EUROPEAN RECOVERY PROGRAM

BASIS DOCUMENT NO. 1

(Objectives Committee)
Less than three years ago this country was still associated with a number of other countries in a great military effort designed to prevent the peoples of Europe from being enslaved by the aggressive and tyrannical power of Hitlerism. In that struggle each of the major participants contributed what it could. These individual contributions involved in varying degrees sacrifices in life, in physical values, and in the security and comfort of individuals. Some nations contributed predominantly in the destruction of human life and property which they suffered by direct armed action. Others contributed outstandingly in the heroism and self-denial of underground resistance. Our own effort brought us both grievous loss of life and much individual sacrifice; but the emphasis of our effort naturally lay on production, for which we were uniquely well equipped.

We in this country are not inclined to draw comparisons between the individual war efforts of the respective countries. We stand with heads bare in reverence before all the suffering and heroism which went into the common cause. We find no human standards by which to measure and compare the supreme individual sacrifices which crowned this common effort.

But it is clear that the varied nature of the contributions left the individual visitor countries in diverse positions with respect to the problems of post-war adjustment and recovery. Here in this country we had given generously of our labor and our resources; yet
our productive power had increased, rather than diminished, during the war. Similarly, the patterns of life in our country had not been disrupted, as they had elsewhere, by the destruction of war and the dislocations of foreign occupation and oppression.

It was only natural that this country should do what it could, when the war was over, to assist those whose war-time experiences had left them in a less favorable position than ourselves to recover from the effects of conflict. This was readily recognized by the United States people; and it was from this basic consideration, as well as from a genuine humanitarian concern for human suffering anywhere, that this country promptly extended, during the immediate post-hostilities period, aid to Europe in an amount exceeding eleven billion dollars. These sums were made available by the United States people cheerfully and generously, in the hope that they would suffice to bring all the peoples of a war-torn continent back to the point where their own economic strength and initiative could be brought fully into play and enlisted, along with our own, in the movement toward a more stable and abundant world economy.

When the smoke of battle had cleared away from the fields of Europe and the pattern of post-war developments had begun to emerge, it became clear that the difficulties with which Europe was contending were more far-reaching and serious than anyone here could have foreseen at the termination of hostilities.

Some of these difficulties, to be sure, reflected long-term trends of development which were already
disastrous before the war and which, even in the best of circumstances, would sooner or later have imposed serious problems of adjustment. These had been aggravated by war-time developments.

Others arose from the normal consequences of an armed conflict of such vast dimensions. These proved to be more severe than had originally been anticipated.

Still others, however, arose from unexpected post-war developments which people in this country viewed with increasing concern and regret: from the arbitrary division of the Continent into East and West; from the effective removal of certain once productive areas from the economic life of the Continent; from the lack of unity among the principal allied nations; and from the political insecurity and uncertainty which inhibited everywhere the natural forces of recovery.

Despite formidable obstacles, the Allied nations of Western Europe made considerable progress toward recovery during the first year and a half after the end of the conflict in Europe. By the beginning of this year, however, the effect of these basic factors began to take itself evident and there emerged with increasing clarity the fact that the efforts of the Europeans and the aid we had already given would not be sufficient to do the whole job. Meanwhile, new difficulties were added by a winter of great severity. The total result was that as the year wore on the economic situation began to deteriorate and the recovery already achieved was gravely threatened.
In consequence of all these factors, it became evident that there would have to be more outside assistance to Europe if a further deterioration of economic conditions throughout the continent were to be avoided; and that such assistance could come, for the most part, only from this country, since no other single economic entity or region possessed at this time the productive power to provide it. It also became clear that this economic deterioration which was to be expected if nothing further was done to aid the European nations would have serious repercussions in fields other than economic, and could not fail to react unfavorably on the chances for world peace and stability.

In analyzing the needs of Europe, as they were apparent to this Government last spring, it was clear that any sort of assistance to be granted in the future would have to be different in certain respects from that which had been granted in the past. This conclusion did not imply that aid granted in the past had been unwise or ineffective. There may have been individual instances in which this aid had not been fully or properly utilized; but such instances were exceptions and not the rule. In concluding that aid had to be granted on a different basis in the future if it were to achieve a useful purpose, this Government was merely recognizing that conditions had changed; that the requirements of European countries had entered into a new phase which differed sharply from the immediate post-hostilities period; that a new world economic...
situation was emerging; and that our own country, settling down to its own post-war adjustment, would have to observe different principles of caution and economy in any action of this nature which it might undertake in the future.

Specifically, it was clear that if further aid to Europe were to achieve any really useful purpose certain definite prerequisites would have to be fulfilled.

First, of all, the aid would have to be granted according to some overall, integrated concept which took into account the problems of European nations in relation to each other and not individually. Further piecemeal approaches would not do.

Secondly, there would have to be a greater community of views among European countries as to what was required and a greater sense of collective responsibility for the common effort and for the effective utilization of U.S. aid. The problem of European recovery is essentially a European problem, and it was clear to all that it could never be solved, even with U.S. aid, unless the European nations themselves were to evolve a solution and to acknowledge the basic responsibility for its promulgation.

It was these considerations which led Secretary Marshall to state on June 5, 1947 that before this Government could proceed much further in its efforts to alleviate the situation and help to start the European world on its way to recovery there would have to be some agreement among the countries of Europe as
to the requirements of the situation and the part those countries themselves would take in order to give proper effect to whatever action might be undertaken by this Government. Secretary Marshall suggested that the initiative in the drafting of a European program should come from Europe and that the program should be a joint one agreed to by a number, if not all, of the European nations.

In response to Secretary Marshall's suggestion, representatives of a number of European nations assembled in Paris in July, at the invitation of the British and French Governments, to draw up a program of European recovery.

A number of other European governments declined to participate in this work. In taking this decision, they made it impossible for others to count on their cooperation in planning the recovery of Europe, and they cut themselves off voluntarily from a share in any aid which the U.S. people might find it possible to render to an over-all European recovery program.

It must be emphasized that it was not the desire of this Government to see excluded from participation in the common task of restoring European economy any European nation which sincerely wishes to cooperate. The decision of certain governments not to participate in the preparation of the Paris report was one which was not influenced in any way by this Government. Responsibility for the consequences of this decision to the peoples concerned and for the added obstacles which it placed in the path of economic improvement

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Throughout the continent rests squarely on the governments concerned.

The sixteen nations which met at Paris completed their report on September 22nd and it was transmitted on that date by the Chairman of the Conference to the Secretary of State of the United States, with an indication that it had been prepared in response to the latter's suggestion and with an expression of hope that it would help to solve the economic problems of the European continent.

Subsequent to its transmission to the Secretary of State, representatives of the Paris Committee by which the report was prepared visited Washington and discussed the report with representatives of this Government and with other interested parties in Washington. In these discussions certain supplementary technical data was made available and certain features of the report were further clarified.

Meanwhile, in order that we might be prepared to consider expeditiously and carefully the results of the Paris Conference when they become available, several qualified groups including outstanding private citizens had been asked to assemble data on the extent to which we could give aid to Europe without adverse effect on our own economy. At the same time, a large number of members of the Congress visited Europe for the purpose of acquainting themselves at first-hand with the situation there.

Supplemented by the discussions we have had with the representatives of the Paris Conference, the
reports of our own resources and capabilities, and
the information gathered by the Congressional commit-
tees and our own experts, the Paris Conference report now lies before this Government.

While all these steps have been proceeding, the
economic situation in Europe has continued to deteri-
orate. To the effects of the severe winter of last
year have been added those of a widespread summer
drought. The world shortage of many materials, par-
ticularly food, has made it impossible wholly to make
up the deficits from other parts of the world. Under
the pressure of mounting needs for imported supplies,
European reserves have dwindled rapidly, and many
countries are being compelled to reduce their foreign
purchases to all but the barest essentials of life,
with inevitable consequences to the maintenance of
production. Some countries can measure their remain-
ing resources only in terms of weeks.

This grave economic situation has meanwhile be-
come the center of a political controversy which this
Government cannot ignore. Representatives of an
important world-wide political movement with its
center in Europe have made evident their determination
to oppose and, if possible, to frustrate for political
reasons any realistic program of European recovery.
This notion is undertaken with the pretext of defend-
ing Europe from a domination by this country.

This Government finds it regrettable that the
economic problems and hardships of the sorely tried
peoples of Europe should become the object of political
maneuvering. In its approach to the problem of aid to Europe it has made no political conditions and raised no political considerations. It is not doing so now. If U.S. aid to Europe in the coming months and years has political significance, it is because that significance has been given to it by groups in Europe who found it detrimental to their political interests that European recovery should proceed.

The facts are now before us. The time has come to determine what action this Government will take.
II.

The first and the most basic question we face is whether it is desirable in principle that the U.S. people should undertake at this time a large-scale effort to aid European countries.

There can be no doubt as to the interest of the U.S. people in the recovery of Europe and particularly of those countries which have joined, in response to our suggestion, in drawing up a program for European recovery.

We do not need to question the stake which the United States has in the maintenance of the true independence of these European countries and of their freedom to develop their national lives in an unbroken continuation of the great traditions of their past. We have fought two wars to prevent the free peoples of Europe from falling under the domination of a single great power. To deny our interest in the ability of these people to defend their independence today would be to disdain the efforts and sacrifices of two generations of Americans.

We must face frankly the fact that without our assistance at this time the economy of the countries of western Europe must be expected to suffer a disastrous deterioration. In the wake of this deterioration can only come hardship, discouragement, bewilderment, and loss of confidence in the possibility of solving problems by moderate and democratic means. It is entirely possible that this would lead to a widespread rejection of the principles on which so much of European
civilization has rested for so long—the principles of law, of justice, of respect for individual dignity, and of restraint in the exercise of political power. Such a repudiation would undo the work of centuries and would constitute a shattering blow to the efforts of our country to achieve peace and stability in world affairs. In such a contingency we should have to undertake a basic revision of the whole concept of our whole international position—a revision which might logically demand of us material sacrifices and restraints far exceeding the maximum implications of a program of aid to European reconstruction. But in addition to this we would suffer, in common with most of the rest of the world, a cultural and spiritual loss incalculable in its long-term significance.

To stand passively by and to permit developments to take such a course would be inconsistent not only with the interests of United States people themselves but with the obligations of leadership which devolve upon them by virtue of their character and resources and of the great part they are bound to play in the economic and political life of the world. We must face the fact that whatever we do in this matter, whether positive or negative, cannot fail to have a profound effect on world affairs in general in the coming period.

On the other hand, there is no reason to believe that these European countries are in any sense beyond our capacity to aid. On the contrary, there is every evidence that the difficulties from which they are
suffering at this moment are temporary, and even in large measure fortuitous, in nature.

Many factors contribute to the situation in which these countries find themselves. One thing is certain—they are not yet in a position to fill for themselves their essential needs for food and fuel and the materials to feed their industries. They cannot produce them all in Europe. Their exports cannot yet pay for them. They cannot purchase them from their almost exhausted capital reserves.

It is a fact that a large part of the basic requirements of these countries can at this time come only from the United States. This presents to us both a responsibility and a challenge. It is to this country, and almost to this country alone, that they must look for the extraordinary yet temporary support needed during this crisis of civilisation to permit them to recover economic hope and health—to preserve a way of life that represents a culmination of centuries of striving for better things.

There is evidence that great indigenous reserves of energy and idealism, as well as of economic resources, are present throughout the Western European area. They are capable of being released by an appropriate combination of psychological and economic factors. There is every reason to believe that once released they are powerful enough to assure and to bear the main burden of the recovery effort. For us to deny assistance at this moment would be to connive with the factors of war, of chance, and of ill will to destroy the traditional
personality of Europe in what is, for the peoples of that continent, a moment of temporary weakness and yet of fateful decision.

It is for this reason that the Administration is presenting to the representatives of the American people in the Congress a request for action leading to adequate though defined support of a program for the economic recovery of Europe. It is the belief of the Administration that such support, wisely and safely given, can on the basis of calculable risk make possible the European actions necessary to cure the economic illness of Europe within a period of four or five years.
If it is recognized as desirable in principle that we should undertake a program of aid to Europe, the question next arises as to the basis on which such a program should be drawn up. To answer this question it is essential that there should be a correct understanding of the nature of the report of the European Committee and of its relation to any action this Government may undertake.

The preparation by the European governments of a study of their own requirements was indispensable if any further large-scale aid to Europe were to be granted. It is clear that such aid, if it is to be effective, must be related to some orderly concept of Europe’s future economic development, and to one for which the European governments concerned are prepared to accept responsibility. Had this Government undertaken to evolve unilaterally a program of this sort and to make it the basis of aid to Europe, its soundness and validity would always have been open to some question in Europe, and the European governments would not have been in a position to feel a true sense of responsibility for its success.

Nevertheless, it is important to bear in mind certain necessary limitations on the scope of a report of this nature. Such a document could not include firm predictions of things to come. The authors unavoidably had to reckon with many factors of uncertainty and to make assumptions...
as to those factors which lay beyond the control of their governments. For limitations of time, if for no other reason, estimates of future developments could be based only on the data available to the authors of the report, which were not—and could not be—an adequate basis for firm prognostications of the future.

Nor could the report constitute an operational blueprint for the regulation of European economy in coming years. The authors of the report were dealing with a wide variety of national economic systems, each of which operates in a different way. And we would have been the last to urge that the Europeans endeavor to set up some sort of international planned economy to affect their recovery.

Finally, it was not part of the task of the authors of the European report to evaluate and to take into detailed account in their analysis the difficult and important factors of availability in the country of the resources which might be required for aid to European recovery.

In these circumstances a report of this nature could not be more than a survey of the existing economic situation and an indication of the general manner in which the economic programs of the various countries could, with American aid, be directed to achieve the common goal of European recovery. As such, it could serve only as a general point of departure for a European recovery program as an initial indication of the direction in which that program would be oriented and of the general purposes for which United
States aid, if forthcoming, would be used. There was
never any thought that this document should serve as
a detailed working basis for the determination of the
precise character and quantity of aid to be supplied by
this country. This was clearly recognised by the authors
of the report themselves, who made it plain that their
statement of the expected deficit of the participating
countries and Western Germany in their trading
relations with the American continent and the non-
participating countries was set forth only for pur-
poses of general orientation and that the participating
countries "neither ask nor expect" special aid from
the United States to the full amount of that deficit.*

The Executive Branch of this Government has ex-
amined the European Committee report with great care
and in detail. It was right that it should do so. In
consequence of this examination, and recognizing the
preliminary nature and the insuperable limitations of
this effort, it finds the report an enlightened and
constructive approach to the problem in question and
feels that it deserves acceptance by us, as the basis
for a European recovery program to which our aid and
our support might suitably be directed. It considers
that an expression of appreciation is due to the
authors of the report and to their governments for the
confidence they have shown in the good faith and
sincerity of our people by their prompt and whole-
hearted response to a suggestion emanating from this
Government.

*Paragraph 21, Preface, Vol. 1, General Report of
the Committee on European Economic Cooperation.
At the same time it must be clear to everyone that the actual framing of any program of aid which this Government may put in hand must proceed from a number of considerations beyond those set forth in the report itself, and must be strictly adapted to the needs of a healthy United States economy.

It should also be made plain that in accepting a European recovery program based on the Paris report as an object worthy of United States support, this Government cannot and does not mean to endorse any of the propositions or analyses of the report or to give the peoples of this country or of Europe any assurance that our aid will produce the exact results which the calculations of the report might seem to indicate.

We must remember that in the questions of European recovery we are dealing not with a static substance but with the dynamic material of human affairs. We cannot hope by mechanical calculation to achieve fixed results by any given date. We are operating in a fluid and rapidly changing environment; and the best we can do is to see that a moving stream of events is impelled in directions which are favorable to the results we seek. The future is surrounded with a multitude of uncertainties. It is impossible for us to find any course which gives 100 percent certainty of favorable results and which does not have its own attendant dangers. Whatever we do in the nature of aid to Europe must involve a risk. But if we give aid promptly and generously, that risk should be a calculable one. Whereas if our aid should be too late or too little the attendant risk would be, in the opinion of this Government, inscalculable.
It may be asked how a program of aid directed to European recovery would fit in with United States economic objectives in general.

It should be clearly understood that the recovery in European countries which we would seek to promote by this sort of an aid program could not be expected to constitute in itself a solution to the long-term problems of world economy, nor could it be expected to meet fundamental difficulties being encountered in areas of the world other than western Europe. It is in no sense a substitute for our longer-term program to create a fabric of international economic relationships which will permit the nations to develop their resources and capabilities and to achieve a rising standard of living for their people. It cannot replace or make unnecessary our efforts to clear away barriers to international trade, to abolish discriminations, and to achieve general financial stability. It may not even provide an answer to certain of the long-term problems of adjustment with which the European peoples themselves are faced.

The adoption of a program of aid to Europe will not therefore relieve us of the obligation to continue our efforts to get to the root of the broader problems of international economic life, and to promote acceptable solutions. On the contrary, the very need for a program of aid to Europe at this time should demonstrate to us how direct is the relation between
our economy and world stability, and how imperative it is that we continue with courageous and realistic efforts in cooperation with other nations to create the economic basis for a peaceful world in which crises such as that which Europe is now afflicted cannot arise.

But if the recovery of these European countries is not alone an answer to the broader problem of world economy which we face, we may be sure that it will greatly facilitate the implementation of solutions to those problems. In fact, without the recovery of western Europe, it is doubtful that any of these solutions could be satisfactory. The immediate problem with which the world is confronted is primarily a problem of production. What is proposed is that we deal in a particular way with the problems of a particular area which has constituted the center of the network of world trade and finance. If Europe can be restored to economic health, the effects will be radiated throughout the world. The restoration of European production will make possible the resumption of a more normal trade relationship between Europe and other areas of the world and will contribute to the solution of the financial problems of the non-European countries. But there is no implication in this that the approach selected in the case of Europe would be applicable elsewhere, or would obviate the need for continued careful attention to the requirements, on their own merits, of our economic relations with other areas.
We are not insensitive to the desire of other areas of the world to rehabilitate and expand their productive resources. In the case of those countries which were not theaters of war—notably the other countries of the American hemisphere and the Middle East and Africa—their desire is primarily for the improvement of the standard of living beyond pre-war. Such development is clearly in the interest of the world at large, but it cannot take the same priority as the reconstruction of the war-torn European continent.

The United States will clearly continue to be an important source for the capital needs of these countries. In the longer run, it is our hope that the private investment markets will be the major source for these needs. Meanwhile, agencies now exist—including the World Bank and the Export-Import Bank—for dealing with the most pressing needs of these areas.

The Far East presents a different problem. The maintenance of even minimum living standards for the vast population of that area depends on the restoration of at least pre-war levels of production and a resumption of trade, particularly within this region.

Unfortunately, the countries of the East are torn by strife and political disunion and the prospects of a common approach to their problems in the near future do not appear great.

In Japan, as in Germany, the United States has been confronted with the necessity of supplying large amounts of aid merely for the purpose of maintaining the life of the population. The relationship of Japan
to the Far East bears a resemblance of that of Germany to Europe. Here, too, it is apparent after two years of occupation that the Japanese people must again be put to work for the common benefit if the Far Eastern economy is to be revived.

The Far East does not present the same degree of integration as the group of countries on the European continent. The countries of that area will need help in the restoration of their production and transport if they are to solve their own problems. However, the character and magnitude of this aid will not be that called for by the European situation.
It has frequently been asked how we would expect a program of United States aid to the sixteen nations represented at the Paris Conference to affect the trade of those countries with other countries in Europe and elsewhere.

As stated above, this Government has made no move to exclude any of the European countries from the operation of this program. The decisions as to which nation should participate and which should not were taken in Europe. This Government considers essential to the effectiveness of any general recovery program a willingness on the part of the participating European governments to collaborate closely with one another in the formulation of common needs, to pledge maximum assistance to one another in the form of self-help and mutual cooperation, and to accept a joint responsibility for the progress of the program. This Government cannot consider as qualified for aid under the concept of such a program any government which is not willing to accept these obligations.

On the other hand, the purpose of American aid would be to promote, not to disrupt, the development of the normal channels of world trade. Accordingly, in the event that this Government extends aid to an economic recovery program in the west, the United States Government would look with favor on any trade
between participating countries and any other economic areas, whether in eastern Europe or elsewhere, as long as the nature of this trade was such as to promote the overall objectives defined in the Paris report.
Circumstances have made it necessary that this program of European recovery be considered, at least in a preliminary way, before any agreement has been reached among the major allies on the German peace settlement. At the present moment Germany is effectively partitioned, for economic and political purposes. Whether that partition will be maintained or whether unity can be achieved for Germany is a question which will be discussed at the Council of Foreign Ministers meeting in London which opens on November 25. Before we know the results of that meeting, it will be difficult to determine Germany's final relationship to a program of European recovery.

The primary objective of U.S. policy toward Germany is to prevent a resurgence of German militarism and to see that the Germans never again menace the other people of Europe and the world. The draft treaty on disarmament and demilitarization of Germany which has been put forward by this Government in recent meetings of the Council of Foreign Ministers is an emphatic manifestation of this policy.

Without prejudice to these considerations of security this Government considers, however, that a limited restoration of German production is absolutely essential to European recovery.

This Government has recognized from the start that recovery in the allied countries should be given precedence over recovery in Germany. The present
situation in the U.S.-U.K. zone, however, in which industrial production is less than half of pre-war, food supplies are considerably below the minimum requirements for health and efficiency, and foreign trade is only a trifle of its former dimensions, represents a degree of retardation in the recuperation of German production far greater than any reasonable system of priorities would warrant. Between this point and a point where it could be claimed that the interests of German economy were being favored over those of Germany's present neighbors, there lies a wide gap most of which must be filled before general European recovery can become a reality.

This Government would be prepared to see a truly united German economy integrated into a program of general European recovery, if this can be done in such a way as to promote European security as well as the overall objectives of the recovery program. If Germany cannot be united at this time, we would be prepared to see such an integration attempted for the western zones alone, although in this case recovery will be slower and more costly.

In any case, unless some means can be found to increase materially the contribution which Germany is capable of making to the recovery of other western European countries, it is impossible to see how European recovery can be achieved.
If aid is granted to Europe in accordance with the concept now proposed, this will constitute a major step on the part of this Government, comparable only to the great war efforts in which the United States people have engaged. It is important that such a step be taken in a form commensurate to the immense significance of the purpose it is designed to serve. Our action should be prepared and considered with the greatest of care; but it is important that what we do should not be petty in concept or in execution.

An undue preoccupation with detail can blind us to the major function of our action and to its overall significance. An excessive paring of individual items of aid can disrupt the broad pattern of what we are undertaking. A lack of consideration in the manner in which we carry our action to the European nations may destroy much of its effectiveness and lend substance to those who have been so quick to malign in advance the motives of our action.

It has been characteristic of the United States people that they are slow to make up their minds, but that having once made them up, they do things in a big way.

If we now set out to bring aid to the troubled peoples of Europe, let us do it in a bold and generous manner, consistent with our own traditions and with the magnitude of the problem we are facing.