# The Marshall Plan: Origins and Implementation

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FOR EUROPEAN RECOVERY
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# The Marshall Plan: Origins and Implementation

by William F. Sanford, Jr.

## The Speech

Thirty-five years ago, Secretary of State George C. Marshall delivered a brief address that was to have a profound impact on subsequent world events. His message, presented before a group of 2,000 graduates and alumni at Harvard University's commencement ceremonies on June 5, 1947, was simple and direct, the style low key. "I need not tell you gentlemen," he began, "that the world situation is very serious."

Marshall presented a picture of a European economy in a state of disintegration. The costs of World War II, in terms of physical destruction, the liquidation of assets, and general economic dislocation, threatened to cause a complete breakdown of normal social and commercial life. Raw materials and fuel were in short supply; finished goods needed for production and exports were virtually nonexistent. Food shortages confronted large segments of urban populations with undernourishment and even starvation. Productivity was dwindling rapidly. Governments were quickly exhausting their last reserves in order to import the necessities of life for their populations.

"It is logical," Marshall continued, "that the United States should do whatever it is able to do to assist in the return of normal economic health to the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation, and chaos." He stressed that the initiative for recovery had to come from the European nations themselves, which would be expected to join in a cooperative effort to put the entire continent back on its feet.[1]

The reaction to the speech across the Atlantic Ocean was electric. British Foreign Secretary Ernest Bevin immediately conferred with French Foreign Minister Georges Bidault, who invited Bevin to discuss the proposal in Paris on July 3. The two foreign ministers issued a joint communique inviting 22 European nations to send representatives to Paris to draw up a cooperative recovery plan. The 16 nations which accepted, including all those invited except the Soviet Union and members of the Communist bloc, convened in Paris on July 12 to begin developing a comprehensive economic program in response to Marshall's address.

**Cover photo: Secretary of State George C. Marshall walks in the commencement procession prior to delivering his address before the graduating class of Harvard in Cambridge on June 5, 1947.**

(George C. Marshall Research Library, Lexington, Virginia)

## The Soldier Statesman

The son of a coal merchant and a relative of Chief Justice John Marshall, George Catlett Marshall, Jr., knew at an early age that he wanted to become a soldier. Born in December 1880 in Uniontown, Pennsylvania, he spent his boyhood near areas associated with George Washington's early military career. His later exposure to the traditions of Robert E. Lee and Stonewall Jackson, as well as the outbreak of the Spanish-American War, strengthened his inclinations.

He graduated from the Virginia Military Institute (VMI) in 1901 and was commissioned a second lieutenant in the U.S. Army. In the years before World War I, he served two tours of duty in the Philippines between several home assignments. As chief of operations of the First Army during World War I, he gained widespread recognition in the army for his role in preparing the Meuse-Argonne offensive. Between the wars perhaps his most influential assignment was his tour as Assistant Commandant of the Infantry School at Fort Benning, Georgia, where he instituted changes in the instruction which influenced many World War II commanders.

By the time Hitler had launched the Second World War by his invasion of Poland in September 1939, Marshall had risen to the position of Army Chief of Staff, a post which he held throughout the war. He exerted enormous influence over policy during the war years, successfully insisting upon a cross-channel assault in 1944 instead of Churchill's plan for a Balkan campaign. Marshall recommended his protege, Dwight D. Eisenhower, to lead the invasion of Europe, after Roosevelt had decided that Marshall was too indispensable in Washington to take command himself. Hailed after the war as "the architect of victory" and the "first global strategist," General Marshall assumed key civilian posts in the Truman Administration. The President first selected him to arbitrate the bitter civil war in China in 1946 before choosing him to be his Secretary of State in 1947. Obliged to resign in early 1949 because of impending surgery, Marshall had recovered sufficiently by 1950 to serve a year as Secretary of Defense. In 1953 he was awarded the Nobel Peace Prize, the first professional soldier in history to receive it.


(Department of State)

Marshall died in Washington, D.C., on October 16, 1959.

This summary was derived from the work of Forrest C. Pogue, who currently is nearing completion of the fourth and final volume of his biography, *George C. Marshall.*

## The Crisis

The Marshall Plan brought a sense of profound relief to European leaders. Bevin later characterized it as "a lifeline to sinking men. It seemed to bring hope where there was none. The generosity of it was beyond belief . . . I think you can understand why we grabbed the lifeline with both hands."[2]

Few knowledgable observers would have accused Bevin of overstating his case. The European economic situation was grim, and by 1947 the extent of the damage became alarmingly apparent, first to European and ultimately to U.S. leaders. At the heart of the problem was a growing shortage of coal and food grains. The Western Zones of Germany, which had supplied most European coal requirements before the war, were producing at less than a third of their prewar rate by the last quarter of 1946. Reduced coal supplies, from which Europe derived 80% of its energy requirements, sharply curtailed steel production, which in turn adversely affected the output of machinery and other goods desperately needed for reconstruction.

Food was also becoming alarmingly scarce. Shortages in fertilizer and agricultural machinery, combined with one of the harshest winters on record in 1946–47, severely limited spring harvests throughout Europe. The net effect was to significantly reduce per capita caloric intake in major European population centers and to bring large numbers of people in southern and eastern Europe to bare subsistence levels

The decline in production put pressure on Europe's financial position. The bidding for limited supplies aggravated domestic inflation, and governments, which had already liquidated most of their reserves and foreign assets to pay for the war, had difficulty financing the imports they needed to relieve

**Homes in the Netherlands, bombed and gutted during World War II, were rebuilt with the help of Marshall aid.**

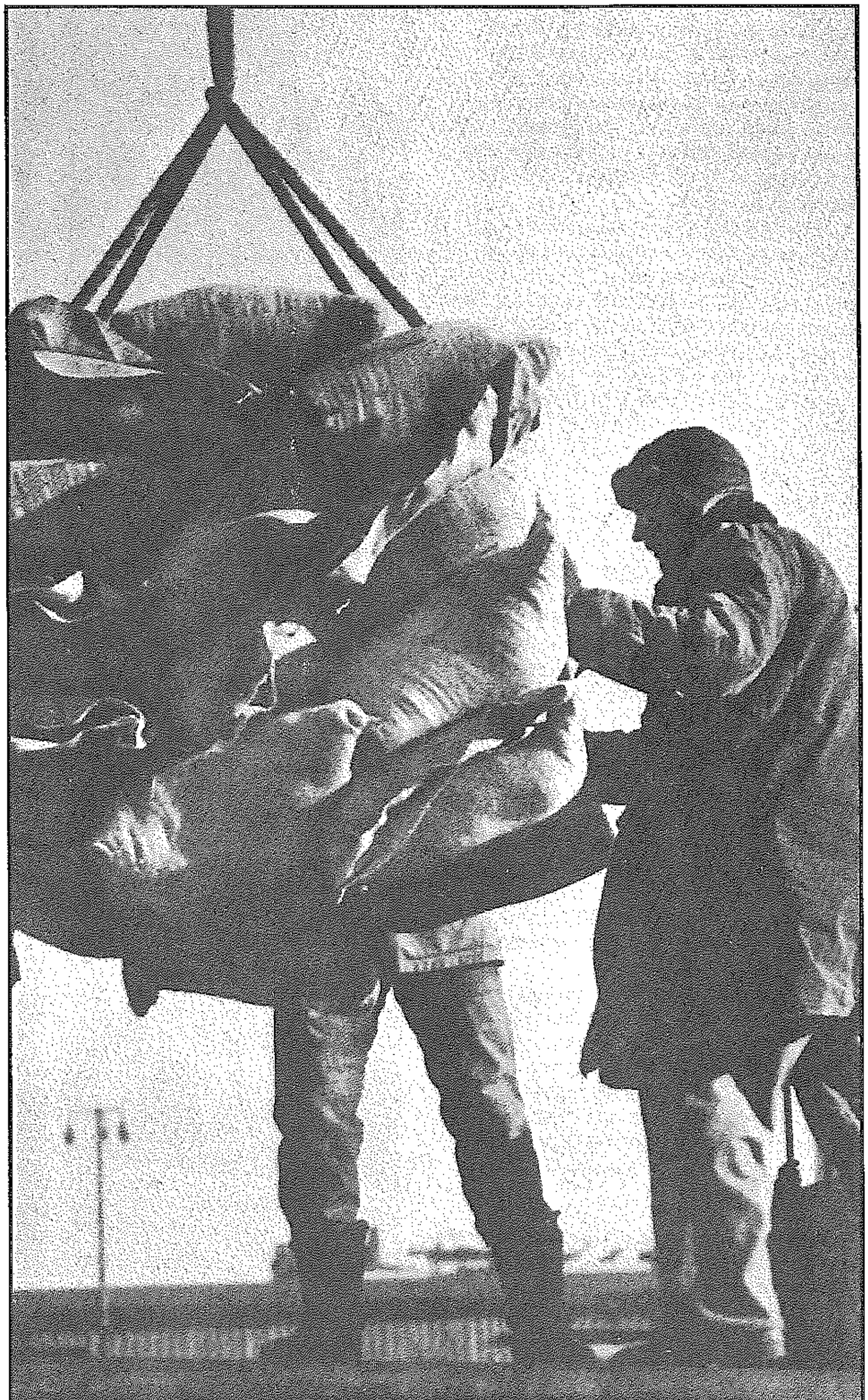
(International Communication Agency)

domestic shortages. Because of production bottlenecks, the very commodities which they had depended on before the war to earn foreign exchange were often the ones in short supply. Balance-of-payments deficits began to mount rapidly, and by 1947 grants and loans extended by various U.S. agencies and international institutions to help meet Europe's trade shortfall had begun to dry up.

## The Concern

Marshall's address of June 5, 1947, was the culmination of months of increasing U.S. concern over the European situation. More than any other development in 1947, the Greek civil war focused U.S. attention on the European economic crisis and the potentially dangerous political and economic consequences of allowing the situation to continue to worsen. In Greece a Communist guerrilla movement threatened to topple the conservative government which had been elected after the war. The growing strength of the Communist Parties in Italy and France was already beginning to alarm State Department officials who saw in the Greek Communist insurrection a harbinger of what could happen elsewhere. Most policymakers feared that the establishment of Communist governments in Western Europe would soon be followed by the extension of Soviet control.

The Greek crisis required an immediate U.S. response. On February 24, 1947, the British Government, which since the end of the war had maintained a military presence in Greece, informed the United States that it lacked the financial resources to continue aid to the Greek Government. In a flurry of activity, President Truman, in consultation with the Department of State and Members of Congress, decided to reverse a longstanding U.S. tradition of peacetime noninvolvement in foreign



**Food was a critical item provided under the Marshall Plan. This shipment was unloaded in Reykjavic, Iceland.**

(International Communication Agency)

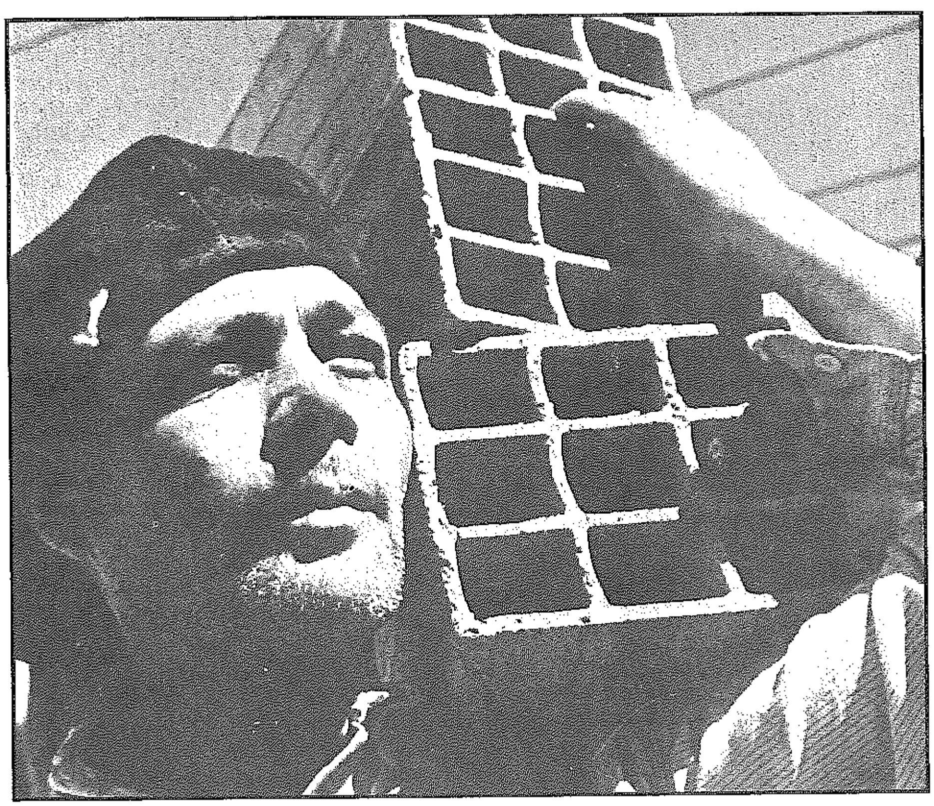
military and political affairs. On March 12, 1947, the President announced a program of military aid to Greece and also to Turkey, which was facing severe internal pressure from the Soviet Union.

The real shock to Americans arising from the Greek crisis was the realization that Britain's economic woes were seriously eroding its position as a world power. Consequently, at the same time that they were addressing the Greek crisis, U.S. officials were forced to confront the extent of economic dislocation in the United Kingdom and the rest of Europe. Once the decision had been made to send $400 million in aid to Greece and Turkey, it became psychologically easier for the Administration to intervene in behalf of general European recovery. For the remainder of the spring, officials at the State Department became more preoccupied with the deepening economic emergency abroad.

For Secretary of State Marshall the failure of the Western allies and the Soviet Union to agree to German and Austrian peace treaties in Moscow was an important turning point. He returned home on April 28 from the Council of Foreign Ministers' meeting in Moscow convinced that the Soviet Union was doing everything possible to achieve an economic breakdown in Europe. In a radio address that evening he foreshadowed the decision he was to announce at Harvard. "The recovery of Europe has been far slower than had been expected," he advised his listeners. "Disintegrating forces are becoming evident. The patient is sinking while the doctors deliberate. . . . Whatever action is possible to meet these pressing problems must be taken without delay."[3]

With President Truman's full support, Marshall began to prepare the basis for U.S. intervention. He requested George Kennan, a career Foreign Service officer with long experience in Soviet affairs, to establish a policy planning unit whose first task would be to recommend a solution to the European economic crisis. Marshall wanted a report in 2 weeks. "Avoid trivia," he admonished Kennan at the end of their meeting. Working feverishly, Kennan and his staff produced a memorandum on May 23 which recommended establishing an immediate program to ease production bottlenecks in Europe, with particular emphasis on relieving the coal shortage. In addressing the long-term task of reconstruction, Kennan urged that European nations be encouraged to devise a plan to put themselves on a self-supporting basis with the promise of U.S. financial support.

Quite independently, other senior State Department officials were also becoming convinced that the European economic crisis required immediate attention. In early March Under Secretary of State Dean Acheson had requested the State-War-Navy Coordinating Committee (SWNCC), which had helped to formulate policy on the Greek-Turkish question, to study the larger issue of Europe as a whole. Noting the committee's subsequent warning of a political upheaval in Europe unless pressing shortages were met, Acheson, with the President's approval, devoted the entire text of his May 8 address before the Delta Council in Mississippi to the European situation. He discussed the devastation in Europe and the collapse of normal international trade. "Until the various countries of the world get on their feet and become self-supporting," he declared, "there can be no political or economic stability in the world and no lasting peace or prosperity for any of us." He concluded that the United States would have to finance what was needed by foreign countries to sustain life and rebuild their economies.[4]

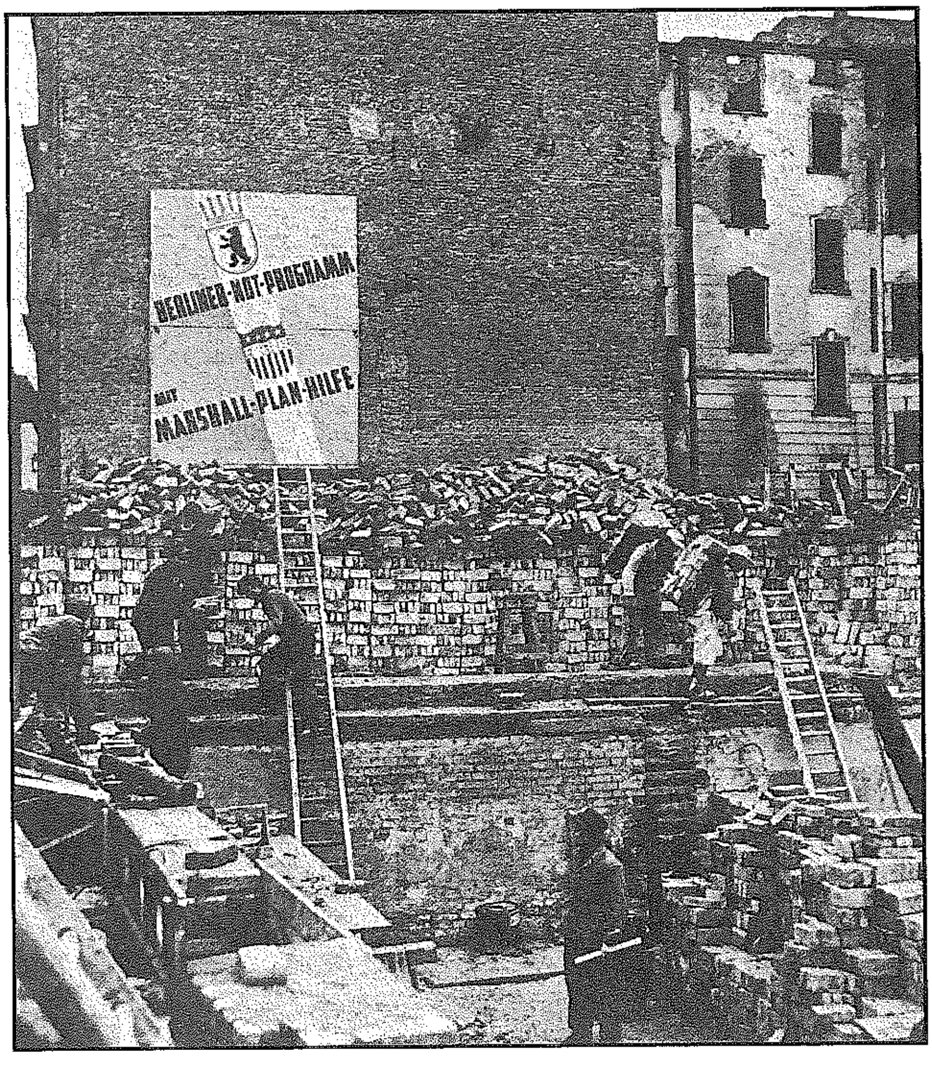


**Under the Economic Recovery Program, new and modern buildings replaced old ones. This construction worker in Naples, Italy, was one of the thousands of Europeans given jobs rebuilding their countries.**

(International Communication Agency)

William L. Clayton, Under Secretary of State for Economic Affairs, regarded both at home and abroad as America's foremost economic statesman, was rapidly reaching the same conclusion. Serving abroad as the U.S. representative at a U.N. trade conference since early April 1947, Clayton was regularly exposed to the details of Europe's economic conditions. "Europe is steadily deteriorating," he wrote in a memorandum to Marshall. "Millions of people in the cities are slowly starving." Europe's annual $5 billion deficit financed "an absolute minimum standard of living. If it should be lowered, there will be revolution." He estimated that Europe would need a yearly grant of $6 or $7 billion for 3 years based on a plan worked out by the leading European nations. "It will be necessary for the President and the Secretary of State to make a strong spiritual appeal to the American people to sacrifice a little themselves, to draw in their own belts a little to save Europe from starvation and chaos."[5]

The Clayton memorandum, which was forwarded through Acheson to Secretary Marshall on May 27, gave the aid question a sense of urgency. Marshall convened a meeting of his closest advisers to discuss the Clayton and Kennan reports. There was virtual unanimity that dramatic steps had to be taken quickly. By the end of the meeting, Marshall had decided upon the general outlines of a European recovery program. He needed only a podium from which to make the announcement. Recalling that he had tentatively accepted Harvard's invitation to receive an honorary degree, he decided to use the occasion to present his initiative. The speech, drafted by Special Assistant Charles E. Bohlen, borrowed from both the Clayton and Kennan memoranda. Marshall, not completely satisfied, rewrote parts of the text on the plane to Cambridge on June 4. Until its delivery, the substance of the address remained a well-kept secret. Only Marshall's closest advisers knew what he would say the following day.




These workers in Berlin built houses for the city's homeless—estimated in the thousands.

(International Communication Agency)

## The Groundwork

Marshall's speech committing the United States to assist European recovery was a milestone in the growth of U.S. peacetime world leadership. As had the announcement of the Truman Doctrine the previous March, the Marshall Plan marked a dramatic departure from the isolationism that the United States had embraced after World War I. U.S. policymakers, joined by a number of congressional leaders and informed private citizens, appeared to accept the new challenges of world responsibility. They viewed active involvement in solving Europe's economic problems to be in the national interest, economically as well as politically, and the best hope of averting another world war.

Nevertheless, the immensity of the projected financial commitment to Europe, estimated at $17 billion over a 4-year period, made widespread congressional and public acceptance impossible to guarantee. In order to secure congressional passage of the assistance program, the White House and other proponents of the Marshall Plan, both in the government and the private sector, had to assure the nation that the United States could afford such unprecedented outlays and that they were necessary for European recovery.

To satisfy itself and Congress on the first count, the Administration launched three studies to determine whether the United States could, indeed, support an aid program of the magnitude anticipated. The Council of Economic Advisers examined the potential impact of the foreign aid program on the domestic economy. A second group, headed by Secretary of the Interior Julius A. Krug, sought to anticipate the program's effect on U.S. natural resources. Perhaps the best known analysis was conducted by the President's Committee on Foreign Aid, chaired by Commerce Secretary W. Averell Harriman, which examined the broader question of the limits within which the United States could wisely extend aid to Western Europe.

All three groups concluded that the United States could meet the assistance requirements, but not without a degree of sacrifice. They pointed out that the U.S. economy, which was going at full tilt in 1947, was experiencing shortages and high domestic demand for most of the products that Europeans most needed. Supplies of wheat, fertilizer, coal, steel, and farm machinery were especially tight in the United States. The fact that European nations required both raw materials and finished products complicated the supply problem since increased production of one category of goods frequently reduced the availability of others. For example, in order to produce more wheat to relieve Europe's food crisis, farmers could be expected to buy more tractors, which in turn would use more steel and coal, reducing the quantities of those needed commodities available for export to Europe. Indeed, of all the products most in demand by European producers and consumers, the Harriman committee found that only rubber and tobacco were being produced

**This textile plant in Oporto, Portugal, was built with U.S. economic aid.**

(International Communication Agency)

in the United States in readily exportable quantities. All the reports clearly warned that the pressure on limited supplies required for a European aid program would aggravate inflation and oblige U.S. producers and consumers to postpone purchasing some needed equipment and materials. Still, all three groups expressed the conviction that despite such sacrifices, the launching of a European recovery program was essential to Europe and in the U.S. national interest.[6]

## The Support

Despite evidence of support for the Marshall Plan in Congress and among the general public, it was apparent by the fall of 1947 that many people had either never heard of it or remained unconvinced of its necessity. The Truman Administration consequently launched a massive public relations campaign to educate the American public, and it encouraged private citizens to participate in these efforts. Secretary Marshall, joined by other members of the Administration, made numerous public appearances before various civic and trade groups to promote the European aid program. Indeed, Marshall made so many speaking trips, especially to rural communities in the South and Midwest, that he later remarked that he felt as if he were running for office.[7]

Privately organized groups also proved effective in influencing public opinion. One of the most consequential was the Committee for the Marshall Plan, formed on November 17, 1947, by a group of distinguished citizens, many former government leaders. The committee, which received the enthusiastic support of the White House and State Department, initiated a wide range of activities to promote passage of the European recovery legislation in Congress. Soliciting the active participation of leaders in business, labor, and farm organizations, it organized regional committees throughout the nation and publicized its point of view through speaking engagements, radio broadcasts, and the wide circulation of relevant publications and articles. It exerted pressure on Congress by initiating petitions on both the national and local level for passage of the European Recovery Program.

The urgency of the situation required even the President to become actively involved in the education effort. Truman personally launched a food conservation campaign in the early fall of 1947 in response to an interim report from the Harriman committee that the United States had to increase its grain exports dramatically in order to avert starvation in parts of Europe. On October 5, 1947, he broadcast a personal plea to all Americans to reduce their consumption of grain so that supplies could be shipped overseas without causing inflationary shortages at home. Describing the growing desperation abroad, he urged every citizen to institute meatless Tuesdays and to cut down consumption of poultry and eggs, all of which would alleviate the domestic demand for grain.[8]

Administration and private efforts ultimately proved successful. The President's radio address did much to draw national attention to European conditions, and it elicited an overwhelming testimony of compliance. Letters flowed into the White House from citizens across the country. Children promised to clean their plates; bakeries reported measures to reduce waste; distilleries announced the voluntary suspension of the production of grain alcohols for 60 days. Other groups including farmers, restaurants, hotels, airlines, and the merchant marine extended their sup-

## The Soviet Vetoes

The initial response of several East European nations to the Marshall Plan was positive. Both the Polish and Czechoslovak Governments expressed their intentions to send delegations to the organizational meeting to open in Paris on July 12, 1947.

On the occasion of presenting his credentials on July 9, the newly appointed U.S. Ambassador to Poland, Stanton Griffis, congratulated the Polish President on his government's decision. Later that day, Griffis was summoned to the Foreign Office and informed that the Polish Government had changed its mind and would not send delegates to the Paris meeting. Griffis reported that the Polish Foreign Minister was "extremely apologetic and at least apparently regretful" about the reversal, and his impression was that the foreign minister and perhaps the entire Polish Cabinet had been overruled by a "higher authority."

On that same day in Moscow, Stalin and Molotov informed a Czechoslovak delegation, which included Foreign Minister Jan Masaryk, that the Marshall Plan was intended to isolate the Soviet Union economically and that they viewed Czech participation as a hostile act against the Soviet Union. After word of Soviet disapproval was cabled to Prague, a hastily assembled cabinet reversed its decision. Masaryk later remarked, "I went to Moscow as the foreign minister of an independent sovereign state; I returned as a lackey of the Soviet Government."

A Yugoslav official confided to an East European diplomat that the Yugoslav Government privately had also agreed to take part in the European meeting on the Marshall Plan but had changed its mind under pressure from Moscow.

It was ironic that shock in the United States over the Communist coup in Czechoslovakia in February 1948 and the death of Masaryk—he either fell or was pushed from his Foreign Office residence—helped spur Congress to approve Marshall Plan funding.

This summary, prepared by Ronald D. Landa, The Office of the Historian, was based on Robert H. B. Lockhart, *Jan Masaryk, A Personal Memoir* (1951); Josef Khorbel, *Tito's Communism* (1951); and *Foreign Relations of the United States,* 1947, Vol. II. ■

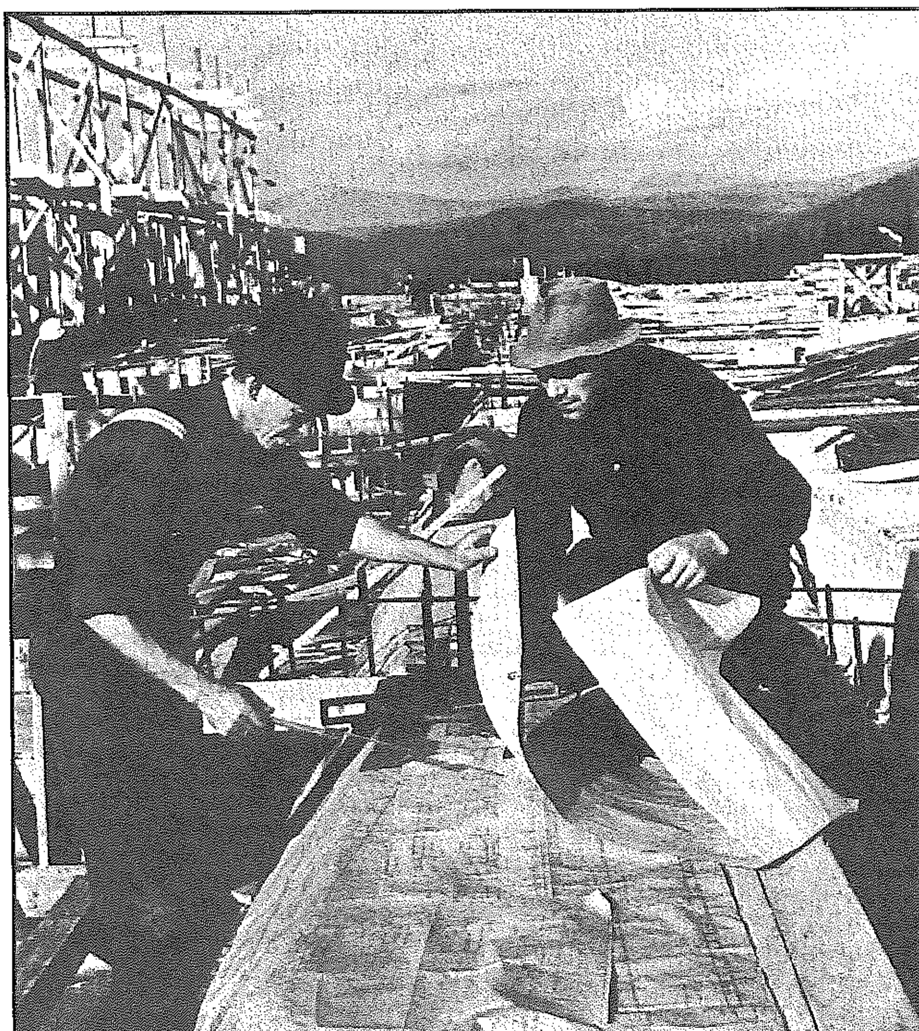
port. On a nationwide basis, a Gallup poll released on December 7, 1947, revealed that between July and December the proportion of the population which had not heard of the Marshall Plan had dropped from 51% to 36%, and during the month of November those in favor of a European aid program had risen from 47% to 56%.[9]

The Administration had an equally important mission in winning congressional approval of the aid program. The Republicans had won the off-year election in 1946, and the fact that much of the debate over the aid program was likely to occur in an election year gave the White House little comfort. Furthermore, many conservative Senate Republicans, led by Robert A. Taft of Ohio, as well as some Democrats, were expected to oppose any substantial financial commitment to Europe on both practical and philosophical grounds.

The Administration was determined to make the Marshall Plan a genuinely bipartisan issue by securing support from Republican leaders in Congress. The linchpin of this strategy was Republican Senator Arthur H. Vandenberg from Michigan. Vandenberg had several assets, not the least of which was his chairmanship of the Senate Foreign Relations Committee. He also was respected among those conservative Republicans expected to provide the most opposition to the recovery legislation. He had been a leader of the isolationists in the 1930s who had resisted any U.S. involvement in international affairs. But the Japanese attack on Pearl Harbor had profoundly shaken his principles of noninvolvement and had transformed him into a firm supporter of an international peacekeeping role for the United States.

Immediately after Marshall's speech on June 5, the Administration included Vandenberg in its councils. During the summer of 1947, Secretary Marshall held twice weekly meetings with Vandenberg to brief him on European developments and to keep abreast of congressional attitudes. In succeeding months Vandenberg labored at a hectic pace to gain his colleagues' support, not only for the 4-year $17 billion European Recovery Program but also for an emergency appropriation to allow Europe to hold out until the longer range program could be passed and implemented. "I feel that Vandenberg has never received full credit for his monumental efforts on behalf of European recovery," Marshall later remarked. "He was my right hand and at times I was his."[10]

Developments both within and outside Congress helped to ease Vandenberg's task. During the summer and fall of 1947, congressmen and senators traveled to Europe individually and in groups to evaluate European conditions first-hand. One of the most notable trips was conducted by the Select Committee on Foreign Aid, chaired by Congressman Christian A. Herter, which sailed for Europe at the end of August 1947. The Herter committee, representing a geographical and political cross-section of the House membership, divided itself into five subcommittees responsible for different areas of Europe. After making ex-



**A new steel plant was constructed north of the Arctic Circle by the Norwegian Government.**

(International Communication Agency)

haustive studies, committee members returned in mid-autumn with a deep personal interest in the conditions to which they had been exposed abroad. It was particularly significant that some of those who came back from Europe strongly committed to an aid program had been, like Vandenberg, strong prewar isolationists. Republicans Frances Bolton, Karl Mundt, and Everett Dirksen, all of whom had fought to limit U.S. involvement in European affairs before the war, became committed Marshall Plan supporters. Lawrence W. Swift, a Republican from Wisconsin, undoubtedly spoke for more than just himself by his candid admission: "I became a convert on this trip, and I want to state that for the record." [11]

The testimony of the Herter committee members played an important role in softening conservation opposition to European aid. The eyewitness accounts of the increasingly desperate conditions abroad were instrumental in securing congressional approval of a $597 million interim aid bill for Europe in December 1947 and provided a sober and informed basis from which hearings and discussions on the Marshall Plan could proceed in the winter of 1948. To answer conservative concerns that so large a grant would severely damage the domestic economy, committee members warned that without a fully funded aid commitment, Europe would become increasingly vulnerable to the establishment of Communist and ultimately Soviet control.

Ultimately, events abroad proved to be more persuasive than even the most eloquent of the Marshall Plan supporters. In early 1948, the Soviet Union moved to strengthen its hold over Eastern Europe. On February 25, following a campaign of intimidation engineered by local Communist leaders, Czechoslovakia's democratic government was replaced by a Soviet-controlled dictatorship. At the same time, the Soviet Union put pressure on Finland to join a Soviet alliance. The danger of growing Communist strength in Western Europe was underlined by warnings from the U.S. Embassy in Rome of the possibility of a Communist victory in the Italian elections scheduled for mid-April.

Growing national concern over these developments abroad helped to assure passage of the Economic Cooperation Act of 1948 which embodied the Marshall Plan, or the European Recovery Program as it was formally named. The Senate approved the bill on March 13 by a vote of 69 to 17, followed by a favorable House vote on March 31 of 329 to 74.

## The Administrator

The Marshall Plan legislation provided for an Economic Cooperation Administration (ECA) to administer the aid program in Europe. Vandenberg was convinced that the European Recovery Program could be more efficiently operated by people with business and financial backgrounds rather than by government bureaucrats and had, therefore, insisted that aid operations be conducted outside the Department of State. The Administrator of ECA was expected to consult with the State Department regarding policies which affected broad foreign policy objectives. However, he was not subordinate to the State Department, but responsible only to the President.

Vandenberg also believed that in order to insure continued bipartisan support of the European Recovery Program, the new administrator should be a businessman and a Republican. He recommended Paul Hoffman, the President of Studebaker, who commanded widespread support among the business community and was well respected in Congress. He was a Republican, although not a strongly partisan one. Although President Truman had other candidates in mind, he accepted the suggestion and appointed Hoffman to the position. Hoffman proved to be an ideal choice. In the first instance he was a successful businessman and a first-rate manager. Named president of Studebaker in 1935, 2 years after it had lapsed into receivership, he restored the ailing company to a position of solid profitability within 5 years. He also had been exposed to broad national economic problems. In 1942 he had helped found the Committee for Economic Development (CED), established to make recommendations on anticipated postwar economic problems. He also served with distinction on the Harriman committee and agreed wholeheartedly with the proposed European aid program.

Although initially reluctant to leave private industry to accept the position of Administrator, Hoffman attacked his new responsibilities energetically. Even before his organization was fully in place, he began moving emergency supplies to Europe. He fully shared the sense of urgency felt by Administration and congressional leaders and remained zealously committed to European recovery throughout his tenure. His greatest fear, one that never completely left him, was that an incomplete recovery would gravely endanger U.S. security by exposing West European nations to Soviet expansion. "I just can't tell you what a feeling of almost terror I had when I came back here as to what would happen to us if we stopped this program," he once confessed to the Senate Foreign Relations Committee, "because they are not strong enough." [12] Hoffman insisted that in order to be successful, European recovery had to be both genuine and permanent. Production had to be increased and export sectors revived if European nations were ever again to pay for the goods they needed. The bottom line was the raising of European living standards. "We ought to keep our eyes on just one thing and that is: Will that program build up production and produce a reasonable degree of prosperity in 4 or 5 years?" he stated shortly before he was asked to become Administrator. "The way to combat communism is with prosperity."[13]

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(Department of State, 1967)

## The Reluctant Nominee

Although Paul Hoffman proved to be an excellent choice to head the Economic Cooperation Administration, he did not want to accept the position. As President of Studebaker, he expected to be named Chairman of the Board in the near future. Furthermore, he much preferred life in California to the frantic pace of Washington. Hearing rumors in early March that he was being considered for the ECA post, he agreed to serve on a commission to study the economic situation in Japan and Korea, anticipating that he would be safely out of the country when the announcement was made. His timing proved faulty. Because the final passage of the legislation was delayed, he was in Honolulu on his way home when presidential aide John Steelman telephoned him about accepting the job. Hoffman refused to give Steelman a definite answer, promising only to travel to Washington within a week to discuss the matter further.

Once in Washington he stunned his sponsor, Senator Arthur Vandenberg, by confiding that he planned to turn down the job. "You don't dare refuse if the President offers this opportunity to you," Vandenberg exclaimed. Hoffman then went for a physical checkup confident that his current state of exhaustion and a bad cold would disqualify him for the position on medical grounds, only to learn that he was in excellent health. Finally, during his meeting with the President, Hoffman frankly told Truman that he did not want to leave Studebaker now that the company was becoming profitable. He added that in his experience, he never received a superior performance from an employee who did not want a job, and he did not want this one. Truman replied that staffing the Federal Government was different than hiring in the private sector in that the best men generally had to be drafted. "I am expecting you to say yes," Truman told him. Hoffman promised to think it over.

On the afternoon following his talk with the President, Hoffman held a press conference to discuss his Asian trip during which reporters appeared to be far more interested in rumors about his appointment as ECA Administrator than in his views on the Japanese and Korean countries. Suddenly the session was interrupted by a bulletin from the White House announcing that Hoffman had accepted the ECA post. Stunned, standing before the cameras, Hoffman realized that he could not deny the announcement without making a public repudiation. With whatever reservations he continued to harbor, the President of Studebaker Corporation suddenly discovered that he had a new job.

This account is derived from two interviews with Hoffman, one dated January 28, 1953, by Harry B. Price, the other dated October 25, 1964, by Philip C. Brooks. Summaries of both interviews are available at the Truman Library in Independence, Missouri. ■

## The Special Interests

Like most businessmen, indeed many Americans, Hoffman believed that restoring Europe's economy would be in the United States best economic as well as political and strategic interests. A prosperous Europe would allow a mutually beneficial trading relationship to develop which would be to the advantage of both sides. But the ECA Administrator opposed using the European Recovery Program as a means of enhancing short-term U.S. business opportunities unless the products Americans wished to sell were the same ones Europeans needed and wanted. In the cases where they were, he was happy to approve the allocation of the program's funds to finance these products. Indeed, a large portion of Europe's food requirements could be met only by the United States. However, Hoffman encouraged European nations to purchase goods elsewhere if by so doing they could concentrate their limited dollar resources on those items which the United States could supply most cheaply and efficiently. He was convinced that this temporary setback to some U.S. exports would enable European countries to reach a point where they could afford U.S. products without the help of the U.S. taxpayer.

The President and a majority in Congress and business generally supported Hoffman. But as the recovery program unfolded, the Administrator became the target of a growing number of critics in Congress who accused him of selling out American economic interests. Indeed, some special interest groups had sufficient backing in Congress to secure legislative preference for their economic interests. For example, the shipping lobby was able to insert a provision in the Economic Cooperation Act that required 50% of all commodities procured under the Economic Recovery Program to be transported in U.S. ships. In deference to various agricultural groups, Section 112 of the act also obliged the Administrator to encourage European procurement of U.S. surplus agricultural products. Flour millers were able to secure a provision requiring 25% of all wheat shipments under the program to be in the form of flour.[14]


**Heavy equipment was vital for European industries after World War II. This fractional tank for a refinery was unloaded at Le Havre, France.**

(International Communication Agency)

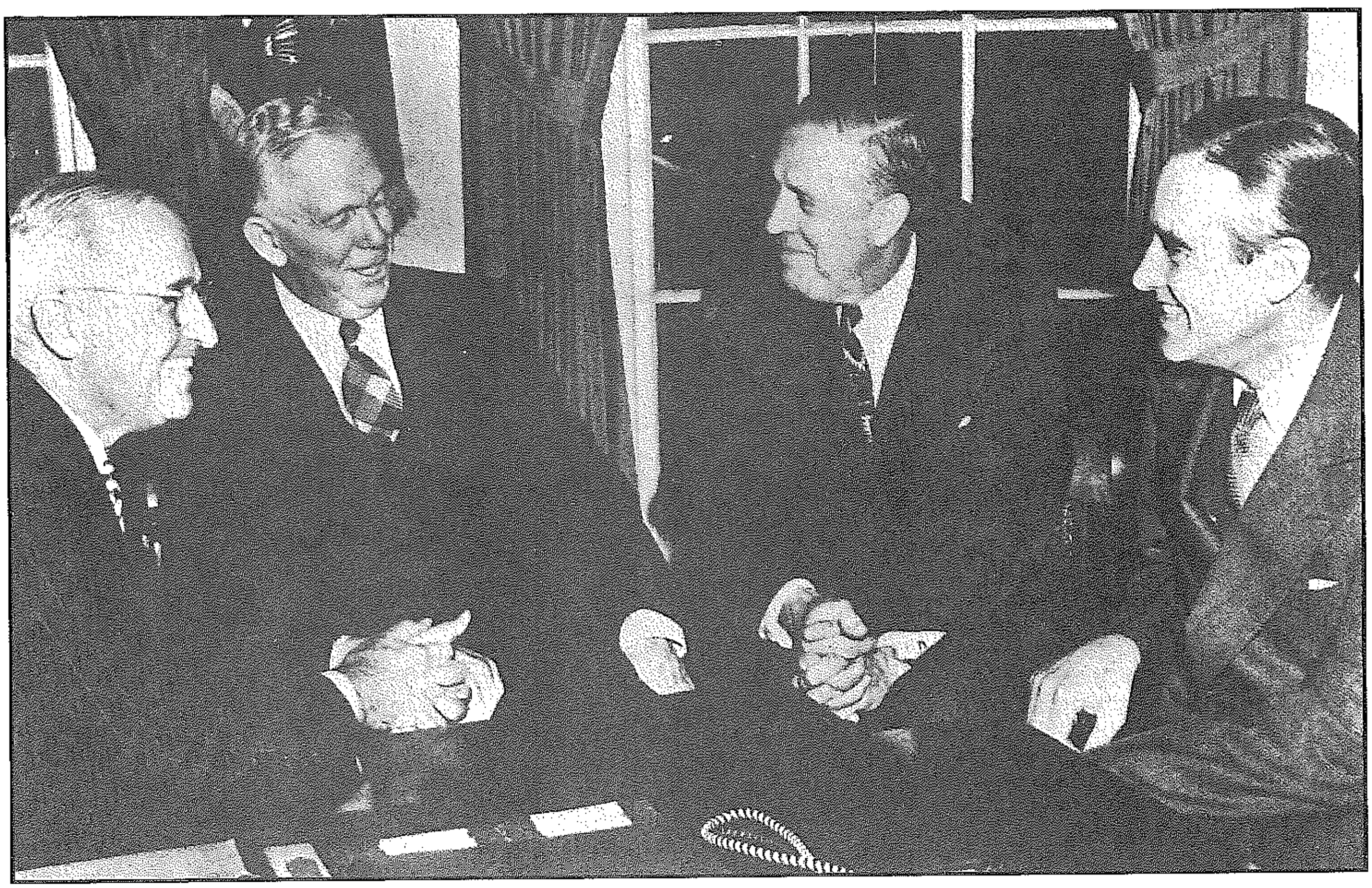
These were not the only economic groups seeking to benefit from the program. As the U.S. recession gathered force in 1949, what started as a trickle became a flood. Businessmen hurt by the downturn besieged ECA for orders financed by the European Recovery Program. Hoffman at one point told a closed session of the Senate Foreign Relations Committee that the list of products being pushed for special consideration stood at 109 and was "being added to almost hourly."[15]

Hoffman insisted that private businesses had to compete for European orders much as they had before the implementation of the Marshall Plan. If a European customer needed to purchase their goods, he could apply to his government for dollar credits. If the foreign government approved the request and desired funds to be made available under its program's allocation, it would forward the request to ECA. Hoffman or one of his subordinates would then make a decision based on the degree to which the order contributed to European recovery. This system also applied to agricultural products except that the initial requisition procedure was normally handled by government agencies.

Hoffman's procedures did not satisfy those congressmen who felt he should do more for American products. Some legislators criticized him for failing to push U.S. tobacco sales abroad. Others criticized him for not forcing the British to buy more American wheat. Still others complained that he was not doing enough to stimulate European demand for U.S. machine tools, canned fish, cotton yarn, printing equipment, fur, steel, or marine insurance, to name a few. Senator Alexander Wiley of Wisconsin undoubtedly expressed the sentiments of many of his colleagues during a closed session of the Senate Foreign Relations Committee in 1949: "I think as Adminstrator your one fault . . . is that you hold stubbornly to this one concept, that it is just Europe."[16]

Hoffman nevertheless stuck by his principles and resisted all attempts to shift the focus of U.S. aid from European recovery to American relief. In at least one case, the political forces arrayed against him were too powerful. His first major battle with Congress was an attempt to circumvent the 50% shipping requirement. Concerned that high American shipping charges were contributing to inflation abroad, as well as reducing the funds available to Europe to buy needed products, Hoffman threatened to ignore the 50% provision unless U.S. shippers lowered their rates. The reaction of the shipping lobby and its congressional supporters was apoplectic. The shipping companies and union launched a communications blitz flooding ECA and the White House with letters, postcards, and telegrams of protest. Unions promised to set up picket lines around foreign ships carrying ECA

**On November 29, 1948, President Truman, Secretary Marshall, Paul Hoffman, and W. Averell Harriman met to discuss the European recovery program.**



(National Archives)

cargo, and the U.S. Maritime Commission joined shipping senators and congressmen in pressuring the White House to overrule ECA.

For a long time Hoffman remained defiant. "I'm not going to take the taxpayers' money to subsidize the American shipping industry in a world situation where a lot of it will have to go out of business anyway," he declared at the height of uproar. "If they don't like that kind of administration, I can come to California and enjoy life."[17] Ultimately, however, he was obliged to back down, doubtless with a sympathetic but firm nudge from Truman who at least on this issue probably concluded that the political risks were too high.

It was the first and last major battle against any interest group that Hoffman lost. His commitment to principle and his willingness to fight for it won him enormous respect in Congress and kept a majority on his side in the struggles that followed. During the recessionary months he successfully met major challenges from the lumber and aluminum industries which demanded major shares of Economic Recovery Program business. Hoffman reminded them that program funds were made available to European nations to finance goods they wanted at the specifications they required. U.S. assistance was not intended to bail out ailing American industries. "We hope the Southern Pine industry will obtain its share of export business financed by ECA," Hoffman wrote one disgruntled Senator, "but it will have to obtain that business on the American free enterprise basis."[18] He made this principle equally clear to aluminum producers and their congressional supporters who sought to imitate the shipping lobby by requiring that 50% of all aluminum purchases be made in the United States. "Any other policy [than one] requiring the participating countries to purchase vitally needed commodities at the lowest possible price," Hoffman wrote an aluminum advocate in the Senate, "would defeat the purpose of ECA to promote European recovery at the lowest possible cost to the United States taxpayer."[19]

Despite the tenacity of the special pleaders, a majority in both Houses of Congress agreed with Hoffman in these and similar cases. An amendment to require that 50% of all aluminum purchases be made in the United States was defeated by voice vote in the Senate Foreign Relations Committee. Congress refused to give any additional products legislative preference, and in subsequent legislation it first reduced and then eliminated entirely the 25% flour provision which had been part of the Economic Cooperation Act of 1948.

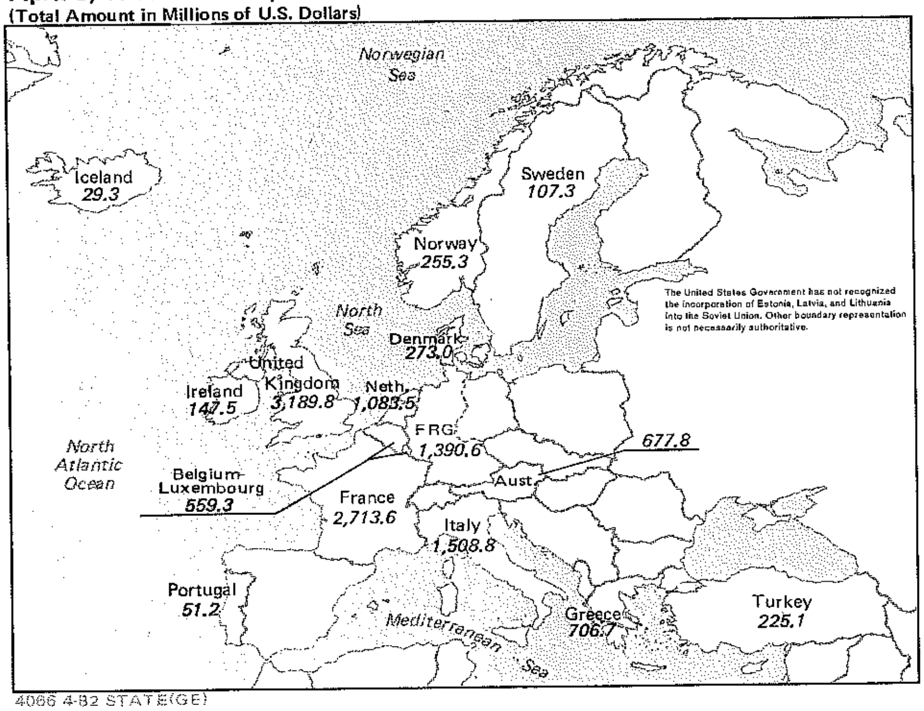
Led by Vandenberg and members of the Herter committee who had spearheaded the effort to pass the recovery legislation, a solid core of legislators were willing to allow their various constituencies to undergo some short-term sacrifices to achieve European recovery goals. Vandenberg, who himself represented a corn-growing area, reacted with disgust at the growing number of producers and manufacturers seeking to benefit from the Economic Recovery Program. Responding to the pleas of a colleague requesting that the ECA legislation mandate a specific percentage of corn flour exports, Vandenberg pointed out that there were also 63 other surplus commodities demanding special consideration. "If we are going to start down that road, I have no interest in ECA whatever, and I want to revert to a frank American surplus relief formula."[20]

## The Assistance

Over the 4-year period during which the Marshall plan was formally in operation, Congress appropriated $13.3 billion for European recovery. The aid, although modest in terms of Europe's total gross national product, supplied critically needed materials to get production started again. Thus, by acting as a pump primer, Marshall Plan assistance was able to release productive energy many times the value of the goods involved.

Besides the products and commodities which the United States sup-

**U.S. Economic Assistance Under the European Recovery Program: April 3, 1948 - June 30, 1952**
**(Total Amount in Millions of U.S. Dollars)**

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(Michelle Picard, INR, Department of State) plied, one of the most valuable aspects of U.S. aid to Europe and one in which Hoffman took much personal pride, was the technical assistance program. This program was born in July 1948 from a meeting in Paris between Hoffman and Britain's Chancellor of the Exchequer, Sir Stafford Cripps. It began as a joint venture in which British manufacturing and agricultural teams would visit the United States to study American production methods. The program was subsequently broadened to include all nations participating in the European Recovery Program. In the 4 years of the Marshall Plan, more than 100 foreign technical teams visited U.S. factories and farms. Almost every type of manufacturing process was covered. Foreign industries interested in participating in the technical assistance program applied to ECA through their governments. If ECA approved, it then sought to set up a schedule of visits to U.S. firms willing to show their production technologies to visiting groups.

Hoffman believed that European industry could successfully increase its productivity only if it had the benefit of the most modern production methods. He was confident that American businesses could make a sizable contribution to European output by sharing its technology and managerial practices. The key element in the program was the extent to which U.S. businesses would cooperate. Many industries competed with European industries in both foreign and domestic markets. It was, therefore, not immediately clear to what extent they would share confidential data with potential European competitors who might later use trade secrets to gain market shares at their expense.

Whatever doubts the ECA harbored about the willingness of businesses to participate were quickly dispelled. Although a few firms refused to cooperate, the great majority did so beyond Hoffman's expectations. As team visits evolved, reports filed by foreign team leaders, as well as ECA project managers who had organized the visits, were overwhelmingly favorable. "We had all heard about American hospitality before we came here, but one has to experience it to appreciate what it means," stated one British team leader at the end of the 6-week tour of the U.S. automotive industry. "The detailed information placed at our disposal by all these firms has been astonishing."[21] Another team leader was equally impressed with his reception by the U.S. electrical industry: "Some of the firms have simply surpassed themselves in the readiness with which they have opened

## The Goodwill

Besides the enormous productive value for European firms of the numerous technical visits made by foreign managers and labor officials to U.S. companies, they produced a deep sense of goodwill between host and visitor which strengthened the feeling of common purpose and cooperation which made the Marshall Plan a success. They also demonstrated the willingness of U.S. executives to contribute to European recovery at a time when many of them were experiencing competitive pressures and slumping demand for their products.

The textile industry seemed particularly hard pressed. During the 1949 recession thousands of smaller businesses were either closed or forced to operate on a part-time basis. In addition, growing textile imports, officially encouraged by ECA to allow European countries to reduce their burgeoning trade deficit, further reduced the market for U.S. products. It was in this domestic economic environment that the industry was asked by ECA to host technical teams covering a wide spectrum of textile products. Manufacturers of some lines refused to accept any visiting teams for fear of giving European producers a competitive advantage. ECA was obliged to cancel planned jute spinning and carpet manufacturing teams in early 1949 because of industry resistance. Nevertheless, 15 European teams did tour U.S. textile plants, and the receptions in all cases were warm and informative. The testimony of ECA observers, and especially visiting team members, is perhaps the most eloquent proof of the willingness of many executives to do what they could to assist European recovery during a period of adverse domestic economic conditions.

*I mean this very sincerely. I think you have one of the finest countries and one of the finest and friendliest of people on the face of God's earth.* (Edward Packer, U.K. Cotton Team No. 6)

*We cannot pay too high a tribute to the way in which we have been received in America. Information of a confidential nature has been given to us without hesitation, and firms have put themselves to a great inconvenience in order to insure that our visit was a success.* (C. C. Newman, Team Leader, U.K. Men's Clothing Team No. 8)

*The treatment accorded this group was truly a highlight of the entire visit as were the accomplishments of the group who made this trip. The American industrialists were truly magnificent to this group—everything possible was done for them.* (Wallace Jeffords, ECA Project Manager, Danish Hosiery Group)

*We wish to thank very sincerely all the American manufacturers who opened their doors, and sometimes their accounting books so widely; they can be assured of our discretion.* (Jean-Marie DuBost, Team Leader, French Silk Team)

*We have been touched by the great friendliness of all Americans we met on business and social occasions, by their open minds and hospitality. Everywhere we met a warm reception.* (J. A. Panhuyzen, Team Leader, Dutch Cotton and Rayon Team)

Documentation for this section was taken from team leader and project manager reports located in the ECA Technical Assistance Files, Federal Records Center Accession No. 53 A 609 and 53 A 648. ■

up their whole organization to us. For the few days we were present, we were treated as if we belonged to the organization."[22]

Even members of hard-pressed industries showed surprising degrees of cooperation. Various companies producing steel, wood products, rubber, machine tools, abrasives, shoes, glassware, and textiles tried to be helpful despite the fact that all these industries competed with European firms in various markets. For example, U.S. textile firms, although they competed directly with British imports, were remarkably forthcoming with their British counterparts. At the end of a tour which included a cross section of mills throughout the North and Southeast, the British team leader failed to recall one instance where he did not receive straight answers to his questions. "From the moment we landed in this country on the 24th of May until this very moment," he stated, "we have had nothing but the greatest possible kindly relations and cooperation and help from everybody we have met."[23]

Similar testimony from other textile team members documented an unusually widespread commitment to the concept of technical assistance and European recovery goals among the U.S. textile industry, and it typified the gratitude which a great majority of visiting foreigners felt toward their hosts throughout U.S. industry.

The willingness of so many American businesses to cooperate with their foreign guests seemed based on many factors. The personal rapport which developed between visitors and hosts helped to break down many barriers. In this respect the readiness of many European team members to talk about their own processes and methods quickly established an atmosphere of mutual trust and encouraged U.S. businessmen to be more forthcoming. In addition, most executives who understood the goals of the European Recovery Program were flattered to be chosen to participate in the technical assistance program. Indeed, those firms selected for inclusion on itineraries for their technological efficiency or managerial expertise tended to be less vulnerable to foreign competition. Generally proud of their accomplishments and the democratic system which made them possible, they very much saw themselves and acted as goodwill ambassadors.

By the end of the European Recovery Program, American businesses had provided European industry with an immense amount of information. Although the extent to which Europeans implemented the suggestions is difficult to measure exactly, individual foreign companies reported that their introduction of the new methods into plant operations had been accompanied by dramatic increases in productivity. There were also important intangible benefits derived from the program. "I can think of nothing more conducive to international goodwill than an exchange of such visits between our people and those of other lands," Hoffman wrote to James Patton of the National Farmers Union. "The practical benefits are obvious, but the less obvious may in the long run be more rewarding."[24]

## The Foundation

Indeed, the degree to which the Marshall plan enhanced transatlantic understanding might alone have justified the effort. Other important byproducts, such as the impetus toward European economic unity, emerged from the aid experience. But equally impressive was the degree to which U.S. assistance did what it was designed to do—fuel economic growth and raise general living standards. From 1938, the last year in which Europe was at peace, to 1947, the standard of living of the average European citizen, as measured by per capita gross national product, had fallen by more than 8%. Some nations recorded dramatic declines. The economic position of West Germany had deteriorated by 15.4%, Italy by 25.8%, and Austria by 39.5%. By the end of 1951, 3½ years after the beginning of the European Recovery Program, the postwar economic trend had clearly been

### Per Capita GNP of Marshall Plan Countries (in 1981 dollars)[25]

| | 1938 | 1947 | 1951 | 1981 |
|---|---|---|---|---|
| Austria | $2,004 | $1,213 | $2,473 | $8,692 |
| Belgium | 3,394 | 3,145 | 3,951 | 9,679 |
| Denmark | 4,028 | 4,016 | 4,602 | 10,802 |
| France | 2,953 | 2,682 | 3,628 | 10,597 |
| Germany (F.R.G.) | 2,184 | 1,847 | 3,507 | 11,022 |
| Greece | 1,178 | 731 | 954 | 4,108 |
| Iceland | 2,504 | 4,366 | 4,230 | 11,688 |
| Ireland | 1,879 | 1,876 | 2,144 | 4,733 |
| Italy | 2,078 | 1,540 | 1,955 | 6,112 |
| Luxembourg | 2,979 | 4,112 | 4,883 | 10,082 |
| Netherlands | 3,532 | 3,304 | 4,022 | 9,688 |
| Norway | 3,606 | 3,830 | 4,616 | 13,222 |
| Portugal | 498 | 485 | 634 | 2,310 |
| Sweden | 4,663 | 5,321 | 6,157 | 13,408 |
| Turkey | 499 | 450 | 578 | 1,191 |
| United Kingdom | 4,345 | 4,515 | 5,016 | 8,921 |
| European Average | $2,648 | $2,426 | $3,238 | $7,919 |
| United States | $4,226 | $6,332 | $7,240 | $12,727 |

reversed. Per capita GNP grew 33.5% from 1948 through 1951. Of equal significance, the economic progress which had been made by 1951 provided the foundation for unprecedented growth in subsequent decades. In the 30 years which followed, the per capita standard of living of participating countries rose 144.6%, or an average annual growth rate of 4.8%, compared to an average real per capita growth rate in the United States of 2.5% during the same period. Some nations, particularly those which had suffered the most serious declines by 1947, later outperformed the average. The living standards of French, Italians, Germans, and Austrians have risen at yearly rates of 6.4%, 7.1%, 7.1%, and 8.4%, respectively. The European Recovery Program, of course, deserved only part of the credit for these dramatic gains. Europe's economic revival would not have been possible without the creativity, technical competence, and hard work of the European peoples involved. Nevertheless, by relieving shortgages and boosting morales, the Marshall Plan contributed importantly to the end result.

## The National Interest

Although the implementation of the Marshall plan involved some degree of short-term economic sacrifice for the United States, the restoration of European productivity significantly furthered the national interest. By creating jobs and enhancing individual incomes, it dampened the growing unrest which threatened European political institutions. Its success in strengthening the economies of participating countries and developing their overall economic and political cohesiveness served to stymie whatever plans the Soviet Union might have had for extending its political domain in Western Europe. Above all, the Marshall Plan created a sense of indebtedness and a reservoir of good feeling among Europeans towards the United States which in subsequent years contributed to the effectiveness of the Western military alliance system and to the U.S. position of leadership of the free world.

In economic terms, the United States was able to preserve and improve its trading relationship with European nations. By stimulating European productivity and accepting a greater volume of imports, the United States saw its exports increase several fold in the decades that followed. There can be no question that the Marshall Plan had long-term benefits for the United States as well as for Europe. Its conception, enactment, and implementation were the product of enlightened statesmanship on the part of all concerned—a foreign policy achievement in which the nation can take pride.

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[1]*Department of State Bulletin*, June 15, 1947, pp. 1159–1160.

[2]*New York Times*, April 2, 1949, p. 4.

[3]*Department of State Bulletin*, May 11, 1947, p. 924.

[4]*Ibid.*, May 18, 1947, pp. 992–993.

[5]*Foreign Relations of the United States*, 1947, Vol. III, p. 232.

[6]U.S. Department of the Interior, *National Resources and Foreign Aid*, October 9, 1947; U.S. Council of Economic Advisors, *The Impact of Foreign Aid Upon the Domestic Economy*, October 1947; U.S. President's Committee on Foreign Aid, *European Recovery and American Aid*, November 7, 1947.

[7]Harry B. Price interview with Marshall, October 30, 1952, Truman Library, Independence, Mo.

[8]*Department of State Bulletin*, October 12, 1947, p. 738.

[9]Harry B. Price, *The Marshall Plan and Its Meaning* (1955), pp. 59–60.

[10]Price interview with Marshall, October 30, 1952.

[11]U.S. Congress, *Emergency Foreign Aid*, Hearings before the House Foreign Affairs Committee, November 14, 1947, p. 228.

[12]U.S. Congress, *Executive Session of the Senate Foreign Relations Committee*, 1949–1950, Historical Series, Vol. II, February 7, 1950, p. 191.

[13]Minutes of the Research and Policy Committee, Committee for Economic Development, December 12, 1947, frame II-284, CED Microfilm Archives, Washington, D.C.

[14]The special interest provisions are contained in Sections 111(a)(2) and 112(a), (c), and (d) of the Economic Cooperation Act of 1948.

[15]U.S. Congress, *Extension of the European Recovery Program: 1949*, Hearings held in Executive Session before the Senate Foreign Relations Committee, Historical Series, March 7, 1949, p. 169 (hereafter cited as SFRC Hearings, 1949, Executive Session).

[16]*Ibid.*, March 7, 1949, p. 245.

[17]*New York Times*, Dec. 20, 1948, p. 18.

[18]Letter from Hoffman to Senator Olin Johnston, May 20, 1949, ECA Administrator's Chronological File, Federal Records Center Accession No. (FRC) 53 A 441, Box 270, National Archives Record Group 286 (hereafter cited as Hoffman Chronological File).

[19]Letter from Hoffman to Senator Claude Pepper, July 20, 1949, Hoffman Chronological File, Box 270.

[20]SFRC Hearings, 1949, Executive Session, March 4, 1949, p. 242.

[21]ECA Verbatim Record of Final Meeting with U.K. Drop Forgers Production Team No. 3, July 25, 1949, ECA Technical Assistance Files, FRC 53 A 648, Box 93.

[22]ECA, "Final Meeting with Members of U.K. Electricity Suppliers Team," December 9, 1949, p. 8, ECA Technical Assistance Files, FRC 53 A 609, Box 5.

[23]ECA, Verbatim Record of the Final Meeting of the U.S. Rayon Weavers Productivity Team No. 2, July 5, 1949, ECA Technical Assistance Files, FRC 53 A 609, Box 2.

[24]Letter from Hoffman to Patton, October 29, 1949, Hoffman Chronological File, Box 270.

[25]Figures for 1981 were taken from the Bureau of Intelligence and Research (INR), "Economic Growth of OECD Countries, 1971–1981," Report 352-AR, April 2, 1982, prepared by Lucie Kornei. Figures for 1938, 1947, and 1951 were derived from GNP figures in the INR report cited above, in Agency for International Development (AID), "Gross National Product, Growth Rates and Trend Data by Region and Country," May 1, 1974, and in Organization for European Economic Cooperation (OEEC), *Statistics of National Product and Expenditure, 1938, 1947 to 1952, 1954*, and from the population figures in United Nations, *Monthly Bulletin of Statistics*, September 1954. ■

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William F. Sanford, Jr., is with the General and European Division, Office of the Historian, Bureau of Public Affairs.

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