

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date October 6, 1947

To Chairman Eccles and Gov. Szymczak

From Woodlief Thomas

MESSAGE: For your information.

Marshall

Message delivered by _____

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 6, 1947

To Mr. Thomas

Subject: Advisory Steering Committee

From A. Gerschenkron *ag*

The Advisory Steering Committee met again on October 2, 1947. It was pointed out that Senator Vandenberg's recent statement emphasized the need for coordination between the interim-aid program and the long-range plans. It was agreed, therefore, that the working groups of the Advisory Steering Committee which are concerned with the appraisal of the Paris report should submit their reports within three weeks. Thereupon, these reports will be integrated into a long-range program to be made available to Congress simultaneously with the request for the interim-aid program. As far as the latter is concerned, only an informal bill for Congressional benefit will be drafted, but it is expected that the formal drafting will be done by Congress.

European technical experts have arrived; conversations are beginning today on the basis of lists of questions which have been prepared by the working groups.

Under Secretary Clayton and Ambassador Douglas visited the Committee and spoke about their experience in Paris. Most of their statements turned upon the French situation. They said that it had required considerable pressure to convince the French of the need for monetary and fiscal reforms. The original draft of the Paris report on these questions had been altogether inadequate, and simply stated that no steps toward monetary and fiscal reconstruction could be taken until the amount of aid has been determined. However, the French revised it after several conversations with Messrs. Clayton and Douglas. The present statement was considered reasonably satisfactory, and both Mr. Clayton and Mr. Douglas took a moderately optimistic view of the degree of success that can be attained in the field by the French although they envisaged that a period of 12-18 months would elapse before stabilization is achieved. Both gentlemen expressed their conviction that without such a stabilization no recovery of production, particularly in the agricultural field, can be expected, and Ambassador Douglas stated that we should not tolerate any half-way compromise solutions in this respect. He also added, rather emphatically, that a devaluation of the franc would be fruitless unless accompanied by a radical change in domestic policies. In reply to a question concerning our attitude to socialization in Europe, Mr. Douglas stated that any attempt on the part of the U.S. to interfere with this problem would be ill-conceived and ill-received in Europe. Mr. Clayton concurred, but remarked that socialization and threat of socialization constituted a considerable barrier to the recovery of output.

After the departure of Messrs. Clayton and Douglas the Committee discussed briefly certain sources of funds that may be available for interim aid to France and Italy. The possibilities for speeding up the liquidation of army accounts in France and prison-of-war payments in both countries were mentioned.