

EUROPEAN RECOVERY PROGRAM

Interview With
DR. FRANCO MATTEI

Rome, Italy
May 8, 1964

by Philip C. Brooks, Director
Harry S. Truman Library

The Harry S. Truman Library
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European Recovery Project

Interview with Dr. Franco Mattei

The draft transcript of my interview with Dr. Mattei was sent to him in September 1964, with the request that he review it, annotate it, as he thought best, and return it to me along with the draft legal agreement, which I also sent him.

Dr. Mattei did not reply to the letter of September 1964, nor to follow-up letters of March 1965, March 1966, and December 1966.

In view of the facts that we have had no reply, and that there was nothing controversial in the interview, it seems best to simply make it available to researchers as is. It may be freely used, and quotations may be published up to the limit that is known as normal "fair use" from books, about 300 words. We cannot assume that we have literary property rights, since Dr. Mattei has not signed an agreement. Therefore, we should not permit the copying of the whole transcript.

Philip C. Brooks
Director
September 1, 1971

EUROPEAN RECOVERY PROGRAM INTERVIEW TRANSCRIPTS

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European Recovery Program Interview
with
DR. FRANCO MATTEI

Rome, Italy
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[1]

DR. BROOKS: Was the Marshall Plan a surprise to your country?

DR. MATTEI: It was rather a surprise in the sense that although we expected to have American aid for recovery, what was a surprise, was the proposal of General Marshall to have the programs of American aid to Europe for European recovery discussed and decided by the countries of Europe, among themselves. This was rather a surprise, not that we were to have American aid -- we had the help of UNRRA before the Marshall Plan.

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BROOKS: You consider them two quite different programs, don't you?

MATTEI: Yes, but the surprise was in the proposal to the European countries to face the proposal together. Of course, immediately after the proposal, we were sure that Italy would be included in the Marshall Plan. We had no doubt on this point.

BROOKS: Why was that? Was there any special reason why you felt so sure?

MATTEI: We were sure for the reason that, of course, we needed aid in that moment, we had a good relation with the United States, and we were willing to have the strictest possible cooperation with the other European countries. So there was no reason for Italy to be excluded from the Marshall Plan. I remember that a few days after the speech of General Marshall,

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I was asked by the Italian Government to participate in Paris in the first discussion.

BROOKS: This is when the Franks committee was working out the plans.

MATTEI: Yes. In July and August of 1947, immediately after the speech of General Marshall.

BROOKS: Dr. Mattei, where had you been before? You said you were in Washington in '47?

MATTEI: I was in Washington immediately after, in October and November of 1947. We started with a committee of European cooperation in Paris in July 1947. We presented a certain number of recommendations to the American administration. I remember I was in the United States for the first time for the Thanksgiving Day. We continued the discussion with the American administration in November

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and first of December of 1947.

BROOKS: Were there others there with you from Italy?

MATTEI: Yes.

BROOKS: Who was the head of the delegation?

MATTEI: It was Campilli. He was the head of the Italian delegation, and in this delegation there a Minister Medici, who is now Minister of Industry; there was Dr. Carli, who is now the Governor of the Bank of Italy; and Colonna, who is now the Under Secretary of NATO in Paris.

The second question [Dr. Mattei was reading from my list of questions] is what did you consider to be Italy's greatest need in '47 -- coal, food, power, transportation, development of industry, trade with the other European countries, or something else. I would say everything, everything. We had no food, and this was the most

[5]
urgent problem to solve. Of course, the first problem for us was to find food, wheat for our population.

BROOKS: Even though UNRRA had been working on this?

MATTEI: Right, and, we had the problem of power, and coal, and general energy sources, and all the raw material to start again the production of the industries that it was still possible to get working. For we had had a certain part of our industry destroyed by the war, but at least 80 percent of our capacity of production was still alive. But the industries they couldn't work, for they had no raw materials. In cotton, for instance, and in all the textile factories, they had no raw materials and they had no dollars to pay for the raw materials that we could get on the international market. Certainly, the problems of raw materials and

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food were most important problems to solve in 1947.

BROOKS: Then if you solved the problem of raw materials, would this enable you to solve the exchange problem?

MATTEI: Yes, of course. Whenever we started to produce with our industry, we were in a position to refuse imports of finished products and start exports to other countries.

BROOKS: Did you consider the Marshall Plan one of economic warfare against the Communist or a serious constructive recovery plan?

MATTEI: Well, we have seen the Marshall Plan especially as a constructive recovery plan.

BROOKS: This was a matter of some debate in the United States. There were some people, who said they were tired of economic warfare.

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They were willing to back a real recovery plan.

MATTEI: Well, maybe. I was working within the Marshall Plan. I was an economic expert, so I was interested especially in the economic aspects of the plan. I saw immediately the importance of the European cooperation that was started by the Marshall Plan. For the first time in many, many years, the representatives of the governments of eighteen countries met -- at that moment, eighteen countries were represented in Paris -- and we started to discuss the problem of an economic recovery of Europe together. And, for the first time it happened, I think, in Western Europe that the problem of a certain government were examined and criticized by representatives of all the governments.

BROOKS: Dr. Mattei, did you think that Italy's interests had fair representation in the Franks

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Committee in Paris? Did the Italians think that their interests were fairly considered by that group?

MATTEI: I think so, yes, we had fair representation in the four years of the Marshall Plan, and that was sufficient for our needs of recovery. The importance of help was that we were able to have in a rather short time, let me say, the first two years of the Marshall Plan, 1948 and 1949, a considerable amount of capital from abroad, and with this it was possible, to start the reconstruction of our economy. The importance of the help was not only in the amount, but, also in the concentration of this help in a short period of time. If I remember correctly, the figure that we received for the first year, let me say, was \$600 million, for the second year, \$450 million, and for the last two years,

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\$300 million.

For the first three years we were able to start our reconstruction without any preoccupation with the balance of our payment problems.

BROOKS: Did you have the feeling that the representatives of any other countries were taking too big a share in running things? Were the British, or the French, or the Americans trying to dominate the scene?

MATTEI: My personal opinion is that Italy had the maximum that Italy could usefully use. That is to say, our economy was certainly not the same dimension of the economy of Germany, or the United Kingdom, or France. It was impossible to buy \$300 million of cotton a year; we had not, in our country, the industry to spin all that cotton. So my personal opinion, is that Italy received a fair amount and what we could

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use economically in our country.

BROOKS: Then in the discussions at Paris, the Italians had adequate opportunity to state their needs?

MATTEI: Certainly. I repeat that I have seen the problems, especially from the technical point of view. Of course, it was easier for Germany or for France or for the United Kingdom to show their needs. The possibility of Italy to demonstrate its need of help was limited by the capacity of Italian economy. So we did a lot of technical discussion to see, for instance, if Italy could use \$200 million of cotton, or less, or more. This technical discussion was easier for the United Kingdom or for France, having a larger capacity of possibilities in economic assistance.

BROOKS: What do you think were Italy's greatest

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assets that it had to contribute itself, to build on? I have heard it suggested that manpower was one, you had an excess manpower problem, I believe.

MATTEI: Certainly.

BROOKS: Hydroelectric power and...

MATTEI: Certainly. The assets we used in building our economy were certainly, first of all, manpower; the second was the very important fact that during the last period of the war, the Italian capacity of production was destroyed in the south and the center but not in the north. We finished the war with all our industrial potential in rather good condition, up in the northern part. And, owing to the fact that in the north was concentrated the greatest part of our capacity of production,

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we had all our structural plants that were available for production -- plants, hydropower and so on -- and with the injection of raw materials with the Marshall Plan, it was possible immediately to start again in production. For instance, if I remember correctly, in 1948, our level of production was higher than before the war. This is to say we had recovered the prewar level of production in 1948 -- in the first year of the Marshall Plan -- and the aid was also used for stabilizing the money, to stop inflation. This injection of capital from abroad gave to the Italian Government the possibility of a sound monetary policy and stopping inflation, so having that it was possible to start again in production in normal condition.

BROOKS: At the moment, you had a surplus manpower problem, I believe.

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MATTEI: Yes, we had at that moment, a very important surplus labor problem, but we had still the possibility of production in agriculture with what we call underemployment. That is to say, it was not completely economic production in agriculture, but owing to the difficulty of importing goods from abroad and also the possibility of using manpower in Italian agriculture it was done.

BROOKS: Would this sort of thing have led to differences of opinion on the Marshall Plan, among different groups in Italy, labor, industry, and so forth?

MATTEI: I would say no. I don't remember; maybe we have had something of this kind, but of very limited importance if I do remember this problem.

BROOKS: What was the general attitude toward

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Russia at that time?

MATTEI: If I remember correctly, only Czechoslovakia, at the beginning said that it had some interest in participating...

BROOKS: Czechoslovakia and I believe, Poland.

MATTEI: Yes, and Poland...

BROOKS: Would the Italians have welcomed Russian participation?

MATTEI: Well, in that moment, of course, it was not up to us to decide. We needed the help of course, if the United States had decided that the help was to be extended also to Iron Curtain countries, we would have accepted this decision. If I remember correctly, we had no hope of participation of the Eastern countries. From the beginning we didn't expect their

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participation to the Marshall Plan.

BROOKS: Well, some people have made the comment that if the Russians had joined, the program never would have worked.

MATTEI: Maybe, maybe. I remember I was following this program very carefully, and I never expected any Eastern country to join the Marshall Plan.

BROOKS: How about Germany? Would the Italians have felt, generally, that the recovery of Germany was important, or would they have felt as a result of the wartime experience, that the Germans ought to be restrained?

MATTEI: This problem was highly political, and immediately after the war the psychological tension was still very strong. I don't remember that I examined this problem personally. I am just trying to say to you what I personally

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remember. I remember that we accepted Germany in all that committees in Paris exactly as one of the other members. That is to say, we tried to find for them, the same kind of justification we were seeking for our program and the program of other countries. We have never discussed or taken any decision on the level of German industry. You remember the program for Germany was under the supervision of the Allied Control Commission. So the program was discussed in Paris with the experts, both of the German Government and that Commission. The political decision was up to them, the Allied Control Commission, to say what to do with Germany.

BROOKS: You worked with some of the German representatives in Paris?

MATTEI: Yes. In the very first weeks, there were no Germans in Paris. But in the following

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activity of OECD, after the beginning of the Marshall Plan, there were some representatives. I don't remember exactly what was their juridical position.

BROOKS: Now, your experience has been largely with Italian industrial organizations, has it not?

MATTEI: Yes.

BROOKS: You still think there wouldn't be any significant different point of view between the industrial groups and labor and agricultural?

MATTEI: Yes. We had certainly a certain number of problems with agriculture for the reason that on the food products that we could import from the United States or from the dollar area, the prices were lower than the cost of our agriculture in Italy. But, we solved this problem that was especially important for wheat, for the government

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imported all the wheat and compensated the low prices of American and Canadian wheat with the high price of Italian wheat. So, this was a big financial operation done by the government, not to put in the Italian market huge quantities of wheat at a very low price; otherwise agriculture at that time could not survive.

BROOKS: Did you think, or hope, that the Marshall Plan would lead to a common market, or economic union or even a political union?

MATTEI: Yes, certainly. We had in Italy a small, but very powerful political group pressing for political unity of Europe.

BROOKS: Would this be one of the recognized political parties or a smaller group?

MATTEI: No, I would say it's more of a group than political party. I would say Count Sforza, for

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instance, was at this phase a leading man in the development of a political unity of Europe. But, of course the main opinion in our country was that a political union was not right for the moment.

BROOKS: Some people were skeptical at the time as to whether the European countries really could cooperate effectively and make the Marshall program work.

MATTEI: It was not easy at the beginning, but it was easier for the fact that we had to answer a specific and precise question of the American administration. So the decision was more for the technical people than the politicians. So, it was rather easy to cooperate at the technical level. And all the important decisions at the beginning were on the technical level more than on the political level.

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BROOKS: So, really the fact that the Marshall speech requested a statement of needs on the part of the European countries, and requested them to get together, was a pretty significant aspect of it, wasn't it?

MATTEI: I would say, it was most significant. Maybe we could have reached the same degree of economic development with help of the kind of UNRRA, from the purely economic point of view. But, the most significant aspect was the cooperation between the European countries that prepared the revival of the trade among them.

BROOKS: UNRRA was really not directed at that, was it?

MATTEI: UNRRA was just directed to satisfy the primary needs of the population. But, with the OEEC immediately after the first year,

[21]

the primary objective of OEEC was the revival of trade between Europe. That is to say, to reduce the need of dollars that we all had at that moment.

BROOKS: There has been, through the years, some opinion that aid programs ought to be administered by the United Nations, rather than by any one single power. Was that premature in 1947?

MATTEI: Well, I think that was impossible. Also, you know, at that moment, there was the importance of time. We started discussion in Paris in the first half of July. I remember I was in Paris the 12th of July. At the beginning of 1948, we started the Marshall Plan. I think it was impossible to launch an operation, such a big economic plan, without one direction.

BROOKS: Was this interim aid program adequate to "hold the fort" through the winter of 1947-48?

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One thing that's impressed me is that there was all this enthusiasm about the Marshall Plan in June and July of 1947, but there wasn't any hope of putting it into effect, until our Congress approved it in the spring of '48. What was going on all this time? What were people thinking?

MATTEI: Well, I remember -- I was in the States in October and November -- we were sure that something of the kind of the Marshall Plan would be approved by the Congress. Of course, they reduced the amount requested, but this was not so important as the opinion we had that a certain plan of aid for three, four, five years would assist our economy. I remember that in November we changed our regulation and we decided to change the modified rate of exchange of lira with the dollar, with a certain system to help exports. This is to say,

[23]

we took this move that was very, very important for Italian economy, for we were sure that for a certain number of years, we would have help for our balance of payment. Without this prospect of help, it was impossible for us to modify our regulations in relation to exports.

BROOKS: This is partly a psychological effect that you were speaking about.

MATTEI: Yes, there was the feeling that we were sure that the plan would be approved by the Congress.

BROOKS: Were some of these same Italians that went to Washington with you, in Paris previously?

MATTEI: Yes, it was about the same team. We were almost all people that were not in the administration. We were in business, in banking, in universities. We were...

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BROOKS: Technical advisors.

MATTEI: Yes.

BROOKS: Do you have any special recollections or incidents involving any of those principal people?

MATTEI: Well, I don't remember. Maybe too many; maybe too many.

BROOKS: Did you see President Truman when you were in Washington?

MATTEI: No, I did not see President Truman. I saw Ambassador Harriman, who that moment was ambassador-at-large I think, for the European program.

BROOKS: You can see why he was so much interested in this project of ours.

MATTEI: Yes. I have seen all the members of the

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staff of the economic administrations of the United States, in the Treasury, the Economic Cooperation Administration, and others.

The first chairman of the ECA was Paul Hoffman.

BROOKS: Did you think that those people generally understood the Italian situation pretty well?

MATTEI: Yes, I think so. For two or three years I was, every day, morning and afternoon, in the ERP mission here in Italy, on the Via Veneto, discussing with the friends of American mission, point by point, all our needs. Of course, there were long discussions; we were arguing continuously on the various points, but we were always able to find an understanding, a compromise. We had as the first chief of the mission, Mr. James Zellerbach, who was later ambassador in Rome. He was from San Francisco, of the Crown

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Zellerbach Corporation. I had many, many good friends in the American mission.

BROOKS: How about at Paris, did you work with Sir Oliver Franks, Marjolin...

MATTEI: Yes, I was in the group that was headed by Franks in Paris and later in the United States, for when we were in the United States in October and November, Franks was the head of the European delegation. Later he was Ambassador in Washington.

BROOKS: He's one of the key people, certainly. How about Robert Marjolin, did you work with him?

MATTEI: Yes, certainly. Robert Marjolin was, let me say, number one in programming all the study that we were doing in Paris to see the needs of European countries. We had a good

[27]

team. The people were all experts, and were not just interested in pure politics.

BROOKS: Well, maybe that's a good thing for that kind of program.

MATTEI: Can you leave me this copy, so that I can think a little about this questionnaire, and I can write to you?

BROOKS: I would be glad to have you do that.

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