plan calls for the reconstruction of Europe linked closely to German economy.

July 29—Soviet-Yugoslav barter and credit agreement is announced in Moscow.

July 29—Speaker Martin appoints Representative Eaton to head 19-member group, with Representative Herter to head the group when it goes overseas.

August 3—Bulgarian Premier Dimitrov returns to Sofia after concluding agreements with Marshal Tito for customs union, abolition of visas, and coordination of foreign policy.

August 11—France accepts invitation to confer with United States and Britain in London on raising level of German industrial output.

August 14—United States cancels 1 billion dollars of war claims against Italy; unfreezes 60 million dollars in war assets; signs over to Italy 28 ships seized during wartime; redeems 10 to 15 million dollars in script issued to Italian war prisoners in the United States; trims United States claims against Italy to 5 million dollars; agrees to sign friendship pact with Italy. A second pact covers return of prewar American property in Italy and retirement of 136 million dollars in prewar Italian bonds. A third pact covers disposal of German external assets.

August 28—Herter committee sails for Europe.

August 29—As result of 6-day conference in London, France, United States, and Britain announce plans for restoration of German industrial production to 1936 levels.

Talks held in spite of Russian protest. Fail to provide guarantee that France will receive all Ruhr coal and coke she needs. France assured (1) German recovery not to be given priority over democratic countries; (2) demilitarization of Germany the primary objective; (3) any new United States-British plan will be so drawn up as not to allow the Ruhr to serve aggressive purposes. London decision subject to change by Big Four foreign Ministers in November London meeting.

- September 3—Secretary Lovett says western Europe's economic plight is getting worse faster than expected due to "acts of God," including drought and damaged food production.
- September 10—Secretary Marshall tells news conference Europe faces "intolerable hunger and cold" next winter unless emergency food and fuel are provided.
- September 11—Secretary Harriman states Marshall Plan will involve additional government controls over exports.
- September 12—French Foreign Ministry announces study of a customs union will be made by Austria, Belgium, Britain, Denmark, Ireland, France, Greece, Iceland, Italy, Luxemburg, the Netherlands, Portugal, Turkey, Rumania; 10 other eastern European countries will probably be invited, including Russia.
- Moscow warns Scandinavian nations against creation of regional customs unions and voices suspicion that northern Europe is being included in western bloc now sponsored "by reactionary Anglo-American sources."
- September 12—Participants in Paris aid conference accept 6 basic conditions suggested by Secretary Clayton, namely: (1) to take immediate steps toward financial and monetary stability; (2) to guarantee its production program; (3) to agree to reduce trade barriers; (4) to make allowance in total requirements for capital needs which might be financed by World Bank; (5) to form continuing organization and check expenditures under it; (6) to recognize common objectives and responsibilities.
- September 18—Soviet Deputy Foreign Minister Vishinsky in UN assembly meeting charges United States with warmongering.
- September 20—Senate Appropriations Committee meets to discuss American financial policies abroad with respect to occupied areas.
- September 22—Volume I, General Report of Committee of European Economic Cooperation signed by the 16 nations participating in European conference presented to the United States.
- September 24—Harriman Committee makes special interim report on grain export policy.
- September 26—Members of Senate Armed Services and Appropriations Committees leave for Europe.
- September 29—President Truman meets with congressional leaders and requests Appropriations and Foreign Relations Committees of both Houses of Congress to "meet at the earliest possible date." President states that long-range Marshall Plan impossible unless United States provides food and fuel to help France and Italy to "survive this critical winter as free and independent nations."
- October 1—President Truman requests Appropriations and Foreign Relations Committees of both Houses of Congress to meet at earliest possible time on stopgap plans.
- Senate and House Foreign Affairs Committees to be called in joint meeting November 10.
- October 6—Senate Appropriations Committee is called for meeting on November 18.

- October 6—Moscow. Cominform, new version of Comintern, representing the Communist Party of nine nations (Russia, Yugoslavia, France, Italy, Poland, Bulgaria, Czechoslovakia, Hungary, Rumania), organized for all-out fight against Truman Plan, Marshall Plan, and "United States imperialism." Declaration to this effect issued in Pravda. Organized at Warsaw meeting; Belgrade selected as headquarters.
- October 7—Soviet Government agrees to November 25 as date for London meeting of Foreign Ministers Council to write a German peace treaty.
- October 7—Krug report states America has natural resources, industrial capacity, and agricultural means to extend Marshall Plan aid to Europe without damaging our own economy; takes an over-all look at power and transport capacities, and recognizes scarcities in wheat, steel, coal, fertilizers, various types of machinery.
- October 7—Washington conversations begin between European and United States aid technicians.
- October 10—Herter committee returns and chairman states, "We are convinced that no program of American aid can achieve the objective desired unless each country sets its own house in order * * * and cooperates with its neighbors * * * for the fullest use of existing or potential resources."
- October 21—American-aid mission in Greece reports 75-million-dollar hoard of goods uncovered.
- October 22—Speaking for Cominform, Zhdanov calls upon Communists everywhere to wreck Marshall Plan as an instrument designed by the United States to achieve "world domination by American imperialism."
- October 23—President Truman, at conference with congressional leaders, calls special session of Congress for November 17 on foreign aid and living costs.
President states: "There are two compelling reasons * * * the continued rise in prices * * * and * * * it is also necessary to meet the crisis in Western Europe."
- October 23—President Truman confers with Cabinet on aid to Europe.
- October 27—One hundred representatives of industry, labor, agriculture, and general public confer with Government officials at White House on Marshall Plan.
- October 27—Emergency Food Council told world's food output to fall off this year.
- October 28—President Truman's Council of Economic Advisers submits report to White House on the impact of foreign aid upon the domestic economy.
- November 1—United States queries "Canada on her ability to help Europe."
- November 1—Joint Congressional Committee headed by Senator Harry F. Byrd, chairman of the Committee on Reduction of Nonessential Federal Expenditures, estimates United States aid to foreign countries since outbreak of Second World War at 19 to 20 billion dollars.

November 2—Secretary of Commerce Harriman announces he has recommended to President Truman that the initial aid to Europe should be 3 billion dollars as an outright gift.

November 5—The House Select Committee on Foreign Aid meets.

November 6—The President's Committee on Foreign Aid (Harriman) submits its report to President Truman.

November 10—The Senate Foreign Relations Committee and the House Foreign Affairs Committee meet in joint session to begin hearings on the Recovery Program.

