

Dinner and Evening Discussion with

AVERELL HARRIMAN

1 October 1952

Present: Edward Litchfield
Harvey Mansfield
Kenneth Galbraith
James Fesler
Donald Stone
George Elsey
Miss _____ (Mr. Harriman's secretary)

1. Question on the origin and work of the Harriman committee.

Comment: The initiative was taken by Acheson; Marshall had a hand in it; Vandenburg was consulted and approved. Vandenburg suggested Bob LaFollette to help in the work. Lovett had a hand in the selection of the committee; also Bob LaFollette.

2. Disagreements in the committee were mainly over what our economy could afford. Important members were Horner, Konig, Nason, Merz and a few others. Disagreements in the committee were not too serious. Bissell did an excellent job for the committee and in preparation of the report. Query: Who brought Bissell in? Answer: I did. I had known of his work in war shipping with Lew Douglas.

3. The chapter on America's interest in Europe was done largely by Bob LaFollette.

4. When, after the Marshall speech, the Paris meeting was arranged, Bevin did a superb job of getting Molotov out of Paris -- by careful maneuvering. Bidault claims to have had a part in it. But Bevin had the courage to invite Molotov and the bluntness to get rid of him.

5. This confirmed my impression that Molotov is essentially a dull fellow. He could have killed the Marshall Plan by joining.

6. In the Congressional work here, Vandenburg was extremely skillful. He had much to do with bringing both Republicans and Democrats into line.

7. Some of the members were worried about whether we would be supporting socialism in Europe. I said frankly that I thought that before they confirmed me for the post of Special Representative, they should know my views on this. I told them that the Socialists are our best friends in Europe. There was a pause and then Vandenburg asked if there were any more questions.

8. Query: How soon did you begin to consider questions of social change, as well as economic recovery, in Europe? Answer: Immediately -- as soon as I got to Europe.



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9. We also placed emphasis on strategic stockpiles and the development of the overseas territories. I have always felt that we should a lot of impetus to raw materials production in the DOT's. I hoped that we could get more non-ferrous metals instead of gold.
10. The first days in OSR were informal. We had to move fast. I personally read every cable. When Bill Foster came in, he helped to bring order "out of my chaos".
11. The OEEC was set up as rather a looser organization than we wanted. The British didn't want to be treated as just another European country.
12. We had endless arguments with Bevin and others trying to convince them that their job was to help build a strong Europe; and that this did not change the relation of intimacy between the UK and the U.S.
13. There was a bitter discussion with the British on EPU. But when Cripps came through, it was whole hog.
14. The British really wanted to get Europe to join the sterling area.
15. Regarding social objectives, much baloney has been written. From the very beginning we made an effort to improve social conditions. At the same time we had to deal with fundamentals of the economy, with the expectation that the benefits would extend through the country. It worked in most countries except France and Italy.
16. The French political situation was and is an almost insuperable hurdle. It was hard to keep in balance social aims and basic economic policy. The political difficulties were particularly great in France.
17. Question: Could more have been done regarding tax evasion, which is deep seated in Latin countries? Reply: Not very well. We exerted constant pressure, but couldn't come out openly on it. Anybody saying he was for an American policy in his country would have gotten kicked out.
18. The whole fiscal system of France has in it the concept that you tax evidences of wealth. You can't change those things in a couple of months and we were dealing in split seconds. To tell the French that they had to change their tax system wouldn't have worked.
19. Korea brought in two important new conditions. One, it doubled military costs and two, it changed the terms of trade, raising the relative cost of raw materials. Without these two developments, I believe we would have seen remarkable results in Europe.



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20. Regarding the emphasis on balance of payments analysis -- you had to get stability either through liberty or direct controls. The resistant political factors are a reality for example in France. Reforms, in France, had to have a large majority to pass.

21. Korea hit us just when we were approaching fiscal stability in France.

22. Italy was different because they were dominated by very conservative financial thinking, with tight control of credit at the sacrifice of social reforms. They controlled inflation by tight control of credit. It was tough to deal with. Especially when, on the political side, the popular front was voting with the communists.

23. In other countries, for example Norway, we had the opposite extreme. In Norway they were ready to control consumption. Norway was willing to build for the future instead of the present.

24. In France it has been a story of individualism; controls there just won't work.

25. In Germany, we made more progress after Clay left. "Lucius has to be the Czar."

26. On the decentralization of policy judgments toward OSR -- it was a "running battle". Washington was oriented toward Congress. OSR was oriented toward Europe. We wanted (in OSR) to build up reserves. Washington wanted to take them away -- under pressure from Congress.

27. From an overall standpoint -- there were remarkable results when you consider that there were only two years before Korea.

28. See the OEEC paper of June 1950 on productivity. It was really a revolution.

29. You have to judge the accomplishment in relation to two years -- for Korea changed the scene.

30. As regards the EPU, you can get a line on that from Lincoln Gordon, Marget, Tasca and others. The supreme opposition was from the Treasury. The EPU was really agreed upon by four people: Spaak, Cripps, Petsch and myself.

31. Jean Monnet did an important job in France -- especially in seeing the necessity for investment. The first Monnet Plan gave us a basis for a psychological running start in France.

32. Question: What about the use and techniques of American "intervention" or "leverage" in France? Reply: What developed was in some respects the opposite of what Congress wanted. There were some in Congress



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who wanted us to "sell America". The French are quite a practical people. It was important to explain the American interest to them. The idea that we had a lot of "leverage" was nonsense. We have pursued our own interest. Our best course was to persuade -- for good reasons. Actually, we couldn't cut off aid. The Kem amendment etc. was ridiculous. NATO was far more important than a few shipments to Russia. Our only course was one of negotiation and suasion -- plus an effort to handle ourselves in such a way that the governments would be able to get through their parliaments what was wanted. Any group branded as an American party would have been almost as impotent as a Russian party.

33. In Paris, David Bruce did an excellent job. He supported the Petsch-Pleven-Schuman group.

34. Question: Would you say that in order to exert what is often called "leverage" in a country, you have to have a fulcrum, in terms of strong local leadership, and that in this case such a fulcrum was provided by the Petsch-Pleven-Schuman group? Reply: Yes.

35. Over here (on the U.S. side) the labor group has supported the program most consistently -- down the line.

36. And two labor men have been mission chiefs -- Gross in Sweden, and Mike Harris in Germany, where he is still chief of our mission. Both have done excellent jobs. They have been effective in getting social results. This has been the first time that labor men have been in key posts in American representation abroad.

37. The CIO and the AF of L would be far more effective abroad if they worked together.

38. In general I would say that men have been more important than organization. On the one hand you had men like Snyder and Sawyer, and, on the other, men like Hoffman and Acheson.

39. I wanted more to be done with the dependent overseas territories -- as an outlet for European development, in order to get metals instead of gold for the U.S., and for the interest of the territories themselves. HBP comment: After you left Paris, OSR closed out its overseas territories office and reduced to a minimum the mission personnel working on the overseas territories; that made it more difficult to push the vigorous program in these areas. Harriman comment: I didn't know about that.

40. In Spain, the story about how Salazar rose to power is that a financial mess developed and he was asked to become finance minister. He said he would do so only if given full authority. At first they refused his terms and then later, when the situation got worse, they agreed. When I talked with him he said that one question was whether a democracy could do the unpopular things necessary to solvency.



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41. Question: (Don Stone): How about the social problem in the DOT's?-- Wouldn't it be both wrong and dangerous to emphasize the exploitation of resources only? Reply: Yes, of course.

42. If we had it to do over, I think we would emphasize more social progress all through. We would have seen more results in this area if we could have gone beyond two years. If we had known that we had only two years (before Korea), we would have emphasized more the social aims, including reforms in taxation, etc. Just what we would have done, I don't know. We didn't reduce communist influence in Europe as much as we had hoped. The core of the trade union movement in France is still considerably in the hands of the Commies. No one can say just how we could have made more progress. We just would have tried to tackle it and see what could have been done.

43. After Korea, there was too much emphasis on the military side, and especially since the establishment of MSA. The Congressional temper was that way.

44. Question (Don Stone): Could you name some of those who, in your opinion, had a broad common sense approach in carrying forward the program? Reply: Well, I would include Harris from labor, Clarence Ramsdell on steel, Sisler on power, Linc Gordon, Henry Tasca, John Lindemann, and some of the agricultural people.

45. On the organizational side -- I believe in/Board of Trade idea -- an agency outside the State Department. In other countries, there was a preference for not dealing through foreign offices, since they didn't want to appear to be under political pressure.

46. Coordinating things under the ambassador is o.k., but it's better to carry forward the practical negotiations through other channels than foreign offices and the State Department.

47. In Turkey, there was a strong effort to offset pressure for trade with the East. We put a lot of emphasis on coal and transportation -- on the elements needed to develop an undeveloped economy, as in the the effort, as in the case of the overseas territories, being directed toward basic development.

Note: Mr. Harriman was still "going strong" -- but members of the group had to leave in order to make plane connections.

HBP:ep
12/16

