

Office Correspondence

Date September 30, 1947To Chairman EcclesSubject: Interim aid to France andFrom Lewis N. DembitzItaly--N.A.C. activities

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During recent weeks, the N.A.C. Staff Committee has held several meetings to consider European needs for interim aid between now and the time that the Marshall Plan ("European Recovery Program") may go into effect. The Staff Committee estimated that \$235 million of credits would be needed by France and Italy during the last quarter of 1947 if they were to continue on their present levels of economic activity, and the Committee drew up a recommendation that such credits be provided by the Eximbank and the Commodity Credit Corporation.

However, as indicated by President Truman's statement of yesterday, the President has decided that Eximbank and C.C.C. funds should not be used. Funds available from other sources under executive control (including certain post-UNRRA relief and other funds which would normally have been disbursed in 1948) are now expected to cover needs until December. Some action by a special session of Congress will be necessary if foreign aid is then to continue.

The President's decision thus supports the position of the Eximbank people who have insisted vigorously that interim aid credits should not be extended by the Eximbank. From the beginning, their representatives on the N.A.C. Staff Committee dissented from the rest of the Committee, claiming that interim aid credits by the Eximbank would be contrary to the intentions of Congress and also claiming that the Committee's estimates of the amounts of assistance needed (especially for Italy) were too high. Gerschenkron and I have learned from Bonesteel (assistant to Under Secretary Lovett) that before yesterday's meeting of the President with the congressional leaders, Mr. Gaston, acting head of the Eximbank, discussed with Mr. Clark Clifford (and perhaps also with the Congressmen) the bank's objections to making any interim relief loans, and the Eximbank directors threatened to resign if called on to extend such credits.

In any case, when the matter of Eximbank or C.C.C. financing was brought up at the White House discussion, the Congressmen present were almost unanimous in opposing it, and this is the reason why the President's public statement later in the day declared in effect that such funds would not be available.

The study by the N.A.C. Staff Committee had been requested by the informal Advisory Steering Committee which is coordinating work on the Marshall Plan. The Steering Committee felt that such a paper would be useful to it in connection with its work at staff level. It was contemplated that the Council might give consideration to the paper after Council members' return to Washington, although the State Department had not formally placed the matter

before the Council and, in any case, the Council might not have wanted to take any formal action at a time when the particular question requiring decision was regarded as largely a political one. The drafting of the N.A.C. Staff Committee study on this basis was of course not in accord with regular procedure, but it seemed justified by the urgency with which an informal study of some kind was needed prior to the President's return on September 20. It was made clear that the paper was only a staff study and might prove not to represent the actual views of the Council.

In view of the President's statement of yesterday, there would now be no point in asking the N.A.C. to consider the Staff Committee draft calling for Eximbank or C.C.C. financing. It would seem desirable, however, for the Council soon to consider more broadly its position on the interim aid program and on the longer-term Marshall Plan problem. The whole relation of the N.A.C. to the Marshall Plan perhaps ought to be reviewed at a higher level. For example, at present the Advisory Steering Committee, consisting of staff representatives of the various agencies, has been set up to advise the Under Secretary of State, who will advise the President, but there seems to be no formal arrangement for participation at the policy level by the N.A.C. as such.

Meanwhile there is attached a copy of N.A.C. Staff Document No. 182 which outlines some financial problems which, in the opinion of staff members, will ultimately require N.A.C. consideration.