

OEEC Interim Report on the European Recovery Programme in Austria (Paris, 30 December 1948)

Caption: On 30 December 1948, the Organisation for European Economic Cooperation (OEEC) publishes its Interim Report on the European Recovery Programme that focuses on the economic situation in Austria.

Source: Organisation for European Economic Co-operation. Interim Report on the European Recovery Programme. Paris: Organisation for European Economic Co-operation, 30.12.1948. p. 133-136.

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URL:
http://www.cvce.eu/obj/oeece_interim_report_on_the_european_recovery_programme_in_austria_paris_30_december_1948-en-bff0693e-92ff-4647-9fbo-2ec9e8dod875.html

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Interim Report on the European Recovery Programme - Austria (Paris, 30 December 1948)

General

Statement of the problem.

1. Austria's economic structure was formerly determined by its incorporation up to 1918 in a wider economic system. Later, between 1938 and 1945, the Austrian economy was integrated in the German economic orbit. This resulted in an extensive development of manufacturing industries, with which the production of raw materials, foodstuffs and semi-finished products did not keep abreast. Moreover the physical structure of the country militated against the development of the latter type of production.
2. The economic position of Austria has also been affected by the devastation and economic and financial disorganisation caused by the war.
3. These factors are enough to account for the magnitude of Austria's economic problems, in particular the deficit in the balance of current payments, which has been estimated at about \$ 280 million for 1948-9 and 1949-50.

Targets.

4. The aims of the recovery programme are, first, to achieve an approximate equilibrium in the balance of payments, and secondly, to develop the national economy harmoniously in order to improve the standard of living and ensure continued full employment.
5. It is not expected, however, that these targets will be entirely realized by 1952-3. At that time there will remain an aggregate deficit of about \$ 100 million, chiefly due to the fact that attempts to reorganise the Austrian economy will only become fully effective later.
6. To assess these targets, it should be remembered that they assume a population increase of 7.5 % (from 6.7 million in 1934-8 to 7.2 million in 1952).

Plan of action

Production.

7. In 1952 industrial production should rise to 130 % or 135 % of the 1948 level, the 1948 level being relatively low. In order to adjust the disequilibrium of Austrian production, output of raw materials and semi-finished products will be expanded more quickly than that of consumer goods (160 % of the 1937 level as compared with 110 %). It is chiefly in the basic industries and in iron and steel that this production drive will receive the greatest impetus, although natural conditions in Austria are scarcely favourable for coal mining and other sources of power would appear to be more in keeping with the physical structure of the country. The reorganisation of the steel industry aims at balancing the production and consumption requirements of crude steel. Some of the industrial developments contemplated will undoubtedly require strenuous effort.
8. As far as agriculture is concerned, the aim is to cover by 1952, as before the war, 75 % of home requirements and to regain the same level of productivity. This would secure for the population a diet of calory value 20 % higher than in 1948. Fairly considerable imports will, however, continue to be necessary.

National income.

9. No estimates for future national income are available. For 1948 this is estimated at \$ 2-2.5 billion.

Investments.

10. For the entire period the gross investment programme (including reconstruction) is expected to amount to \$ 1,330 million, namely 14 % of net national income. The figure for amortisation included in gross investment is not specified, but it should certainly be higher than before the war.

11. The main items in the investment programme concern communications (20 %), power production (15 %), iron and steel (8 %), agriculture (7.5 %) apart from miscellaneous industries, which account for over 30 % of prospective investments.

12. Over 12 % of total equipment requirements will have to be imported.

Financing of investment and financial policy.

13. About one-third of the investment programme i.e. \$ 430 million, will be self-financed by industry.

14. The greater part of the remaining \$ 900 million will have to be financed with the counterpart of the E.R.P. aid anticipated during the E.R.P. period. Some slight accumulation of savings will be possible only towards the end of the period, owing to the uncertain economic conditions prevailing and the pressing consumption requirements resulting from the war years.

15. The large share assigned to foreign assistance in the achievement of the Austrian programme obviously raises special problems.

16. The object of the policy of financial stability will be to proceed with the monetary reforms begun in 1947 and to counteract inflationary pressure in order to achieve a balanced budget.

Consumption.

17. The increase in food consumption will depend upon larger home production and increased imports, which are themselves contingent upon expansion of the export trade. No substantial increase is expected in the consumption of commodities other than foodstuffs, except of tobacco for fiscal reasons.

Expected Results

18. Progress towards viability is reflected in the estimated deficit in the balance of current payments, which should decrease from about \$ 280 million in 1949-50 to about \$ 100 million in 1952-3.

19. Estimated imports in 1952-3 (\$ 492 million) are at approximately the same level as before the war, if price fluctuations are taken into account.

20. The main import item is bread grains estimated at \$ 25 million, including \$ 20 million from North America.

21. By reorganising the economy and developing the capital goods industries, exports should amount to \$ 400 million in 1952-3, namely more than twice the amount estimated for 1948-9 (\$ 190 million) and about the average level attained in 1936-7.

22. In these circumstances the deficit in the trade balance should amount to about \$100 million, corresponding to the pre-war deficit and to the approximate deficit anticipated in the balance of payments for 1952. But Austria's traditional exports continue to be particularly vulnerable because of the proportion of consumer and luxury goods which they include.

23. The fulfilment of Austria's programme will be even more dependent than the programmes of other countries upon trade with Eastern Europe, which will account for over a quarter of exports and more than

one-fifth of imports in 1952-3. Trade with Western Germany will also be a decisive factor, taking into account that the share of this area in Austria's foreign trade is estimated at approximately 15 % of imports and 13 % of exports.

24. The balance of payments estimates for 1952 provide for approximate equilibrium with each geographical area, except with North America (approximately \$ 60 million deficit) and countries in Eastern Europe and Asia (\$ 40 million deficit).

Conditions of success

25. The achievement of the programme's objectives presupposes internal economic reform and satisfactory external conditions, a vigorous flow of trade with Eastern Europe and Germany, the revival of tourism, and lastly a substantial financial contribution from abroad. The amount required for the fulfilment of the four year programme cannot be estimated at much less than \$ 900 million.