ECONOMIC COOPERATION ADMINISTRATION
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QUESTIONS AND ANSWERS ON THE MARSHALL PLAN - #2

Question: What is the difference between a loan, made to a foreign nation under the Marshall Plan, and a grant?

Answer: Grants are authorizations made to the various countries participating in the European Recovery Program to purchase commodities necessary for economic recovery. They are outright gifts as far as the dollars are concerned, but foreign firms receiving the goods bought with Marshall Plan dollars must deposit with their governments equivalent sums (counterpart funds) in their local currencies. These counterpart funds are then used, with the approval of the Economic Cooperation Administration, for other projects contributing directly to economic recovery. Thus, Marshall Plan dollars are made to do "double duty."

Loans are agreements whereby Marshall Plan countries receive dollar advances from the ECA. These are to be repaid, with interest, over a period of years. Loan funds may be spent only through authorizations issued by the ECA and must be for projects contributing to economic recovery.

Question: Has the recovery program been one of recovery or one of relief?

Answer: The objectives of the program are outlined by Public Law 472, 80th Congress (The Foreign Assistance Act of 1948), which created the Economic Cooperation Administration. Purposes of the Act are: (1) promoting industrial and agricultural production in the participating countries; (2) furthering the restoration or maintenance of the soundness of European currencies, budgets and finances; and (3) facilitating and stimulating the growth of international trade of participating countries with one another and with other countries by appropriate measures, including reduction of barriers which may hamper such trade.

From this it may be seen that the objects of the ECA must be directed toward recovery, not relief. However, many so-called "relief" items, such as food, are necessary for economic recovery. In order to remain strong and mentally alert, the peoples of Western Europe must have sufficient food, clothing and fuel, so that they may work and produce items necessary for recovery.

Question: Have the Marshall Plan countries relied mainly on grants under the European Recovery Program without taking advantage of the loan provision?

Answers: Of the approximately $5 billion appropriated for the recovery program for the first year, $4 billion was set aside for grants and $1 billion for loans. On December 1, $837,300,000 of this $1 billion had been approved for loans, leaving $162,700,000 unobligated. Of the 16 Marshall Plan countries, all but Switzerland, Portugal and Greece have negotiated loans. ##############