In Search of a Usable Past:
The Marshall Plan and Postwar Reconstruction Today

by

Barry Machado

GEORGE C. MARSHALL FOUNDATION
LEXINGTON, VIRGINIA
2007
Barry F. Machado is emeritus Professor of History at Washington and Lee University in Lexington, Virginia, where he taught from 1971 through 2005. He received his B.A. from Dartmouth College and his M.A. and Ph.D. from Northwestern University. His teaching areas included recent U.S. history, U.S. foreign and military affairs, and the history of American business.

Writing and publication of this volume were made possible by a grant from the Smith Richardson Foundation.
For Anice
Lighter of Candles
and Molder of Many Lives
Especially My Own
# Contents

Summary vii  
Acknowledgments ix  
Glossary xi  
Illustrations xii  
Preface xiii  

## PART ONE: A VERIFIABLE PAST

I. Conceptualizing the Marshall Plan 3  
II. Selling the Marshall Plan 15  
III. Analyzing the Marshall Plan 31  
IV. Implementing the Marshall Plan 57  
  Greece 58  
  Italy 73  
  Turkey 86  
  Bizonia and West Germany 96  

## PART TWO: A CONTINGENT AND RELEVANT PAST

V. An Unusable Marshall Plan? 113  
VI. A Usable Marshall Plan 125  
  Appendices 137  
  Notes 143  
  Bibliography 163  
  Index 183  

In recent years the Marshall Plan has been invoked on numerous occasions as a solution for problems domestic and foreign. This study aims to establish the relevance for contemporary postwar reconstruction projects of an experimental foreign policy conceived and executed back in the late 1940s and early 1950s.

The monograph clarifies why and how the Marshall Plan was adopted, what its essential features were, and why it succeeded in western Europe, concluding that it had important and mutually reinforcing aspects—political, psychological, and economic. Fear of Communist expansion westward and the resulting containment doctrine energized its American proponents and European beneficiaries. Its principal architects were realists, motivated by enlightened self-interest. The strengths, weaknesses, and one major myth of their realism are analyzed. Features of great solidity and current relevance include the partnership of the Economic Cooperation Administration (ECA) with Congress and the American people; a multilateral, regional approach that treated western Europe as a unit; an insistence on European self-help and mutual aid; restriction of the ECA's role to a “catalytic agent” rather than a “driving force”; imposition of the highest standards for recruitment and hiring of personnel; creation of the ECA as a small, autonomous, and unbureaucratic agency; popularization of economic growth as a national priority; freedom from corruption and scandal; and an understanding of the requirements of world leadership. Further examples are provided throughout the text. Some weaknesses discovered were abuses of quantification and language, interagency feuding, and, most importantly, oversimplification of the root causes of Communist popularity in parts of western Europe.

Through the prism of four country studies—Greece, Italy, Turkey, and West Germany—the author examines how the Plan was actually implemented, demonstrating the practical limitations of conventional theories and generalizations about its impact. They were chosen for their resonance with conditions facing present-day policymakers. Such autopsies of recipient nations with different economic and political problems, and in diverse cultural regions of Europe, reveal the Marshall Plan’s fundamental flexibility, its rejection of a one-size-fits-all approach, and its mixed results. While its grand intention was to promote a more cooperative and interdependent “New Europe,” various relief, reconstruction, reform, and development programs encountered local resistance and failure as well as collaboration and success. Sometimes, as in Turkey, mistakes were made despite the best intentions. Or, as happened in southern Italy, the cultural challenge was too
formidable for Marshall Planners. In the case of West Germany the national will to self-renewal probably determined that country’s ensuing “economic miracle” more than did the amount or kind of American foreign aid. Greece was, in some respects, *sui generis* but also a practicum in workable and unworkable theories and methods of postwar reconstruction today.

Finally, for the benefit of contemporary policymakers, the monograph extracts unusable, avoidable, and usable elements from the historical record of the Marshall Plan. Arguments against its replication are also explored. Of largely antiquarian interest, the unusable characteristics involve luck, timing, and unintended consequences. The large role of seven historical contingencies is identified as contributing to the Marshall Plan’s success. The avoidable features pertain to mistakes that ought not to be repeated in the future. The usable past recommends itself for incorporation by the shapers of postwar reconstruction programs today.

*Summary*
Many contributed to the final version of this monograph. In February 2006 in the first of two vetting sessions, American scholars provided valuable commentaries on the initial draft. Later, they read carefully its revision, from which I profited as well. For their oral and written critiques, special thanks go to participants in that two-day review in Arlington, Virginia: Ambassador James Dobbins of the Rand Corporation; John Bledsoe Bonds of the History Department at the Citadel; William H. Becker, Professor of History and International Affairs in the Elliott School of International Affairs, George Washington University; Jacqueline McGlade, Provost at Penn State University, Shenango; Jerry Rosenberg, Professor of Management, Rutgers University Business School; and Olin Wethington, former Counselor to the Treasury Secretary and Trustee of the George C. Marshall Foundation who did double duty, participating in the second session with the same insightfulness and incisiveness he brought to the first.

A second, two-day retreat took place in June 2006 in Paris, France, at an appropriate setting, Hotel de Talleyrand, one-time headquarters of the Economic Cooperation Administration (ECA) in Europe. There, European scholars passed their judgments on the revised draft, offering helpful suggestions and constructive criticisms. For enriching the document in numerous additional ways, my appreciation goes out to: Luciano Segreto, Professor of History, University of Florence; John Killick, former Lecturer in Economic History at the University of Leeds in England, who must be singled out for an extra acknowledgment for also providing me with copies of unpublished papers delivered at a fiftieth anniversary conference on the Marshall Plan held at Leeds in 1997; Athanasios Lykgogiannis, historian and researcher at the Bank of Greece, Athens; and Odd Arne Westad, Professor of International History and Co-Director of the Cold War Studies Centre, London School of Economics and Political Science.

Though invited, Apostolos Vetsopoulos could not attend but kindly sent me a copy of his fine dissertation on the Marshall Plan in Greece. James Lowenstein, an old Marshall Planner, shared his recollections, and Fred Morefield, a member of the Marshall Foundation’s council of advisers, sharpened my focus. Colonel George F. Oliver, Professor of Joint Operations at the Naval War College, who worked on an early alternative draft, supplied important ideas and suggested sources. I am also in their debt. Because of their gracious hospitality at the American Embassy and the Organization for Economic Cooperation and Development (OECD) while the “monograph team” was in Paris, Ambassador Craig R. Stapleton and Ambassador Constance Morella deserve the warmest gratitude.
Acknowledgments

Other big debts were accumulated at the George C. Marshall Foundation. Larry I. Bland, editor of *The Papers of George Catlett Marshall* and editorial supervisor, copy editor, indexer, and prepress producer of the monograph, contributed understanding and guidance in an optimal blend. The leadership of Brigadier General Wesley B. Taylor, President of the Foundation, has been admirable. Brian Shaw, Executive Vice President and Director of Development and Communications, extended an offer I could not resist. To preserve the memory of George C. Marshall, my retirement could wait. Together, Robert B. James, Vice President and Director of Outreach Programs, and K. Jane Dunlap, Associate Director of Development and Director of Corporate Relations, made the vetting sessions on two continents, and much more, possible. Jane excelled in checking the project’s centrifugal forces, and I dubbed her affectionately “the indispensable one.” Her knowledge of the relevant manuscript collections and literature made Joanne D. Hartog, Director of Research and Scholarly Programs, my valuable shepherdess while working in the George C. Marshall Library. Three Trustees—Ambassador Thomas Pickering, Dr. Thomas Henricksen, and Lieutenant General Charles W. Dyke—offered thoughtful ideas about how to improve the monograph’s organization and style. Anne S. Wells thoroughly proofed the manuscript, offering numerous suggestions.

Finally, I have benefited greatly from the research conducted by my old student, previously at the Paul H. Nitze School of Advanced International Studies and currently at the University of Virginia Law School, Eric Klingelhofer. His work in the ECA’s Turkish mission records at the National Archives and Records Administration, and the provisional analysis of his findings, were first-rate and of great help. James C. Warren’s unflagging support for the project (I have a folder stout with his special brand of correspondence) kept my own spirits high. He attended both vetting sessions and has his fingerprints all over these pages. Not only was he a Mississippi River, in flood-stage, of information and interpretation, he knew what he was talking about. How fortunate I was to reach for the hand he extended. As another old Marshall Planner, Warren served as my constant reminder of why Emerson thought that an organization is the lengthened shadow of human beings.
Glossary

AFL = American Federation of Labor
AMAG = American Mission for Aid to Greece
CASA = Cassa per il Mezzogiorno (The Southern Fund, Italy)
CCMP = Citizens’ Committee for the Marshall Plan to Aid European Recovery
CDU = Christian Democratic Union (West Germany)
CED = Committee for Economic Development
CEEC = Committee for European Economic Cooperation
CIA = Central Intelligence Agency
CIO = Congress of Industrial Organizations
DC = Christian Democrats (Italy)
DSE = Democratic Army of Greece
ECA = Economic Cooperation Administration
EPU = European Payments Union
ERP = European Recovery Program
GARIOA = Government and Relief in Occupied Areas (Germany)
GDP = Gross Domestic Product
GNA = Greek National Army
GNP = Gross National Product
HICOG = U.S. High Commission for Germany
JUSMAPG = Joint U.S. Military Advisory and Planning Group (Greece)
KKE = Greek Communist Party
MIT = Massachusetts Institute of Technology
MSA = Mutual Security Agency
NATO = North Atlantic Treaty Organization
OECD = Organization for Economic Cooperation and Development
OEEC = Organization for European Economic Cooperation
OMGUS = Office of Military Government, U.S. (Germany)
OSR = Office of the Special Representative [of the ECA], Paris
OSS = Office of Strategic Services
OWI = Office of War Information
PA = Procurement Authorization
PCI = Italian Communist Party
SPD = Social Democratic Party (West Germany)
UNRRA = United Nations Relief and Rehabilitation Administration
USTAP = United States Technical Assistance and Productivity Program
WFTU = World Federation of Trade Unions

Abbreviations used only in endnotes:
FAOHP = Foreign Affairs Oral History Project, Georgetown University, Washington, D.C.
GCML = George C. Marshall Library, Lexington, Virginia
HSTL = Harry S. Truman Library, Independence, Missouri
LC = Library of Congress, Washington, D.C.
NARA = National Archives and Records Administration II, College Park, Maryland
NSA,GWU = National Security Archive, George Washington University Washington, D.C.
RG = Record Group
Illustrations

page

vi  Pirmassas, Germany, March 22, 1945. (George C. Marshall Library [GCML] Photo #2277)
4  Vienna, Austria, food protest, May 14, 1947. (GCML Photo #3141)
6  Marshall speaking on the Moscow Conference, April 28, 1947. (GCML Photo #1081C)
9  William D. Clayton. (C. Tyler Wood Papers, 37/2, GCML); George F. Kennan. (GCML Photo #3237); Marshall at Harvard University, June 5, 1947. (GCML Photo #2045)
11 President Truman signs the Marshall Plan bill, April 3, 1948. (The Marshall Plan at the Mid-Mark, W. C. Foster Papers, Box 56, GCML)
19 Marshall and Lovett testify on emergency aid for Europe. (GCML Photo #704)
25 Truman, Marshall, Hoffman, and Harriman at the White House. (GCML Photo #2876)
27 Marshall Plan float in Netherlands parade. (GCML Photo #3068)
43 (top, left) First ship of grain to France. (GCML Photo #177); (top, right) Rebuilding Aunay-sur-Odon. (U.S. Information Agency photo 54-8214); Paris rail yards. (The Marshall Plan at the Mid-Mark)
45 Austrian engineers at General Electric. (The Marshall Plan at the Mid-Mark)
56 ECA Organization Chart, March 15, 1949
61 Clearing the Corinth Canal. (GCML Photo #3083)
63 Workmen grade street; new apartments. (GCML Photo #3077)
65 Bridge repair, Macedonia. (GCML Photo #3078)
68 Hoffman views Greek ECA display. (The Marshall Plan at the Mid-Mark)
70 Greek Army minesweeper. (J. A. Van Fleet Photographs, Box 18, Album 29, GCML)
71 Greek Army engineers repairing a road. (Ibid.)
75 Hoffman visits de Gasperi. (C. T. Wood Papers, 37/15, GCML)
78 Land restoration in Italy. (The Marshall Plan at the Mid-Mark)
81 Italian apartment building. (GCML Photo #3074)
82 Power plant, Lardarello, Italy. (GCML Photo #3125)
84 Repairing the road to Palermo. (The Marshall Plan at the Mid-Mark)
89 Explaining new equipment, Turkey. (GCML Photo #3130)
92 Hoffman and Turkish minister. (C. T. Wood Papers, 37/14, GCML)
98 Shipyard welder, Germany. (GCML Photo #3147)
99 Ships in German shipyard. (GCML Photo #3146)
103 Germans shoveling debris. (GCML Photo #179); Nürnberg housing. (GCML Photo #3174)
107 German coal miners. (GCML Photos #185 and 185A)
116 U.S. coal arrives in the Netherlands. (GCML Photo #176)
119 British auto for export. (GCML Photo #3155)
124 Hamburg, Germany’s Mönckebergstrasse, 1945 vs. 1950.
Admiration for the Marshall Plan has spanned generations. Just after Congress passed legislation in the spring of 1948 creating the European Recovery Program (ERP), its official name, the usually reserved *Economist* of London called it “an act without peer in history.”¹ Many years later, a central figure in the reconstruction of western Europe concurred, rating the American undertaking as “one of the great things in human history,” as well as the “pivotal event” between 1914 and 1990, because it forged a “pattern of cooperation” without precedent.² Seven years ago, the Brookings Institution surveyed over one thousand American college professors, members of either the American Historical Association or the American Political Science Association. The Washington-based think tank asked them to select the American government’s most important achievements in the last one hundred years. Nearly half the historians and political scientists responded. They put the Marshall Plan at the top of their list, grading it as Washington’s greatest public policy of the past century.

One might reasonably assume that the Marshall Plan and its meaning have been and still are being taught on most American college campuses as the yardstick with which to evaluate all federal programs. With widespread academic and popular acclaim, however, have come grand expectations. Ever since the United States helped to rebuild western Europe after World War II, calls for a “new,” or a “second,” or a “present day” Marshall Plan have been incessant. Those invoking it, mantra-like, have done so on the assumption of its near-universal application. A mere sampling of the range of invocations includes Latin America, the Third World, global poverty, American inner cities, eastern Europe, the former Soviet Union, the Balkans, the Middle East, and, finally, Iraq.³

Given the lofty esteem in which the Marshall Plan is held in circles both scholarly and lay, given the many enthusiastic hopes for its reincarnations, one should be clear as to what, in its essence, the original and experimental Marshall Plan was and was not. What were its origins and genesis? How did it gain public and congressional approval? How was it actually implemented? In contrast to what was attempted, what was achieved? Notwithstanding its encomiums, to what extent did it fall short of its aims? What characteristics of the Plan best explain its successes and failures? In what ways have myths encrusted the Plan with the passage of time? Are there, upon close and careful examination, principles, values, methods, and practices around which the Marshall Plan was constructed that have relevance for postconflict reconstruction and stabilization today? These are the overriding concerns of this monograph. Each raises larger issues.
Preface

Historians have long disagreed about history’s meaning. For some practitioners, recovering and verifying a factual past are all that matter. The antiquarians and chroniclers, for example, study the past primarily for its own sake. Reconstructing what took place, but in the context of what might have happened, holds greater appeal for others. Human agency is their central focus and determinism their philosophical foe. For such theorists, historical contingencies are forever beckoning counterfactual analyses. A third school, less enamored by the subjunctive, comprehends the past as an elusive yet erudite teacher, providing useful instruction and guidance to the present in its preparations for the future. Its adherents assume that the road illuminated by history can be a shortcut to enlightened contemporary policies.

Such justifications for “doing history” need not be mutually exclusive. Nor should contingency necessarily imply yesteryear’s irrelevance. Uniting all three goals, this monograph is a quest for evidence of a provable, contingent, and relevant Marshall Plan. It rejects, forcefully, both a narrow utilitarianism and reductive thinking in its approach to the connection between past and present. Part One reconstructs an empirical Marshall Plan with many implicit lessons worth learning. Part Two makes the most valuable of those lessons explicit.
PART ONE: A VERIFIABLE PAST