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National Advisory Council
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To: Mr. Southard - Treasury Department

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From: OFD - Mr. H. F. Havlik
State Department

In the course of discussions concerning the Marshall Plan for European Economic Cooperation, certain questions have arisen upon which it is considered appropriate to request the advice of the National Advisory Council.

I suggest that an NAC Working Group be organized to study the following questions (and others which may develop from time to time).

1. Should financial assistance to Europe under the Marshall program be in the form of loans or grants, or otherwise? Should provision be made for reciprocal aid in the form of strategic materials for stock-piling purposes?
2. What are the total dollar resources of Europe, including possible liquidation of securities and investments? To what extent should European countries be required to liquidate gold and dollar reserves, security holdings and investments as a prerequisite to U.S. financial assistance?
3. What should be the relationship of the International Fund and Bank and the Export-Import Bank to the Marshall program?
4. Is a revision of the European exchange rate structure essential to European recovery? Should U.S. Government assistance under the Marshall Plan be made conditional upon such revision? Should the United States Government attempt to force revision in the case of countries which have not yet certified a rate to the International Monetary Fund, or should the United States rely entirely on the Fund to deal with exchange rate problems?
5. How could a system of multilateral clearing contribute to European recovery? What type of system would be most practicable in the light of current European conditions? Should the United States Government support such a system with dollar loans or grants as part of the Marshall program?
6. To what extent are Europe's international payment difficulties due to unsound domestic financial policies of individual countries? What are the practical limitations, political and otherwise, on U.S. pressure for domestic financial reforms in connection with the Marshall program? Would it be feasible and appropriate to require use of local currency proceeds from sale of commodities provided under the aid program to promote sound domestic financial policies?

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