

THE MARSHALL PLAN

A FIFTY YEAR PERSPECTIVE



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German Marshall Fund of the United States
Washington, D.C.
1987

Reprinted by the
George C. Marshall Foundation
Lexington, Virginia
1997

This guide was produced to accompany

THE MARSHALL PLAN

COOPERATING TO REBUILD EUROPE

An exhibit of photographs and documents

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The German Marshall Fund of the United States
(an independent American institution created in
1972 by a gift from the German people as a
thank-you for Marshall Plan aid)

Additional support for the poster series and for
this discussion guide has been generously
provided by:

PaineWebber Group Inc.
The William and Flora Hewlett Foundation

Reprinted and sponsored by the
George C. Marshall Foundation
Lexington, Virginia
1997



In April 1945 the majestic cathedral stood all but undamaged amid the ruins of the city of Cologne, Germany. As in so many European cities, railroad and highway bridges were devastated. In Germany alone, approximately 5000 bridges were destroyed during the war.

INTRODUCTION

Ten years ago, to mark its 40th Anniversary, the German Marshall Fund had the inspiration to prepare a 36-panel traveling exhibition of photographs and documents telling the story of the Marshall Plan. Officially called the European Recovery Program, the Marshall Plan became law in 1948 and was the keystone of a postwar revival that made the Atlantic community what it is today. Absent the Marshall Plan, it is improbable that institutions such as NATO, OECD, or the EU would exist today.

As the 50th Anniversary of the most successful foreign policy initiative of the 20th century approached, the George C. Marshall Foundation reviewed the exhibit which had been entrusted to its care. It concluded that the exhibit remained fresh, compelling, and timely, and with a generous grant from the German Marshall Fund refurbished those panels which had deteriorated. The exhibition will be on tour throughout the United States for the next eighteen months.

In addition, the Foundation reviewed the discussion guide originally prepared ten years ago by Professor Randall B. Woods to supplement the original exhibit. It remains an excellent resource for study and discussion, either to enhance the traveling exhibition or by itself. The George C. Marshall Foundation is pleased to make it available again to interested individuals and groups in the hope that all Americans, but especially students for whom the post World War II years are only an undifferentiated jumble of conflicting events, can appreciate the great contribution a small group of political leaders from Europe and the United States made to our present world structure.

The George C. Marshall Foundation in Lexington, Virginia draws its inspiration from the life and career of General Marshall – America's premier soldier-statesman. The Foundation is a living memorial for the thousands of visitors of all ages who come to learn about Marshall and the history of America in the 20th century; scholars and students who use its archives and library to study the life of Marshall, his contemporaries, his times, and his service to the nation as Army Chief of Staff, Secretary of State, Secretary of Defense, and Nobel Peace Prize winner; for young men and women beginning their military or public service careers, who see in his leadership the principles which should guide them; and for military and civilian leaders of our nation who find in Marshall's selfless service an inspiration for their own activities.



Albert J. Beveridge, III
President
George C. Marshall Foundation
Lexington, Virginia
1997

*A pile of rubble is all that remains of an English house
hit by a German rocket bomb in 1944.*



I

EUROPE AFTER WORLD WAR II

WHEN GERMANY AND ITS ALLIES finally surrendered in May 1945, much of Europe lay in ruins. The devastation wrought by World War II was physical, social, and psychological. Though Britain escaped the widespread destruction endured by France, Germany, and Russia, its economic plight in the early postwar period was desperate. As a small, densely populated island nation, the United Kingdom was dependent on foreign trade for its survival. The island kingdom imported 55 percent of its meat, 75 percent of its wheat, 85 percent of its butter, and 75 percent of its sugar. Britain had only three means available to it for paying for its imported food and raw materials: money earned from services such as shipping and insurance, from foreign investments, and from manufactured exports. But the war had crippled the nation's merchant marine and forced the liquidation of over half of its foreign investments. Most factories had been converted from civilian to military production. At war's end many of Britain's industries, particularly those engaged in production for export, were outmoded and capital-poor. By December 1946, despite an American loan and a severe austerity program which included the rationing of bread, Britain had only reached its prewar level of production. At this point, nature chose to demonstrate its indifference to human suffering. The winter of 1946-47 turned out to be one of the harshest in modern history. Temperatures dropped below zero and snow fell in record amounts. In Britain the transportation system ground to a halt; trucks and trains were immobilized, barges and boats froze in rivers, and ships were unable to leave their moorings. By February 1947 more than half of Britain's factories lay idle as the mining of coal came to a virtual standstill.

World War II and the elements were even less kind to the rest of Europe. Even more Germans, Frenchmen, Poles, and Hungarians than Britons were cold, hungry, ill, unemployed, and exhausted by these privations. Few German cities or towns had escaped Allied bombing, street fighting, or willful destruction by the Nazis themselves as they retreated. Adding to the discomfort of the survivors was the influx of ten million ethnic Germans from territories annexed by Poland. Millions of people lacked and had no prospect of availing themselves of the necessities of life—food, shelter, medical care, and work. Three quarters of the surviving factories in the western zone were closed by the end of 1946; in January of 1947 production fell to 31 percent of the 1936 level. The measure



Two Naples mothers and their four children share a single crowded room.

The only nation healthy and wealthy enough to bring order out of chaos in Europe was the United States.

of Germany's collapse was indicated in part by the fact that the cigarette replaced money as the prevailing unit of exchange. Italy, Poland, Czechoslovakia, and the rest of Europe were hardly any better off. Prices rose in Italy to 35 times their prewar level and the old Hungarian currency was simply abolished when inflation reached 11,000 trillion pengos to the dollar.

Though their economy had been badly damaged by the war, the French had made a remarkable recovery by late 1946. Nonetheless, iron and steel production had reached only half the prewar level. French steel depended on imported coal, but European coal production remained well below the pre-1939 annual average. The French were in part to blame for the shortage in that they blocked rehabilitation of the German coal-producing districts of the Saar and Ruhr out of fear of a revival of German military power. France's obstructionism damaged its interests as well as Germany's, however, because the French had to spend scarce dollars for high-cost American coal. French industry was unable to produce sufficient goods to exchange for food, domestic or imported. The farmer thereupon either converted his field from crop production to grazing, or kept his food for himself, or both. Meanwhile the urban population went hungry and the government had to spend its few remaining dollars—which it needed for reconstruction—to buy food from abroad. The winter of 1946-47 aggravated the situation even further by destroying an estimated three to four million acres of wheat. France's situation was typical of many of the "better off" parts of continental Europe—the Benelux countries and Scandinavia.

The only nation healthy and wealthy enough to bring order out of chaos in Europe was the United States. At the close of World War II American industrial production exceeded prewar levels by 50 percent, real income had increased by 15 percent, and the country was the world's largest net creditor (Fort Knox bulged with \$21 billion in gold). But despite America's active and decisive participation in World War II, isolationism was still the dominant theme in American foreign policy. Beginning with George Washington, statesmen had warned the American people to avoid

entanglement in Europe's political and strategic affairs. In 1945-46 Americans longed to retreat behind the Atlantic and Pacific, to rely on the United Nations to keep the peace, to get back to business. The U.S. had spent more than \$250 billion in fighting World War II, and Congress was not well disposed toward programs of foreign aid.

Despite neo-isolationism and congressional parsimony, widespread sympathy for Europe's plight developed in 1946-1947. Accounts in the *New York Times*, *Washington Post*, and other nationally syndicated papers of ragged, starving children, teen-aged prostitutes, and disintegrating families appeared and aroused the nation's humanitarian instincts. A number of Americans were aware, moreover, that Europe had been their nation's primary trading partner prior to the war and that an economically enfeebled Europe would retard America's growth. Finally, there were those in the United States, particularly congressmen and government officials, who believed America would have to come to Europe's rescue in order to fend off the twin threats of Soviet imperialism and communist subversion.

Study Questions

1. How did the state of destruction in Europe following World War II compare with the continent's condition at the close of World War I?
2. Compare and contrast the ways in which the victorious powers dealt with their vanquished enemies during the periods 1918-1923 and 1945-1951.
3. What impact has war had on areas like Southeast Asia and the Mideast during the last 25 years, and what role have the Western democracies taken in their reconstruction?
4. Is the United States a part of European civilization and does it have an obligation to preserve that civilization?
5. If the Western democracies and the Soviet Union had reached an agreement on reparations for occupied and divided Germany, would the Marshall Plan have been necessary? Explain.

THE COMING OF THE COLD WAR

THE WARTIME ALLIANCE Between Russia and America was of crucial importance in bringing about the downfall of the Axis powers, but the relationship was unnatural and uneasy, full of tension and mistrust. The Kremlin perceived the United States, the world's foremost capitalist power, as unrelentingly hostile and determined, if the occasion arose, to destroy Soviet communism. After World War II began, the Kremlin accused the United States and Britain of deliberately restricting the flow of lend-lease goods to Russia and then delaying the establishment of a second front on the continent of Europe until 1944 in hopes of seeing Nazi Germany and the Soviet Union exhaust each other. America had ample reason to mistrust its Soviet ally as well. Politicians, statesmen, and the man on the street could not forget that Marxism-Leninism called for universal class struggle and unending revolution until capitalism was everywhere overthrown and replaced with communism. Many saw the Soviet leader Joseph Stalin as at best an opportunist—had he not signed the Nazi-Soviet Nonaggression Pact with Hitler in 1939?—and at worst a butcher and tyrant—had he not “consolidated” his power in the 1930s by imprisoning and executing hundreds of thousands of his opponents, real and imagined? But what frightened Americans more than anything else as World War II wound to a close was Russia's apparent intention to dominate as much of continental Europe as possible.

As 1945, the last year of the war, dawned, Russia had not only expelled the Germans from their territory but had occupied Poland, Rumania, Bulgaria, and much of Hungary and Czechoslovakia. Most of Yugoslavia was under the thumb of Josef Broz Tito, a communist who had headed the anti-German partisan movement. With victory in sight, Stalin was determined to occupy and control the countries already in thrall to him and to expand Soviet influence over as much of Central Europe as possible.

The Soviet leadership sought great power ratification of its post-World War II objectives at the Yalta Conference held in February 1945. Britain and the United States hoped to prevent communist domination of Eastern Europe, but by the time the Big Three gathered in the Crimean resort city of Yalta, Russia was in physical possession of that which it hoped to control after the war. At the meeting, President Franklin D. Roosevelt, Prime Minister Winston Churchill, and Stalin agreed to the division of Germany into postwar occupation zones and to the establishment of a

reparations commission that would meet in Moscow after the war. The commission would take the figure of \$20 billion, with half going to Russia, as a basis for discussion. Russia agreed to enter the war against Japan soon after Hitler surrendered in return for specific territorial concessions in the Far East. Roosevelt and Churchill pressed Stalin to promise to hold free elections in those areas of Europe occupied by the Red Army, and the Big Three did sign the Declaration on Liberated Europe which pledged each to conduct free elections in their occupation zones as soon as possible. The communique did not, however, define free elections, and it did not establish penalties for noncompliance. During the year-and-a-half following the Axis collapse in Europe, Russia consolidated its position in Eastern Europe. The political conflict between the Soviets and the West—the cold war—deepened as Soviet hegemony grew. Western diplomats referred to the methods used as Stalin's “salami” tactics because they were gradual and did not involve overt aggression. In Hungary, Poland, Rumania, and Bulgaria a similar pattern emerged. In the months following Germany's surrender, Russian occupation authorities established provisional, coalition governments made up of all the various political factions within a given country. Invariably, the local communists gained control of the Interior Ministry and with it the state police apparatus. As time passed, the police discovered one plot after another allegedly hatched against the government by Socialists, Christian Democrats, Smallholders, or some of the other indigenous non-communist parties. Their leaders were jailed and the offending political organization was outlawed. Soon there was only one party—the communists. Czechoslovakia was the last state to retain the trappings of a democratic, multiparty state, but in March 1948 it too came under communist domination.

By late 1946 and early 1947 the issue at stake in Europe was not whether Eastern and parts of Central Europe would become and remain Soviet satellites; that was already an accomplished fact. Rather, would communism spread to and engulf Western Europe? Several nations were faced with the threat of a legitimate communist takeover from within. In both France and Italy local communists had played leading roles in the anti-fascist, partisan movement during the war. Following the end of hostilities, French and Italian communists capitalized on their reputations as nationalists and on the socio-economic chaos created by the war. By 1946, the French

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Children watch from a hillside as American cargo planes, flying day and night, bring supplies to the blockaded city of Berlin deep within the Soviet occupation zone. The Soviets shut off rail and road traffic from West Germany in June 1948, ostensibly to protest currency reform but in reality to force the Allies out of Berlin. This action, which lasted ten months, raised tensions throughout Western Europe, reinforcing the desire for a mutual defense treaty.

ERRATA

By 1946, the French communist party was the largest organized political faction in the country.

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communist party was the largest organized political faction in the country, and the Italian communists could claim the support of almost a third of the electorate. Many Western diplomats were convinced that the communist parties of Western Europe were tools of the Kremlin.

The American response to the consolidation of Soviet power in Eastern Europe and the threat of communist electoral triumphs in the West was relatively passive during the first year after V-E Day. The public had endured four-and-a-half years of danger, debt, and domestic rationing. They wanted to get back to the business of making money and raising families. Official propaganda, moreover, had portrayed Russia as a gallant ally; it was difficult to think of "Uncle Joe" Stalin as another Hitler. America's determination to return to normality was signified by the reduction of the nation's eleven million man armed force to three million within a year after the war. Further contributing to the United States' hesitancy in confronting the Soviet Union was the diplomatic inexperience of its leaders. Harry Truman had succeeded to the presidency unexpectedly when Franklin Roosevelt died of heart failure on March 12, 1945. Neither he nor his Secretary of State, James F. Byrnes, were privy to the deliberations of Roosevelt and his strategic and diplomatic advisors. As the new president readily admitted, it would take him a while to learn the ropes.

Great power diplomacy through the end of 1945 consisted of a series of foreign ministers' conferences at which reparations, governance of Germany, peace treaties with Axis satellites, and access to Rumania and Bulgaria by Britain and America, and to Italy and Japan by Russia were discussed. Both sides proved intransigent, and instead of understanding and trust, frustration and hostility came to characterize East-West relations.

In early 1946 several factors converged to persuade the Truman administration to take a tougher, more confrontational posture toward the Russians. In the first place, the Republican party, which had been out of power since 1932, began openly criticizing the Roosevelt-Truman administration for selling out Eastern Europe to the communists at Yalta and then appeasing Russia at the various foreign ministers' meetings. In the second place, in February Joseph Stalin delivered his famous two camps speech in which he announced that both world wars had been caused by "contradictions" in capitalism, and unless and

until these contradictions were eliminated, the world would continue to have wars. Hard on the heels of this alarming address came George Kennan's famous "long telegram." Kennan, the counselor, or chief political officer in the U.S. Embassy in Moscow, wrote an extensive analysis of Soviet foreign policy that was subsequently circulated and widely accepted throughout the Truman administration. Kennan concluded that while war between the Soviet Union and the United States was not inevitable, conflict was. Due to a variety of historical and political circumstances, Russia's leaders believed peaceful coexistence to be impossible. Russia would, Kennan predicted, use every available means to disrupt America's domestic life and undermine its international position. The Truman administration treated both the long telegram and the Republican political offensive as a call to arms.

The first evidence that Washington intended to adopt a more confrontational posture toward Russia and its satellites came in early March 1946 when, under the auspices of the Truman administration, former Prime Minister Winston Churchill delivered his famous iron-curtain speech at Westminster College in Fulton, Missouri. The only thing that stood between the democracies of Western Europe and Soviet tyranny, he proclaimed, was the United States and its atomic bomb. For its sake and that of western civilization, America must resist the Kremlin with all its strength. Churchill's speech was both a preliminary declaration of intent by the Truman administration and a trial balloon sent up to test public opinion.

Study Questions

1. How did World War II contribute to the coming of the cold war?
2. Could the breakdown in East-West relations have been avoided if the United States had been willing to discuss politics and spheres-of-interest earlier in the war?
3. Did Roosevelt and Churchill appease the Soviet Union at Yalta?
4. Why did America not take a "get-tough" approach toward the Soviet Union immediately after World War II?

Containment required firmness and consistency, not a declaration of war.



UPI-Bettmann Newsphotos

The breakdown of the 1947 Moscow Conference on a German peace treaty galvanized work on what was to be the Marshall Plan. On his return to Washington that April, Secretary Marshall spoke to the American people.

III

THE TRUMAN DOCTRINE

IN JANUARY 1947 Harry Truman replaced James F. Byrnes as Secretary of State with General George C. Marshall. The change represented no abandonment of the emerging get-tough approach to Russia; Byrnes, Marshall, and the president saw eye to eye on the need to interpose American power between the communist and noncommunist worlds. Rather, Byrnes and Truman did not get along well personally. In light of the importance of the principle of civilian control of the military to a republican form of government, the selection of an army officer to replace Byrnes surprised many Americans. But Marshall was an excellent choice. Not only did the architect of America's victory in World War II respect the Constitution, he was an excellent administrator. At the end of 1946 the State Department was disorganized and demoralized by years of neglect, first by President Roosevelt and then by Secretary Byrnes. Truman wanted to regenerate the State Department as an efficient and effective policymaking body, and he rightly perceived that Marshall was the man to bring about the transformation.

One of Marshall's strong points as an administrator was his ability to select able subordinates and then delegate authority to them. As undersecretary of state, he chose Dean Acheson. An Ivy-League-educated lawyer and protege of Supreme Court Justice Felix Frankfurter, Acheson was a man who was widely experienced both as a corporate lawyer and a civil servant. Tough-minded and efficient, Acheson was a pragmatic diplomat convinced that America ought to play an active role in world affairs, defending its strategically and economically defined interests. He was in charge of overall policy formulation and the everyday running of the department. As Assistant Secretary of State for Economic Affairs Marshall retained the services of Houston cotton broker William L. Clayton. Clayton, who headed the largest cotton-exporting business in the world and who owned gins and cotton mills all over the globe, was an economic liberal. He advocated the reduction of trade barriers and the abolition of monetary exchange controls to promote the freest flow of goods and services among countries. Marshall and Acheson shared the opinion that the department had erred in the past by concentrating solely on the short-run, focusing on day-to-day crises rather than developing global strategy. With a view to developing a coherent long-range policy to guide the nation's political leaders, the new leadership established the policy planning staff

and named George F. Kennan to head it. Kennan, a Midwesterner educated at Princeton, had entered the foreign service following graduation and subsequently served in Central and Eastern Europe, and the Soviet Union. He was an expert on Russia, steeped in its language, culture, and history. It was most significant that a Kremlinologist would be made head of the new policy planning staff.

Kennan had already laid out his analysis of Soviet intentions in his "long telegram" of 1946. Following his return to Washington, he developed what he believed to be an appropriate response to that threat—the policy of containment. The new head of the planning staff outlined his stratagem in an article published in July in the prestigious journal, *Foreign Affairs*. If the United States and western civilization were to survive, he wrote, the nation would have to overtly resist communist expansion with every means available—arms, money, and diplomacy. Containment required firmness and consistency, not a declaration of war. The United States should draw a line in the dust and tell the Soviets: "Thus far you shall go and no farther." The Kremlin, Kennan argued, did not want war. Faced with American resolve, Russia would curb its ambitious foreign policy, and over time, he hoped, the communist empire would rot from within.

No sooner had the new regime settled in the State Department than the policy of containment faced its first European test. In late February 1947 the government of Prime Minister Clement Attlee informed the Truman administration that Great Britain was financially no longer able to shoulder its strategic responsibilities in the Eastern Mediterranean. London had since 1944 been lending massive economic and military aid to the pro-Western monarchy in Greece. For three years the autocratic and repressive regime in Athens had fought a bloody civil war against an insurgent movement in which Greek communists played a prominent part. For western diplomats the question seemed to be whether or not Greece would become a Soviet satellite. While Greece was threatened with internal subversion, Turkey, perhaps the most strategically located of all European nations, was encountering strong Soviet pressure to allow the construction of Russian military bases on its soil, particularly the Bosphorus, the straits linking the Black Sea with the Mediterranean.

Notified of the impending power vacuum in the Eastern Mediterranean, Truman and his advisors

If containment were to work, there would have to be an economic initiative to accompany the Truman Doctrine.

huddled with congressional leaders, foremost among whom was the Republican chairman of the Senate Foreign Relations Committee, Arthur Vandenberg. Though formerly an isolationist, Vandenberg had become sensitized to the Soviet threat and had for over a year been calling for a policy of overt resistance to Russian expansion. Vandenberg and his associates advised Truman that if he asked for congressional authorization for aid to Greece and Turkey, it would be forthcoming.

On March 12 the president addressed a joint session of Congress and articulated what would become known as the Truman Doctrine. He first asked Congress to appropriate \$400 million for immediate aid to Greece and Turkey. Second, and much more important, he announced that it would be the policy of his administration to provide aid and assistance to any nation threatened by external Soviet aggression or internal communist subversion that asked for such aid. After a brief but vigorous debate Congress overwhelmingly approved both specific assistance to Greece and Turkey, and the principle of virtually unlimited aid to nations threatened by the forces of international communism. Bolstered by injections of U.S. money and material, the Greek monarchy crushed the rebels, and Turkey successfully fended off Soviet demands for military bases on its soil.

The Truman Doctrine, as numerous historians have observed, comprised both America's decla-

ration of cold war and a stratagem for winning that war. But as a policy, it had very real limitations. Defense-oriented, the doctrine was designed to enable friendly governments to resist a communist takeover by force, but it did nothing to resolve the problem of a legitimate communist takeover in Western Europe—specifically in France and Italy—through the electoral process. Nor did it address the hunger, homelessness, unemployment, and disease that, by destabilizing European society since the war, had created conditions favorable to the success of Eurocommunism. Secretary of State Marshall returned from the futile Moscow Foreign Ministers' Conference in March 1947 convinced that the Russians intended to string the Western powers along until Britain's imperial burdens and enfeebled export trade brought the United Kingdom down, until Germany went bankrupt, and until the continent collapsed in economic ruin. Clearly, if containment were to work, there would have to be an economic initiative to accompany the Truman Doctrine.

Study Questions

1. Define and evaluate the policy of containment.
2. Did changes in the American foreign policy establishment contribute to the coming of the cold war? Explain.
3. Discuss the impact of the Truman Doctrine on American foreign policy from 1947-1987.

IV

A PLAN FOR EUROPEAN RECONSTRUCTION

AS FATE WOULD HAVE IT, worries about the health of the American economy dovetailed with strategic considerations and reinforced the notion that a massive program of economic aid for Europe was in order. There were those in and out of the foreign policy establishment who believed that World War II had been more responsible for pulling the country out of the Great Depression than the New Deal. Between 1940 and 1944, industrial production had risen by 90 percent, agricultural production by 20 percent, and the gross national product by 60 percent. By war's end Americans enjoyed unprecedented levels of income and employment, but Washington economists were concerned that prosperity would prove fleeting. The immediate postwar years witnessed rapid demobilization of the armed forces, stirring fears that cuts in military spending would lead to production surpluses and massive unemployment. Exports had risen to a high of \$15 billion per year during the war and experts were worried that if they dropped to their prewar level of \$3 billion, a new depression might occur. And, in fact, exports declined dramatically after 1945, primarily due to the end of lend-lease. Foreigners suffered from a shortage of dollars. Most had expended their reserves during the war, and with their mines and factories destroyed, they could not produce the goods with which to earn more dollars. Without dollars, Europe, America's best prewar customer, could not import from the United States. By early 1947 a number of American economists and diplomats, including Will Clayton, believed that a massive shot in the arm was necessary both for Europe's economic health and for America's.

As the situation in Western Europe deteriorated, Secretary of State Marshall directed the policy planning staff to work out a solution to the problem. The results of that study, subsequently known as the Marshall Plan, were made public in a commencement address the secretary delivered at Harvard University on June 5, 1947. In his speech, Marshall reviewed the devastation, pestilence, and insecurity that plagued Europe. He called upon Britain and the nations of the continent to frame an integrated plan for Europe's recovery. When it had devised a scheme for economic rehabilitation, Europe could count on the United States to supply "friendly aid." Marshall made three things clear in his speech: the United States would not fund a collection of national shopping lists from Europe—there would have to be an integrated plan; the scheme must provide for the economic reconstruction of Germany; and

his invitation extended to the entire continent, including the Soviet satellites and European Russia. Kennan, Acheson, and Clayton believed that for a variety of reasons, they could not exclude the communist powers. Aside from wanting the United States to appear magnanimous, American officials feared that if the Eastern bloc nations were not invited, French and Italian communists would block participation by their countries. What Washington hoped was that the prospect of integrating their economies with those of the West would ensure that Russia and its client states would never join. As it turned out, they were right.

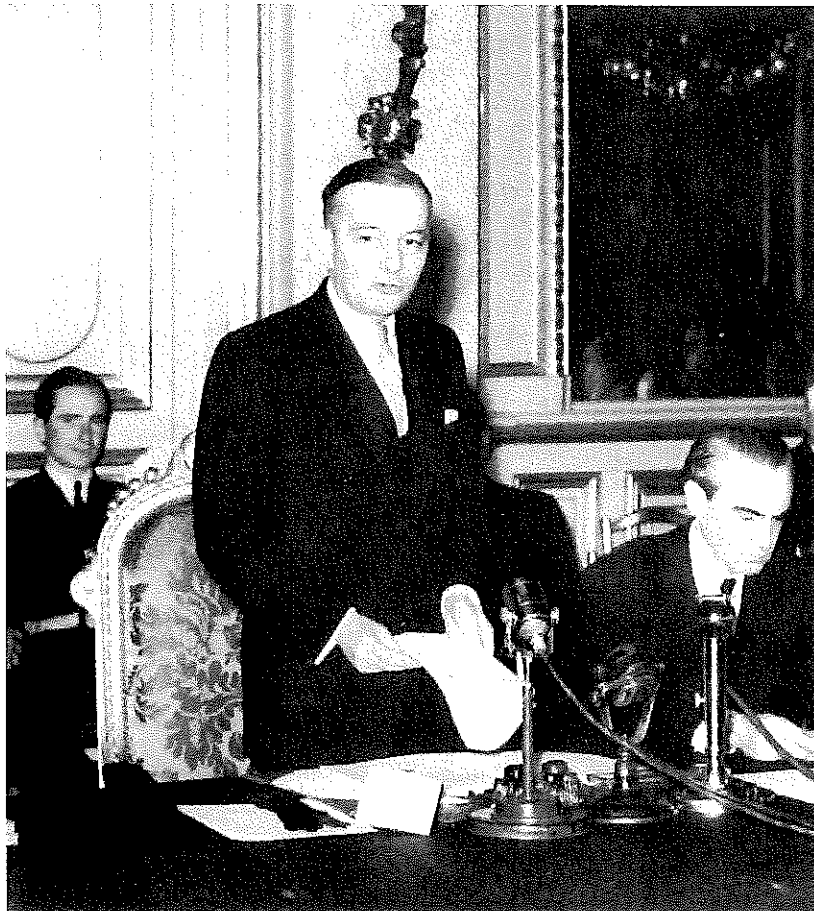
On June 17, British Foreign Minister Ernest Bevin flew to Paris to consult with his French counterpart, Georges Bidault. They, in turn, extended an invitation to Molotov to join them and prepare a response to Secretary Marshall's proposal. Bevin, a hardheaded Labor politician who was determined simultaneously to preserve as much of the British empire as possible and to advance wages and living standards for the British worker, recognized that he would need American help to do both. Staunchly anticommunist, he was more than willing to convey America's terms for Russian participation. Soviet Foreign Minister Vyacheslav Molotov arrived in Paris on the 27th and immediately proposed that each nation merely survey its reconstruction needs, report them to the United States, and suggest the amount of credit it would require. Bevin made it clear that such an approach—a "blank check," he termed it—would be unacceptable to the United States. The Europeans would have to come up with an integrated plan.

As the State Department had anticipated, Russian leaders were not willing to subscribe to a plan that would revive trade between Eastern and Western Europe and in the process deny Russia its newly created economic sphere of interest. The Kremlin also did not want to become dependent on the West for manufactured goods; Stalin and Molotov remembered that General Lucius Clay, military governor of the American zone in Germany, had cut off reparations to Russia from industrialized West Germany in May 1946. Moreover, the Russians were not pleased by the prospect of a supranational, centralized body determining priorities and quotas for the communist bloc. Molotov broke off talks with his British and French counterparts and departed for Moscow. The Marshall Plan, he declared, was nothing more than American economic imperialism in action. It subsequently became apparent that



Above: Ernest Bevin, foreign secretary of Great Britain, addresses the Paris Conference. He was to fight hard to preserve the independent position he cherished for Britain.

Below: French Foreign Minister Georges Bidault officiated at the opening of the Paris Conference. At different times in postwar France, Bidault was foreign minister and premier.



some of Russia's "friends," Poland and Czechoslovakia, for example, were more than willing to risk their economic independence by participating in the Marshall Plan, but in the end, they were restrained by Moscow. In September, in Polish Silesia, Molotov gathered Russia's satellite foreign ministers, and they rather joylessly announced creation of the Molotov Plan, a Russian-led scheme of reconstruction that would allegedly rival and surpass the Marshall Plan. The Molotov Plan was nothing more or less than perpetuation of existing Russian-East European trade ties.

In reality Russia and communist East Europe proved less an obstacle to the birth of the Marshall Plan than France. And it was not French communism that constituted the highest hurdle, but France's obsession with preventing the revival of German military might. France had been invaded by Prussia in 1871, by Imperial Germany in 1914, and by Nazi Germany in 1940. Frenchmen, whether of the left or right, were determined that never again would they be humiliated by their larger and more powerful neighbor. As preparations got under way for the general conference that would design a mechanism and draw up a plan for European recovery, Bidault made it clear that France would insist on monitoring and in fact retarding the recovery of German industry through the management of the great coal and steel producing districts of the Saar and Ruhr. The problem was that these two areas were crucial to the reconstruction of Europe as a whole. America wanted the continent to become economically self-reliant. It could never be weaned from United States aid until and unless the Ruhr and Saar went into full production. A weak and dependent Germany meant a weak and dependent Europe.

On July 12, 1947, representatives of sixteen nations met in Paris to discuss European reconstruction. Delegations from Austria, Denmark, Greece, Italy, Turkey, Iceland, Ireland, Belgium, Luxembourg, the Netherlands, Switzerland, Sweden, Norway and Portugal joined the French and British. Bulgaria, Yugoslavia, Czechoslovakia, Rumania, Poland, Hungary, and Russia stayed away. The French immediately proposed a plan for the long-term rather than short-term reconstruction of Europe in which the German economy would remain underdeveloped. The United States, which was not officially represented at the conference but whose diplomats were seemingly everywhere in Paris, immediately let the Europeans know that France's approach was unacceptable.

In the end, France proved unable and unwilling

Despite its hatred and fear of Germany, France was not willing to sacrifice itself on the funeral pyre of the Third Reich.

to hold out for a long-term plan that left Germany crippled. In the first place, Italy and many of the smaller nations of Europe enjoyed longstanding trade ties with Germany. Prior to the war Germany had been Italy's principal market for agricultural exports. In fact, Germany took 20 percent of all Italy's exports and furnished its southern neighbor with 26 percent of its total imports. That nation and the smaller continental powers let France know that their economies and that of Germany were inextricably intertwined, and that they resented Paris' opposition to the rapid rehabilitation of the Reich. In the second place, just as Bidault and his colleagues attempted to dig in their heels, General Lucius Clay announced from Bonn that the American government was planning to unilaterally raise the level of Germany's industrial output in the near future. The last vestiges of official French opposition to German rehabilitation melted away when the State Department announced that it would ask Congress for an emergency aid program to tide France over until the Marshall Plan could take effect. Despite its hatred and fear of Germany, France was not willing to sacrifice itself on the funeral pyre of the Third Reich.

No sooner had the French problem been resolved than a new cloud appeared on the horizon. Despite what Bevin and Bidault had told Molotov, the West Europeans were no more able to resist presenting the U.S. with a series of national shopping lists than the communists had been. The difference was that the democracies were willing to accept American pressure to integrate and, in fact, invited it. It would be politically very helpful to the national delegations, British representative Sir Oliver Franks told American diplomats in Paris, if the U.S. would simply tell them what to do. The State Department obliged by dispatching George Kennan to Paris to lay down the law. First, he told the assembled delegates, the plan must provide for a European economy sufficiently viable within four years to sustain itself thereafter without extraordinary outside aid. Second, the dollar amounts to be furnished by the

U.S. should diminish over that period until aid was phased out entirely. Third, during the life of the program, recipients must demonstrate "convincing" proof of progress. America would retain the right to end the program at any time if such proof were not forthcoming. Fourth, long-term projects would take a back seat to the European Recovery Program, as the Marshall Plan came to be known. Fifth, the European nations would need to stabilize their currencies and balance their budgets. Only in this way could the runaway inflation that had distorted the postwar economies of Europe be arrested. Sixth, the participants in the program would have to take steps to eliminate trade barriers among themselves and initiate plans for a customs union. And seventh, the Europeans must set up an organization that would oversee all these matters on a continuing basis.

The Paris conference prepared and submitted its plan for European reconstruction the last week in September 1947. It envisioned the continuation of a Committee on European Economic Cooperation (CEEC) to negotiate priorities, quotas, and aid levels with the U.S. implementing agency. It promised to work toward all of the goals Kennan had outlined. To achieve the objectives that America and Western Europe had in mind, the report estimated that Congress would have to provide \$7.12 billion in 1948 and \$19.31 billion for the period from 1948 through 1951.

Study Questions

1. Was the Marshall Plan really a scheme to save American capitalism? Explain.
2. Was the exclusion of communist-dominated Europe from the Marshall Plan inevitable? Did its exclusion inhibit the economic reconstruction of Western Europe or was it irrelevant?
3. Why was Ernest Bevin willing to confront V.M. Molotov over terms of participation?
4. Was the Soviet Union deliberately excluded from the Marshall Plan for political and ideological reasons?

Currents of isolationism and economic nationalism ran strong and deep on Capitol Hill.



This editorial cartoon, by Marcus for the New York Times, reflected the debate in Congress over the Marshall Plan legislation. Those opposed argued that the United States could not afford to foot the bill, while those in favor maintained that Soviet expansionism had to be checked.

V SELLING THE MARSHALL PLAN

AERICAN PLANNERS realized from the very beginning that obtaining European acquiescence in the goals of the Marshall Plan would be relatively easy. The continent was adrift on a life raft without food or water, and the United States was the only rescue ship in sight. Congress was the real stumbling block. Despite World War II and the onset of the cold war, currents of isolationism and economic nationalism still ran strong and deep on Capitol Hill. Congress in 1947 was dominated by a combination of Republicans and conservative Southern Democrats known as the conservative coalition. Midwesterners such as Senator Robert Taft of Ohio still doubted whether American interests and those of Europe were in any way connected. All members of the coalition were economic conservatives opposed to high levels of government spending, including and especially foreign aid. Most believed the object of foreign commerce to be the enrichment of the United States at the expense of its trading partners. They were very much aware of the fact that the national debt had increased by more than \$200 billion during World War II. Had not the United States, they would ask, done everything possible for Europe? What more could the Old World expect from the New?

The task ahead, as officials of the Truman administration saw it, was not only to convince Congress that the interests of the United States required a European Recovery Program but that the American people favored such a program. Signs indicating public approval in the summer of 1947 were not good. Opinion polls indicated that only 46 percent of those questioned had heard of or read about the Marshall Plan; fewer than 50 percent favored the aid program if it would result in domestic shortages; and 60 percent felt that Europeans were not working as hard to help themselves as they should. In an effort to generate grass roots support, the Department asked a number of distinguished citizens to set up the Committee on the Marshall Plan to Aid European Recovery (CMP). This body, whose National Council eventually numbered 350, included prominent Americans from business, industry, labor, and agriculture. In the end, however, administration and private advocates of American aid decided neither Congress nor the public would be inspired by abstract notions of European cooperation and by arguments concerning the economic benefit to America of an integrated European market. The issue best calculated to fire the nation's imagination or rather excite its anxieties,

the Truman administration concluded, was the threat of communism.

Throughout the summer and fall of 1947 the Truman administration played on and even fed the mounting anticommunist hysteria in the United States. The Department of Education sponsored a Freedom Train which, laden with memorabilia of America's struggle for independence, toured the country whipping up support for democracy and "the American way of life." The Truman administration suddenly began cooperating with the notorious House Unamerican Activities Committee in its search for communists and fellow travelers who had infiltrated the federal bureaucracy. In 1947 the administration sponsored legislation creating the Central Intelligence Agency. Administration spokesmen made the point again and again to senators and representatives that the Marshall Plan was another crucial weapon in the struggle against world communism. In the spring and summer of 1947 the French and Italians had, at Washington's urging, excluded the communists from their respective ruling coalitions. But if Europe's economic woes were not cared for, State Department spokesmen told Congress, the communists would force early general elections and most probably dominate the resulting governments.

The Marshall Plan, Congress was told, then, was a way to prevent another American depression, a scheme that would lessen the need for large military budgets, an act of humanitarianism, a way to control Germany, a method for establishing a European Union, but most of all a means to fight communism. The American people, if not their representatives, seemed to see the Marshall Plan as primarily an act of humanitarianism, however. By the eve of its passage in April 1948, a majority of Americans had heard of the European Recovery Program and approved of it. Only 8 percent saw the plan as an effective tool for fighting communism; 56 percent viewed it as an act of charity. When appealed to, the American people were still surprisingly altruistic and generous.

The United States Senate passed the Economic Cooperation Act of 1948 on March 13 by a vote of 69 to 17. On April 3 the House of Representatives followed suit. The margin of victory there was 329 to 74. As approved, the measure authorized the secretary of state to conclude with each participating country a bilateral agreement signifying its adherence to the purposes of the act. In addition to endorsing the methods and goals set out by

President Harry S Truman confers with three of the leaders guiding the Marshall Plan, or European Recovery Program, in November 1948. To his left are George C. Marshall, Paul Hoffman, and Averell Harriman.



George Kennan in Paris, the measure required the recipient states to facilitate, whenever possible, the stockpiling of strategic materials in which the United States found itself in short supply, to deposit in special accounts the equivalent in local currency of U.S. aid extended (counterpart funds), and to furnish quarterly progress reports to the United States. The bill authorized an appropriation of \$5.3 billion for the first twelve month period of the program. These funds were to be disbursed and administered by a new agency, the Economic Cooperation Administration (ECA). In an effort to maintain conservative support for the program, the White House named Paul Hoffman, President of Studebaker Corporation, to head the new agency. In carrying out its assigned duties, this body would have to make choices between alternative use of resources, choices based necessarily on political as well as economic considerations. The ECA would have to persuade both the U.S. government and the

governments of the recipient nations to follow its recommended course of action.

Study Questions

1. Which body was most responsible for setting the terms of the ERP—the State Department, Congress, or the OEEC? Explain.
2. Was the Truman administration correct in portraying indigenous communist parties in Western Europe as puppets of the Soviet Union and equating their possible electoral success with Soviet imperialism?
3. Did the administration “scare” Congress and the American people into approving the Marshall Plan?
4. Discuss the role played by bipartisanship in passage of the Marshall Plan.
5. Why did the United States abandon its time-honored tradition of isolationism in 1947?

VI PUTTING THE PLAN TO WORK

THE ULTIMATE GOAL of the European Recovery Program (ERP) was the establishment in Western Europe of healthy national economies that would be independent of outside assistance. In its report the CEEC had committed itself to four major undertakings in pursuit of that goal, undertakings that Congress subsequently mandated in the Economic Cooperation Act. The participating nations were to make every effort to increase industrial and agricultural production; to establish and maintain internal financial stability; to expand foreign trade; and to fashion mechanisms of economic cooperation. The history of the Marshall Plan is largely the story of American-European efforts to achieve each of these goals.

The CEEC report envisaged restoration by 1951 of prewar bread, grain and other cereal production; large increases in sugar and potato outputs; and moderate increases in oil and fats. Europe also set as its goal a 6 percent increase in coal production over 1938 levels; a 2 percent increase in electricity; a 20 percent growth in steel production; and a 25 percent expansion of inland transport capacity. All of these figures represented anywhere from a one-third to three-quarters increase over 1947 levels. Recipients of Marshall Plan aid predicted that by 1955 industrial production would rise 30 percent above prewar levels and agricultural output 15 percent. Several factors combined to keep European production levels from rising faster than they otherwise might have. In the first place, the U.S. suffered through a severe recession from late 1948 through 1949 which sharply reduced the demand for European exports. Second, as the cold war escalated, Congress forced the ECA to halt delivery to Marshall Plan countries of goods that might in any way be used to promote East-West trade. The CEEC nations had assumed that a substantial revival of trade with Eastern Europe would occur during the four year period covered by the ERP, but due to congressional fears that such trade would strengthen the Eastern bloc, virtually no growth occurred. And finally, following the establishment of the North Atlantic Treaty Organization in 1949, the insistence by Washington and its allies that a substantial proportion of new industrial capacity in Europe be devoted to defense both distorted and retarded overall productivity.

Nevertheless, the CEEC, sometimes cajoled and sometimes coerced by the ECA, made great strides forward in the area of both industrial and agricultural productivity. Hundreds of industrial



A miner uses a pneumatic drill in a Ruhr coal vein in a mine in Essen, Germany.

The very first ERP shipment transported across the Atlantic from the United States was wheat. The emphasis of the program quickly shifted to capital goods for rebuilding the economy, but wheat was still arriving in London in January 1949.

22



A German machinist works in an agricultural equipment factory.

In Italy, the handicrafts industry employed about one-twelfth of the working population. This artisan in a glass factory in Empoli displays two of the green glass jugs manufactured there for transporting and storing wine. Along with the Export-Import Bank of the United States, the ECA made loans to get this industry back on its feet.



A French family proudly inspects its new tractor. The Marshall Plan sticker on its side leaves no doubt as to its origin.

By 1951 Europe had actually surpassed the target of a 30 percent increase in aggregate industrial production.

teams were brought to the U.S. to study production and management techniques. Participating countries subsequently established national productivity centers to disseminate this information. The millions of dollars in machine tools, tractors, seed, and fertilizer distributed by the ECA had a pump-priming effect on Europe's economy. As a result, by 1951 Europe had actually surpassed the target of a 30 percent increase in aggregate industrial production. By 1950-51 the index of agricultural output for human consumption stood at 11 percent above the 1938 figure. This was not the 15 percent envisioned by the CEEC, but it was most impressive, nonetheless.

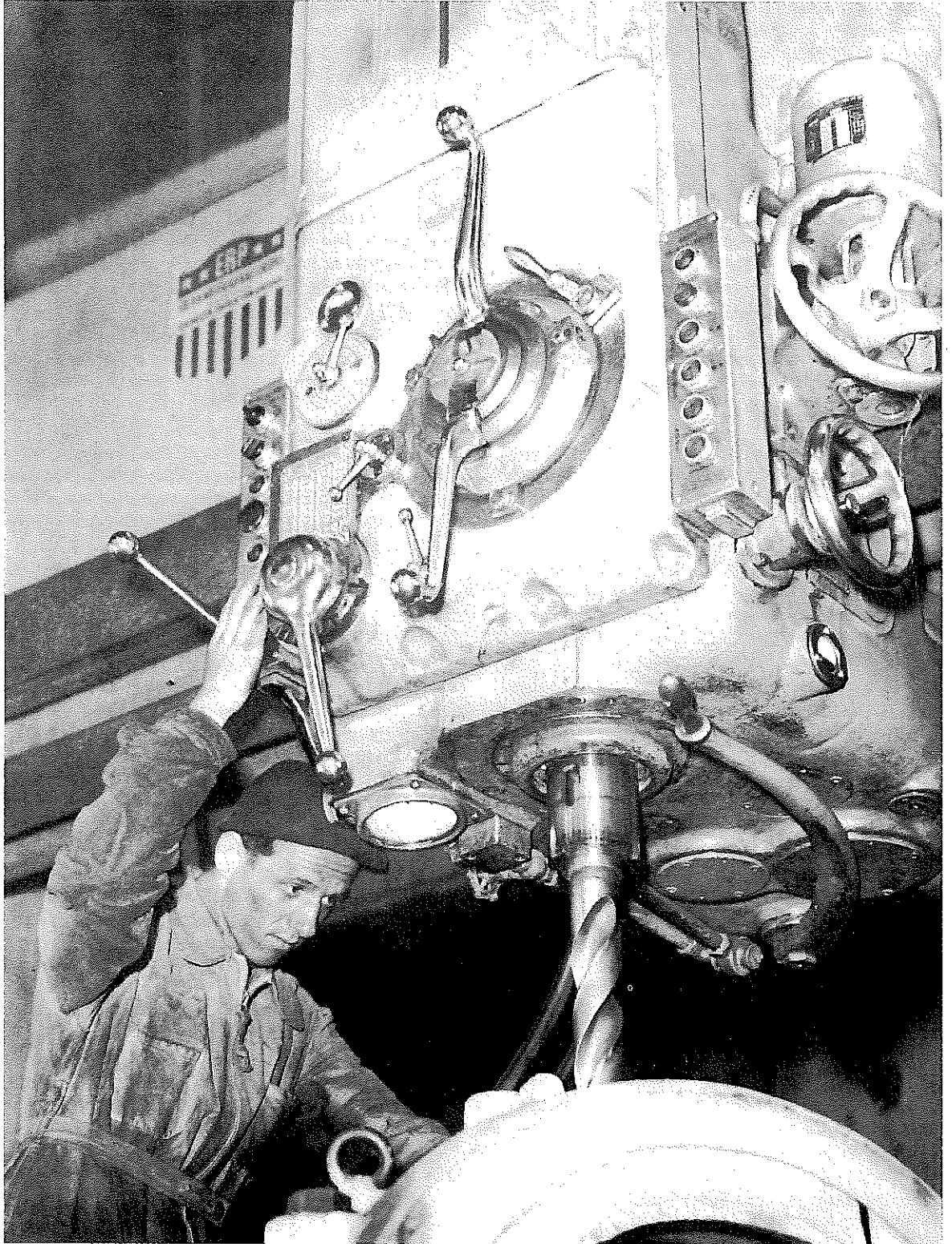
If increased productivity were to constitute the centerpiece of the European Recovery Program, the establishment and maintenance of internal financial stability was only slightly less important. During the three years following the end of World War II, practically all of the Marshall Plan countries had experienced sharp inflationary pressures. Rapid price increases in turn reduced the purchasing power of their currencies, diminished economic incentives, and lowered living standards for blue and white collar workers alike. Inflation stemmed partially from a shortage of consumer goods and an abundance of pent-up savings, but it was also fueled by deficit spending and a refusal to impose price and wage controls. From 1948 to 1951 the ECA attempted to utilize its control over counterpart funds—local currencies put up by national governments to match U.S. aid—to force participating governments to balance their internal budgets and restrain the growth of wages and prices. All in all, the ECA approved the release of \$7.56 billion in local counterpart funds, nearly all of which was used to finance deficits on current account or to pay off old debts. Italy, France, and virtually every other member of the CEEC had to submit austerity plans in order to receive all or part of these funds. Although inflation had slowed somewhat by 1952 in response to various national retrenchment programs, it continued to increase at an unhealthy rate. The curbing of inflation was not one of the ERP's major successes, but given its emphasis on increased productivity and investment, perhaps ongoing price rises were inevitable. Moreover, with the shift in emphasis after 1949 to productivity for defense, less and less attention was paid to inflation.

Resurrecting commerce within the European community was the third major objective of the ERP. By 1947 intra-European trade amounted to

only a fraction of what it had been in 1938. The principal obstacle to expansion of commerce was a payments crisis of major proportions. Europe emerged from World War II with greatly depleted reserves of gold and hard currencies, that is, currencies that exporting countries would readily accept (dollars, for example). In order to conserve these reserves for crucial imports, national governments refused to make their particular brand of money freely convertible into other currencies, lest their creditors demand their precious supply of gold and dollars. In addition, they strictly controlled foreign trade, limiting imports through tariffs and quotas. Faced with the prospect of losing virtually all of their foreign markets, the nations of Europe signed a series of bilateral trade and payments agreements between 1945 and 1947 in which one "soft currency" country would provide another with a line of credit with which to finance trade. The ECA and CEEC recognized early on that it would be advantageous to multilateralize the payments agreements. If country A could use its credit with country C to finance a deficit with country B and so on, trade opportunities would increase geometrically. In September 1950 the Marshall Plan nations concluded the Agreement for the Establishment of the European Payments Union. Among other things, signatories agreed to participate in a monetary clearing union. The union would receive contributions from member states in the form of local currencies or a line of credit. These reserves, augmented by a large contribution from the ECA, would finance an expanded intra-European trade. The agreement also provided for the establishment of a central authority to oversee a general reduction in tariffs, quotas, and other trade barriers. During the eight-and-one-half years of its existence the Union financed \$46.6 billion worth of intra-European trade. The facilitation and expansion of commerce, in turn, constituted a primary stimulus to the overall economic recovery of the continent.

The European Payments Union was also part of the fourth objective of the Marshall Plan—the institutionalization of economic cooperation among members of the CEEC, leading, if possible, to the political unification of Europe. The Truman administration and Congress strongly favored such steps because they assumed that economic integration would lead to self-reliance, and that both economic and political unification would pave the way for the strongest possible defense against the forces of international com-

A machinist in Austria works on an American-made radial-boring drill press.



Surely the Marshall Plan must take credit for planting the seeds that subsequently flowered into the European Common Market.

munism. The foreign policy establishment, and specifically the ECA, was afraid to stress political union, however, for fear of providing an opening for communist charges of American interference in the sovereign affairs of the European states. Washington chose instead to stress economic cooperation and particularly the creation of a common European market in which goods, capital, and labor could flow freely across national boundaries, and in which members presented a common tariff policy to the rest of the world. Two weeks following congressional approval of the Economic Cooperation Act, the CEEC established the Organization for European Economic Cooperation (OEEC) complete with a decision-making body—the Council of Ministers—technical committees, and a secretariat to look after administrative matters. From its inception, the OEEC was hamstrung by a dispute among its members as to its proper function. Led by France, a group of Europeanists called for a truly autonomous body in which members relinquished part of their national sovereignty and which operated centralized institutions. Great Britain and several other states objected vigorously. The Attlee government conceived of the OEEC as an instrument for inter-governmental consultations and negotiations rather than as a supranational agency with the authority to tell member states what to do. In the end, Britain and its allies triumphed. And, in fact, during the life of the Marshall Plan the OEEC served merely as a coordinating agency for individual national aid requests submitted to ECA by the participating states.

The only event of importance in the area of permanent integration that occurred was the formation in 1951 of the European Coal and Steel Community (ECSC). A brainchild of French For-

eign Minister Robert Schuman, the ECSC would place the steel and coal resources of France and Germany under a common authority and would establish a supranational organization (a coal and steel pool) which other European countries were invited to join. On March 19, 1951, France, Germany, Italy and the Benelux countries signed a treaty that brought the ECSC into being. The new organization promised to modernize and expand the industries in question, pool the coal and steel resources of the six member nations, and assure adequate supplies and equal access to all customers. Most gratifying to the United States was the fact that formation of the ECSC cleared away, or at least toned down, French objections to German rearmament. The accomplishments of the ERP in the area of European integration were, then, quite modest during the lifetime of the program, but surely the Marshall Plan must take credit for planting the seeds that subsequently flowered into the European Common Market.

Study Questions

1. Explain the difference between relief and reconstruction.
2. Has the ERP contributed to European agricultural protectionism?
3. The most important contribution to European recovery made by the Marshall Plan may have been its financing of the importation of capital goods. Support or refute this contention.
4. To what extent was Europe's economic plight a product of its payments problems and how did the ERP help solve these problems?
5. Why may it be said that the ECSC was crucial in removing political as well as economic obstacles to the rehabilitation of Europe?

Given its objectives, the Marshall Plan was the most successful foreign aid program in the history of the Republic.

16



Stickers on the windshields of cars just off the production line at the Austin Auto Works in Birmingham, England, echo the twin aims of the Marshall Plan: greater production and more trade.

VII OVERVIEW

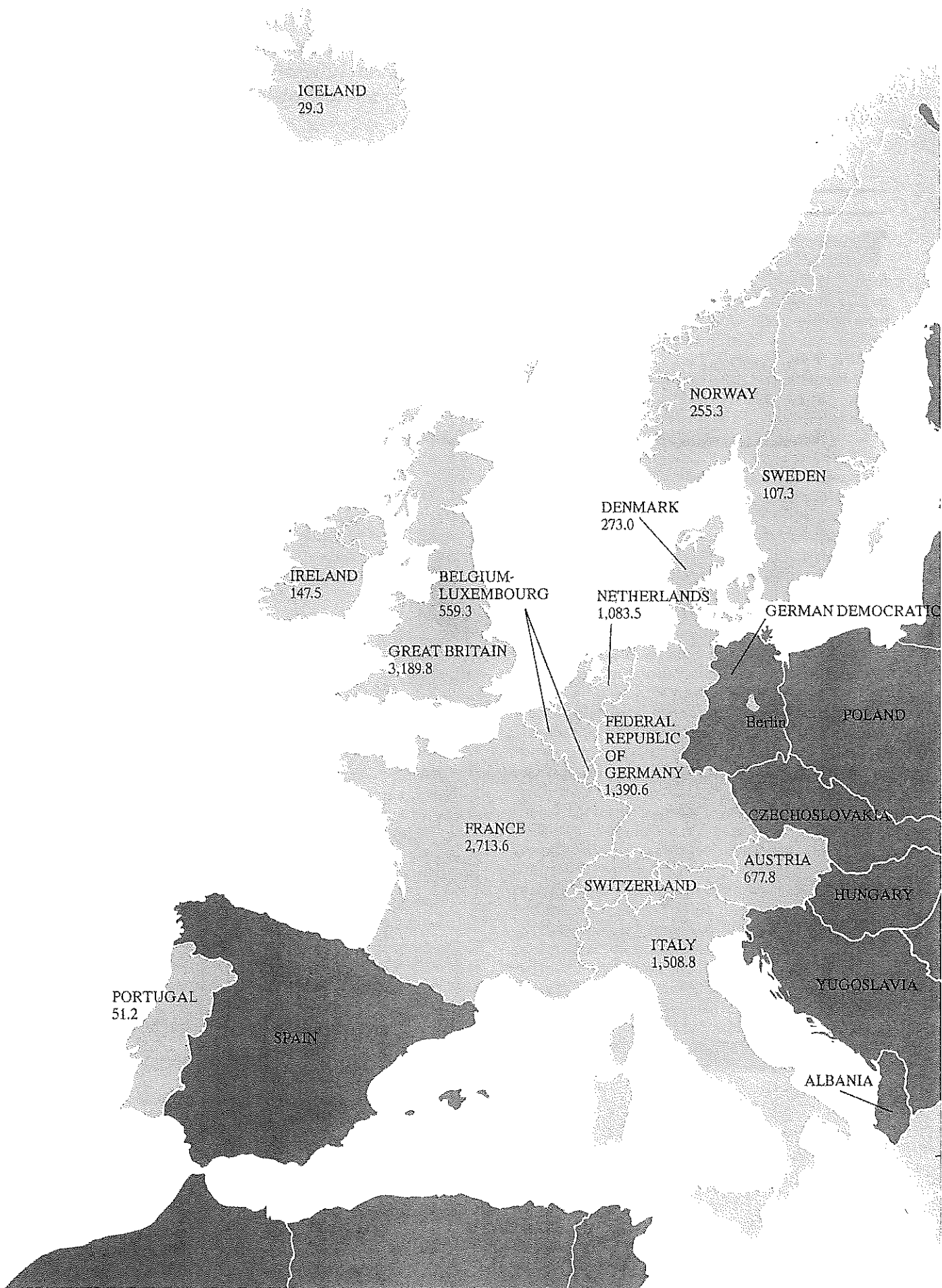
THE EUROPEAN RECOVERY PROGRAM officially ended on December 31, 1951—some forty-five months after its inception. During that period the ECA had distributed some \$13.3 billion, mostly in the form of grants, to the participating countries. Aid rendered to Europe during the life of the Marshall Plan amounted to roughly 1.2 percent of the gross national product (GNP) of the United States. It produced astounding results. Europe's GNP rose from \$119.6 billion in 1947 to almost \$159 billion in 1951—an overall increase of 32.5 percent. Industrial production increased 40 percent over 1938 levels and agricultural output exceeded the prewar figure by 11 percent. In 1950 the volume of intra-European trade stood at 24 percent above the 1938 level and by 1953 it had topped 40 percent. Inflation and extra-European balance of payments continued to be a problem, but it may truly be said that the ERP provided Europe with the momentum it needed to achieve economic viability.

The ERP may have worked to the degree that it did because it involved one nation with a mixed economy and political institutions rooted in democracy and individual liberty extending aid to nations with roughly similar institutions and economies. There was, in other words, a proper political and ideological mix. Whatever the reasons for its success, the motive behind the Marshall Plan was clearly to restore economic health to Western and Central Europe. In formulating and funding the European Recovery Program, the United States was responding not only to humanitarian concerns, but to considerations of self-interest as well. In the first place, an economically healthy Europe would be, as it had been prior to World War II, America's best customer. In the second, as long as Europe's economy remained disorganized and anemic, the continent could not act as an effective bulwark against Soviet imperialism and communist subversion, but would rather constitute a continuing drain on the financial and

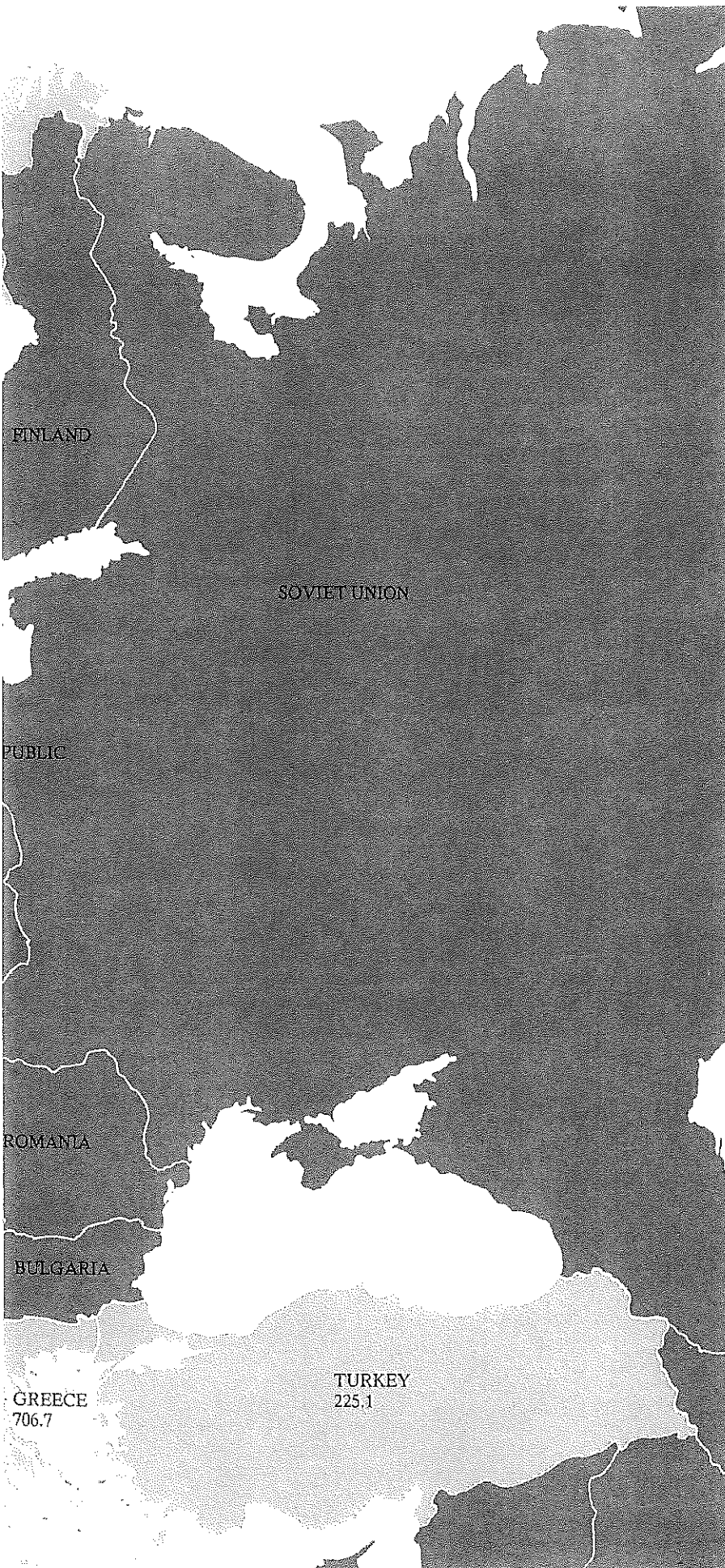
material reserves of North America. In creating and implementing the Marshall Plan, its architects encountered two major obstacles: isolationism and economic nationalism in the United States, and parochialism in Europe. An appeal to humanitarian hopes and anticommunist fears were sufficient to overcome the first, while the leverage of American aid and the political benefits that would accrue to those European leaders who obtained it were enough to overwhelm the second. And, of course, the Socialists, Christian Democrats, Conservatives, and various agricultural and nationalist parties that ruled Europe in 1947 had no more desire to see their countries taken over by the communists than did Republicans and Democrats. By raising living standards and increasing productivity, the Marshall Plan curbed Eurocommunism, helped preserve the political and economic status quo in Europe and America, and made possible a vigorous and enduring North Atlantic Treaty Organization. Given its objectives, it was the most successful foreign aid program in the history of the Republic.

Study Questions

1. Did the Marshall Plan exacerbate or ameliorate the cold war?
2. Why has Europe accepted a degree of economic integration but rejected political union?
3. How did the Marshall Plan pave the way for the birth of the Federal Republic of Germany in 1952?
4. In what ways, if any, did the ERP encourage the formation of the Common Market?
5. Has the permanent U.S. intervention in European affairs that began with the Truman Doctrine and Marshall Plan contributed to the rise of the "military-industrial complex" in America and has it helped perpetuate an unbalanced federal budget? Explain.



ALMOST ALL THE NATIONS of Europe outside of the Eastern bloc were part of the Marshall Plan from the beginning. There were two exceptions: Spain, which as a dictatorship under Franco was not invited to participate; and West Germany, which did not become a full-fledged participant until 1949. The map shows the total amount of economic assistance—in millions of dollars—that each nation received under the Marshall Plan between April 3, 1948, and June 30, 1952.



CHRONOLOGY OF EVENTS, 1941-57

30

1941

Atlantic Charter signed, August 14

- Roosevelt and Churchill agree upon a new structure of international relations as the war's objective, including renunciation of territorial gains and the use of force; right to self-determination of peoples; and free trade and international economic collaboration

1945—END OF THE SECOND WORLD WAR

Yalta Conference, February

- Russia agrees to enter the war against Japan
- Roosevelt, Stalin, and Churchill deliberate the fate of Germany and Eastern Europe

Unconditional surrender of German military forces, May 5

- End of the Second World War in Europe
- Germany overwhelmed by flood of 10 million refugees

Potsdam Conference, July 17—August 2

- Division of Germany into four zones of occupation and Berlin into four sectors
- Regulations issued on dismantlement and reparations

United Nations founded, June 26

1946—DEEPENING OF THE EAST-WEST CONFLICT

Soviet hegemony grows in Eastern Europe and the Balkans

Disagreement among occupying forces in Germany about reparations

Bizone formed, December 2

- American and British zones of Germany combined for economic reasons

1947—THE YEAR OF THE MARSHALL PLAN

Paris peace treaties signed, February 10

- Allies reach peace accords with Italy, Finland, Rumania, Bulgaria

Truman Doctrine speech, March 12

- U.S. President Harry Truman promises help for countries threatened by communism, following Yugoslav-supported coup attempts in Greece and Soviet military threats in Turkey

Four Power Conference, Moscow, March/April

- U.S. Secretary of State George Marshall participates in unsuccessful negotiations on the administration of Germany and a peace treaty

Secretary Marshall's famous speech at Harvard University, June 5

- Announcement of American willingness to help revive Europe, including specification of basic principles on which a recovery program should be based

Three Power Conference, Paris, June 27—July 2

- France, Britain, and the Soviet Union discuss Marshall's offer, the latter refusing participation

Conference of Committee for European Economic Cooperation, Paris, July 12-September 9

- Sixteen European countries meet to specify their requirements and develop a plan for recovery and economic integration

General Agreement on Tariffs and Trade (GATT) signed, October 3

1948—INTENSIFICATION OF THE COLD WAR

Communist coup in Prague, Czechoslovakia, February 2

- Coup engineered by the Soviet Union
- Protests follow in the West; anti-communist sentiment increases

USSR leaves the Allied Control Council in Germany, March 20

Economic Cooperation Act signed, April 3

- President Truman approves legislation embodying the Marshall Plan, known officially as the European Recovery Program (ERP)

Organization for European Economic Cooperation (OEEC) founded, April 16

- Official European body for overseeing distribution of ERP monies established, with headquarters in Paris

Currency reform enacted in the three Western zones of occupation in Germany, June 20

- Foundation of the market economy and the "economic miracle"

Currency reform in the Soviet zone of occupation in Germany, June 23

- Action signals de facto creation of two separate currency areas

Trizone formed, October

- U.S., British, and French occupation zones of Germany are unified into one economic and administrative unit

Berlin blockade, June 24, 1948—May 29, 1949

- Soviet Union blocks all land access to city
- United States responds by airlifting supplies for 11 months

1949—THE PARTITION OF GERMANY

Comecon founded, January 1

- Council for mutual economic assistance to the Eastern bloc

North Atlantic Treaty Organization (NATO) founded, April 4

- The United States, Canada, and 10 European states sign a joint-defense pact declaring that an attack on one signatory state would be considered an attack on all

Federal Republic of Germany (West) established, May 8

German Democratic Republic (East) established, October 7

- de facto creation of two German states

Official accession of the Federal Republic of Germany to the ERP, October 31

1950

Korean War begins, June 24

- U.S. Congress begins appropriating funds to rearm European allies
- Discussions on rearmament of Germany commence

European Payments Union (EPU) founded, September 19

- Organization to facilitate the convertibility of currencies within ERP countries

1951

Creation of the European Coal and Steel Community, April 18

- Under the Schuman Plan, France, West Germany, Italy, and the Benelux countries form a common pool of coal and steel resources, effectively signaling a Franco-German peace treaty

German independence treaty signed, May 26

- End of the Allied occupation of West Germany

1955

West Germany made member of NATO, May 8

1957

Treaties of Rome signed, March 25

- Consolidation of ECSC, EEC and EURATOM into European Community

PEOPLE WHO WERE THERE

32

Dean Acheson. As, Under Secretary of State in the Truman administration, he was one of the officials chiefly responsible for drawing Marshall and Truman's attention to the desperate plight of Europe following World War II. An archetypal member of the eastern establishment, he became Secretary of State upon George Marshall's retirement in 1949.

Ernest Bevin. British Foreign Minister from 1945 through 1951, the final year of the Marshall Plan. A former dockworker and general secretary of the Transport and General Worker's Union, this unlettered, blunt-talking Englishman was staunchly anticommunist and passionately devoted to protecting Britain's economic and strategic interests. He took the lead in rallying the nations of Western Europe around Secretary Marshall's offer.

Georges Bidault. French Foreign Minister from 1944 to 1948. He presided over the opening of the Paris Conference of the Committee for European Economic Cooperation (CEEC). Bidault gained political prestige by playing a prominent role in the French resistance during World II. Though a nationalist who feared a resurgence of German power, he ultimately accepted the U.S. demand that Germany be an integral part of any European recovery program.

Lucius Clay. Military governor of the American zone in Germany. General Clay had no patience with France's efforts to restrain German economic recovery, and he favored the economic and political rehabilitation of Germany as quickly as possible. It was Clay who in May 1946 ordered a cut-off of further reparation shipments from the American zone to the Russian.

William L. Clayton. United States Assistant Secretary of State for Economic Affairs from 1944 to 1948. A Houston cotton broker, Clayton advocated the greatest possible reduction of trade barriers, in order to expand the volume of international trade. A firm believer in an economically interdependent world, he was one of the principal architects of the Marshall Plan.

Averell Harriman. Harriman, heir to one of the world's greatest railroad fortunes, was an Ivy League aristocrat who devoted most of his life to Democratic politics and public service. By 1947 he favored the economic rehabilitation of Europe on humanitarian grounds and as a means for containing communism. As ECA Special Representative he was responsible for interpreting Washington's wishes to the European beneficiaries of Marshall aid.

Paul Hoffman. First director of the Economic Cooperation Administration. Automobile sales-

man, entrepreneur, and at the time of his appointment, president of Studebaker Corporation, Hoffman was an energetic and skilled administrator. As a Republican and businessman, he was eminently acceptable to conservatives in Congress, and his appointment had much to do with congressional willingness to fund the Marshall Plan.

George Kennan. Counselor in the American Embassy in Moscow during World War II and, beginning in 1947, head of the Policy Planning Staff in the State Department. His "long telegram" on Soviet intentions and character in 1946 and his containment article of 1947 had much to do with alerting the foreign policy establishment and the American people to the dangers of Soviet expansionism.

George Marshall. Chief of Staff of the U.S. Army, 1938-1945, and Secretary of State, 1947-1949. He first offered American aid for European recovery in a speech at Harvard University on June 5, 1947. Marshall is generally credited with being the architect of the Allied victory in World War II. The prestige that his name gave to the Marshall Plan had much to do with its acceptance in the United States.

Vyacheslav Molotov. Soviet Foreign Minister, 1939-1953. Molotov (a pseudonym meaning "hammer") was a skilled negotiator known for his apparently limitless capacity for intransigence. He was vehemently opposed to the Marshall Plan, which he denounced as a capitalist Trojan horse to secure American control of as much of the European continent as possible.

Harry Truman. President of the United States, 1945-1953. Truman grew up in and around Kansas City, served as an artillery officer in World War I, and successfully entered politics as a Democrat in the 1920s. At first insecure and uncertain as president, Truman gradually grew in confidence. He initially attempted rapprochement with Russia, but then abandoned that stratagem for a "get-tough" approach. Like Kennan, Marshall, and Acheson, Truman believed that America's security and economic well-being was tied irrevocably to that of Europe.

Arthur Vandenberg. United States Senator from Michigan and, from 1946, Chairman of the Senate Foreign Relations Committee. An outspoken isolationist prior to World War II, he became an active interventionist and, subsequently, a supporter of the United Nations. He believed in a bipartisan foreign policy, and his support had much to do with congressional approval of the European Recovery Program.

SUGGESTED ADDITIONAL READING



In Hamburg, the walls of new apartment buildings were raised from the ruins of the old. Rubble was crushed, graded, and mixed with U.S.-supplied cement to create a strong building material.

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