MORE than half-time has passed since the inception of the four-year program of European cooperation for recovery. The policies and developments expected under it have had a chance to take effect. With the aggravation of international political tension in recent months the need for military preparedness has become more pressing both in America and in Europe; and the demands that this need will make upon the resources of the West must, no doubt, affect the prospect for a continuation of the program, or the way in which it can be continued. A review of what has happened thus far and what still would remain to be done may, therefore, be appropriate at this juncture.

The following condensed account of a complex picture is confined to the consideration of agriculture and agricultural products which are of outstanding importance in the work for recovery. Because it is thus confined to a segment of the program and a segment of the economy, it is not complete in the scope of the subject with which it deals. There are many aspects, measures, and developments of a general economic character which the review does not consider, even though they are of great importance to the program in the field of agriculture and agricultural products as well. The program's impact on industry, its aid to the restoration of financial stability, to the recovery of trade in general and to the improvement and stabilization of social and political conditions have had

*This article expresses the personal viewpoint of the writer and does not necessarily reflect official views or policies.
an important bearing on developments in agriculture and in the markets for agricultural products. Conversely, the developments under the program for agriculture were important determinants in other areas of economic, social and political achievement. The increase in agricultural productivity and output improved the food situation and lessened the severe pressure on the foreign balance, thereby contributing much to the rise in industrial employment, productivity, and output; and hence to the improvement and stabilization of general economic, social and political conditions. Whatever our starting point and wherever we turn we find ourselves in the midst of a complex system of inter-actions where cause and effect are only different aspects of the same phenomenon. It is only at the point of entry of an extraneous force or influence, clearly not part of that system itself, that a primary causal factor in the chain of events can be perceived.

The European Recovery Program and the material aid extended under it is such an extraneous force. It is in this sense that it can be considered an independent factor in the recovery of Western Europe. As may become apparent in the discussion, it has been an important factor in that recovery. But there the claim to success and achievement must end. Without those actions and interactions that developed and were fostered in the countries themselves, United States aid would have been of little avail. That this aid was greatly magnified by the countries' own individual and cooperative contributions, by the inherent vitality and elasticity of their society that only a few years ago had stood petrified in the exhaustion in which the war had ended, in a deeper sense is perhaps the greatest accomplishment of a policy that had built on precisely such expectation. The people of the United States can proudly acknowledge the success with which West Europe has worked for its recovery.

ECA Aid

As a result of the dislocations in the international economic structure—which partly had made their appearance in the inter-war period, but were vastly intensified by the second World War—Western Europe at the end of that war was without sufficient production and reserves of international buying power to cover essential needs. Neither the requirements of consumption, even at modest levels, nor those for the rehabilitation of production could be satisfied without foreign help. The material means for this pur-
pose—in terms of commodities and services—were largely to be had only from the so-called dollar area, especially the United States. How to supplement Europe's dollar purchasing power—which had dwindled with the reduction in dollar earnings and the liquidation of gold and dollar assets—was, therefore, the big problem. United States aid since the war, in various forms and, finally, under the European Recovery Program, provided this badly-needed supplement.

If it is considered that American financial aid at no time exceeded five percent of the national income of the ERP countries—and in several important cases was much less than that—the question may well be asked how this aid could have been of such great significance. The answer is well illustrated by conditions with respect to agricultural commodities. It was precisely in the lack of key products that Europe's difficulty arose. Their provision through ERP aid greatly magnified the significance of this help as measured by its amount in dollars and cents, since it made possible a recrudescence of domestic economic activity and output, in the countries concerned, to an extent that greatly exceeded the value of the direct financial aid received. Many agricultural products represented such key commodities. In the first two years of the European Recovery Program ECA-financed imports of food and feed accounted for over 10 percent of the countries' aggregate food energy intake; for almost half of their mill consumption of raw cotton—the most important raw material of one of West Europe's most important industries; and for one third of the total consumption of tobacco—the most important item of commodity consumption after food and clothing. In the first two years and a quarter of the Program, 4.4 billion dollars or about one half of the total dollar aid extended by the United States went for the procurement of agricultural commodities, including agricultural machinery and tractors.

American aid under the European Recovery Program is not, of course, confined to this provision of material assistance. By using its influence and authority with respect to the disposition of the local currency funds accruing to the respective governments from the domestic sale of goods and services obtained free under the grants, the Economic Cooperation Administration is assisting the governments in directing capital into productive channels of investment within the countries. Agricultural investment plays an important part in this program.

Another important type of assistance is the technical help and
advice in connection with problems of production and management which the United States is able to extend. This help takes many forms and is one of the least costly, yet in the long run perhaps one of the most influential parts of the program. Under it, as far as agriculture is concerned, European study groups visit the United States to familiarize themselves with advanced methods of production, organization, management and research—methods of possible applicability in their own countries. Conversely, American specialists go to Europe to study local problems and to assist Europeans in improving their technical services, research programs, and practices in particular lines of agriculture. The work of the staff of the Economic Cooperation Administration with the European governments and institutions as well as with the Organization for European Economic Cooperation is part of this activity. ECA also provides funds for the purchase of scientific equipment under various technical assistance projects.

Finally, the existence of the ERP program as such has been a powerful force in strengthening the countries' efforts and uniting progressive elements everywhere. It has broken down barriers to the exchange among the nations of advice and experiences, has compelled a measure of cooperation, and has stimulated the urge to do and to act.

The Countries' Progress

The functional significance of American aid under ERP becomes apparent when we consider the changes which the countries have contemplated under this program. The tendencies these plans reveal in policy, in production, consumption, and trade are not trends that the European Recovery Program has forced upon the countries or induced them to choose in preference or as an alternative to others. Rather, they are trends inherent in the general economic, social, and political situation in the countries concerned and in the rest of the world. The changes and adjustments that they imply and call for, both in Europe and in America, would have had to be abrupt and precipitous if the United States had not stepped in with its aid to cushion their impact both upon West Europe and upon America. This is the real significance of ERP aid—with its far-reaching ramifications for the economic, social, and political developments in Europe. Where precipitous change might have entailed economic and social disorganization, irreparable within
THE EUROPEAN RECOVERY PROGRAM

the framework of the social and moral concept of the western world, the time gained for recovery of the innate vitality of the area seems to have made possible more gradual and orderly change in the period during which a measure of American aid continues.

Agriculture has always occupied an important place in West Europe's economy. Even in the highly industrialized countries of that area a substantial proportion of the national income was derived from agricultural pursuits. The importance of the industry was enhanced by its political influence which was and still is deeply rooted in the historical evolution of European society, and in considerations of social stability and national security. Developments during two great wars that brought many of the countries to the brink of starvation could but strengthen the belief that a substantial supply of foodstuffs and feedstuffs from production within national boundaries is desirable and necessary.

In present circumstances there is an additional factor that tends to favor policies of maintenance and expansion of agricultural production in the countries concerned. All of them have been measurably affected by the difficulties in the international exchange of goods and services that followed in the wake of the last war. Hence, the possibilities of employment of their labor on such resource utilization as is open to them through foreign trade appears to be limited. On the other hand, none of the countries is endowed with an abundance of natural resources within its own boundaries. As complete as possible a utilization of the primary resources which they do have thus becomes an imperative goal of national policies. For the same reasons, development of primary production of agricultural and industrial raw materials in the countries' dependent overseas territories has come to receive more prominent attention.

Although about one fourth of West Europe's population depends for its livelihood on agricultural pursuits, upwards of four fifths of its national income is earned by industry, commerce, and miscellaneous non-agricultural activities. West Europe before the war depended upon imports from outside its area for fully one third of the food it consumed, though some of these imports were in the form of feedstuffs converted into food by its own livestock industry. There were great variations in this dependence as among countries. The United Kingdom, for example, imported three fourths to four fifths of its food requirements; Norway, Belgium and Switzerland
about one half; Western Germany, the Netherlands, Austria, and Greece about one third to one fourth. France, Italy, Portugal, and Sweden depended on imported food supplies only to the extent of from five to 15 percent of their consumption while Denmark and Turkey were on a net-exporting basis.

While in the British Isles, Switzerland, and Sweden, as a matter of deliberate policy and backed by the requisite physical means, agricultural production during the war expanded measurably, most other West European countries suffered considerable declines, especially at the end of the war; and a low point in production occurred in 1945 and 1947 when widespread drought had reduced crops greatly below their trend levels. In the consumption year 1947–48 gross agricultural output was still about 20 percent below prewar, or 25 percent below on a per capita basis.

Neither in production nor consumption of agricultural products do the countries participating in the European Recovery Program contemplate, at present, any revolutionary developments and measures, substantial though their efforts are to regain a larger degree of self-support. The adjustments that have already been made and are to be continued include an expansion of production both in the metropolitan areas of the countries and in their overseas territories. They further include expansion of trade with countries outside the dollar area and, finally, efforts at increasing dollar earnings and a reduction in expenditure on imports and services from the dollar area. To a large extent these tendencies are movements toward more nearly prewar conditions: with respect to agricultural production, the maximum expectation for the area as a whole would be the achievement of prewar per capita output; with regard to trade, expectations would center around a revival of commerce with non-dollar areas toward their prewar share in total trade.

The progress which has been made can be measured against the well-known goal of the program to enable the countries to support themselves, at reasonable standards of living, without extraordinary financial assistance from abroad. Hence, it may be expressed in terms of the gains recorded towards improvement in the standard of living, present or prospective, on the basis of greater self-support—that is, a declining volume of foreign assistance. Self-support, at high levels of international trade, is here contrasted with self-sufficiency, at low levels of international trade. In the field of agriculture and agricultural products the questions to be answered would thus read as follows: To what extent has there
been an improvement in the consumption of agricultural products as a component of the standard of living, or an increase in investment promising higher standards of living for the future; to what extent has such improvement been made possible by larger domestic effort in the production, directly, of the commodities concerned, and increased intra-area trade; and to what extent has larger domestic effort with respect to the production of agricultural commodities, or of goods manufactured from such raw products, made possible larger exports to countries outside the ERP area, thus contributing to a reduction of the dependence of the area’s standard of living upon financial assistance from abroad? A consideration of these points gives, on the whole, an encouraging answer.

Although the countries have not in all fields reached the intermediate goals programmed for 1950, and even though they may not fully reach, by that time, the longer-term goals set for 1952, there is no doubt that great progress has been made. Food consumption per capita has risen, since 1947-48, by 10 percent in the aggregate, and more than that in the low-level countries. Rationing has been largely eliminated, and some areas have reached prewar consumption, both in quantity and quality. Food is no longer a problem, any more than it normally is in an imperfectly organized human society. The supply of the population with textile goods has measurably improved since 1947, although it is still insufficient to cover reasonable needs, as is evident in the high prices of clothing in relation to incomes. Tobacco consumption has risen appreciably, and in few countries remains below prewar per capita standards.

Agricultural production in the ERP area has increased, since 1947-48, by one fifth—only partially due to more favorable weather in the past three seasons, as the much greater input of fertilizer (one third above prewar), greater mechanization (40 percent more tractors than in January 1948), and other improvements indicate. At the half-way mark of the program, such production stands just about half-way between 1947-48 and the goals for 1952-53, and has shown a recovery measurably faster than after the first World War. Intra-area trade in agricultural products—which makes available to other ERP countries increases in production in surplus-producing areas—has risen from half the prewar volume in 1947 to three quarters in 1949-50.

To what extent the increase in intra-area food output has les-
sened the countries' dependence on foreign aid, despite the rising consumption, is shown in the reduction of total imports of food from the high levels of 1947-48. Even though imports of fats and sugar are larger, total imports of breadgrains were reduced from 18 million metric tons in 1947-48 to about 13 million metric tons in 1949-50. Larger utilization by the countries of domestic resources to pay for supplies from abroad is reflected in the increase of imports from areas where they could acquire goods only for outright payment, not as grants or on credit.

Larger output of agricultural products, or of goods manufactured from such products, has, however, not only made possible an increase in consumption and a reduction in imports, but also an increase in exports. Modest though the latter has been, it does contribute to the extent to which the countries move toward greater self-support. There are few agricultural commodities that the ERP area exports to other parts of the world, and the total volume and value of such exports have never been very large.

The substantial increase in agricultural production which has occurred under the Program would by no means be an unquestionable gain to the countries, had it taken place at increased unit costs. There is every indication, however, that such increase in production has on the whole come about through increased productivity. Agricultural output in ERP Europe today is clearly higher per acre, per man and per animal than it was three years ago, and the higher rate of input other than from land, labor, and livestock capital does not seem to have outweighed these gains.

Finally, longer-term investment, as an expenditure to make possible the increase of future consumption, as far as agriculture is concerned, has also shown gains, although on an inadequate scale. Data available at this time do not, however, permit of unequivocal conclusions in this respect. Similarly, the development of production in the dependent overseas territories of the ERP countries is not sufficiently reported to be reliably judged. It, too, requires a measure of investment and educational effort that is probably not now being applied on a scale commensurate with the Program's expectation of supplies from those areas.

**Remaining Tasks**

A statement on what the countries still will have to do to be successful in their Program and beyond, is, to some extent, at the
same time an indication of where they have hitherto failed in the implementation of the plans. Two specific categories of measures or policies—and possibly three—require urgent and prolonged attention. Continued technological progress in farm management on which so much depends can only come about if a majority of the millions of farmers in the ERP area responds to the call of their leaders with a great and, possibly, unique effort. For this it is necessary, first, that economic incentives and financial facilities make it profitable and practicable for the farmer to make the required improvements and investments. There is still much room for efforts or measures to restore sounder price-cost relationships of the sort that will further production in a direction to which West Europe is suited and which it can afford. Second, the organization of the extension services through which farmers can be reached with technical and economic information must be greatly strengthened and improved over what is now available in most of the countries. A third point is the need for investment and reasonable facilities for investment of both short-term and long-term character. The countries will have to do more in this respect than they have now provided for, if agriculture is to progress on a sound basis. Investment needs are great, and have been neglected, in reference to the consolidation of scattered land holdings, the modernization of old and the construction of new farm buildings, and the provision at favorable terms of production credit.

There are a number of other needs that call for action which either are in a less specific category, or apply to a geographically limited area. They are no less important. To mention only two examples: Continued and expanded research, with much international exchange of results, experiences, and advice; in this are included the important surveys of soils and of other natural and of economic conditions that determine or affect the prospects of agricultural production and trade. A second example is such social and economic improvements as land reform in parts of Italy which have not only a bearing on the integration of large numbers of the agricultural population into a progressive economy, but also upon social and political stabilization at large, without which no nation can progress.

Conclusion

There are only two possible concepts in the light of which the goals in the countries' programs for agricultural production and
trade might be judged: (1) Are they likely to be achieved? (2) Are they in themselves "right" or appropriate goals? On the first point it has already been indicated that there might be some shortfall, by 1952, in the execution of the production programs, though substantial progress has been made to date. The trade programs, with their expectation of larger supplies from non-dollar areas and dependent overseas territories, will not be completely fulfilled either.

On the second point, it is a problem in itself to decide what is a "right" or appropriate goal. Questions of international security, of political expediency in policies vis-à-vis certain classes of producers or consumers, and of a general judgment as to the type of economic and political world we are likely to have in the future cannot be neglected in this determination. These factors have no doubt led the countries to favor or tolerate a pattern of production which is at variance with the economically optimal use of resources in an international economy of comparatively free trade. In adjusting and expanding production the problem is one of directing resources to those types of products for which European resources are especially adapted, and in which Europe can compete effectively with other producing areas. However, since we are still far from an international economy of comparatively free trade and mutual assistance in maintaining high levels of economic activity, and still further from an international situation that would permit security considerations to be minimized, there are narrow limits to such redirection of resources. The main problem is to avoid unnecessarily uneconomic resource utilization and to see to it that among the practical alternatives the choice falls upon the relatively best.

In this respect developments under the programs have not been unsatisfactory. That Western Europe, in the circumstances of this era, should find it advisable to strive for a restoration of agricultural production to the prewar per capita level is understandable and probably unobjectionable. That the countries would do at least that much, and possibly more, in historical perspective would seem to find some economic justification in the fact that the terms of trade of Western Europe have deteriorated compared to prewar days—that is to say, prices of its typical import products, such as foodstuffs, feedstuffs, and raw materials, have increased in relation to prices for its typical export products such as manufactures. Also, Western Europe has considerably decreased its relative dependence on feed supplies from outside the area, com-
pared with prewar, and intends to continue along this line. This
tendency is technically and economically sound: it is in the output
of feed and livestock products that most of Western Europe's
possibilities for expanding agricultural production are greatest;
it is in this type of production, as against grain, that most of the
area's comparative advantage lies—both from the point of view
of natural conditions and of location of production in relation to
markets; and it is in this type of production—feed and livestock—
that further increase in output, if realized, must come from in-
creases in technical efficiency of production, of management, and
of feeding.

To what extent the gains made by the countries under the Euro-
pean Recovery Program can be retained and further expanded is,
at this juncture of the international political situation, unpredict-
able. Defense requirements may cut deeply into the standard of
living of the people and may, in their demands upon factors of
production, greatly impair the possibilities for investment in the
civilian sector of the economies, including agriculture. They may
even reduce the supply of such input items as are currently needed
for a maintenance of present levels of output. In the case of war,
overseas imports into Western Europe would be greatly reduced,
progress in agriculture would stop and the food situation would
face a deterioration more immediate and much more serious than
that which occurred during the last war.

On the other hand, given peaceful developments, there is no
reason why West Europe's agriculture should not be capable of
substantial improvements in productivity and total output, in
the longer run even much beyond what is now envisioned. Never-
theless, for the foreseeable future, Europe will remain greatly
dependent on food supplies from overseas, especially dollar, sources.
It will even be more dependent upon supplies from these origins,
relatively to program goals, for such an important commodity
as cotton, since the program for trade with, and expectations of
supplies in, other areas do not give promise of fulfillment. West
Europe will, therefore, face a difficult situation when ECA aid ends
in 1955, even if the present agricultural production program is com-
pletely successful, and even if rearmament does not impose addi-
tional strains on the foreign and internal balance. The supply, by
that time, of dollar purchasing power, will still fall short of dollar
needs; and whatever the improvement in the dollar earnings of
certain overseas territories, due to the recent rise in raw material
prices, may signify, it is surely not a permanent change in the terms of dollar trade. Unless there are developments, on an international scale, not now in prospect, it is clear that American exports to West Europe will be further reduced.

General consumption in Western Europe, including that of food, fiber, and tobacco, would thus have to be curtailed. Also, there might then be a forcible expansion of agricultural production, regardless of comparative advantage in an integrated world economy, of the type least desirable from the point of view of eventual return to a system of high level international trade and prosperity. These are developments that far-sighted statesmanship on both sides of the Atlantic will be called upon to prevent by timely agreement and action.

The present statement was not intended to be a review of the effect upon the United States of the European Recovery Program, but of the developments under it in European agriculture and with respect to agricultural products in Europe. Nothing has therefore been said about the benefits consumers and producers in the United States may derive from European recovery. However, European recovery was, and still is, a vital interest of the United States. It is because of this realization that the European Recovery Program was conceived. It is prosperity, not poverty, in the rest of the world that contributes to the welfare of the people in the United States. That does not mean that every producer of any commodity that may now have, or at one time had, a market in Europe could directly reap profits from European recovery. On the contrary, recovery in Europe and its overseas possessions means greater productivity and production there; and greater productivity and production anywhere in the world must mean greater competition at least to some American producers, either in Europe, or in the United States, or in third markets. Some of our markets must thus be restricted or even lost. Others, however, will expand, the burden upon the American people of financial assistance to other nations will be lightened, and consumption in the United States as well as elsewhere will in the end rise as a result of the all-round process of increasing production. That is only elementary economics. We must keep in mind, therefore, that there is an overriding general interest in world recovery that does not necessarily coincide with the immediate and direct interests of individual producers, but which ultimately confers superior benefits upon the nation as a whole. That is, if war does not undo the work that has been so hopefully begun.