1949

Mike's Report on Europe - A Survey of Political Economic Developments During 1949 in Europe

Mike Mansfield 1903-2001

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A SURVEY OF POLITICAL AND ECONOMIC DEVELOPMENTS DURING 1949
IN FRANCE, WESTERN GERMANY, AUSTRIA, AND ITALY

REPORT
BY HON. MIKE MANSFIELD, Montana
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LETTER OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
COMMITTEE ON FOREIGN AFFAIRS,
HOUSE OF REPRESENTATIVES,

Hon. John Kee,
Chairman, Committee on Foreign Affairs,
House of Representatives, Washington, D. C.

My Dear Mr. Chairman: The attached survey of political and economic developments during 1949 in France, western Germany, Austria, and Italy, is based on observations made and material gathered during my study mission to Europe last fall. It is forwarded in the hope that it may be of use to you and to the other members of the Committee on Foreign Affairs.

Sincerely yours,

Mike Mansfield.
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A SURVEY OF POLITICAL AND ECONOMIC DEVELOPMENTS DURING 1949 IN FRANCE, WESTERN GERMANY, AUSTRIA, AND ITALY

I. INTRODUCTION

This report is based upon an investigation into the political and economic developments in France, Western Germany, Austria, and Italy covering the period January to November, 1949. The inquiry was undertaken at the request of and under instructions from the chairman of the Committee on Foreign Affairs, the Honorable John K. Prior to undertaking this investigation for the committee, the author of this report had served as a congressional delegate, under Presidential appointment, to the Fourth Conference of the United Nations Educational, Scientific, and Cultural Organization (UNESCO) held in Paris, France.

All of the countries covered by this report have made great progress in achieving the political, economic, and psychological objective of reversing the tide of defeatism and communism which, in recent years, has been rolling across Western Europe. This does not mean that these nations have overcome all the difficulties which confronted them in the immediate postwar years. Many of these difficulties, though of lesser magnitude, still remain. The great progress that has been achieved, however, can be attributed mainly to the assistance given these countries by the United States, particularly under the European Recovery Program. It is this assistance which has brought about a revival of hope for the future among the distressed people of these war-torn countries.

The European Recovery Program has helped immeasurably to increase production on farms and in factories, and to curb inflation. It has also been a contributing factor in arresting the tide of communism and in bringing back to the people of Western Europe a sense of the part their own efforts will play in assuring the future well-being of their respective countries. Industrial production in Western Europe—excepting Germany—is well above the prewar figure. Agricultural production is at about 95 percent of the prewar rate. Inflation, though still a problem, has been kept well in hand. Despite these heartening facts, however, there is much yet to be done to stabilize Western Europe's economy. Difficulties have been met and conquered—temporarily—but the present palliatives do not and cannot constitute a permanent cure.

Population problems have been accentuated in Europe through the loss of markets and colonies. In all of the countries visited there is a shortage of dollars due to changed conditions resulting from the war. These countries must have dollars because there is an absolute minimum of goods which they require and which they can obtain only in
the dollar area. For the time being this shortage in dollars is being
redressed by the assistance being given under the European Recovery
Program.

The nations of Western Europe have found it very difficult to sell
their goods in dollar markets in competition with products of the
United States and other Western Hemisphere sellers. This is due,
in part, to high production costs and low productivity in Europe.
With about twice the population of the United States, all the countries
participating in the European Recovery Program produce only about
one-half the volume of goods and services needed in that area.

Europe cannot solve this pressing problem by lowering the standard
of living of her people. Any attempt to do this would lead to social
unrest and general dislocation, and the result would be that the very
difficulties we are now trying to overcome would once again come to
the fore.

The answers to Europe’s problems may be found, in part, in in­
creased production and the liberalization of trade in Europe through
the eradication of trade barriers. Elimination of such barriers will
be extremely difficult to achieve since it will require changes in long­
established habits and relationships. But it will have to be done.

United States assistance to Europe is not a new concept. It goes
back many years and assumes different forms. In the period from
1914 to 1948 the United States exported to Europe about
$101,000,000,000 worth of goods and services more than it imported.
This figure, of course, includes exports resulting from the two world
wars. Disregarding such war-incurred exports, the United States
still exported to Europe some $52,000,000,000 more in goods and
services than it imported.

A favorable balance of trade must be compensated for in some way.
The difference between what is bought and what is sold abroad must
be made up by transfers of wealth in other forms. Of the favorable
balance of $101,000,000,000 enjoyed by the United States during the
period concerned, about $49,000,000,000 is accounted for by transfers
made by this Government in the execution of policies undertaken in
its own interest as well as in the interest of other countries. Included
in this category are such undertakings as war relief during World
War I, the lend-lease program in World War II, the United Nations
Relief and Rehabilitation Administration, the European recovery
program, and the like. About $19,000,000,000 represents United
States Government loans. Immigrant remittances and private dona­
tions and gifts account for $10,500,000,000. Private investments
abroad account for another $10,500,000,000. The balance consists
of liquidation of foreign assets in the United States.

What are the choices ahead of the people of the United States?
We could stop, or greatly reduce, our exports, thus freezing world
trade at a very low level of activity, creating unemployment at home
and inviting dislocation and collapse of trade in Europe. The inevi­
table concomitant of such a course would be social disorder, tyranny,
and perhaps war. A second possibility would be to continue to
subsidize Europe’s purchases through gifts of billions of dollars each
year. Thirdly, we can buy European goods and, when practical
opportunities offer, make worth-while investments abroad so as to
increase the production of goods needed by this country as well as others and thus build a steadily growing and healthy export trade for ourselves.

Those are the choices. Obviously the first must be rejected, since it would lead only to stagnation and perhaps to disaster. The second course—the provision of gifts and subsidies—cannot be continued indefinitely. In accepting the third choice, the United States will have to get in the habit of buying European products, where price and quality make such purchases sensible. Competition in some measure, and on fair and reasonable terms, with the goods and services of our own producers will have to be accepted. European sales could be absorbed by this country into a constantly higher total flow of import and export trade, the whole resting on a solid foundation rather than depending upon the artificial prop of continuing dollar assistance by the United States.

Admittedly this is a complex and difficult task. It will require a profound shift in the outlook of the American people to make them really import-minded. If, however, the facts are made available to them—direct, straight and clean, without confusion—the problem will be faced squarely and the right and reasonable answer will be the result.

The solution of Europe's economic problem is vital, not only for Europe but for the United States as well. Whether we have a peaceful world, with reasonable opportunity for prosperity and freedom for all, depends in large measure on that solution.

The solution will call for vast psychological changes both in Europe and in the United States. The dollar aid which this country is making available allows for the time necessary to work out practical means for making these changes. This dollar aid is designed to make manageable and tolerable far-reaching adjustments which would otherwise be unmanageable and intolerable. It is for this reason that the European Recovery Program, as has so often been said, is fundamentally different in its concept from other forms of aid which the United States has given in the past. Mr. Paul Hoffman, Economic Cooperation Administrator, was voicing the thoughts of the people of this country when he called the assistance given under this program, "Foreign assistance to end all foreign assistance."

II. France

During 1949 France has been governed by a Moderate Coalition of Socialists, Popular Republicans (the Catholic party supporting limited nationalization), and Radical Socialists (right center party representing the South of France and the conservative middle class). Until the cabinet crises of October 6, the Premier was Henri Queuille, a Radical Socialist. M. Queuille retained a cabinet position after the reshuffling of positions under the current Premier, Georges Bidault.

This moderate coalition, or Third Force, has united the center groups of French politics on major political and economic issues. It is pro-West in foreign policy, it is trying to fight further inflation by holding down wages and prices, it is trying to provide increased social services (although the right center believes this should be done slowly), and it is trying to balance the budget.
During the year the moderate coalition has scored two major political victories in the increasing weakness of both Communists and Gaullists in France. Following the firm handling of the 1948 coal strike by M. Moch, Minister of the Interior, the Communist Party in France lost members rapidly. The Communist labor unions, once numbering over 6,000,000 worker members, today number about 2,000,000. Force Ouvrière, an anti-Communist working group, appeals to the laboring classes on the grounds of fighting inflation and avoiding strikes, and it has gained considerable strength during the past year. The Communists were also weakened by the drop in prices during the middle of the summer. The menace of a coup d'état in 1949 is remote, although with 183 of 622 votes in the Chamber of Deputies and an estimated 22 percent of the popular vote the Communists have a distinct leftist "nuisance value."

At the other extreme, the militaristic and imperialistic appeal of the Gaullist cause has been dimmed by the failure of the general's predictions of war and economic disaster. The RPF—rally of the French people—is an informal organization with no formal membership, but it is widely believed that General DeGaulle has lost a large part of his public support. A Gaullist, however, is included in the cabinet of Premier Bidault.

With such agitation from right and left, the only breaking up has been within the center. The demands of the Socialists, backed by the non-Communist unions and widespread public agitation, that wages be increased brought about the banishment of M. Queuille, who had been caught without a coordinated wage-price policy by the unexpected devaluation of the British pound. For 22 days France was without a cabinet while M. Moch and M. Mayer tried vainly to form governments. By the time M. Bidault managed to assemble a cabinet all parties were agreed on the desirability of a general wage increase in the form of a cost-of-living bonus to the lowest-paid French workers and the unfreezing of wages at the next National Assembly. If the Moderate Center government survives the round of strikes that is sure to follow such unfreezing, it will have to take action on the proposed cut in military expenditures and the reform of fiscal policy. Both of these are expected to bring major policy problems to the parties of the Center.

"The recovery we have made so far has been due to the solidarity shown by the Marshall Plan, and for that we should be thankful to the American people," Premier Queuille is quoted as saying. The basis of the French recovery program has been the very considerable Marshall Plan aid that has poured into France. From fiscal years 1946 to 1948 the United States gave or loaned to France $3,000,000,000; in 1948–49 $980,900,000. For 1949–50 France asks $990,000,000.

Last year France purchased about $529,000 of agricultural equipment with aid under the European Recovery Program. Another aid to this year's bumper crop was the 13,000 tons of nitrogenous fertilizers purchased at the same time. Over 7,000,000 tons of United States coal supported French industry, especially during the severe drain on reserves caused by the Communist-inspired strikes of 1948. The amazingly quick French recovery in industrial production is an estimated 15-percent higher than it would have been without Marshall.
Plan aid. The United States delivered to France some 45 percent of her liquid fuel supply, 35 percent of the nonferrous metals, and 60 percent of the raw cotton needed in the textile industry.

In addition to providing a basis for industrial recovery, Marshall Plan funds have helped the French Government nationalize or maintain such nationalized industries as the French National Railroad, Electricite de France, and Gaz de France, which have been running throughout the year at huge deficits. Furthermore, rationing of food and other essentials could not have been stopped except for American aid.

Despite the advances that have been made, France still suffers from a dollar shortage and can pay from French resources for only 70 percent of her imports.

In general, production levels have topped the 1938 level and in some instances the peak 1929 level. Steel production is 45 percent above the 1929 level, electricity is up 35 percent. Industrial production has been rising steadily since the war, but 1949 was a particularly good year in several important areas of the French economy.

1. **Tourists.**—The 1949 season was the best since the war. This summer 175,000 Americans and 2,000,000 Europeans visited France, bringing $145,000,000 into the country—twice as much as in 1948.

2. **Coal.**—In the first 6 months of 1949 France produced nearly 27,000,000 tons of coal. In addition, man output was 12 percent higher than in 1948 and is rising steadily. Barring Communist agitation or strikes, 1949 may be a top year for French coal production.

3. **Harvests.**—Despite the drought, the crop outlook is excellent. The Ministry of Agriculture estimates a wheat harvest slightly larger than that of 1948, which was up to prewar limits.

4. **Luxury goods.**—France is enjoying a vigorous revival of her supremacy in the field of fashion, fine china, perfumes, and similar luxury products. Exports of silks, for example, are proceeding apace, the exports of the first 6 months of this year (1,431 million francs) almost equaling the entire 1948 output.

5. **Transportation.**—Although the nationalized railways are running at a deficit, this is due to organization difficulties. The railways carried greater tonnage in 1948 than they did in 1938. Plans for the restoration of the war-destroyed marine ports are bearing fruit. Rouen, Le Havre, and Cherbourg are all handling more than their prewar volume of traffic. Although one-third of the nation’s shipping was destroyed in the war, by March of 1949 France’s gross merchant tonnage was 2,500,000—only 400,000 tons under the prewar level.

The Queille government boasted of having nearly balanced the French budget, of fighting inflation and keeping wages down, but the final overthrow of the cabinet was due to tremendous economic pressures which had been building up in the country for a long time. Among the economic problems which plagued France, particularly during 1949, were—

1. **Taxes.**—A new tax of January 1, 1949, was the personal income tax, a flat-rate proportional tax (now 18 percent) and a surtax ranging from 10 to 70 percent. Wages are exempt from the proportional tax, but are subject to a 5-percent pay-roll tax. The employer must contribute an estimated 40 percent. Income taxes on corporations are
negligible; evasion occurs in a high percentage of cases, especially among the upper-income bracket. The cost of social services and increased bureaucracy has resulted in a tax system which is admittedly inefficient and extremely heavy.

2. Nationalization and social services.—The costs of these are a continuing problem for any French government. Hastily done, the nationalization of two-thirds of the country’s assets is costing more than French planners had anticipated. Gas and electricity prices, for example, have quadrupled.

3. Bank credit.—Such credit has been rapidly extended, frequently without sufficient security, and the proposed reform of the banking structure under the Queuille government has not taken place. One hundred eighty billion francs of new money helped M. Petsche balance the budget earlier this year, but they are plaguing the government which is also trying to fight inflation.

4. Cost of living.—Socialists claim that the real wage of the French worker has shrunk 15 percent in the last year; and although no cost-of-living index is accepted for negotiation by all French politicians, it is widely agreed that French wages, fixed by law, are rapidly shrinking in value in the face of rising prices. The inflation, starting in 1944, was halted temporarily in the summer of 1949, but has again continued and it is estimated that since the war prices have risen twice as fast as wages. Average pay for the lowest-paid French laborer is $20 a month and $40 a month is considered good pay. The recent summer drought sent prices back upward again, although the price of meat seems to be headed down more permanently. Shoes, clothing, vegetables have all increased in price since summer, and the housing shortage remains acute.

Following the devaluation of the British pound, the pressure of costs upon the lowest-paid French workers increased to the point where all parties agreed that some relief must be afforded. It was upon this issue that the Queuille cabinet fell.

III. West Germany

Western Germany comprises the American, British, and French zones of occupation. Its population numbers about 46,000,000, of whom 12,000,000 are refugees who have fled eastern Germany and countries behind the iron curtain. The presence of these impoverished people presents a great threat to German recovery.

Three major agreements were enacted in 1949 which carry out the United States policy of reestablishing Germany as a vital factor in the economic life of Europe as a whole, while at the same time safeguarding Germany’s neighbors from a revival of war industries. They were: (1) The International Authority of the Ruhr, which will seek to utilize the resources of the Ruhr in the common interests of Germany and other European countries, (2) the Reparations Agreement among the three Western powers which constitute a security risk, and (3) Prohibited and Restricted Industries Policy, an agreement between the three Western powers which bans certain industries from operation and the manufacture of those products which would threaten security.

During the fall and winter the three Western powers worked on arrangements to carry out the London agreements, formulated in June
1948, which provided for the eventual fusion of the three western zones.

The Basic Law for the Federal Republic of Germany, popularly known as the Bonn Constitution, was adopted at Bonn by a Parliamentary Council of 65 German political leaders, meeting from September 1948 to May 1949. It creates a Federal State in Western Germany. In addition, an Occupation Statute was drawn up in April 1949 to regulate relations between the state and occupation authorities. A Tripartite Control agreement provided that the functions of the Allied authorities will be shared by High Commissioners, who will be responsible for control, and by commanders in chief, who will exercise the military functions of the administration. The Charter of the Allied High Commission of June 20, 1949, defines the organization, functions, and responsibilities of that commission.

The Occupation statute reserves to the allied powers, control over German foreign relations, both economic and political, dismantling, disarmament, and demilitarization, direction of the vast industrial potential of the Ruhr, and observance of the democratic provisions of the Bonn Constitution.

In accordance with the Bonn Constitution the first election of deputies to the Bundestag (Federal Parliament) took place on August 14, 1949, throughout the western zones of Germany. 78.5 percent of the 31,179,422 eligible voters participated in the election. Of the 402 seats in the Bundestag to be filled the Christian Democratic Union won 139, the Social Democratic Party won 131, and the Free Democratic Party won 52. The new German legislature consists of the Bundestag of 402 members, selected by the voting of August 14, and the Bundesrat, a small upper house with equal representation from each of the 11 states which comprise the 3 western zones.

Although the Military Government still occasionally interferes in German affairs, there is a trend toward letting the Germans run their own affairs with more and more freedom.

Western Germany is gradually experiencing an economic revival. This may be attributed to the following factors: (1) The monetary reform of June 30, 1948, (2) United States assistance to the Bizone which has amounted to $1,100,000,000 thus far this year, (3) a good harvest, (4) increasing German responsibility for the Bizonal economy, and (5) the German assets of engineering and technical knowledge and capacity for hard work.

Germany's agricultural situation is slowly improving. Farm output has increased somewhat, but equipment is antiquated, and there is a great waste of land and manpower due to the lack of education and research. The average German diet has greatly improved—there is enough food to be had, provided one has the money with which to buy it.

Industrial progress has been quite good. Over-all industrial production increased from 60 percent of the 1936 level in the first 6 months of 1948 to 84 percent in 1949. In July 1949 coal production was at 87 percent; iron and steel, 63 percent; machinery and optical goods, 91 percent; vehicles, 94 percent; electrical equipment, 162 percent; petroleum and coal products, 127 percent; paper and products, 84 percent; and electricity and gas production was 139 percent of that achieved in 1936.
No statistics for profits or dividends are available. The average level of industrial profits had reached 91 percent of 1936 by the end of 1948 and 115 percent by last March.

German exports in the first half of 1949 have amounted to $566,602,000, almost equal to the total exports of 1948 which amounted to $598,993,000. Imports also increased from $636,286,000 for the first 6 months in 1948 to $851,179,000 for a comparable period in 1949.

There is some indication that Western Germany is getting away from strict government control in international trade. In recent weeks, for instance, it has negotiated agreements with Switzerland, the Netherlands, Norway, and Austria.

Employment has increased slightly during the first two quarters of 1949 as compared with that of a year ago (from 113.7 percent to 114.4 percent of 1936). Unemployment, however, has shown a marked increase from 56.6 percent of 1936 for the first 6 months of 1948 to 114.4 percent for the same period in 1949. This may be explained by the large number of refugees, many of whom are unemployed. In July 1949 an estimated 12,000,000 to 13,000,000 people were employed, while some 1,200,000 were unemployed.

It has been estimated that real wages of the industrial workers are about 60 percent of the quite modest prewar figure. While money wages, averaging a little over 200 marks a month are above prewar, prices are variously estimated at 60 percent to 80 percent above the 1936 level. The standard of living for workers has similarly been reduced. The consumer’s price index for wage earners has risen from an average of 151 in June 1948 to 158.9 in June 1949, respectively (1938=100). The average work week is about 48 hours.

The currency reform of June 1948 stopped inflation but also wiped out more than 90 percent of the liquid funds in the country. Last year there was too much money and not enough goods. Today there are enough goods but not enough purchasing power. In addition, taxes remain crippling high at all levels, but are particularly severe on middle-class incomes. Under present tax laws it is impossible to raise sufficient investment capital. Therefore, heavy industry and building cannot find funds. Most investment capital will come from public taxes and from the United States. The state budgets are now showing surpluses and are expected to provide $578,000,000 for investment next year. However, it is estimated that an average yearly investment of $1,800,000,000 to $2,400,000,000 is needed to make Trizonia self-sustaining by 1952.

Steel capacity is now set at 11.1 million tons a year in contrast to the limit of 7.5 million tons set by the Allies in 1946. Recently, steel plants which were on the dismantling list, have been ordered left in West Germany and the likelihood is, that before too long, steel capacity may rise to its 1938 production level of 19,000,000 tons.

Steel production, which the Allies had once scheduled to remain under 6,000,000 tons per year is now running at the rate of 10,000,000 tons. This will increase tremendously with the slowing down or stopping of dismantling.

Synthetic-fuel plants are once again in production, as well as chemical plants and factories. Aircraft, arms, and munitions plants have practically all been dismantled or destroyed.
German economic and industrial power is once again growing and is a factor of great significance in any consideration of Europe's economy.

West Germany has a police force but no army. Soviet-supported East Germany has an army of 150,000 men which will soon be doubled.

West Germany, in spite of the difficulties it has faced in the postwar years, is on the way up. France and Britain both fear a revived Germany because of the possibility that it will dominate the economy of Western Europe and, in addition, the French have such a suspicion of the Germans that it will take time to overcome this antipathy. Ms. Adenauer and Schuman, however, seem to be doing their best to mitigate the differences between their countries to the end that the cooperation of their people with one another may be fostered and encouraged.

Although Germany is at the present time in a very weak position with two separate governments—both extensions of the occupation arms—it is potentially the strongest nation in Western Europe. Even though France eyes her with suspicion, Britain with distrust, and the United States with skepticism, the fact must be recognized that because of her strategic position between the east and west the process of bargaining for her favor has already begun. As time goes on the German bargaining position will become stronger, the offers to her more attractive, and the demands of the Germans will increase. Germany is, in my opinion, the big prize which the U. S. S. R. now wants and, if necessary, she can and perhaps will offer the Germans some of the lands which had been taken away from them and are now occupied by Czechoslovakia and Poland. That the U. S. S. R. would be able to do this with her control of these satellite countries is not only possible but probable. This, plus the creation of a Russian-dominated East German army, plus the possible withdrawal of Russian troops from East Germany, plus the Russian championship of a united Germany—on Russian terms—poses a difficult problem for the West. In my opinion, it is time for a second look at our German policy because in the end whoever has Germany on its side will be in a position to exercise great control over the future of Europe.

IV. Austria

POLITICAL AND ECONOMIC DEVELOPMENTS IN 1949

On Sunday, October 9, 1949, 4,393,000 Austrians went to the polls to elect their lower house of Parliament. Compared with the 1945 election, when 3,217,354 votes were cast, this represents an increase of 1,175,646 in 1949. The moderate coalition which governed Austria since the end of the war was retained in power. In fact, the most significant thing about the general elections was the relatively slight change which was made in the composition of the Parliament.

When the last elections were held, in 1945, they followed nearly 10 years of political inaction under the Nazis. At the end of the war, the Austrians went to the polls in the confusion and ferment which followed the destruction of the Third Reich. They had very little preparation for party government. The four succeeding years have been trying. Austria has recovered to a considerable degree from
the collapse of 1945, but the road has been hard and there is still a
long way to go before the country can be considered prosperous.
Moreover, the victors have as yet been unable to agree upon a peace
treaty for Austria, and all the irritations of a prolonged occupation
by alien troops, all the uncertainty which the lack of definitive bound-
aries and settled international obligations entails, create difficulties
for the government in power.

The elections gave the People’s Party 77 mandates (a loss of eight),
the Socialists 67 (a loss of nine), the Association of Independents 16,
and the Communists five (an increase of one).

Preliminary vote totals were as follows: People’s Party, 1,844,850
(an increase of 242,623); Socialists, 1,621,275 (an increase of 186,577);
Association of Independents (new), 489,132; and the Communists,
212,651 (an increase of 38,394).

It is, of course, too early to make more than a general analysis of
these figures. They pose questions for which the professional politi-
cians and students of political science will be attempting to find the
answers for some time. Certain facts are, however, immediately
obvious:

(1) The Socialists took a beating. The People’s Party’s losses
were in accordance with the Socialists’ pre-election calculations,
although somewhat less than they had hoped for; but their own losses
were far in excess of their worst fears. In a sense, their support of
Herbert Kraus, a former corporal in the Austrian Army and now leader
of the Association of Independents, backfired. He received votes
which the Socialists had counted upon to bring them up on even
terms or slightly ahead of the People’s Party. Their only consolation
is that if Kraus’ 489,132 votes and 16 mandates had gone to the
People’s Party, the latter’s margin would have seriously weakened
the Socialists’ position as coalition partner.

(2) The People’s Party can be generally satisfied with the result,
if only because the Socialists’ losses were greater than their own.
They had feared that Kraus’ participation might result in the Social-
ists emerging as the largest single party. This favorable result
vis-à-vis the Socialists is undoubtedly attributable to the People’s
Party’s campaign tactic of lumping the Socialists with the Commu-
nists as Marxists and “People’s democrats.” The fact that the People’s
Party’s faction in Parliament could, in an emergency, outvote both
Socialists and Communists will be viewed with satisfaction as a
safety margin.

(3) The showing of the Association of Independents was rather
better than anticipated, undoubtedly due to the fact that they drew
many more votes from the Socialists than anyone had foreseen. It is
not yet possible to estimate to what extent former Nazis voted for
this group. It is significant, however, that Kraus’ 11 percent of the
total vote is rather less than the normal splinter party potential.
Chances are that the Independents did better than the People’s Party
with the former Nazis but that it also had important support from
traditional fourth-party elements (intellectuals, liberals, nonclerical
farmers, small-business men, etc.), from whom the Nazis also drew
heavily in their time.

(4) Communists: Their gains represent about 5 percent of the new
voters, just as their total vote again represents about 5 percent of the
electorate. This is normal and will be disturbing only to those who
counted on the Communists losing ground. That they gained one mandate is not significant. Their total vote of 212,651 will probably prove to be a little less than the 5.4 percent they had in 1945.

Present indications are that the coalition between the People’s Party and the Socialists will continue, with the Independents excluded from the government and incapable of effective opposition in Parliament. The most disturbing aspect of the election result is the possible effect of the Socialists’ losses on the position of the party’s present moderate leadership.

Under the guidance of conservative Ministers, Austria has largely recovered from its postwar prostration. Almost all price controls have been lifted. Distribution controls have also gone except on basic materials, and are in abeyance on these. Food rationing is hardly observed, though it exists in theory.

During the year, the Socialist members of the Austrian Government agreed to a deflationary wage-price law, which abolished all food subsidies and raised various other basic expenses, in return for an increase in wages.

Funds for an investment program will come from the local currency counterpart of imports under the European Recovery Program. With the counterpart fund, the Government plans to develop its vast natural resources of water power for the generation of electricity, and so reduce its dependence upon coal imports. The counterpart fund will also be available for financing Austria’s two big heavy industrial plants—the United Steel works and the Alpine-Montan works.

The general index of industrial production rose from 92 in January 1949 (1937 = 100), to an estimated 115 in June. However, the consumer-goods industries, which comprise about 44 percent of the general index, reached only 73 in June 1949.

Crop prospects during the first half of 1949 were the best since the war. In this 6 months, too, there was a marked improvement in food availability.

The cost-of-living index rose from 351.3 in January 1949 (1937 = 100) to 404.2 in June. However, in spite of rising costs of living, the increased supply of consumer goods served to decrease the importance and use of the black market.

There were no large-scale strikes during the first half of 1949 and in June employment was only slightly below the highest figure since the war. Between January and April 1949, labor productivity rose from an index of 66.14 (1937 = 100) to 78.91.

Austria’s foreign trade also increased during the first 4 months of 1949. The monthly average of the value of exports for the period was 255,840,000 schillings as compared to the monthly average for 1948 of 165,310,000 schillings. The monthly average of the value of imports, between January and April 1949, was 316,250,000 schillings as compared to 216,860,000 schillings, the monthly average for 1948.

Austria has, in effect, been on the “dole” in one manner or another for 30 years. This failure to achieve a balanced economy has produced a sense of dependence upon external assistance by Austrian officialsdom to an even greater extent than is noticeable in the other Western European countries. The attainment of self-sufficiency in Austria will be a long and difficult process. Austria derives from $15,000,000 to $20,000,000 annually from the presence of United
States forces, and the withdrawal of American troops would deprive it of this revenue. There can be no doubt that Austria will require some outside economic assistance even after the termination of ERP in 1952, particularly since it will be saddled with a treaty obligation of $25,000,000 annually for 6 years to the U. S. S. R. The only alternative would be economic, and eventually political, capitulation to the Communist forces both inside and outside the country.

Austria, since the end of the war, has been dependent upon various forms of relief—UNRRA, post-UNRRA, interim aid, ERP, the British £10,000,000 "loan," credits from the Export-Import Bank, and a £150,000 gift of wool from the Australian Government. In the first Marshall Plan year, Austria received over $200,000,000 and in addition it received $63,000,000 in drawing rights, all of which have been utilized. All in all, Austria has probably received over $1,200,000,000 in aid from all sources, principally the United States. As over against these benefits, there have been withdrawals by the U. S. S. R. probably totaling over $200,000,000.

The proposed Austrian treaty—still in contention—poses some serious questions.

In the Soviet view, the Austrian question has never been considered separately from that of Germany. The Soviets feel that the Western Powers are responsible for dividing Germany, and so long as the possibility existed of Four-Power collaboration in governing Germany, the U. S. S. R. could not afford to weaken its position in Europe by withdrawing from Austria. However, now that two separate German governments have been established, it is possible that the Soviets will consider the conclusion of an Austrian treaty at such time as they feel that the Eastern German Government is sufficiently secure to protect the Soviet position in Eastern Europe. It is also possible that the Soviets may propose a withdrawal of the occupying forces from Austria prior to agreement upon a treaty. It is quite likely that the British and French Governments would accept such an offer, and it would be politically difficult for the United States to resist it. The Austrian Foreign Ministry, with British support, strongly favors acceptance of a treaty at the present time on Soviet terms.

The United States requirement for a treaty, and consequent troop withdrawal, has always been that Austria should be left with reasonable chances for economic and political survival. The presence of the occupying powers in Austria during the past 4 years has served to unify the Austrian Government behind a common purpose. It is possible that, should this restraining influence be withdrawn, various political groups may split off in such a manner as to weaken the anti-Communist front. While the coalition government would undoubtedly continue for sometime to come, there is no guaranty that it would last even until the next national elections. If the Federal Government and the internal political forces should be sufficiently split and disorganized, it may provide the proper opportunity for a Communist penetration into vital governmental functions. Austria's consistent rejection of communism, as demonstrated in the recent elections, makes this only a possibility, however. Withdrawal of United States forces from Austria, with or without a treaty, should be undertaken with caution—and only after a serious study of the consequences has conclusively proven it to be the wisest course.
It is not felt that the maintenance of extensive United States military forces in Austria is necessary in order to safeguard the United States position. The United States mission could just as easily be fulfilled with half the military strength now present. There need be situated in Vienna only the United States element of the Allied Commission plus a small detachment of military police and housekeeping troops. The remaining forces should be located in the United States zone of Austria. Such a reduction would simplify the present housing problems for members of the military forces and their dependents. The civilian personnel concerned with civil affairs are at present undergoing an extensive reduction—which will result in a decrease of its functions—but sufficient personnel will remain to permit essential operations. The Control Agreement of June 28, 1946, the quadripartite governing document for Austria, requires the presence of a certain basic component of personnel in order to fulfill our responsibilities in Vienna.

Taking everything into consideration, Austria has made notable progress toward economic recovery and, as matters are now, there is no reason to challenge Chancellor Figl’s boast that Austria stands as “an outpost of the western democratic world.”

V. ITALY

While Italy’s, and particularly southern Italy’s, basic problem of too many people in relation to available land and resources remains unsolved, it is generally agreed that Italian recovery since the war has been remarkable, due chiefly to the Marshall Plan aid and to the nation’s efficient democratic government. The coalition government has held together remarkably well. It is an exceptional case of a government in which a party with a clear majority insisted on sharing power and responsibility with all the other parties except the extreme right and left. The fact that the transition from dictatorship to democracy is proceeding lately with such smoothness is due in large part to the effective leadership of Premier Alcide de Gasperi, whose policy of patience is a stabilizing force.

Since the elections of April 1948 there have been no major political developments in Italy. The Communist Party is reported to have lost considerably in membership and is less effective in its efforts to cause strikes and labor disturbances. The Communists’ strongest support seems to be among the poorer agriculturists, who in recent weeks, have been seizing untilled lands in Calabria, Sicily, and elsewhere. The Government has been continuing its program of reducing communism’s power to threaten security and intimidate citizens. In the spring it banned mass political demonstrations to prevent a huge Communist youth meeting called to protest Italy’s membership in the Atlantic Pact. Public meetings of the Italian neo-Fascist Party, known as the Italian Social Movement, were included in the ban.

Another event which had important political implication was the split in the Italian Socialist Party. Many of its members have left the party because at its national convention in May it voted to tighten its alliance with the Communists. This left the pro-Soviet Socialists under the leadership of Pietro Nenni in control of the party. On the other hand, those who left the party are trying to establish a strong, independent Italian socialism.
A serious Cabinet crisis in which 3 right-wing Socialists resigned
has just been weathered. This crisis was not due to any disagree-
ment with the general lines of the Government's policy, but to the
right-wing Socialists' private squabbles with other Socialist groups.
There is evidence that the crisis has been postponed rather than
solved by the temporary replacement of the three right-wing Socialists.
In January 1950 these Socialists will hold their congress and decide
whether to continue to collaborate with the de Gasperi government.

Remarkable changes are also noticeable in the economic field.
During the past year great progress has been made in removing the
scars of war, new houses have been built and railroad bridges restored.
However, the income of most families remains low. Unemployment,
although officially reported to be considerably reduced from the
previous year, is still widespread and land hunger is great. In April,
de Gasperi issued a land-reform plan which called for at least 3,000,000
acres to be distributed among landless peasants, but not much progress
has been made. Recently the underprivileged peasants in Calabria
and Sicily resorted to violence in an effort to obtain the land they
need for subsistence. After some days, peace was restored and they
were promised land and granted other concessions, but it is possible
that the political consequences may be grave. It is generally con-
ceded that de Gasperi has been slow in promoting land reform and
the difficulties of carrying out election pledges are great.

The break-up of the large landed properties—or latifundia—repre-
sents the most important postwar reform needed in Italy. Every
political party has pledged itself to further land reform because they all
realize the serious situation which is bound to result if this is not done.

Italy has approximately 57,000,000 acres of arable or tillable land.
Eight million Italians possess tracts of land averaging less than 5 acres
apiece but 40,000 Italians own 22,000,000 acres or more than one-third
of all private land holdings.

The problem of the big land holdings is confined primarily to south-
ern Italy and Sicily and many of the proprietors—the great majority—
do not live on their estates but subsist elsewhere on the profits made.

Premier de Gasperi is well aware of the explosive possibilities in the
land situation. It is not his intention to abolish the big estates by
drastic legislation or wholesale expropriation. He does intend to take
action against those estates which have failed to achieve a maximum
of employment and production. De Gasperi, as I have indicated, has
already announced a national plan for land redistribution by means of
which some 3,000,000 acres will be taken from the more backward big
estates and from state-owned tracts and distributed to landless peas-
ants. This move will affect about 8,000 of Italy's large land owners or
"latifondisti."

The Economic Cooperation Administration is well aware of this
problem as I have found out in talks with various officials in Rome,
notably Andrew Berding, information chief of the Italian mission and
from material furnished to me by Howard Cottam, agricultural attaché
at the American Embassy. Mr. Cottam, in the report he furnished
me, states that—

from a political point of view, land division in Italy is imperative. Low standards
of living stemming from insufficient utilization of resources which long have been
outstripped by a rapidly increasing population bespeak the need for changes in
the structure of Italian agriculture.
The above statement is significant because it sums up the two ever-present dangerous factors of overpopulation and land scarcity. The European Recovery Program has done a tremendous amount of good for all Italy and has provided a basis to achieve the desired and necessary social objectives for the country.

It is to be hoped, in view of the recent peasant uprisings, that the Economic Cooperation Administration will intensify its program covering fertilizer, irrigation, drainage, housing, and mechanization to the end that de Gasperi can put into efficient operation, his land reforms. I believe that this will be done but, if it is not or if it is delayed too long, then communism will become stronger, dissatisfaction greater, and the stability of Italy and the de Gasperi regime weakened. Southern Italy and Sicily are the weak spots in Italy's economy; a weakness based on latifundia and overpopulation.

An interesting factor in the Italy of 1949 is the emergence of a progressive managerial and technical middle class, which is an event of world importance because of its economic implications. In the past, the middle class in Italy has taken little positive action in shaping basic economic and political conditions. The new group is said to be free of the feudal mentality of the upper classes and of the syndicalist mentality of the workers. The men are conscious that a new day has dawned for them and are determined to make the most of it. They believe that Italy must become more industrialized and are working toward that end.

Another development is worthy of mention here. A new non-Communist federation of labor was recently formed. Together with the other two labor federations, it signed general agreements on August 5 with Italian industries providing for wage increases for all categories of workers from laborers to foremen. The agreement had been under negotiation for more than a year, during which the wage issue provoked many strikes, but the Communists were unable to provoke a general strike.

The best proof of Italy's successful struggle for regaining its former prestige and position in the world is that several agreements with other nations were made by it in 1949. It was asked to join and ratified the Atlantic Pact in spite of a violent campaign by the Communists to prevent this. It negotiated treaties with its former rival, France, to eliminate tariff duties on their mutual trade within a year and to merge their economies by 1955. The latter, however, has not yet been ratified and there is decided opposition to it in the French Economic Council. Italy also signed an economic pact with Greece, agreeing to pay $101,000,000 in war reparations during the next 5 years and of particular significance, in spite of the still open question of Trieste, were its agreements with Tito's Yugoslavia to pay about $4,000,000 war damage, and to promote trade with this country.

Another vital question for the future of Italy's economy is that of its former colonies. As no solution could be reached by the Big Powers, the problem is now being discussed in the United Nations General Assembly.

VI. Conclusion

As a result of American aid through the European Recovery Program, communism has been stopped in its advance in Western Europe and is now on the defensive. The Economic Cooperation Adminis-
tration has provided for the time being the condition and the climate in which democratic governments can work and nations can prosper. The opportunity of uniting and bringing about a better understanding among the people of Western Europe is in the making, if only the western nations will really work toward that objective. In so doing they must forego what they may consider as immediate advantages to the end that a strong and well-integrated European Union may be formed in the interest of security and peace.

I wish to make the following recommendations to the Committee on Foreign Affairs and to the Congress for its consideration. They summarize my own personal observations on the basis of the investigation which I have just concluded.

1. Customs barriers should be removed and an economic union of Western Europe—including West Germany—brought into existence.
2. The European Recovery Program, as such, should cease in 1952.
3. Our civilian personnel forces should be reduced in Germany.
4. Our civilian and military forces should be reduced in Austria by 50 percent.
5. Our occupation troops in Germany and Austria should be, wherever possible, taken off the streets and put on maneuvers.
6. More internal control should be given to the West German and Austrian governments.
7. Western Germany should be permitted to send and receive accredited diplomatic representatives.
8. Dismantling should be stopped—what remains will be of little good to its recipients; what is left is necessary to the German economy.
9. Britain is a part of Western Europe. She should recognize that fact and work closely with it. At present, Western Europeans are suspicious of Britain and feel that she is aligning herself too closely with the United States and not closely enough with them.
10. France and Britain should try to work with West Germany on a Western European sustaining, and not on a suspicious, or a fear basis. Franco-British-German economic cooperation should be broadened to the fullest possible extent.
11. The United States will have to seriously consider the importing of more goods from Western Europe; the alternative may be the exporting of more dollars.
12. The allied powers should consider the working out of a peace agreement with West Germany at the earliest moment.
ADDENDUM

A REPORT ON THE ECA MISSION’S INFORMATION ACTIVITIES IN ITALY

Going on the theory that the way to reach the people is to go to them direct, the ECA Mission to Italy is spreading the gospel of the European Recovery Program among the Italians by using all possible means of approach, ranging from radio to troubadours in the heart of Sicily.

Confronted with a relentless campaign by Communists seeking to demonstrate that the Marshall Plan is a device to enslave Italy, ruin her industries, create unemployment, and force Italy to become a base for an Allied attack on Russia, the ECA Mission early determined to set forth in every way the true objectives and the factual achievements of the plan.

Four radio programs per week diffuse the idea of ERP not only in Italy but far outside Italy, including all the countries behind the iron curtain. Two of these programs are medium wave in Italian. The other two are short wave. The first two are directed to Italians, the other two to peoples outside Italy.

Of the medium-wave broadcasts in Italian, one is a half-hour program broadcast every Friday night and entitled “Impresa Italia,” or “Italy, Incorporated.” Its central theme is that Italy is a company with 46,000,000 stockholders—the Italians—which almost went on the rocks and is now gradually coming back to its feet with American assistance. Every one of the stockholders has a personal interest to see that his company succeeds. The program is made up of on-the-spot recordings of events and interviews of interest to ERP.

Of the short-wave broadcasts, one—15 minutes—goes out in three languages, English, French, and German. It is a dramatic program illustrating a particular aspect of ERP, such as the trip of the “rapido” (fast train) from Milan to Rome to dramatize the improvement of the Italian railroads brought about in part by ERP contributions.

The other—a 5-minute newscast—goes out in 22 languages, ranging from Italian to Amharic (the language of Ethiopia and portions of East Africa). The tongues embrace all those behind the iron curtain.

All four programs are prepared by the Information Division of the ECA Mission. Time for the medium-wave broadcasts is contributed by the RAI, or Italian radio chain, and the programs are broadcast as RAI presentations. The short-wave programs are broadcast over Italian Government stations, with the Government contributing the radio time.

Sheafs of letters have been received in many languages, telling of the reception of these programs. Some such letters have reached Rome...
from behind the iron curtain. The great majority have complimented the programs, although a few Communists have become enraged.

The Rome Mission makes adequate use of the Italian press for ERP articles, but realistically realizes that the press does not have nearly the same influence in Italy as it does in the United States. Circulation in Italy of the daily press is about 1 newspaper to 12 persons, compared with one to three in the United States. Moreover, the Mission recognizes that articles on ERP are generally economic articles and that the reader in general tends to dodge the economic article in favor of the more interesting story of international, national, or domestic conflict.

The Mission early decided, therefore, that the press and radio, too, in view of the comparatively sparse distribution of radio sets, were entirely inadequate to present the objectives and achievements of ERP. It was necessary to use other means of more direct approach to the people and of wider diffusion.

One of the Mission's major activities has been the filming of a series of documentary movie shorts, lasting 10 to 12 minutes each, to depict some phase of ERP. One film, for instance, entitled "Rails," shows the progress achieved with ERP contributions on one stretch of the Italian railroads, and the importance the railroad occupies in the daily industrial, agricultural, commercial, tourist, and domestic life of the communities along the line. Another describes pictorially the assistance given by the United States generally in the rehabilitation of the Italian merchant marine.

These films circulate among the regular Italian movie houses as "trailers" to the feature films, and each can count on an audience of four, five, or six million people. They are copied in 16 mm. widths and also circulate in secondary movie houses, in United States Information Service halls, and in ERP exhibits held throughout Italy.

Eight ERP documentary films are now in circulation, and as many more are in preparation.

Another of the Mission's major activities has been the construction and display of ERP exhibits, graphically illustrating the ERP program. Italians are devoted to fairs and exhibits, and the ERP displays have had outstanding success in propagating the ideas of the European Recovery Program.

The first ERP exhibit opened at the Bari Fair last September (1948) and was visited by more than 500,000 persons. It made use of illuminated graphs, vivid designs, and photo montages. One display in the agricultural section, called "The Organ of Wheat," was made up of 90 tall neon tubes corresponding to the 90 provinces in Italy. The tubes carried three colors, one showing the amount of wheat grown in the province, another the amount of wheat imported from other Italian provinces, and the third the amount of wheat imported under ERP.

The exhibit contained two 24-foot long tables, one showing models of the ERP lire fund projects, such as port improvements, aqueducts, workmen's houses, and land reclamation. The other carried samples of the materials brought in under ERP, with some indication of their use. From drums of petroleum ribbons led up to the byproducts of petroleum, such as fuel oil, gasoline, and macadam, refined in Italian refineries from ERP crude oil.
This exhibit went from Bari to the Padua Fair, where it was seen by 300,000 persons. It then journeyed to Rome at the climax of the Communist propaganda month of Italo-Russian Friendship, and was shown in the Fiat display rooms in the Piazza Colonna, in the heart of Rome. It was there inaugurated by Prime Minister De Gasperi and was visited by 750,000 persons.

From Rome the exhibit travelled to Naples, being housed in the historic Anjouin Palace, Castelnuevo, and then went to Turin, to the Verona Fair, to Cagliari, Sardinia; to Sassari, Sardinia; to Palermo for the Fair of the Mediterranean, and to Taranto for the Fair of the Sea, and to Ancona.

Meantime, another major ERP exhibit opened in April, in a special pavilion in the Milan Fair, which is reputed to be the most important on the continent following the decline of the Leipsig and Prague Fairs behind the iron curtain. This exhibit, vaster than the older one, was visited by just over 1,000,000 persons between April 12 and 29. Special police had to be called to keep the crowd moving.

In the rotunda of the pavilion a huge map of the Atlantic was set up, flanked by the North American and the European coasts, with the shipping lanes marked on it and scores of ERP ships on the lanes in four colors to indicate tankers, grain ships, coal ships, or general-cargo boats. A newspaper printer machine ticked off news of ship movements, and every minute or so an attendant tore off a strip of news, ran up an aluminum ladder, and shifted one of the ships, all of which were illuminated. The map was designed to impress upon the visitor the vastness of the ERP ship movements, emphasizing the fact that at any one moment as many as three to four hundred full ERP ships are on the oceans or discharging in port.

Following the Milan Fair this exhibit went to the Florence Handicraft Fair and to the 1949 Padua Fair. The exhibit was then revised and went to the Bari Fair of 1949 in September, where 755,000 persons visited it. It then went to Bologna, capital of the Communist region of Emilia.

Meantime a special large-size exhibit was constructed to be shown in Venice. The Bucintoro Palace on the Grand Canal, near San Marco Square, was rented from the middle of July until September 4, and the exhibit installed there. Four hundred and fifty thousand persons visited it.

In all, the two exhibits have been visited thus far by more than 7,000,000 persons.

The exhibits are generally set up so as to leave space for a small movie hall, in which ERP and USIS short films are shown. Visitors to the ERP exhibits are given booklets up to 40 pages, written in the simplest Italian and liberally illustrated with drawings, so that, after returning home, they may study the principles and progress of the program. Three million of these have been distributed. Visitors are also given postcards which carry a symbolic arch soaring from the United States to Western Europe, composed of stones representing the flags of the 19 nations taking part in ERP, with the American colors as the apex of the arch. The public-relations effect of the postcard is often double, for the person who receives it may mail it to someone else. Thousands of identical postcards have also been mailed by the ECA Mission to parish priests and school
teachers in the area in which an exhibit is being held, inviting them to bring their people to visit the exhibit. Generally the holding of an ERP exhibit at a fair is made the occasion for a special ERP Day there. On such occasions, Ambassador James Clement Dunn, or the Chief of ERP Mission, James D. Zellerbach, president of the Crown-Zellerbach Corp., San Francisco, or another leading member of the Mission, visits the fair. The exhibits are kept constantly up to date by changing panels and display materials. Every attention is paid to keeping the material accurate, particularly since it is viewed by tens of thousands of Communists. An example of how closely it is scrutinized even by friends was shown when Minister of Transport Guido Corbellini visited one of the exhibits.

Corbellini, himself a veteran railroad man, was particularly interested in an ERP lire fund model showing railroad reconstruction. "This is an electrified line, isn't it?" he remarked to the Mission representative in attendance. "Yes," was the reply. "Then," said Corbellini, "what is that little water tower doing there?" One of Corbellini's own assistants came to the rescue at once by suggesting that it undoubtedly was meant to furnish water for the nearby houses.

Since the two big exhibits are designed only for first- or second-class cities, the ECA Mission has completed the construction of 20 small portable exhibits to go to the small cities and towns. There are hundreds of towns in Italy where there is no movie house, possibly only one or two radio sets, and where the daily press is seldom seen. These exhibits consist of aluminum frameworks so constructed with universal joints that they can be set up in an hour in many different forms and taken down in 45 minutes. The frames contain panels on both sides of which the message of ERP is portrayed vividly and simply. Also included are aluminum tables on which lire fund models and samples of the products arriving under ERP are mounted. The exhibits have just begun to circulate.

Six of the portable exhibits are carried by six sound and projection trucks constructed under the technical direction of the Mission and rented by the Mission. They are equipped with a projector to show ERP and USIS films, with a record player and amplifier, with a loud-speaker system and with a floodlight. They set up in the public square of a small city or town, erect a movie screen on a metal framework, put up the portable exhibit, and then project a series of documentary shorts, interspersed with music. They have been averaging 3,500 persons per night per truck.

The display of ERP products has become standard practice for the ECA Mission. This is partly because of the fact that more than 90 percent of the materials arriving in Italy under ERP are raw materials such as coal, cotton, grain, and petroleum which go into the making of other products and thus are seen as ERP materials by only a small percentage of the population.

To the visitors to these portable exhibits ERP booklets are given which are even simpler than the already simple booklets given out at the larger exhibits. One million of these booklets have been printed.

The Mission also has a labor exhibit, similar to the portable exhibit, which is making the rounds of Italian cities under the auspices of the Italian ERP Trade Union Advisory Committee, composed of the trade unions opposed to communism.
Exhibits, press, radio, and movies form the major work of the Mission's publicity effort, but the Mission also embraces a number of other initiatives to go directly to the people. It recognizes that Communists cannot be reached through the daily press, because Communists read the Communist newspapers; or through the factories because the Communist-dominated “internal commissions” prevent any propaganda except Communist from filtering in. Therefore a variety of methods must be used to reach the Communist outside the factory. He is reached through exhibits, radio, movies, and booklets, but other means are needed, too.

One such was the publication of 3,000,000 school notebooks. These bore on the front cover page 200 words of text describing the activity. The notebooks were printed in the usual way by the notebook company, at the company's expense. The Associazione Casse di Risparmio, or organization of small savings banks and building associations, purchased 1,000,000 of the notebooks for distribution to poor school children, and also sponsored an essay contest in connection with the notebooks, with the theme “Recovery and savings.” The association offered 3,000 prizes. The first was an air trip to the United States this summer. The others were savings books in which entries have already been made ranging from 1,000 lire—nearly $2—to 50,000—about $87. The Mission agreed to pay for the publicity in connection with the contest.

Another effort was the publication of 100,000 calendars. The cover page stated simply: “Calendar for the family—1949.” Inside was a page for each month. At the top was a picture of an ERP activity, with a few underlines describing the activity. Below was the traditional Italian calendar of days of the week and Saints' days. With some outside assistance, 50,000 of the calendars were mailed to the subscription lists of two Communist weeklies.

After a few weeks, one of the weeklies became aware of this fact. It published a “box” calling the attention of its readers to the “outrage” and requesting them to express their indignation by returning the calendars to the sender. Only four calendars came back. These arrived in one roll and were sent in by a woman.

With regard to women, the Mission has published 400,000 copies of a booklet entitled “Letter to the Italian Women.” The booklet bears a cover like that of an envelope, and was written in colloquial letter fashion by an Italian woman. It tells the Italian women what ERP means particularly to them.

The Chief of the Rome Mission, Mr. Zellerbach, has achieved excellent public relations by making official visits to all parts of Italy, usually under the auspices of the local chambers of commerce. Meetings are held with the chamber members, representatives of the various economic sectors get up and express their hopes and desires, their disappointments, their appreciations and their criticisms, and then Mr. Zellerbach gets up and replies directly to them.

The Mission adopts a few general principles in its public relations, such as:

1. Show the story in preference to telling it. Do it simply, do it vividly. Not too many statistics.

2. Show the Italians what they're getting. A lump of coal is more impressive than a photo showing a ship unloading coal. Use three dimensions rather than two. A model of a bridge is better than a photo of the bridge.
3. Let the people know what they’re expected to do in the way of work, self-help, and cooperation with other countries. They like it because it lifts them from the level of persons who are just receiving gifts.

4. Regionalize the news and pictorial coverage of ERP’s contribution. If the man in Apulia realizes that Apulia is being helped, he’s ready to believe next that Italy is being helped and finally that Europe is being helped. It’s harder to prove it in reverse. The Mission, for instance, published 300,000 maps of Sicily on which are shown symbolically the roads, aqueducts, bridges, land reclamation projects, railroad improvements, etc., being financed from the ERP lire fund. Similar maps have been published for the Venice, Abruzzi, Apulia, Lucania, Liguria and Emilia regions, and eventually all 18 regions of Italy will be thus covered.

5. Adopt the positive approach of stating what ERP is rather than the negative approach of defending it. The Mission does not answer Communist attacks but outlines what the real situation is. When the Communists say, “ERP is a program of war,” the Mission does not say, “ERP is not a program of war”; it says, “ERP means peace and work.” This last is the slogan of the Mission emblazoned thousands of times on posters, booklets, and postcards.

As part of its public-relations program, the Mission has induced the various Government Ministries which carry out public works and other improvements under the ERP lire fund to put up signs at the site stating that the construction is being financed from the fund; the signs carry a large emblem made up of combined Italian and American colors, thus uniting both countries in the work of reconstruction so urgently needed.

The same Ministries also require the contractors to print or rubber stamp on the back of their pay envelopes a message to their workmen stating: “This improvement which is being achieved by your work is paid for out of the ERP lire fund.”

In its public relations program the Mission has had the cordial support of the Italian Government. The Government has generously given radio time, and Cabinet members from Prime Minister De Gasperi on down have traveled from Rome to many cities to attend the inauguration of ERP exhibits or of ERP public works.

Recently the Government issued an ERP postage stamp in three different denominations, the first of the ERP countries to take such a step. The stamp shows, to the left, an ERP ship arriving; to the right, a workman with hammer, tongs, and anvil, who is given work by the arrival of ERP materials; in the lower left the letters ERP, and underneath, the Italian equivalent of European Recovery Program.

The Mission is also greatly aided by an Italian committee called “The Committee for the Divulgation of the Marshall Plan” with which it maintains daily contact. The committee is composed of a number of outstanding men and women. The actual publicity work is done by an office headed by Giulio De Marzio, formerly managing editor of the daily newspaper Il Momento.

The Italian committee issues a daily press bulletin and four fortnightly publications, one for workers, one for farmers, one for teachers, and one for businessmen. The mailing list of these publications...
averages 150,000 each. The committee has also published a series of booklets.

One of the committee’s initiatives was to enlist the aid of the “cantastorie” in the interior of Sicily—men who are in a sense descendants of the old troubadours. They go from village to village with a guitar and large, vividly colored posters, each containing a series of sketches telling a story. The cantastorie sing the story of the posters. Now they are also singing the story of ERP.

The Mission’s public relations program has also had the warm cooperation of the State Department’s United States Information Service, whose central office in Rome and regional offices in the major Italian cities have helped in arranging exhibits and movie projections and in the staging of ceremonies.

In charge of the Mission’s public relations in Italy is Andrew H. Berding, a veteran Associated Press correspondent, who was for 5 years Chief of the Associated Press Bureau in Rome before the war, was later a lieutenant colonel in the United States Army, and prior to joining the Economic Cooperation Administration spent more than 2 years in writing, as coauthor with former Secretary of State Cordell Hull, the latter’s memoirs. He is assisted by John Secondari, formerly a captain in the United States Army and a correspondent of the Columbia Broadcasting System in Italy, who is in special charge of radio and movies. They are seconded by a little group of able Italian ex-newspapermen, movie and radio technicians, script writers, and the like.

The expenses of the public relations program in Italy are paid for in lire out of the 5 percent of the ERP lire fund which 5 percent is allocated by law to the Mission for administrative expenses. The lire fund is created by deposits of lire by the Italian Government in the Bank of Italy equivalent to the dollar value of the goods sent to Italy gratis under ERP. Thus the publicity campaign costs the American taxpayer nothing in addition to the dollars he is already providing to sent materials to Italy.

While it is difficult to state with precision the degree of knowledge a people enjoys of a complicated economic program such as ERP, it is safe to say that far more Italians know about the Marshall Plan, and know more about it, than knew about it a year ago. It is also safe to say that communism in Italy has not advanced in the last year. On the contrary, provincial and municipal elections in that time have cut down the number of Communist seats by about 20 percent. Communist Party membership has fallen from an estimated 2,300,000 to an estimated 1,800,000.
The Mission is also greatly aided by an Italian committee, called "The Committee for the Diversion of the Marshall Plan" which organizes daily contact. The committee is composed of a number of outstanding men and women. The actual publicity work is done by an office headed by Guido De Marchi, formerly managing editor of the daily newspapers Il Momento.

The Italian committee issues a daily press bulletin and four fortnightly publications: one for women, one for farmers, one for teachers, and one for businessmen. The mailing list of these publications const...