

The present proposal would give only slight aid and encouragement to private investors by authorizing the administrator to guarantee private investments for fourteen years under the following conditions:

Amount: The amount (of such guarantee) "shall not exceed 5% of the total funds appropriated."

Approval: The project must be approved by the administrator and the participating country as furthering the purposes of the act.

The guarantee: The guarantee of the amount invested assumes no business risk, but is limited to guaranteeing the transfer to the United States of dollars received "as income," "as repayment or return" of the investment "in whole or in part," "as compensation for sale or disposition of all or any part thereof."

The type of project: The projects to which guarantees are extended must be those which in the absence of private financing under such guarantees would be eligible for financing in the form of loans to the participating countries from appropriated funds. (The report to Congress and not the proposed act states this as a conclusion drawn from the language of Section 7 of proposed Economic Cooperation Bill, State Department Report, pages 15 and 47.)

If a principal objective of the European Recovery Programme "is to eliminate the necessity for direct assistance by the United States Government" (19) - and it should be - then I believe that the foregoing conditions are faltering and inadequate to accomplish this objective in the following respects, for which I propose six remedies:

I. Guarantee confined to convertibility of currency; political risks: It is perfectly appropriate to confine the guarantee, as suggested by the State Department in the proposed act, to the risk of governmental restrictions abroad, namely, to the conversion of any currency into dollars in case any participating country should at some later date forbid the export of capital or impose other restrictions (even as Canada was forced to do). Investors are naturally reluctant to invest abroad unless income can be taken out of the country as an asset of the over-all operation of the American concern. The act proposes to guarantee this right and to guarantee the ability to remove capital invested, if the enterprise should be sold in whole or in part or nationalized.

The United States can go further in its guarantees to investors without any risk whatever to itself. It should require as a condition to acceptance of benefits under the act by any country participating, in addition to those conditions now specified, (20) that any such country pledge itself to

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(19) State Department outline of "European Recovery Programme," page 47.

(20) See proposed Economic Cooperation Bill, State Department, December 19, 1947, Section 10(b), pages 9-10.