

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

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To General Files

Subject: Secretary Snyder's appearance
before Senate Foreign Relations Committee
today

From Mr. Knapp

Secretary Snyder appeared this morning before the Senate Foreign Relations Committee to testify on the European Recovery Program. He was accompanied by staff members from each of the National Advisory Council agencies, but he dealt with all questions himself.

The session was rather dull. In general Secretary Snyder handled the questions competently but he did not show much persuasive force or even force of conviction. With respect to a number of detailed questions put for the most part by Senator Thomas, Secretary Snyder promised to provide written replies for the Record.

The principal developments of interest were as follows:

(1) Senator Vandenberg, Senator Lodge, Senator Wiley and others questioned Secretary Snyder insistently on the matter of the division of aid between loans and grants. Secretary Snyder repeated Mr. Douglas' testimony that in the judgment of the N.A.C. something between 20 and 40 per cent of the total aid might be put on a loan basis, but he declined to elaborate this statement or to discuss which countries might receive loans and which grants. Unfortunately, Secretary Snyder failed to make clear that the proportion of aid which can reasonably be extended as loans depends upon the terms of the loans, i.e. that the proportion might be only 20 per cent if all loans were "real" loans on which repayment could be confidently expected, and that estimates running up to 40 per cent assume flexible loan terms which would make repayment contingent upon satisfactory developments in the recipient countries' balance of payments. In fact, at times Secretary Snyder almost committed himself to the position that all loans should be "real" loans, but he did add that in some cases there might be occasion for "thin" loans.

(2) Senator Lodge questioned Secretary Snyder insistently concerning the dollar assets held in the U.S. by the European countries and wanted to know why these could not be mobilized to pay for part of the aid program. This question was covered in part by Secretary Snyder's formal statement, which took the position:

(a) that with respect to gold and dollar balances, European countries had already reduced their holdings below what would

be regarded as a safe level, and

(b) with respect to long-term investments in the United States that these earned dollar income which the countries concerned will need in the future to support their balance of payments, and that in addition many of them were not readily marketable or were already pledged for loans.

Secretary Snyder did agree, however, with Senator Lodge that steps should be taken to enable European countries to obtain control over secreted assets held in the United States by their nationals, and said that the National Advisory Council would shortly be prepared to make recommendations on this subject. Senator Lodge urged very strongly that every effort be made to make the wealthy class in the European countries take a fair share of the burden of the European Recovery Program, which he said they were now avoiding by tax-dodging and by hiding their foreign assets.

(3) Considerable interest was expressed in the "guaranty" proposal, and a large number of questions were asked to obtain clarification of this matter. However, no controversy developed.

(4) Concerning the 6.8 billion dollar figure which has been requested for the first 15-month period of the Program, Secretary Snyder sidestepped taking responsibility for the figure as such but endorsed in the name of the Council the procedures and assumptions which were used in developing the figure.

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