

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date November 12, 1947

To Chairman Eccles

Subject: Excerpts from Harriman Committee

From Mr. Knapp

Report

The Report of the Harriman Committee contains a striking statement of the political interest of the United States in the European Recovery Program. You may be interested in the following excerpts. I shall send you further comments on the Harriman Committee Report subsequently.

"This third and most important interest, though it may for simplicity be called political, is in fact very much broader. It stems from the realization that a European recovery program is an investment in the continued survival of a world economically stabilized and peacefully conducted, in which governments based on fundamental democratic principles can prosper, in which right, not might, prevails, and in which religious freedom, economic opportunity, and individual liberties are maintained and respected.

"To state this aim recognizes that we are faced in the world today with two conflicting ideologies. The basic characteristics of each are well known. One is a system in which individual rights and liberties are emphasized, where they are protected by basic constitutional guarantees, where the state is the servant of the people. . . .

"The opposing concept rests on the assumption that international life must be dominated by ideologies; that where ideologies differ, conflict is inevitable; and that so long as ideological uniformity has not been obtained, struggle must remain the keynote of international life. In these circumstances, it is clear that peace is only a military truce; and the national state continues to conduct itself as a fortress besieged by mortal enemies. The freedom of the individual in international life is largely lost and the structure of international dealings derives its solidity only from the iron discipline of the state and the determination of its leaders.

"Should this country ever be forced by circumstance to turn from the first of these concepts of international life to the second, it would no longer be able to conduct domestic affairs according to the principles of individual liberty and tolerance which are traditional to it. The continuance of the American way of life and of thought, therefore, requires that the peoples of the world understand the soundness of the first of these philosophies of international life.

"The pattern of the United States position in the world has been predicated for at least a century on the existence in Europe of a number of strong states committed by tradition and inclination to this outlook on international affairs, and on the exertion by these states of a powerful stabilizing influence in world society. Happily they have not been the only nations which have shared these feelings and aspirations; but they have certainly represented the greatest single concentration of state power associated with this outlook, and their role in world affairs has been so great as to represent one of the foundation stones of United States security.

"But these countries of Western Europe cannot continue unaided to play this role. Their peoples are sorely dissatisfied with their present plight. If by democratic means they do not soon obtain an improvement in their affairs, they may be driven to turn in the opposite direction. Therein lies the strength of the Communist tactic: It wins by default when misery and chaos are great enough. That is why any program for the democratic rehabilitation of Western Europe must overcome not only the complex economic problems resulting from the ravages of war, but also the deliberate sabotage by the Communists who see in the continuance of misery and chaos their best chance for an ultimate victory.

"Open ideological war has been declared already by the totalitarian nations and their satellites upon all other nations and peoples believing in individual liberty. In this struggle the police states have effective allies in every country beyond the iron curtain. Their allies are the indigenous Communist parties which have loyalty, not to the nations in which they live, but to the Kremlin. These well-disciplined forces have been stripped for action by the open acknowledgment that the Comintern is revived.

"It is an historical fact that the sixteen Western European nations which participated in formulating the Paris report are nations which, like our own, have fostered and developed the concept that individual liberty and fundamental human rights are essential to domestic society and hold out the hope for peaceful world relationships. They are among the nations which have joined in a genuine effort to make the ideals enumerated in the United Nations charter a reality. Economic recovery in Western Europe is an objective consistent with and essential to the attainment of these ideals.

"The 200,000,000 people living in the nations under consideration for aid from this country include within their number many of the world's most energetic and gifted peoples. Whatever we do,

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their own qualities will some day regain for them the measure of influence which they have always been able to exert in the modern world. But until that is done there can be no real balance in world affairs, and no real peace. And unless it is done soon we cannot be sure that their faith in the sort of international life we believe in will be fully maintained, and that their strength, once recovered, will be exerted for the achievement of what has been a common goal.

"Therefore, the countries of Western Europe must be restored as rapidly as possible to a position in which they may retain full faith in the validity of their traditional approaches to world affairs, so that they can again exert their full influence and authority in international life. . . . The present situation contains far-reaching implications which indicate that a doing-nothing policy cannot be considered as an alternative.

"If the countries of Middle-western and Mediterranean Europe sink under the burden of despair and become Communist, Scandinavia will fall into the same camp. The strategically and economically vital North African and Middle-eastern areas will follow. This transfer of Western Europe, the second greatest industrial area in the world, and of the essential regions which must inevitably follow such a lead, would radically change the American position. If it should prove that a weakened United Kingdom could not resist so powerful a current, then the shift would be cataclysmic.

"The domestic consequences are such as no American could easily tolerate: The swift and complete conversion to a military footing which national security would require; the abrupt but necessary change in our relations with the rest of the Western Hemisphere; the immediate and sweeping limitation of our economic and political life, perhaps extending even to our very form of government.

"In such prodigious terms is the interest of the United States in European recovery defined. The Committee is convinced that a sound program for Western European recovery should be formulated and adopted by the United States with the same boldness and determination, and the same confidence in the worthiness of the democratic cause, which characterized our action in World War II."

In a later section of its Report, the Harriman Committee draws the following moral from our political interest in the strength of Western Europe:

"There is one broad objective about which an American judgment can easily be made. Every decline in the political and economic power of the Western European nations impose new burdens

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directly upon us. The United States has a clear and vital interest in the maintenance of independent centers of power in Western Europe. To reduce the cost of European recovery in dollars by limiting the economic resources absorbed by military and political purposes would cost this nation many times what it saved not only in dollars but in terms of security as well."
(underlining mine)