

20 Maart 1953

1920
De Hooggeleerde Heer
Prof. Chr. Glasz,
Clematislaan 6,
Aerdenhout.

Amice,

Bijgaand het redactionele artikel, dat eerst kan verschijnen nadat het regeringscommuniqué is gepubliceerd. In verband hiermede wil je deze proef wel zorgvuldig onder je houden. Gaarne je eventuele opmerkingen vóór a.s. Dinsdag, aangezien ik Woensdag voor vier dagen naar Luxemburg vertrek.

Met vriendelijke groeten,

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ECA HISTORY

Tentative Outline

Part I. INTRODUCTION

- Chapter 1. Perspectives
" 2. The Outlook in 1947

*unanimity
degenerate land
Eur. initiative in
reconstruction*

Part II. THE MAIN NARRATIVE

- " 3. Emergence of the Marshall Plan
" 4. Action by the United States Congress
" 5. Launching the European Recovery Program
" 6. First Year (1948-49): Food and Tools
" 7. Second Year (1949-50): Toward Economic Expansion and Unification
" 8. Third Year (1950-51): Economic Progress and Military Crisis
" 9. Fourth Year (1951-52): Transition to the Mutual Security Program
" 10. Aid to China and Korea
" 11. Programs in Southeast Asia

*cooperation with
Amer. exports*

Part III. ENDS, MEANS, AND LESSONS GAINED

- " 12. Effective Administration
" 13. Conception and Goals of European Recovery
" 14. European Initiative
" 15. Purposes and Technics of American Participation
" 16. The Expansion of Production
" 17. Impetus and Steps toward European Unity
" 18. Economic Strength and Military Security
" 19. Promoting the Advancement of Newly Developing Areas
" 20. The Marshall Plan in the Contest for Minds
" 21. How Great a Milestone?

HBP

28 Oct. '52

Part I. INTRODUCTION

The purpose of the introduction is (a) to put the ECA program into a setting of historic developments and trends which should whet the reader's interest and widen his perception of the scope and significance of the Marshall Plan; and (b) to cite some salient aspects of the situation in 1947 - - especially in Europe, but also in Asia - - which precipitated the thinking leading up to the ECA program.

Chapter 1. Perspectives

The Marshall Plan, in the historic setting of world crisis in the 20th Century: as a chapter in the record of U.S. aid programs - - as an answer to aggressive communism - - as a new phase of, and an instrument for, evolving U.S. foreign policy (in fostering recovery, economic expansion, integration and security in Western Europe; in promoting economic and political advancement in underdeveloped areas) - - as an influence in the development abroad of both private enterprise and governmental intervention in economic affairs - - as an episode in the longer search for durable peace, security and economic progress - - as a catalyst for expanding international cooperation - - as a factor in world politics through its contribution toward strength and unity for the free world. The development and outworkings of the Marshall Plan as providing one of the most instructive chapters in recent world history - - importance of analyzing the experience promptly in order to derive from it demonstrable lessons for the future.

Chapter 2. The Outlook in 1947

Recovery from World War II only partial - - situation at end of UNRRA program - - cold and drought in Europe in 1947 - - shortages in food and other essentials - - levels of agricultural and industrial

Section 1. Introduction

The purpose of this introduction is to set the stage for the study of the economic development of the Third World. It will discuss the historical background of the problem, the scope of the study, and the objectives of the research. The study is divided into two main parts: the first part deals with the historical background of the problem, and the second part deals with the scope of the study and the objectives of the research.

Section 2. Historical Background

The historical background of the problem of economic development of the Third World is a complex one. It involves a study of the historical process of economic development, the role of the state, the role of the market, and the role of the international community. The historical process of economic development is a long and complex one, and it is the role of the state, the role of the market, and the role of the international community that are the key to understanding the problem. The role of the state is to create a favorable environment for economic development, the role of the market is to provide the incentives for economic development, and the role of the international community is to provide the resources for economic development. The historical process of economic development is a long and complex one, and it is the role of the state, the role of the market, and the role of the international community that are the key to understanding the problem.

Section 3. Scope of the Study

The scope of the study is limited to the economic development of the Third World. It will not deal with the political, social, or cultural aspects of the problem. The study will focus on the economic development of the Third World, and it will discuss the historical background of the problem, the role of the state, the role of the market, and the role of the international community. The study will also discuss the scope of the study and the objectives of the research.

output - - obsolescence in machinery, methods, technics - - inflationary pressures - - the dollar problem - - economic and social dislocations - - political dangers. The communist sweep in China - - actual and potential repercussions in other Far Eastern countries - - economic and political problems in these areas. Interim aid programs not sufficient in Europe or Asia - - the widening rift with Russia - - the growing peril of aggressive communism - - the need for greater unity of purpose and action.

point - - - - -
primary resources - - - - -
dislocations - - - - -
actual and potential representation in other Far Eastern countries - - - - -
economic and political problems in these areas - - - - -
not sufficient in Europe or Asia - - - - -
the growing part of agricultural countries - - - - -
of purpose and action.

Part II. THE MAIN NARRATIVE

The purpose of Part II is to present in compact and readable form the story of the ECA operation as it unfolded, beginning with origins preceding the enabling legislation and continuing through successive phases up to the transition to the Mutual Security Program. The narrative should indicate the main forces that shaped policy, divergencies in approach and compromises reached, the considerations underlying major decisions, the more important steps and technics adopted to carry out those decisions, and the results attained. It should also convey some distinct impressions of the shocks, emergencies and pressures that characterized day-to-day operations.

The principal account will be that of the European Recovery Program, but due attention will be given also to the development of Far Eastern programs conducted by ECA. Since basic conditions and consequent approaches to the administration of aid in Europe and Asia differed in many respects, separate treatment for Europe and the Far East is contemplated, with due recognition of interrelationships and similar elements.

Only major developments can be covered in this part of the work, which is expected to run to approximately 200 manuscript pages; the many individual country programs will not be given separate comprehensive treatment but will be drawn upon to illustrate or elucidate elements in the broad record of evolving operations.

Chapter 3. Emergence of the Marshall Plan

Evolution of the Marshall Plan concept - - the Acheson speech - - the Marshall speech - - response in the UK and Western Europe - - the Paris meeting - - reaction of Russia and Eastern Europe (pronouncements and propaganda, the "Molotov Plan", the Cominform, etc.) - - creation and work of the CEEC. The role of the Department of State in formulating the Marshall Plan - - work of the Budget Bureau, other agencies and special committees - - character and influence of the Harriman, Krug and Nourse committee reports - - conception of U.S. interest in Europe and Asia - - concern over what the U.S. economy could afford - - collaboration between Executive and Legislative Branches at policy and staff levels - - informing the public (governmental and private efforts,

PART II. THE MAIN WORK

The purpose of Part II is to present in compact and readable form the story of the ECA operation as it unfolded, beginning with the passage of the Marshall Act, and continuing through the various phases up to the transition to the Mutual Security Program. The narrative should indicate the main forces that shaped policy, divergences in approach and compromises reached, the considerations underlying major decisions, the more important ideas and techniques adopted to carry out those decisions, and the results attained. It should also convey some distinct impressions of the shocks, emergencies and crises that characterized day-to-day operations.

The principal account will be that of the European Recovery Program, but due attention will be given also to the development of Far Eastern operations conducted by ECA. Since basic conditions and common elements to the administration of aid in Europe and Asia will be in many respects, separate treatment for Europe and the Far East is contemplated, with due recognition of interrelationships and similarities.

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Chapter I. Emergence of the Marshall Plan

Evolution of the Marshall Plan concept - - The Marshall speech - - The Marshall speech - - response in the UK and Western Europe - - the Marshall speech - - reaction of Russia and Eastern Europe (propaganda, etc.) - - the Marshall Plan - - the Marshall Plan - - work of the Marshall Plan - - character and influence of the Marshall Plan - - conception of U.S. interests in Europe and Asia - - concepts over which the U.S. economy could afford - - collaboration between Executive and Legislative branches in policy and administration - - information to the public (governmental and private efforts)

including activities of the citizens' Committee for the Marshall Plan)
- - Congressional response - - public opinion reactions in the U. S.
(business, labor, farm groups, the press); popular reactions in Europe.

Chapter 4. Action by the United States Congress

Department of State draft - - Herter Committee report and draft
- - staff work - - intensity of interest in the Congressional committees - - pressure groups - - non-partisan approach - - contribution of individual Committee members - - the hearings - - principal witnesses
- - points of view developed - - major issues considered - -
alternative courses of action and decisions reached during the
committee stage - - public sentiment - - psychological effect of the
Communist coup in Czechoslovakia - - the great debate of 1948 - -
executive-legislative coordination - - major changes wrought by
Congress - - the final act (Foreign Assistance Act of 1948): objectives,
main provisions, tools for the job.

Chapter 5. Launching the European Recovery Program

Legislative authorization for administration and operations - -
selection and appointment of the Administrator and Special Representative in Europe - - setting up shop - - the excitement, drive, color
of trying to organize a multi-billion dollar enterprise almost overnight
- - formulation of objectives - - keeping the public informed - - interim administrative procedures - - establishing and staffing the ECA,
including OSR and country missions - - types of personnel selected - -
expediting security clearances - - nature of the agency (a "business
enterprise", organization adapted specifically to objectives of the
Marshall Plan, etc.). ECA relationship with State Department and other

including activities of the various branches of the Federal Reserve
- - - Congressional and case - - - public opinion in the U.S.
(business, labor, farm groups, the press); popular reactions to foreign

Chapter 4. Action by the United States Congress

Department of State - - - House Committee report and draft
- - - staff work - - - intensity of interest in the Congressional process
- - - pressure groups - - - non-partisan opinion - - - contribution of
individual Congressional members - - - the hearings - - - principal witnesses
- - - points of view developed - - - major issues considered - - -
alternative courses of action and decisions reached during the
consideration stage - - - public sentiment - - - psychological effect of the
Congressional work in international relations - - - the great debate of 1945 - -
Executive-legislative coordination - - - major changes wrought by
Congress - - - Executive and Congressional assistance for 1945; objectives
main trends, goals for the job.

Chapter 5. International and European Recovery Program

Legislative authorization for administration and operations - -
selection and appointment of the Administrator and Special Representative
relative to Europe - - - setting up shop - - - the organization, staff, and
of trying to organize a multi-million dollar enterprise almost overnight
- - - formulation of objectives - - - keeping the goals balanced - - -
form and administrative procedures - - - establishing and drafting the E.R.P.
including E.R.P. and country relations - - - types of personnel involved - -
expanding program objectives - - - nature of the agency (a business
enterprise) and its relation to other agencies of the
Federal Government, particularly the State Department and War

U.S. agencies, in Washington and overseas - - relations with Congress -
- the "Watchdog Committee" - - advisory boards. Negotiations in Europe -
- establishment, functions and preliminary work of the OEEC - - collabora-
tion between European and U.S. technicians - - preparations made by
participating countries for the receipt of aid - - negotiating the
bilateral agreements. Determining the basis for country allotments - -
initial procurement policies and procedures - - the first emergency
programs - - psychological effects.

Chapter 6. First Year (1948-49): Food and Tools

Organization "airborne" by the first of August. The immediate and
urgent task: food and tools to Europe - - the dollar problem - - first
shipments - - the emergency operation - - its effects. The "country stu-
dies" - - methods of reducing the dollar deficit - - balance-of-payments
and internal-accounts approach to aid-requirements analysis - - coopera-
tion between European and U.S. economic technicians - - the changing
meaning of recovery - - recovery goals - - the "multiplier" concept - -
commodity and capital goods shipments during the year. Financial opera-
tions - - protecting the U.S. domestic economy. Aid to European agricul-
ture - - industrial projects - - beginning of technical assistance - - in-
vestment - - use of counterpart funds - - strategic materials program - -
rise in production, productivity and employment - - monetary and financial
stabilization - - stimulation of trade - - American aid and intra-
European payments; external payments. Work of OEEC - - European coopera-
tion. Relations with the Soviet bloc. Keeping the public posted - - con-
tacts with Congress - - preparing the 1950-51 program - - evolution in
programming procedures.

Chapter 7. Second Year (1949-50): Toward Economic Expansion and Unification

Continuing advances in industrial and agricultural production - -
in employment, foreign trade and financial stability - - promotion of
dollar exports - - no genuine recovery without economic expansion - - in-
vestment patterns - - planning for accelerated development in the depen-
dent overseas territories - - encouragement to private enterprise - -
investment guaranties. Increasing attention to question of economic in-
tegration in Europe - - Congressional interest - - significance and ac-
tivities of OEEC - - efforts toward liberalization of intra-European
trade - - intra-European payments plan - - European Payments Union - -
Schuman Plan proposed (May 9, 1950) - - Mutual Defense Assistance Program.

Chapter 8. Third Year (1950-51): Economic Progress and Military Crisis

The invasion of South Korea - - U.S. and U.N. reaction - - impetus
to rearmament - - economic aid linked to defense of the free world - -
expansion in strategic materials production and procurement - - aid to
Yugoslavia and loans to Spain. Delayed impact of rearmament programs --
recovery momentum in production and trade - - agricultural and indus-
trial projects - - productivity and technical assistance - - prices and
financial stability. Necessity for expanding Europe's economic base - -
accelerating development in the overseas territories. Further gradual
steps toward European economic unification through trade liberalization,
EPU, NATO, signing of the Schuman Plan treaty (April 18, 1951).

Chapter 9. Fourth Year (1951-52): Transition to Mutual Security Program

Preliminary thinking on new orientation necessitated by defense re-
quirements - - recommendations and influence of the Gray and Rockefeller

Chapter 2. Second Year (1950-51): Economic Expansion and Stabilization

Containing references in industrial and agricultural production -
in employment, foreign trade and financial stability - - - - -
dollar exports - - - - - no further recovery without economic expansion - - -
vestments patterns - - - - - planning for accelerated development in the near
term overseas territories - - - - - encouragement to private enterprise - -
investment guarantees. Increasing attention to question of economic in-
tegration in Europe - - - - - Congressional interest - - - - - significance and as-
sessment of OEEC - - - - - efforts toward liberalization of intra-European
trade - - - - - intra-European economic plan - - - - - European Payments Union -
Johnson plan proposed (May 2, 1950) - - - - - Mutual defense assistance program

Chapter 3. Third Year (1951-52): Economic Progress and Military Crisis

The invasion of North Korea - - - - - U.S. and U.N. reaction - - - - -
to containment - - - - - economic aid linked to defense of the free world - -
examined in strategic materials production and procurement - - - - - aid to
U.S. allies and loans to Spain. Delayed impact of containment program - -
recovery movement in production and trade - - - - - agricultural and forest
trial projects - - - - - productivity and technical assistance - - - - - prices and
financial stability. Necessity for expanding Europe's economic base - -
accelerating development in the overseas territories. Further gradual
steps toward European economic unification through trade liberalization.
EUROPEAN COOPERATION IN ECONOMIC DEVELOPMENT (April 18, 1951)

Chapter 4. Fourth Year (1952-53): Transition to Mutual Security Program

Primarily thinking on new orientation recommended by defense re-
quirements - - - - - recommendations and influence of the OGC and Rockefeller

reports - - other studies and recommendations - - effects of rearmament upon European economic recovery and dollar-dependence not fully apparent in spring of 1951 - - the President's budget message - - the temper of Congress - - the Mutual Security Act - - greatly increased emphasis on defense - - economic aid as "defense support" - - the 1951-52 program - - expansion of military aid - - establishment of the Mutual Security Agency - - survival of Point Four. Further steps toward coordination in Europe, especially in the area of common defense - - NATO and planning for the European Defense Community - - diminishing role of the OEEC - - the task and method of allocating resources and manpower to defense - - work of the TCC and the "three wise men" - - results - - economic impact of defense programs - - gains and losses - - wind-up of the European Recovery Program and ECA - - transition to Mutual Security.

Chapter 10. Aid to China and Korea

Basic poverty and retarded economic-political-social development in Asia - - the legacy of colonialism - - upsurging of revolutionary thought and movements - - the rise of nationalism. Impact of World War II in China - - UNRRA and interim aid programs - - direction and tactics of the communist movement - - "capture" of the Chinese revolution by international communism. Congressional hearings on China - - passage of the China Aid Act as part of the Foreign Assistance Act of 1948 - - outlines of the program - - the China Mission - - emergency food deliveries and rationing - - industrial projects - - the Joint Commission for Rural Reconstruction - - agricultural production and land reform programs - - continuing Communist gains in, and eventual control of, the China mainland - - retreat to Formosa. Previous

report - - - - - studies and recommendations - - - - - effects of treatment
from economic recovery and dollar-denominated not likely as great
in spring of 1951 - - - - - the President's budget message - - - - - the impact of
Congress - - - - - the initial deficit - - - - - greatly increased emphasis on
balance - - - - - economic aid as "defense support" - - - - - the 1951-52 program
- - - - - expansion of military aid - - - - - establishment of the National Security
Agency - - - - - survival of Point Four, further steps toward coordination
in Europe, especially in the area of common defense - - - - - NATO and plan
ning for the European Defense Community - - - - - fulfilling role of the
OECD - - - - - the task and method of allocating resources and manpower to
defense - - - - - work of the ECN and the "three wise men" - - - - - results - -
economic impact of defense program - - - - - gains and losses - - - - - wind-up of
the European Recovery Program and ECA - - - - - transition to Mutual Security.

Chapter 10. Aid to China and Korea

1. "Habit poverty and untamed economic-political-social development
in fact - - - - - the legacy of colonialism - - - - - spurting of revolutionary
thought and violence - - - - - the rise of nationalism, impact of World
War II in China - - - - - UNRRA and frontier aid programs - - - - - discussion and
review of the communist movement - - - - - "captives" of the Chinese revolution
tion by international communist, Congressional hearings on China - -
message of the China Aid Act as part of the foreign assistance bill of
1950 - - - - - outlines of the program - - - - - the China mission - - - - - emergency
food deliveries and rationing - - - - - industrial projects - - - - - the Joint
Commission for Rural Reconstruction - - - - - agricultural production and
land reform programs - - - - - contributing Communist gains in, and eventual
control of, the China mainland - - - - - retreat to Formosa, Peking

Chinese record in Formosa - immigration from the main land, political and social unrest, inflation - - commodity, industrial, agricultural and land reform programs - - impact of these programs - - steps toward fiscal reform - - gradual stabilization - - military aid and its economic implications - - situation at end of the ECA period.

Inception and objectives of the ECA Korea program - - take-over from the U.S. military - - launching of the relief and reconstruction operation - - relations with North Korea - - the aim of viability - - translation of this aim into a workable program - - concentration on emergency commodity imports, fertilizer and power production, land reform - - progress before the invasion of South Korea - - effects of the invasion - - reversion of responsibilities to military authorities - - creation of UNKRA.

Chapter 11. Programs in Southeast Asia

Increased threat of communist expansion in southeast Asia - - insecurity of inexperienced new governments faced with intractable economic, political and social problems - - their need for winning confidence and support of their peoples - - local inertias and lack of organizational experience - - hatred of "colonialism" and sensitiveness to "intervention". Dual paradox in aiding partially reactionary regimes as means toward safeguarding their independence from communist domination, while attempting to overcome with liberal, constructive measures resentments carried over from past colonialism. ECA consultations with State Department and role in policy formation - - the Griffin survey mission - - negotiation of aid agreements. Establishment of the Special Economic and Technical (STEM) Missions - - first emergency pro-

grams - - initial reactions of recipient governments - - communist propaganda - - emergence of agricultural, health and training programs - - applications of the Point Four concept - - obstacles and difficulties encountered - - gradual rise in confidence as programs gain ground. Developing rationale of aid based on political and economic objectives - - effort to strengthen progressive elements - - working from within, i.e., trying to see problems from the viewpoint of the people of the area - - developments in technical assistance - - health programs - - aids for increasing production - - illustrations of joint planning - - encouragement of agrarian, financial and political reforms - - methods devised for assisting in the modernizing of governmental and business institutions. Effect of transition to greater emphasis upon security objectives. Assessment of net gains and setbacks at end of the ECA program. Continuing perils in this region.

Part III ENDS, MEANS, AND LESSONS GAINED

The aim of this third and final part of the work is to bring together, in a series of condensed chapters, a "distillation" of the thinking of persons who have participated in or observed closely, the recovery program, and who have reflected deeply on the meaning of the Marshall Plan in the present period of world history. An adequate evaluation of this vast enterprise requires not only an analysis of the way in which specific goals were pursued and the measurable results attained, but also an effort to discern what light was thrown by the ECA experience on some of the more deepseated and pressing problems of the day. The purpose of this part of the volume will not be to repeat what has been said in previous sections, nor to present a series of independent essays on the questions treated. It will be, rather, to derive from analysis of the ECA experience some of the insights and lessons which may be of greatest continuing pertinence and value.

As presently contemplated, then, Part III will contain a critical study and evaluation of the major objectives of the Marshall Plan, the means employed for their realization, and the lessons gained in the course of actual operations. Beginning with a consideration of factors in the swift development of an organization designed to conduct competently and with dispatch the vast and enormously complex aid program, the analysis will move on to a more fundamental review and critique of the conception and goals of European recovery.

Since the initial basic idea upon which the Plan was based was that of a cooperative European effort buttressed by American aid, attention will be directed next to the nature and extent of European initiative, the precedent which this established and the groundwork which it laid for effective cooperation. This will be followed by a study of the purposes and technics of American participation -- through the provision of aid on a massive scale and through active cooperation and participation in the development of programs and of policies needed to make the aid effective. Consideration will then be given to the means whereby some of the more spectacular results of the European Recovery Program were achieved -- in the field of production -- and to the obstacles which prevented an even more impressive rise in industrial and agricultural output.

The next theme will be that of economic unification in Europe -- the evolution and merits of the concept itself as seen during the ECA period and the significance of the specific efforts exerted in behalf of this basic long-range objective. After this will come an analysis of the effects of the rearmament program upon ERP, and the adequacy of the reorientation that developed toward the dual objective of economic strength and military security. The ensuing chapter will be devoted to a critical review of the aims and technics employed by ECA in promoting the advancement of underdeveloped -- or newly developing -- areas, in southern Europe, the dependent overseas territories, and especially the Far East. This will lead into a consideration of the role and significance of the Marshall Plan in relation to the crucial contest between East and West for psychological and political advantage among the people of Western Europe and in

Part III: CONCLUSIONS AND RECOMMENDATIONS

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As previously stated, then, Part III will contain a critical study and evaluation of the major objectives of the Marshall Plan, the means employed for their realization, and the lessons gained in the course of such operations. Beginning with a consideration of factors in the world development of an organization designed to conduct coherently and with dispatch the vast and enormously complex aid program, the analysis will move on to a more fundamental review and critique of the conceptual and goals of European recovery.

Since the initial basis upon which the Plan was based was that of a cooperative European effort buttressed by American aid, attention will be directed next to the nature and extent of European initiatives, the extent to which this established and the grounds upon which it had the effect of cooperation. This will be followed by a study of the present and recent of European participation -- through the provision of aid on a massive scale and through active cooperation and participation in the development of programs and of policies needed to make the aid effective. Consideration will then be given to the means whereby some of the more specific results of the European recovery program were achieved -- in the field of production -- and to the obstacles which prevented an even more impressive rise in industrial and agricultural output.

The next theme will be that of economic integration in Europe -- the evolution and merits of the concept itself as seen during the ECA period and the significance of the specific efforts entered in behalf of this basic long-range objective. After this will come an analysis of the effects of the recovery program upon ECA, and the adequacy of the institutional framework developed toward the dual objective of economic strength and self-reliance. The ensuing chapter will be devoted to a critical review of the aims and techniques employed by ECA in promoting the advancement of underdeveloped -- or nearly developed -- areas in southern Europe, the dependent overseas territories, and especially the Far East. This will lead into a consideration of the role and significance of the Marshall Plan in relation to the crucial contact between East and West for political and political advantage among the people of Western Europe and the

vast areas economically less advanced.

Finally, an effort will be made to view the Marshall Plan in terms of its overall results, seen in relation to initial goals and terms of reference; and then to present in sharp focus some of the problems that remained unsolved when the program came to an end.

Before this study has reached a more advanced stage, and particularly before there has been opportunity for extensive consultations here and abroad with persons who have in the best position to appraise soberly the wider import of the Marshall Plan, it would be premature to try to set forth in any final fashion the approach to be taken in this part of the work, or to state what might appear to be some of the more meaningful insights and lessons gained from this new venture in American foreign relations. A more detailed program for this portion of the work will be developed in January. Some of the topics and question on which we shall in the interim seek thoughtful observations and opinions within the participating countries are listed below under tentative chapter headings.

Chapter 12. Effective Administration

Central aims in the planning of ECA as an agency - - chief factors instrumental in rapid organization - - recruiting methods - - criteria in selecting key personnel, in choosing professional staff - - advance from informal "chaos" to orderly administration - - distinctive features in the theory and form of organization adopted (e.g. centralized role of programming) - - new departures, for a government agency, in habits and technics of management - - relations with other agencies, in Washington and abroad - - relations with participating governments.

Practical advantages and disadvantages of ECA's separate-agency status - - in adapting its organization and operating procedures to the pursuit of specific new objectives - - in policy formulation - - in the conduct of relations with the OEEC and other international organs - - in country relationships and programming - - in dealing with special problems as they arose. Illustrations of intra-governmental issues and how they were resolved - Washington and abroad.

Division of responsibilities between ECA/Washington and the European regional office (OSR) - - relative emphasis in orientation of these offices toward Congress and toward European governments - - specific issues and their resolution - - which matters were best dealt with by ECA/W? which by OSR? Organizational pattern, functions and supervision of the country missions - - noteworthy problems in mission administration and how they were resolved.

Problems faced in the organization of CEEC, OEEC, EPU -- British participation - - innovations introduced - - administrative strengths and weaknesses of these coordinating agencies. Variations in the methods whereby participating governments handled their relations with ECA -- and in which they administered the aid received; among the procedures and practices adopted, which were the more effective?

Chapter 13. Conception and Goals of European Recovery

Focusing of attention, in early planning, on study of Europe's economic problems and what would be necessary in order to cope with them - - contrast with earlier approaches, e.g. by UNRRA - - debate over relative importance of currency convertibility, non-discriminatory trade, production, employment, and effort to overcome balance-of-payments deficits -- consideration of related social and political objectives - - emergence of new emphases in U.S. and European thinking and planning. Europe viewed not only as a grouping of individual economies, but also as a whole - - both short- and long-range problems envisaged - - planning aided by Congressional approval in principle of a four-year program.

Major emphasis as actual programming began, upon attainment of short-run objectives in individual countries - - many reasons for this

(Popular conception of "recovery", desire to achieve positive results promptly, etc.) - - early operations characterized by predominant aim of achieving massive increases in production - - and related aims of increased trade and fiscal stability - -GNP studies and "recovery guides" - - balance of payments analysis and viability goal - - reducing the dollar gap - - "spectrum" of countries ranging from those having primarily an exchange problem (e.g. Belgium) to those having a serious lack in net resources (e.g. Greece) - - studies of national internal accounts - - subsequent influence upon economic policies - - concept of increasing viability and diminishing aid - - impressive gains in many countries, especially in production.

Major obstacles in translating production and trade increases into attainment of broader Marshall Plan objectives increasingly apparent as program developed - - individual economies with resources and markets too small for the mass production and mass markets needed for Europe to compete successfully in the modern world - - problems greatly accentuated by trade and exchange barriers (including the protective measures adopted by planned economies). Increasing recognition of urgent need for European economic unification - - translation from general conception into specific processes and institutions - - the start made toward European unity. (Detailed analysis of the impetus and steps toward unification to appear in Chapter 17.)

Problems encountered as program developed also brought into clearer focus other important obstacles to the emergence of an economically free, strong and secure Europe. Among these problems, with wide variations from country to country, were those of: internal distribution -

it being found that the benefits of increased production did not necessarily or automatically "trickle down" to all economic groups - - inept industrial management - - low labor productivity - - weak labor unions in some areas and, in others, unions with a primarily political orientation - - agrarian inequities, especially as regards land tenure - - inequitable tax structures or weak enforcement of tax laws - - low or unproductive public and private investment - - inadequate development of natural resources - - lag in reassessment of colonial economic policies. Relevant problems in U.S. policy - - e.g. European dollar earning impeded by necessity of hurdling u.S. tariff barriers.

ECA experience in relation to these problems: to what extent were they recognized? - - how were they analyzed? - - what steps, if any, were taken to deal with them? - - what was learned in the process? In summary, what evolution took place in the conception and goals of European recovery - as reflected in actual programming? or in the thinking of the most qualified participants and observers?

Impact of Korea and the resultant defense programs - - budgetary effects accentuated by soaring military costs and disproportionate rise in prices of raw materials - - diversion of attention and energies in Congress, in the Executive Branch - - effect of reorientation upon economic programming and planning - - partial submersion of many longer-range objectives.

Tentative conclusions: initial conception of European Recovery Program sound - - progress outstanding in relation to shorter-range goals - - but European problems too deep-seated to be resolved by these measures alone - - broader and more fundamental measures required - - continuing progress toward unification imperative but itself no panacea - - insights gained into character of further measures needed for the building of a strong and healthy European economy, genuinely free from dependence upon extraordinary external assistance - - pursuit of these longer-range objectives, despite added burdens of defense, essential to the economic health and security of the free world.

Chapter 14. European Initiative

Difficulty of understanding adequately problems faced by the Europeans - - dead weight of past wars and rivalries - - current external and internal dissensions and fears - - trade and other barriers - - a house divided - - the communist danger - - the American offer of aid made contingent upon European initiative - - conception of external aid as essential, but basic remedy only from within - - would Europe act? - - initiative shown in response to the Marshall speech, establishment of CEEC, cooperative programming of European efforts to be undertaken and analysis of U.S. assistance needed - - initiative in development of OEEC, EPU. The Schuman Plan - developed entirely on European initiative. Role of European governments in development of NATO.

Country aid programs also dependent upon foundations of self-help and cooperation. Illustrations, in individual countries, of initiative

shown in tackling both short- and long-range goals - through planning and adoption of specific programs, and through changes in governmental policies. Illustrations should throw light on types of internal and external difficulties encountered, and how they were met.

Aim of this chapter: to bring out as clearly as possible the basic and crucial expansion of European initiative, indicating the character and dimensions of the efforts actually put forward by the Europeans as a background essential to an intelligent understanding of American aid and participation.

Chapter 15. Purposes and Technics of American Participation

Place of the Marshall Plan in U.S. post-war foreign relations - reflecting, in economic sphere, trend from isolationism toward greater acceptance of responsibilities of free world leadership - - some notable innovations in declared foreign policy objectives - - but with essential continuity in underlying purposes - - stimulus toward, and support for, ERP seen as resultants of the whole complex of prevailing influences affecting and determining U.S. policies during this period - - importance of these influences being recognized - - misleading effects of capsule phrases. Basic trend during these years (without implying over-easy assumptions as to its permanence, or minimizing cross-currents) seen as being toward a widening conception of interdependence between U.S. national interest and the economic-political health and security of the rest of the free world, with emphasis on Western Europe - - the Marshall Plan, with strong bi-partisan support, as an outstanding embodiment of this trend.

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Chapter 12. Process and Features of American Participation

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Central aim of U.S. Government, in supporting ERP: to serve the interest of the U.S., in this larger sense, by strengthening the economies and the democratic political fabric of free Europe - - gravity of European situation which precipitated ERP - - internal efforts significant but not adequate - - need for massive external aid - - but problems too deep to be solved by dollars and goods alone (see Chapter 13) - - scope and significance of U.S. interests involved. Central and collateral purposes as seen by ERP planners, as stated in U.S. authorizing legislation, and as reflected in bilateral agreements, were broad - - these ends included (in language of Congress) "a plan of European recovery," "a strong production effort," "progressive elimination of trade barriers," "economic unification," "mutual security," "the freedom of Europe," - all to be supported with aid while safeguarding the "economic stability of the United States." Hope for major results in Europe, and freedom from extraordinary external assistance, within four years.

Contriving of means for forwarding these objectives led to the setting up of intermediate goals, policies and institutions - - more disagreement over subsidiary goals and methods than over primary objectives - - illustrations. Importance of policy determinations by ECA and Executive Branch within the framework of Congressional authorizations - - participation of working staffs in policy formation - - role of OSR and missions. Dependence upon mutual consent between U.S. and participating countries. Successes and failures in interpreting U.S. aims and policies at home and abroad.

central aim of U.S. Government in supporting EEC is to serve the
interest of the U.S. in this larger sense, by strengthening the
economy and the democratic political fabric of Europe - a group
of European states which constitute EEC - in order to create a
strong but not absolute - a need for massive external aid - but not
direct too much to be solved by dollars and goods alone (see Chapter 1)
- scope and significance of U.S. interests involved. Central aim
of internal purpose as seen by the planners, as stated in U.S. interest
with realization, and as reflected in bilateral agreements, have been -
these are included in language of Congress - "plan of European eco-
nomic", "a strong production effort", "progressive elimination of trade
barriers", "economic integration", "mutual security", "the freedom of
Europe" - all to be supported with aid while strengthening the "economic
stability of the United States". Hope for better results in Europe and
freedom from international economic assistance, within four years.
Continuity of means for forward and these objectives led to the
setting up of international bodies, policies and institutions - a more
thoroughment over subsidiary goals and methods than over primary objec-
tives - a commitment. Importance of policy recommendations by EEC
and Executive branch within the framework of Congressional authority -
these - a participation of working states in policy formation - a role
of OEEC and a balance. Dependence upon mutual consent between U.S. and
participating countries. Subsequent aid further in increasing U.S. power
and policies at home and abroad.

The great innovation of the Marshall Plan and resultant programs, not so much in the ends pursued as in the means adopted - - i.e., the conscious use of foreign aid and accompanying negotiations, to an extent never before envisaged in peacetime, as a primary instrument of U.S. foreign policy in seeking to attain specific constructive goals. This foreign-aid instrument actually a whole "kit of tools" which made possible the transformation of policy objectives into cooperative working programs - - and the tackling of basic problems in practical ways without waiting for critical exigencies to arise. What were the methods or technics thus introduced into the conduct of U.S. foreign economic policy, and how were they employed?

- a) Invitation to participating countries, individually and collectively, to state what they proposed to do in order to regain economic stability and strength, and to assess the character and extent of external aid required to enable them to attain these objectives - - work of the CEEC and OEEC - - individual country submissions.
- b) Effort to understand the economic situation within each recipient country - - the "country studies" of 1948-49, analyzing: war impact; extent of reconstruction; resources and their use (production, productive efficiency, consumption, investment, exports); financial situation and policy; balance of payments; recovery needs and programs (in agriculture, industry, transport, communications, raw materials development); internal and external financing required; political and social factors - - more refined analyses as programs advanced.
- c) Consultation and negotiation to establish bases of agreement respecting recovery goals and policies and the character of aid to be provided - - bilateral agreements and continuing negotiations.
- d) Development of aid programming based primarily upon technical economic (vs. political) approach - - close collaboration between ECA and country technicians - - basic consideration in programming: effects of projected subsidies upon total economies of recipient countries. Introduction and refinement of programming technics: analysis of GNP, internal accounts,

The great importance of the Marshall Plan and related programs, not so much in the order pursued as in the means adopted - i.e., the conscious use of foreign aid and accompanying negotiations, to an extent never before envisaged in peacetime, as a primary instrument of U.S. foreign policy in seeking to attain specific constructive goals. This foreign-aid instrument actually a whole "kit of tools" which with proper use the formulation of policy objectives into cooperative working program - and the building of basic programs in practical ways without waiting for critical situations to arise. What were the methods of technical aid introduced from the conduct of U.S. foreign economic policy, and how were they employed?

- a) Involvement in participating countries, individually and collectively, to those that they proposed to do in order to regain economic stability and strength and to assess the character and extent of external aid required to enable them to attain these objectives - work of the CECS and OEEC - individual country embassies.
- b) Effort to understand the economic situation within each recipient country - the country studies of 1948-49, surveys: what impact; extent of reconstruction; resources and their use (production, productive efficiency, consumption, investment, savings); financial situation and policy; balance of payments; recovery needs and programs (in short, the economic, financial, commercial, and statistical development); internal and external financial position; political and social situation - how related and as program elements.
- c) Consultation and negotiation to establish basis of agreement regarding recovery goals and policies and the character of aid to be provided - bilateral agreements and continuing negotiations.
- d) Development of aid programming based primarily upon technical economic (vs. political) approach - those countries in which the aid and country technicians - basic consideration in programming; efforts of proposed studies upon local economic situation; information and information and information of economic situation; analysis of GNP, internal accounts, or growing economy.

balance of payments; basing of projections upon given levels of consumption and investment and assumptions re country performance; estimation of total aid requirements; breakdown into major sectors -- agriculture, industry, transport, etc.; methods of analyzing priority needs and requirements in each sector; determinations respecting grant and loan assistance; putting results into manageable and appropriate form for presentation to Congress. Advantages and limitations in the programming technics developed.

- e) Encouragement, through country missions, to employment of the latest principles and technics of good production management -- and adoption of tested methods for achieving increased productivity. Collaboration between mission and country specialists in agriculture, industry, mining, transport, power, etc. -- understanding problems faced by local administrators -- a two-way educational process -- difficulties encountered -- illustrations of results in individual country programs. (Fuller treatment of production problems and technics in a subsequent chapter.)
- f) Initiation and expansion of technical assistance programs -- discovery that "know-how cannot be exported, it can only be imported" -- fallacy of tacit assumption of U.S. technological leadership in all fields -- the setting up of TA projects -- "productivity teams" and other specialists to the U.S. for observation and training -- U.S. specialists to participating countries and overseas territories -- illustrations showing variable results. Special problems encountered in technical assistance programming, and in selection, orientation and adaptation of outgoing and incoming personnel -- problem of integrating technical assistance effectively with functional and area programming -- and of coordination with other U.S. and international agencies. Growth of emphasis upon productivity. Illustrations of gains achieved during ECA period -- indicators of cumulative effects in the longer run.
- g) Use of project procedure, especially in modernization or expansion of basic industries, and in the development of overseas territories -- aims of project procedure: to provide increased opportunity for channeling aid in accordance with agreed priority objectives, and to ensure, especially where new technologies and expensive equipment are involved, sound planning, efficient management and economic utilization of equipment. Problems, variations and refinements in project procedure -- accomplishments illustrated -- advantages, limitations, lessons gained.
- h) Consultation and persuasion, in favor of adoption of specific programs or policies -- factors in effectiveness of such

balance of payments; making of decisions upon given basis
of comparison and investment and assessment in country
performance; estimation of total and regional; breakdown
into major sectors - agriculture, industry, commerce, etc.;
methods of analyzing primary sector and investments in each
sector; international research groups and their activities;
policy results into management and appropriate Director
presentation to Congress; advantages and disadvantages in the
presenting technique detailed.

2) Encouragement, among country officials, to refinement of the
local techniques and methods of good, technical management
and adoption of tested methods for achieving immediate progress
activity. Collaboration between national and country specialists
in agriculture, industry, commerce, power, etc.;
understanding problems faced by local technicians -
two-way educational process - will be an essential component
of refinement of results in individual country programs.
(1.5) Treatment of production problems and techniques in the
subsequent chapter.

3) Initiation and expansion of technical assistance programs
- otherwise that "know-how" cannot be expected, it can only
be transferred - a change of attitude of U.S. technicians
toward technicians in all fields - the setting up of 15
projects - "productive" work and other specialists in
the U.S. for observation and training - U.S. specialists in
participating countries and overseas technicians - specialists
in teaching variable patterns. Special problems encountered
in technical assistance programs, and in collecting, analyzing
data and interpretation of national and international personnel -
problem of international technical and financial effects in the
domestic and area programming - end of communication and
other U.S. and international agencies. Growth of emphasis
upon productivity. Illustrations of policy solved during
the period - indicators of economic effects in the longer
run.

4) Use of project procedure, especially in construction of
extension of basic industries, and in the development of other
area projects - a kind of project procedure to provide
improved opportunity for channels and in accordance with
agreed primary objectives, and to ensure especially where
new technology and extensive equipment are involved, some
guidance, either through management and economic collaboration or
otherwise. Problems, variations and influences in project
procedure - a comprehensive illustration - advantages,
disadvantages, lessons gained.

5) Organization and presentation, in favor of expansion of scientific
information on policies - factors in effectiveness of such

suasion: personal element, practicality of measures advocated, clarification of both national and U.S. interest, political insight. Advantages in conduct of such discussions through other than formal foreign-office channels.

- i) Use of aid and counterpart to influence policy - - e.g., in Italy, in relation to import, fiscal and investment policies - - in France, in relation to fiscal measures recognized as urgently needed in order to save the franc, but politically difficult of attainment - - results in each case - - other instances in Greece, Belgium, etc. - - contrast with situation in UK where counterpart policy remained relatively fixed. Grounds for, and dangers in, such intervention - - lessons gained - - e.g., pitfalls in any cavalier or impetuous use of such economic influence - - "leverage" through control of aid appeared effective only when associated with a "fulcrum" within the country, i.e., an able group believing in and favoring a given policy as being reasonable and necessary in the national interest - - illustrations of failure in efforts to achieve results in absence of such indigenous leadership - - use of dollar assistance as incentive - as e.g., in cases of "conditional aid" or project procedure, contrasted with threat of aid cut-off as, e.g., in Kem amendment. Does ECA experience point to the desirability of continuing use of such influence: If so, by what means, under what conditions, and with what safeguards?
- j) Encouragement of, and participation in, proposals and institutional developments contributory to European unification. (Special and more detailed consideration of this theme in a later chapter.)

To what extent were the above forms of U.S. participation essential to the accomplishment of agreed objectives? To what extent were they regarded by the participating countries as reasonable and necessary accompaniments of U.S. assistance? What notable mistakes were made in the course of these collaborative efforts? What were some of the significant insights gained as regards the technics of economic cooperation?

Did this experience through the Marshall Plan operation contribute to a better understanding of: the role which the United States must

analysis, personal, abstract, practicality of measures advocated
classification of them according to U.S. interests, political
interest, advantages in context of such characteristics through
other than intergovernmental channels.

1) Use of aid and counter-aid to influence policy - - - - -
mainly in relation to import, fiscal and investment policies
- - - - - in which, the relation to trade measures represented an
important part in order to give the firm, but politically
difficult, of attainment - - - - - results in each case - - - - -
assistance in Europe, Africa, etc. - - - - - conditions were situation
in which counter-aid policy remained relatively limited.
- - - - - and dangers of such intervention - - - - -
gained - - - - - in any case, the use of aid
such "economic influence" - - - - - through control of aid
suggested effective only when associated with a "factor"
within the country, i.e., an ability to believe in and
favoring a given policy as being reasonable and necessary in
the national interest - - - - - participation of leaders in efforts
to achieve results in support of such leadership - - - - -
use of other associated incentives - - - - - in form of
"conditional aid" or project procedure, contrasted with the
of aid out-off set, e.g., in the agreement. Does USA experience
point to the desirability of continuing use of such influence?
If so, by what means, under what conditions, and with what
objectives?

2) Encouragement of, and participation in, proposals and transfer
of technical development, particularly in the field of
(special and more detailed consideration of this theme in a
later chapter)

To what extent were the above forms of U.S. participation essential

to the accomplishment of stated objectives? To what extent were they

regarded by the participating countries as reasonable and necessary

accomplishment of U.S. objectives? What notable mistakes were made in

the course of these collaborative efforts? What were some of the significant

lessons learned as regards the techniques of economic cooperation?

What this experience through the national plan operation contribute

to a better understanding of the role which the United States must

continue to play if economic stability and advancement in the free world are to be achieved? the attitudes that contribute to, or stultify, confidence abroad in America's trustworthiness and capacity for world leadership? the internal policy changes (such as the lowering of tariff barriers) that are needed? the means whereby the U.S. can most efficiently continue to strengthen its friends and allies abroad without gravely impairing the domestic economy?

Chapter 16. The Expansion of Production

Massive increase in production seen, in 1948, as foundation-stone for European recovery and closing of the dollar gap. Focusing of attention chiefly upon basic industries (including power, mining and transport) and agriculture.

Interdependence of elements in European industrial system - - partial recovery between 1945 and 1948 - - many plants restored, but raw material inventories still inadequate. Fundamental need for capital expansion and increased productivity - - immense interest and drive on European side - - stage reached in 1948 where possible for parts of Europe to expand industrial plant substantially if marginal aid could be made available - - e.g., a \$5 or \$6 billion continental investment program for power development considered feasible if U.S. could provide approximately \$300 million worth of essential thermal power generating equipment - - other illustrations. OEEC and ECA studies - - compatibility of rate of capital investment with financial and monetary stability - - need for selective and balanced investment of amount (roughly 20 percent of gross production) considered available for capital formation.

continue to play a leading role in economic activity and development in the world
which are to be achieved, the attention must be concentrated on the
conditions abroad in America's transnational and corporate world
leadership. The financial policy changes (such as the lowering of tariff
barriers) that are needed, the means whereby the U.S. can most effectively
continue to strengthen its friends and allies abroad without provoking

improving the domestic economy.
Chapter 16. The Expansion of Production

Massive increases in production seem, in 1978, as a foundation stone
for a program of development and growth of the dollar zone. Location of assets
must chiefly be in the Americas (including power, mining and trans-
port) and agriculture.

Independence of elements in Western industrial system -
partial recovery between 1975 and 1985 - many plants restored, but
the material investment still inadequate. Fundamental need for capital
expansion and increased productivity - massive investment and drive on
European side - a stage reached in 1978 where virtually the price of
Europe to expand industrial plant substantially is marginal and could
be made available - \$5 or \$6 billion continental investment
over the power development considered feasible in U.S. could provide
approximately 2000 million worth of essential thermal power generating
equipment - other illustrations, OECD and WTA studies - perspective
level of rate of capital investment with financial and monetary stability
- need for selective and balanced investment of amount (roughly 20
percent of gross production) considered available for capital formation.

First emphasis on power production - - other major investment channels
- - special features of overseas investment for raw materials development.
Corollary aims in industrial programming: elimination of industrial
bottlenecks; development of facilities capable of making greatest contri-
bution to balance-of-payments objectives; improvements in productive
efficiency and use of available manpower. Evolution in programming tech-
nics and procedures employed by industrial officers and commodity specia-
lists - - factors entering into final determination of industrial require-
ments.

Raising of industrial efficiency and resultant output per man-hour
sought as a key to the attainment of ultimate recovery goals - - in-
creasing emphasis on productivity objective through improved plant and
industrial management, increased labor efficiency, etc. - - aim of
producing types and quality of goods and machinery capable of meeting
European needs and world competition.

Role and scope of technical assistance programs - - sending of
"productivity teams" to the U.S. - - sending of American specialists,
upon request, to the participating countries - - illustrations by industry
and by country - - the productivity drive in 1951 - - some lessons gained
in the technical assistance program.

Net increases in industrial capacity and output in field of elec-
tric power, coal-mining, petroleum, steel, non-ferrous metals, lumber,
and manufacturing industries - - fundamental test of gains: rise in
production per man-hour. Parallel developments in railway, port,
highway and air transport, and in communications. Vigorous efforts

shown on European side - - U.S. contributions mainly through provision of marginal but crucial equipment and supplies, cooperation in programming, getting technicians together, and stimulating interest in new methods and developments.

Agriculture presented a different range of problems - - Western Europe normally a heavy importer of food - - requirements increased by 10 percent growth in population since prewar - - goal of agricultural recovery program not self-sufficiency for Europe, but expanding production by Europe's 16 million farmers to improve dietary levels and lessen excessive dependence on external sources - - funds thus saved could reduce payments deficit or finance industrial or other import requirements.

Close collaboration between U. S. specialists and local agricultural authorities in programming of measures to cope with weak spots in each country's agriculture and to advance production - - illustration in Holland - - consideration of short-and long-run needs with emphasis on the former. Technical measures which proved particularly effective (with illustrations from country programs) - - increased application of lime and fertilizer - - wider use of improved seeds - - steps to obtain larger yield from grasslands - - advances in haymaking and silage - - improved feeding and breeding of livestock - - prevention of waste through better food storage, transport and preservation. Increased importation and manufacture of farm machinery - - wide variations in degree of mechanization - - combining of fields for mechanical cultivation - - increase in cooperative and private machinery centers. Development and use of extension services - - results

illustrated in Germany - - practical demonstrations - - growth of farmers' clubs. Employment of counterpart funds for agricultural research, extension work and reclamation. Contrast in effectiveness of programs in, e.g., France and Holland. Among needs not adequately met: industrial products as incentives to agricultural production; expansion in farm credit facilities; trade liberalization to assure greater outlets for agricultural produce.

Most enduring contributions to agricultural improvement seen in terms of practical applications of scientific knowledge - - in many cases, basic scientific information first discovered by Europeans - - e.g., hybrid corn to Austria, electric fences to Germany, Holland - - tendency in some countries to concentrate on pure agricultural science - - effects of contact with improved farming practices - - scope and value of technical assistance in agriculture.

Economic and political significance of the dependent overseas territories - - untapped resources in scarce and increasingly costly raw materials - - internal shortage of net economic resources and basic services - - long range investment programs for territorial development - - variations in colonial economic policies - - illustration of balanced programming in the Congo - - dependence of Europe on DOT's for wide range of raw materials - - importance of such materials as dollar earners and savers - - need for basic materials accentuated after Korea - - measures taken to increase output - - partial offsetting of pressures to trade with East Europe - - dangers in excessive emphasis upon extractive industries and supporting services

illustrated in Germany - and in the Netherlands - a trend of
towards a more balanced employment of resources and a more
balanced, extensive work and research. However, in the process
of progress in, e.g., France and Belgium, there is also the danger
that industrial progress is achieved at a high cost in terms of
expenditure in terms of social facilities, such as the situation in
France and in the Netherlands.
In the Netherlands, the agricultural sector
is a leading contributor to agricultural progress and in
terms of technical equipment of agricultural production - in many
cases, based on scientific information from the research institutes -
and, therefore, to a large extent, scientific progress in Germany, Belgium -
and in the Netherlands is concentrated on the agricultural sector.
- effects of contact with improved farming practices - those and
value of technical assistance in agriculture.
Scientific and technical progress - on the dependent, economic
territories - is largely achieved in order and increasing capacity
growth - in technical progress of the economic resources and basic
services - in the agricultural sector the agricultural development -
achieved in the agricultural sector - in the agricultural sector
progressing in the Netherlands - dependence of crops on FOM in the
range of the Netherlands - importance of agricultural research
and the Netherlands - need for more research and development
force - in the Netherlands to increase output - in the Netherlands
of progress in the Netherlands - in the Netherlands
emphasis on extensive production and processing - progress

without compensating internal economic development.

Effects of Korea and the defense programs - - difficulties in meeting both military and civilian requirements - - necessity for allocating financial, material and manpower resources according to priorities - - increased emphasis on productivity.

Obstacles to further massive increases in production, including: shortages and high prices of many raw materials; continuing trade restrictions and exchange and payments difficulties as factors limiting regional specialization and advances in mass production; lag, in some areas, in modernization of equipment and production methods; low purchasing power in some sectors of the population and in overseas territories where industrial products are especially needed; and U.S. trade barriers.

Note: The approach to be taken in the remaining chapters has not yet been developed in detail. The following notes therefore, provide only a rough indication of the range of questions contemplated for consideration in these chapters.

Chapter 17. Impetus and Steps toward European Unity

The purpose of this chapter is to trace the main contributing factors in the growing impetus toward economic unification in Europe as an alternative to saue qui peut national economic policies - - and as a development regarded by many as essential to the defense of democratic civilization against totalitarianism - - doubts and reservations in some quarters - - the issues involved as seen in Congress, ECA and the participating countries - - special position of UK and the sterling bloc - - advances toward unification during the period of the Marshall Plan - - especially through the OEEC, measures for trade liberalization, limited regional agreements, the Intra-European Payments Plan and the European

Payments Union - - significance of each of these developments, intrinsically, and in giving added impetus to the trend toward greater integration - - relation of ECA and OEEC to other developments in European cooperation: the Schuman Plan, the Iron and Steel Community, NATO, SHAPE, plans for EDF, etc. - - need and potentialities of further integration as seen at end of the Marshall Plan period - - relation of European economic unification to the larger problem of integration within the Atlantic community and with other parts of the free world.

Chapter 18. Economic Progress and Military Security

Delayed impact of Korea and the defense program - - competition for materials in short supply - - resultant rise in raw material prices - - technological advances and military costs - - staggering burden of rearmament realized as impact of the defense programs became more fully apparent - - efforts to assimilate the cost without serious setbacks in living standards - - materials controls - - buttressing the financial structure - - intensified productivity programs - - reappearance nevertheless of a serious balance of payments problem in Europe - - mounting of inflationary pressures in Europe and the U.S.

Insights gained during the Marshall Plan years regarding measures necessary to enable the free world to carry the rearmament program for a prolonged period if necessary, without disastrous economic consequences - - further efforts needed: to promote intensive development and production of raw materials, enlisting greater participation of private investment; to invigorate further the drive for increased productivity; to continue unremitting efforts toward trade liberalization in Europe, and in the Atlantic community including the U.S.; to achieve economies

through greater standardization of military production, etc. - - increased recognition of interdependence of military, economic and social factors and consequent need for increased skill in use of subsidies to safeguard economic and social gains while advancing basic defense objectives - - dangers revealed in underestimating magnitude of defense task and necessity for greater sacrifices and increased coordination and efficiency.

Chapter 19. Promoting the Advancement of Newly Developing Areas

Forerunners of Point Four - - lessons derived from earlier efforts through IIAA, UNRRA, interim aid programs, etc. -- notable features in the ECA experience in China, Korea, the Philippines, Burma, Indo-China, Thailand and Indonesia, and in the European dependencies in Africa.

Evolving rationale of the programs in Asia - - recognition of revolutionary and nationalistic forces - - dangers in Communist penetration and propaganda - - increasing awareness of counter-measures needed - - rapprochement with both leaders and people - - programs focused upon, and adapted to, locally felt needs - - working from within - in cooperation with, and support of, indigenous leaders - - emergency impact programs - - techniques in developing effective aids to increased production - - confronting the triple problem of need for reforms; inexperience (and at times corruption) of local administrations; and nationalistic resistance to external influence - - cooperative versus arm's-length approach to this problem - - discovering areas of mutual interest and agreement - - the "principle of jointness" applied in a manner to safeguard local sovereignty and avoid violation of national sensibilities - - the Joint Commission for Rural Reconstruction in China

and Formosa - - technical assistance as a means of providing aid, on request, according to carefully established criteria but without stigma of external dictation - - the effort to assist in developing efficient and modern governmental institutions - - and in promoting urgently needed agrarian and fiscal reforms. Assessment of experience and lessons gained.

Different type of problem faced in relation to dependent overseas territories where major responsibility for aid in development and advancement rested upon European powers - - U.S. assistance marginal and provided only upon request from participating countries in Europe - - major focus in ECA aid upon sound development projects and balanced programming of investment for basic services and materials development - - wide divergencies in European colonial policies - - illustrations of this - - political aspects rendered more acute by developments in Asia and the Middle East - - Communist propaganda - - lack of common ideology among the democracies regarding Western relations with underdeveloped or newly developing areas generally - - economic and political facets of this problem - - continuing development of these areas deemed essential - - lack of investment resources in Europe, making necessary continuing U.S. participation - - risks involved - - possibilities of increasing rapprochement with European powers on economic policies vis-a-vis underdeveloped areas.

Chapter 20. The Marshall Plan in the Contest for Minds

Economic objectives and impact of the Marshall Plan intimately related to the epic East-West contest for "the minds and hearts of men."

and T. Brown - technical assistance as a means of providing aid, on request, according to carefully established criteria but without any form of external obligation - the effort to assist in developing efficient and modern government institutions - and in promoting agricultural, industrial and fiscal reforms, assessment of experience and lessons learned.

different type of problem faced in relation to dependent overseas territories where major responsibility for aid in development and economic management rested upon European power - U.S. assistance marginal and provided only upon request from participating countries in Europe - major focus on aid and economic development projects and balanced program of investment for basic services and materials development - wide divergences in European colonial policies - illustration of this - political aspects rendered more acute by developments in Asia and the Middle East - Communist programs - lack of common ideology among the associates regarding foreign relations which underdeveloped or newly developing areas generally - economic and political aspects of this problem - continuing development of these areas almost essential - lack of investment resources in Europe, making necessary continuing U.S. participation - risks involved - possibilities of increasing participation with European powers on economic policies via various international agencies.

Chapter 60. The Marshall Plan in the Context for Korea

Economic objectives and impact of the Marshall Plan initially related to the early East-West conflict for the minds and hearts of men.

Psychological and political gains of international communism in Asia and Europe, under conditions of economic distress and insecurity as a major reason for initiating the economic aid programs - - recognition of the necessity for an economic answer to communism - - to engender new hope and confidence - - to sustain and strengthen the social and political fabric in areas of dislocation and tension - - and to foster a growing sense of free world cooperation and unity. Boldness of the Plan in conception and execution - - releasing a new tide of hope and strength to meet and press back the ideological tide of communism. Dramatic initial results in Europe - - economic advancement and increasing sense of security. Effects in Asia less marked and more difficult to assess - - effort to evaluate.

New phase in the contest precipitated by the invasion of South Korea - - crucial test of free world determination and capacity for united action - - psychological effects in Asia - - stimulation of vast defense program which diverted energies and resources from purely economic objectives and progressively threatened recovery gains - - reemergence of serious payments problems - - new inflationary pressures - - the issue again joined on the economic front.

Growing realization, during later phases of the economic aid programs, of the total character and resourcefulness of the communist challenge to the West - - use of military pressure - - the generating of mounting economic strains - - unceasing propaganda - - fostering of national and international divisions and enmities. Role of ECA, in

Psychological and political aspects of international economic relations and
Europe, under conditions of economic distress and insecurity as a major
reason for intensifying the economic aid programs - - recognition of the
necessity for an economic system to coordinate - - to establish new policy
and conditions - - to establish and strengthen the social and political
basis in areas of education and research - - and to foster a growing sense
of free world cooperation and unity. Policies of the Plan in connection
and execution - - releasing a new type of hope and strength to the
press back the ideological role of communism. Practical initial results
in Europe - - economic advancement and increasing sense of security.
Efforts in Asia have marked and will continue to be made - - efforts to

evaluate.

How close to the target prescribed by the Division of Eastern Affairs

- - crucial test of free world determination and capacity for united
action - - psychological effects in Asia - - stimulation of vast defense
program which directed energies and resources toward purely economic ob-
jectives and progressively increased recovery efforts - - maintenance of
national payment programs - - new international programs - - the need
again joined on the economic front.

Growing realization, during last phase of the economic aid pro-
gram, of the total character and responsibility of the communist
challenge to the West - - use of military pressure - - the growing
of working economic systems - - increasing programs - - focusing of
national and international divisions and efforts. Role of ECA, in

cooperation with other agencies, in activities beyond the scope initially intended - - activities dictated by the widening character of the contest with communism (and approved by Congress) - - relating of aid increasingly to military support requirements - - encouraging greater defense efforts in participating countries. The fostering of changes and reforms needed to strengthen the internal political and social fabric of friendly nations. Broadening of public information programs in conformity with expanded U.S. objectives. Insights gained into the enlarged scope and dimensions of the contest for minds. Areas of weakness, in relation to this struggle, in the recovery program - - character of the sustained economic and associated efforts still required before the broader purposes underlying the Marshall Plan could be attained.

Chapter 21. How Great a Milestone?

This final chapter is tentatively planned as a summation, based on the foregoing sections of the volume, of: (a) the extent to which the Marshall Plan operation can be considered a success in relation to its initial primary objectives and terms of reference; and (b) the major problems which remained unsolved at the time of transition to the Mutual Security Program.

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