EUROPEAN RECOVERY PROGRAM

Interview
with
PAUL G. HOFFMAN

New York, New York
October 25, 1964

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

THE HARRY S. TRUMAN LIBRARY
Independence, Missouri
January 1966

EUROPEAN RECOVERY PROGRAM INTERVIEW TRANSCRIPTS

NOTICE

These are transcripts of tape recorded statements made for the Harry Truman Library. Drafts of the transcripts were edited by the interviewees but they made only minor emendations; therefore, the reader should remember that these are essentially transcripts of the spoken, rather than the written, word.

RESTRICTIONS

European Recovery Program Interview
with
PAUL G. HOFFMAN

At The United Nations, New York
October 25, 1964
by Dr. Philip C. Brooks, Director, Harry S. Truman Library

[1]
DR. PHILIP C. BROOKS: Perhaps you can tell me how you happened to get into the European Recovery Program in the first place. I would be much interested to know.

MR. PAUL G. HOFFMAN: That story never has been told. Early in March 1948, I heard rumors that I might be considered for the post of Administrator of the Marshall Plan. At about the same time General William Draper asked me to serve as a member of a commission to study the economic situation in Japan and Korea. I accepted at once, thinking I would be in Korea and out of reach when

[2]
the legislation setting up the Marshall Program was passed. My scheming didn't work. The passage of the ECA legislation was delayed and I was en route home at the time. When I reached Honolulu, I found a telephone call waiting for me from John Steelman saying that President Truman wanted to have a talk with me as soon as possible. I said to John, "Would you mind telling me what it is about?"

He told me that after some delay the ECA act had been passed and the President wanted to talk to me about serving as Administrator of the Marshall Program.

I said, "That is very flattering, but how soon will the President have to have his answer?"

He said, "Immediately."

I said, "In that case, much as I regret it, my answer has to be 'No,' because I have family and business associates with whom I would have to

[3]
discuss so far-reaching a change."

His answer was, "How soon can you be in Washington?"

I told him approximately five days.

I did arrive in Washington in five days and before I went to see President Truman, I called my good friend Senator Arthur Vandenberg and told him that I had been informed that President Truman was going to ask me to take on this assignment. I told him that for many reasons it would be impossible for me to do so.

The Senator's reply was, "You don't dare refuse if the President offers this opportunity to you."

I said, "Yes, I dare." And that ended our conversation.

I met with President Truman by appointment. He formally asked me to accept the post of Administrator. I replied, "Mr. President, I am

[4]
deeply appreciative of your offer, but it would be a mistake for me to accept it because I don't really want to leave Studebaker at this time. I have been working for the last thirteen years trying to help get the Studebaker Corporation to a point where it was making real money. It is there today and I want to be around for the next five years. May I add that it would be a mistake for you to appoint me because I have employed a good many thousand people in my day and I never knew anyone who didn't want the job that was offered to perform satisfactorily."

The President's reply was, "Well, Mr. Hoffman, some of the best people we have in government have to be drafted. We hope you'll prove to be one of them, and I am expecting you to say yes."

I said, "Mr. President, I certainly will give it the most serious consideration. I'll

[5]
telephone Mrs. Hoffman; I'll telephone my business associates and see what can be worked out."

We left on that note.

Much to my surprise at 4:30 that afternoon when I was involved in a press conference at the Pentagon on the Japanese and Korean economies, one of the reporters asked me, "Have you been offered the post as ECA Administrator?"

Because I felt that this was a confidential matter between the President and myself, I replied, with my tongue in my cheek, "What does the job pay?" His answer was $20,000 a year.

I said, "It must be a good job."

At that moment a loud-speaker came on stating that the President had just announced that Paul G. Hoffman had just accepted the post as Marshall Plan Administrator. So I found myself in a job that I had never accepted.

[6]
BROOKS: Did that bother you at the time?

HOFFMAN: At the time it seriously troubled me, but in drafting me as Marshall Plan Administrator, President Truman did as great a favor for me as one man can do for another. It opened my eyes to many things of which I was totally unaware and it was the beginning of my real education.

BROOKS: Mr. Hoffman, I am curious to know how much you knew about the Marshall Plan before that, if anything.

HOFFMAN: I had been a member of the committee under Averell Harriman, which studied the report of the committee headed by Sir Oliver Franks, which had been appointed to ascertain the amount of United States goods that would be required to restore Europe to its prewar level of agricultural

[7]
and industrial production. Their estimate was $25 billion worth of goods and services and a period of four years to complete the program. The Harriman Committee's report concluded that a job could be done for $17 billion, but concurred in the estimate that it would take four years to do it.

It might be interesting for me to break in here and tell you that at the end of two and a half years, agricultural production in the Marshall Plan countries was 20 percent ahead of the 1938 level and industrial production was 40 percent ahead, and the total cost of the program up to that time had been under $10 billion.

BROOKS: Were there people who predicted that recovery could not take place in the four-year time period, that it might take even a decade?

[8]
HOFFMAN: That is correct. However, from the very beginning of the program, we made it perfectly clear that we would be out of Europe in four years; that whatever was to be accomplished had to be accomplished in that period of time. We also made it clear that primary responsibility for the recovery program rested with the Europeans themselves. The first line of the Harriman report, a line which I am proud to say I wrote, was "Only the Europeans can save Europe." And major credit for recovery belongs to the Europeans.

BROOKS: This high degree of cooperation among Europeans is what interests me most. Did you know before the Marshall speech of June 1947 about the content of that speech?

HOFFMAN: No.

[9]
BROOKS: One of the most significant things that he said was that the European countries should get together and express their needs collectively. This really seems to have been the beginning of European cooperation.

HOFFMAN: That was the beginning. We were very insistent that there be cooperation and we wanted that cooperation expressed with something other than words. The Europeans had made two promises to the United States if Marshall Plan help was forthcoming. The first promise was maximum self-help on the part of every country; and second, maximum mutual aid.

In December of 1948, an historic meeting took place between Sir Stafford Cripps and the other ministers who were members of the Organization for European Economic Cooperation, which we helped organize, and my associates and

[10]
myself. We told them, very pleasantly, I hope, but very firmly that whereas they had made good on their first promise, that is maximum self-help, that little or nothing had been done to make good on their second promise, which was maximum mutual aid. I said that it would be our responsibility to tell the Congress of the United States in February of 1949 precisely what had happened unless they took some steps and quickly to make good on their promise of mutual aid. The situation was really intolerable because all the Marshall Plan countries were maintaining not only prohibitive tariffs, but also exchange controls and import quotas, which almost completely blocked intra-European trade. We insisted that all devices for blocking trade be sharply reduced.

BROOKS: What happened at that historic conference?

[11]
HOFFMAN: Most of the ministers of the Marshall Plan countries were present with Sir Stafford Cripps acting as their spokesman. Along about midnight, Sir Stafford Cripps asked if I would meet with him alone. I said certainly. As our conversation started, he seemed to be somewhat exasperated by my insistence that something must be done to reduce trade barriers and fast. He said, "Well, what will satisfy you?"

I said, "If in February we can report to the Congress that 50 percent of the barriers to trade among the European countries have been removed, Congress would, I believe, be satisfied."

I further stated that by a 50 percent reduction, we meant a reduction in the total volume of trade among the countries, not 50 percent of the items that make up trade, in some of which there was little or no volume.

At 3 a.m. he said, "We'll have that 50

[12]
percent reduction in effect by February 1, 1949." It was done.

BROOKS: You were expecting a great deal of cooperation from the European countries so soon after the was and many of them had been at each others' throats. It was a rather remarkable accomplishment.

HOFFMAN: The reduction which took place in January of 1949 was, of course, only one step toward the great expansion in intra-European trade that was needed. Of all the moves that were made, the most important was the organization of the European Payments Union. This followed late in 1949 and made possible the use of non-convertible currencies on the part of Marshall Plan countries for payment of goods exchanged among them.. Once the services of the Payments Union became available, the upturn in trade was

[13]
spectacular. It was a major factor in the success of the Marshall Program.

BROOKS: I came away from Europe with that impression too. I also came away with the impression that much of the credit for the effectiveness of this whole program -- and many of the people I interviewed told me this individually -- went to Mr. Hoffman and your own cooperation with the European leaders. For example, some of the British people told me that much of the success of the program resulted from the good working relationship you had with Sir Stafford Cripps despite your divergent points of view.

HOFFMAN: While Sir Stafford Cripps and I started out, I think, in a mutually skeptical attitude one about the other, I came to have the utmost respect for him. He was a truly great public servant. As I told him, the real problem is

[14]

that there were not enough Sir Stafford Cripps in the world. If there were, if perhaps everyone was willing to work as hard and diligently as he did for the good of the community and without thought of his personal interests, the system he proposed might work. But I felt that most of us in the world today gave priority to our personal interests. Some day we may all be as dedicated as he was to the public interest. It isn't that kind of a world yet.

One enterprise Sir Stafford Cripps and I jointly inaugurated was the Anglo-American Council on Productivity. This turned out to be one of the most effective innovations introduced by the Marshall Program. Almost all European countries faced the necessity of a rapid increase in productivity. Their factories were filled with out-dated tools and they were employing old-fashioned methods.

[15]
Sir Stafford wisely insisted that the Anglo-American Council should include representatives of both the employers and the employees. Further, it was to be a two-way street with groups going from Great Britain to the U.S.A. and vice versa. Among other results that ensued from the Council's activities was the reorganization of the steel industry in Great Britain and the adoption of a number of European practices in our own steel industry. The success of the Anglo-American Council was such that both France and West Germany became interested and carried on similar activities.

BROOKS: Another thing I was told in many countries was that much of the credit for accomplishments of the Marshall Program went to the Americans who headed the missions in the Marshall Plan countries. Now these people, I assume, were

[16]
chosen by you. Did you have any magic device in choosing these officials?

HOFFMAN: The magic was in the Marshall Plan itself. It provided an opportunity for appealing and constructive work. In a sense, the mission chiefs were given the opportunity to help act as architects for the new Europe that was envisioned.

BROOKS: There was a certain amount of idealism involved?

HOFFMAN: Oh, yes. But the idealists employed as mission chiefs were also realists. This is true of every one of them, but as examples, I'll give you David Bruce in France, John McCloy in Germany, David Zellerbach in Italy and Thomas Finletter in Great Britain.

BROOKS: They were all specifically mentioned to me

[17]
by the people in Europe. By the way, I gathered you had a fairly free hand in selecting them, did you not?

HOFFMAN: Completely. I would like to say that no man ever was given finer cooperation than that given me by President Truman. If he had listened to some of his advisors and had tried to make the Marshall Plan a political dumping ground for unqualified politicians, it couldn't have been a success. We had to have good people. And we weren't interested in whether they were Republicans or Democrats. What we wanted to know was their record; what they had accomplished. There were, of course, complaints about our failure to employ certain individuals recommended by highly placed party officials. A complaint would be made to the President and he would ask me why it was that we had not acted favorably on

[18]
the suggestion of Mr. So-and-So that his friend be employed as a mission chief. I would answer because we had found a better man, and that would be the end of the conversation.

BROOKS: Mr. Bruce was much impressed because you had a free hand selecting people and thought that that was among the most important elements in the success of the program. Would you want to comment briefly on -- well, one of the most important things it seems to me, Mr. Hoffman, about which there was uncertainty at the time, or at least a difference in the understanding and opinion, was how much integration of the European countries Americans wanted or expected. Did you see as one of the aims the achievement of a high degree of economic cooperation, perhaps going as far as the common market, or were you thinking in terms of political union?

[19]
HOFFMAN: Those of us involved in the actual administration of the Marshall Program had very much in our minds the building of a new Europe. We had been persuaded by Jean Monnet and others that there was no hope for progress of a compartmentalized Europe and that in a postwar world, Europe's future would be dim unless there was close cooperation among the Marshall Plan countries. Speaking personally, I thought that union would first come along economic lines and that some degree of political union was certain to follow. The reasons for economic union were compelling. In its best prewar year, Europe with almost 300 million people had a gross national product of 150 billion dollars. In that same year, the United States with 150 million people had a gross national product of 300 billion dollars. If Europe's gross national production for individuals had been what it was in the United

[20]
States, Europe's gross national product would have been approximately 600 billion dollars. Among the reasons for this was the fact that the U.S.A. is one mass market. It is only when you have a mass market that large-scale manufacturing which involves very substantial expenditures can be justified.

BROOKS: Were you also concerned about the fact that in prewar Europe, workers from one country were barred from going to another country?

HOFFMAN: Certainly, because some postwar European countries had a surplus of labor and in others there was an insufficient supply. The full potential of labor can be utilized only if there is mobility in labor. If there was to be a new Europe, there not only had to be a common market, but also great mobility in labor.

BROOKS: I judge that you think that the Monnet plan

[21]
was a significant factor in the concept of a united Europe.

HOFFMAN: Yes, Jean Monnet was the father of the concept of a United States of Europe and his efforts more than those of any other single man helped change the thinking of European leaders.

BROOKS: Wasn't it also significant that Robert Marjolin, who had been one of Jean Monnet's most brilliant disciples, became the Secretary General of the OEEC.

HOFFMAN: Decidedly yes. Robert Marjolin was a marvelous choice.

BROOKS: He's one of the people who spoke very highly of you.

HOFFMAN: I am delighted to hear it.

[22]
BROOKS: Was there any one aspect of the relations between the USA and the European countries that seemed particularly important?

HOFFMAN: Yes. I have already mentioned the fact that we helped organize the OEEC. This was quite an undertaking because certain of the European countries felt that they should have the right to deal directly with the USA. We were confident that if this were done, many misunderstandings would result. As a consequence, we insisted that every one of the sixteen recovery programs should be screened by the OEEC and further, that the OEEC should have the responsibility of recommending to us the amount of assistance that should be given to each country.

BROOKS: Did you regard the Marshall Program as closely related to or quite different from the Greek-Turkish aid program?

HOFFMAN: Quite different because economic and military aid were combined in the Greek-Turkish program, whereas during the time I was Administrator, the Marshall Plan was restricted to economic aid only. This was in keeping with the concept set forth by General Marshall in his address at Harvard University in June 1947 when he said, "Our policy is directed not against any country or doctrine, but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist."

BROOKS: Some of the people I have talked to in Europe felt that it was a mistake for the Marshall Plan to concentrate totally on speeding recovery.

[24]

HOFFMAN: I am well aware of this. We were in fact under continuing attack because we did not devote our energies to directly fighting against communism. It was our feeling that such an effort would be diversive and would slow down recovery. Contrariwise, we felt that if speeding recovery did take place as a result of our concentrating solely on that goal, the peoples of Europe would realize that they did not have to give up their freedoms to assure lives of decency and dignity. We were correct in this assumption because the countries of Western Europe are today strong and free.

BROOKS: Some of the people in Greece told me that the Marshall Plan was really an outgrowth of the Truman Greek-Turkey doctrine. They said this with great pride.

HOFFMAN: That is fine.

[25]
BROOKS: Well, I would like to ask you about a number of people individually -- did you see President Truman a good deal; did you work with him pretty closely?

HOFFMAN: Oh yes; I didn't bother him any more than I had to, but I saw him quite frequently, and, as I said, I learned to have not only great regard, but deep affection for him. He went far beyond merely keeping his word about no political interference with the program, but went beyond this. He gave active help and offered many constructive suggestions. History will, I am sure, accord him a great place because of many qualities, but among them, courage and never failing common sense.

BROOKS: Now one of the names that came up many times abroad, that people mentioned to me, was that of Dean Acheson, as somebody they thought was very

[26]
significant...

HOFFMAN: I'm sure that's true. I'm sure he had a great deal to do with the development of the program, I mean, the original program as it developed in the State Department. As far as we were concerned, we were operators, we were administrators. I don't ever recall going to Dean Acheson and asking for any counsel or advice on administration, but I had the greatest respect for him, as I have today.

[27-28]
INDEX