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An Unusable Marshall Plan?

Is the Marshall Plan, designed and engineered primarily for western Europe in the late 1940s and early 1950s, still a realistic, useful model for postwar reconstruction and stabilization today and in the future? Can George Marshall's successful experiment serve as forerunner of other favorable outcomes for policymakers, an inspiration to other experiments tailored to new conditions? Are the principles, values, methods, and practices around which the Marshall Plan was once constructed still relevant? How might they benefit the process of contemporary decision making? In search for history's utility, the place to start is with an awareness of the siren song often composed by the past, a place where false or facile analogies, wrong lessons, and valuable insights coexist. And where the unusable does proliferate in abundance.

As original and creative statesmanship, George C. Marshall's inspiration relied on three factors for its attainments: good fortune, conducive conditions, and purposeful planning. Luck was definitely a Marshall Plan hallmark, teaching an important lesson about history's texture as well as about how acutely, on occasion, outside or external events influence achievement of public policy goals. Historical actors cannot receive all the credit for a favorable result. While the Marshall Plan itself is best understood as either the necessary or sufficient variable in the successful reconstruction of western Europe, chance's contribution to that happy outcome demands recognition. The importance of good timing, unplanned occurrences, and unintended consequences in the fortunes of the Marshall Plan should not be underrated. The most thoughtful preparations, without uncontrollable circumstances playing into the hands of the planners, might not have had the same impact. In the lingo of poker, Marshall Planners caught some breaks. A summary of the most significant historical contingencies effecting the approval, implementation, and outcome of their masterpiece numbers, of course, seven.

Historical Contingency

The Czech coup in February 1948 elevated popular fears of communism, disarmed the ERP's lingering opponents, and clinched its passage by

American lawmakers. By December, a flood of over ten thousand Czechs pouring out of their country served as a constant reminder of totalitarianism's westward movement.[1] While perhaps not the single biggest reason for the favorable result, Stalin's open break with Tito and the latter's expulsion from the Cominform in late June 1948 did assure a Communist insurgency's defeat in Greece by sundering the KKE leadership and denying sanctuary and support in Yugoslavia for Greek rebels. So, too, did the blunder by Greek Communist leaders in calling for an independent nation of Macedonia, putting themselves on the wrong side of Greek nationalism and dissipating popular sympathies. Both simplified considerably the military problems faced by the American-backed Greek National Army, no matter what General Van Fleet and Field Marshal Papagos argued to the contrary.

An unprecedented call-to-arms in 1948 by the Vatican, which endorsed Christian Democrats and mobilized at the grass roots an electorate, conveniently 99% Catholic, to save its soul by turning its back on Communist politicians, altered the course of postwar politics in Italy. The Catholic Church's organizational might—parish priests and the militant lay organization Catholic Action especially—determined the defeat of the Communists at a time when more than 70% of Italians regularly attended Sunday mass. Without Pius XII's decisive intervention, the valuable work of the ECA mission in Rome would have been impossible.[2] A Soviet attempt in the summer of 1948 to intimidate the people of West Germany, especially 2,250,000 West Berliners, backfired as a Cold War tactic into a public relations coup for the West. The dramatic Berlin Airlift and a resulting surge in pro-American sentiment among Germans proved a godsend as well. Paul Hoffman and others, quite correctly, called it a "moral defeat" for the Soviet Union. As Dean Acheson once summarized the postwar years, "We were fortunate in our opponents."[3] Yet another miscalculation by Stalin, the Korean War, after an initial inflationary shock to western Europe's economies, stimulated the region's economic growth in ways that helped to usher in the continent's "economic miracle" of the 1950s. A dramatic jump in demand for western European goods and raw materials provided an unplanned, potent boost.[4]

The seventh and last contingency is perhaps least appreciated because European contributions to the Marshall Plan's effective administration have long lingered in the historical shadows in American accounts, even though ultimate success depended as much on the attributes of Europe's leadership as on America's role. As such, the selection of Robert Marjolin, a respected French economist, as OEEC's Secretary General may have been the most fortunate of all fortuitous events between 1948 and 1952. The Belgian Chairman of the OEEC Council during its first two years, Baron Jean-Charles Snoy, has remarked that "the situation of the West in 1948 was so grave that everybody in every country sent his best people to OEEC and to ECA." Marjolin may have been the cadre's very finest. The head of the

Robert Marjolin (left) en route to the United States with British representatives at the OEEC. To his left are Edmund Hall-Patch, Harry Lintott, and Eric Roll.

Swedish Mission to the OEEC felt he was “as good as anybody you could find” and a “genuine international civil servant.” His European colleagues referred to him as “The Brain.”[5]

Because Averell Harriman wanted an honored elder statesman, preferably an aristocrat like himself, to run OEEC day-to-day and provide the critical coordination, he actually opposed Marjolin’s nomination. Regarding him as “capable” yet not of the “highest caliber,” Harriman was initially disgruntled over his selection. Young, by Harriman’s standards, at thirty-seven, boyish-looking, and without a senior statesman’s prestige, the upholsterer’s son possessed nonetheless a special blend of character, determination, experience, skill, and empathy that few Europeans could have brought to his position.[6]

Much as it troubled some American colleagues, the demon of World War I’s failed peace haunted Marjolin. Bad memories supplied him with a power-

Unloading Marshall Plan–funded coal in the Netherlands.

ful compulsion to learn from the past. The Frenchman also knew well and respected both Americans and Englishmen, being "as much at home in Britain and America as he was in his own country." Indeed, a Dutch friend regarded him as "one of the very few Frenchmen who had an open eye for the Anglo-Saxon world."[7] There were good reasons. In 1940, he had joined Charles de Gaulle's Free French movement, spending the early part of World War II in London. In 1943, though, de Gaulle dispatched him to the United States to assist Jean Monnet, who was heading France's Purchasing Mission. For two years, he worked and lived in Washington; there he also married an American. This was his second extended stay in the States. Back in 1932 and 1933, he pursued graduate studies at Yale University thanks to a Rockefeller Foundation grant. After the war, Marjolin returned to his homeland as the pro-American Monnet's protégé, serving as his deputy on the so-called Monnet Plan, an ambitious government program for "Modernization and Equipment" that preceded the Marshall Plan. Marjolin's executive leadership on the CEEC staff also recommended him to the OEEC's members, who "universally accepted [him] as objective and fair," in the estimation of Sir Eric Roll, a British delegate. Being bilingual and speaking fluently the only languages permitted in the organization's official business—French and English—were added bonuses.

Marjolin's sympathy for Americans, as well as old ties born of years studying and living in the United States and working with Monnet, plus his distaste for the French Left, made him ECA's ideal European liaison, as Harriman finally realized. No one worked harder at Anglo-French-American cooperation and harmony than did Marjolin. His personal leadership, and the unity for which it was responsible, were essential for a satisfactory resolution of the difficult "German Problem" that OEEC faced. With Marjolin officiating, a European marriage of sorts took place without need of a shotgun. Every month, overcoming limited formal powers as Secretary General, he met secretly with fellow Yalie Richard Bissell and two high- ranking Englishmen, Roll and Edmund Hall-Patch, at a Paris restaurant. There, they coordinated policy and ironed out differences. Their friendships obliterated cultural preconceptions and stereotypes. Moreover, as Lincoln Gordon has stressed, another of Marjolin's many assets was "empathy with both southern and northern European cultures." Knowing how to deal with diverse peoples was his special gift. His personality and skills lubricated Marshall Plan wheels, allowing them to run more smoothly than expected.[8]

The Seven Contingencies illustrate the limitations of the purposeful planning poured into the Marshall Plan. They refresh our memory of how appeals to historical authority can be deceptive. There might be, moreover, an even greater disadvantage to the Plan. It has to do with conducive conditions. The near-universal sentiment of those who were once directly connected with its conception and/or execution, as well as scholars, like Stanley Hoffmann and Charles Maier, who have studied carefully its historical record, is that chances for a remake are unpromising. Walt Rostow, Richard Bissell, Ted Geiger, Jacob Kaplan, and Jacques Reinstein all agree with Helmut Schmidt that the conditions that prevailed in western Europe from 1948 until 1952 are unlikely ever to recur elsewhere. The Marshall Plan was arguably a workable arrangement only in western Europe, and only because American and western European interests coincided. In all probability, they imply, its seeds would fall on barren ground in the contemporary developing worlds of Russia, Africa, and the Middle East. The devil, it turns out, may be in the setting, not the details. The Marshall Plan's environment perhaps equaled or exceeded in importance its personnel and methods. If so, then replicating that context is rather improbable.

Institutional preconditions crucial for success were many and possibly uniquely interrelated. Besides a working legal system, a respect for private property rights, and good, democratic governance, the mandatory prerequisites for a second Marshall Plan should include, first, a modern market-based economy with a "long-standing entrepreneurial heritage"; second, skilled, motivated, and educated managers and workers; and, third, technical know-how, especially engineering capabilities. It would also require an educational infrastructure in place and functioning, guided by principles of academic freedom. In short, presupposing an Enlightenment and Industrial Revolution when extending large-scale aid to non-Western countries could very well guarantee disillusionment.[9]

What western Europe had before the first Marshall Plan cargo ship or country mission arrived were, in Richard Bissell's concise version, "skills, habits, motivations, customs, and procedures required for the operation of a modern economy." When they were lacking or deficient in another region or country, attempting a second Marshall Plan made no sense whatsoever to him.[10] Maybe another worthwhile way to think about all considered claims as to the Marshall Plan's contemporary irrelevance is a comparison with Mikhail Gorbachev's failed policy of "perestroika," introduced in the Soviet Union in the mid-1980s. By means of a batch of economic and governmental reforms, Gorbachev similarly attempted to restructure a vast, failing economy. In effect, ECA anticipated Gorbachev, trying forty years before to revitalize western European capitalism while changing internal behaviors. Yes, the Marshall Plan was a successful precursor of "perestroika," but principally because western European institutions were compatible with major reforms. The West's democratic and legal traditions, in particular, were strong enough to accommodate pressures for basic economic change. The Soviet Union's collapse seems to prove that the politics of good intentions is never enough.

The Disservice of the Marshall Plan

At least three Marshall Plan veterans have issued identical caveats about its subsequent misuses by American foreign and domestic policymakers. Walt Rostow, Richard Bissell, and C. Tyler Wood have lamented the "false hopes" the Plan aroused in Third World countries, inner cities, and post-Communist East Europe that quick and dramatic successes could be achieved outside of West Europe with a mass infusion of capital. All eventually affirmed what a principal formulator of the Marshall Plan wrote in July 1947. At its very inception, George Kennan had warned that "there was no reason to believe that the approaches here applied to Europe will find any wide application elsewhere." One of the masterminds of the Marshall Plan's inspired programming, Bissell regretted its "unfortunate heritage" and "disservice" in propagating various myths: of rapid results, of the power of enthusiasm combined with huge resources, and that "economic and political problems could somehow be separated."

A British auto—manufactured with copper for wiring, nickel for steel, and zinc for die-casting supplied by the ECA—is loaded for export at a London dock. Helped by credit and raw materials from the U.S., the U.K. increased car production 36% between 1947 and 1950.

Wood, who served ECA as Assistant Deputy Administrator for Operations prior to a long government career in foreign aid, learned the hard way that "if you stir up a traditional society and give people all sorts of expectations of a better life," the results are "tension, problems and dissatisfaction." For Wood, a mass infusion of capital was "absolutely essential" in western Europe, yet it turned out to be a mistake in underdeveloped areas. American policymakers, in Wood's emphatic judgment, "rushed to the conclusion that you can do the same thing with a backward country, and you just can't do it." Probably with the wayward Alliance for Progress in his thoughts, the old Marshall Planner offered his own memorial: "our success in the Marshall Plan led a lot of people astray."[11]

Economists Speak

Some economists also deny that any repetition of the Marshall Plan can happen because the American government has lost its former preeminence in financial markets. They stress the remarkable role-reversal experienced by the United States ever since those Marshall Plan days. The "universal emporium" with huge trade surpluses everywhere in the world now struggles with enormous trade deficits. Other economists, Barry Eichengreen in particular, regard another Marshall Plan as "inconceivable today" because flush private capital markets render a redux as "superfluous" and the "response developed by Marshall and his colleagues" as "no longer appropriate." International capital markets, currently full and flourishing, have changed profoundly the context of the late 1940s. To Eichengreen, private streams of capital have supplanted public flows. Individual and corporate investors and lenders worldwide can be expected to meet the needs of countries or regions invoking, misguidedly in his estimation, the hallowed name of George C. Marshall.[12]

An implication of Eichengreen's analysis is that, in the face of economic crises and human misery comparable to western Europe's after World War II, private banks and companies will serve in the foreseeable future as reliable instruments of public policy. Profit-driven investments will substitute for the Marshall Plan's governmental grants, counterpart funds, and Keynesian management. Being up to a liquidity challenge is a quite different matter, however, than being a faithful implementer of the national interest. Will private capital really move into sub-Saharan Africa on its own? Is borrowing in the private sector the long-term equivalent of national grants? When China finances America's deficits and holds dollar reserves—thanks to its giant trade differential with the United States—fast approaching $1,000,000,000,000, just how private are those vaunted capital flows? Eichengreen also chooses to overlook the historical clash, especially in the 1920s, between public policy and private power that, for the most part, was suspended during the Marshall Plan. In fact, another of the Plan's legacies is its implicit warning about the danger of confusing and equating private and public goals, something to which Hoffman, Harriman, and Bissell were especially attuned.

The Marshall Plan never had the unanimous backing of American businessmen. In the run-up to passage of the Foreign Assistance Act, corporate executives expressed opposing views about what their government's embrace of internationalism ought to mean. What appeared consensual in April 1948, the result of a general attitude of watchful waiting, turned contentious by 1950. An initial split widened, separating on one side business liberals who had joined the Committee for Economic Development or National Planning Association and, on the other side, business conservatives and protectionists more at home in the National Association of Manufacturers or the National Foreign Trade Council. While liberals like Philip Reed, head of General Electric, remained steadfast in their support, conservatives grew more unsympathetic towards and critical of the ECA. They wanted the Marshall Plan to expand their sales overseas rather than enlarge European consumer markets and intra-European trade. They preferred that Washington create more opportunities abroad for them.

Instead, the Marshall Plan in operation actually undercut America's exports to Europe. Because ECA provided French, Dutch, and Belgian businessmen with tutelage in the latest American production methods and technology, many conservatives regarded their future profits at risk. Technology transfers especially worried them. Increasingly, they found themselves "at odds with federal agencies over policies that revived [former] competitors overseas . . . and limited market development worldwide." They came to resent Marshall Planners who supposedly sacrificed short-term business self-interest to a grand government theory. Blowing on embers from the Yalta Conference, their congressional allies even accused the ECA of "selling out" their interests in Europe.[13]

Nearly always, in appropriation battles waged annually inside Congress, Marshall Planners prevented special interests from transforming a foreign aid program with strategic objectives into governmental favoritism and provisions for private businesses with powerful lobbies and an oversupply of products. There were, to be sure, some accommodations and a few notable exceptions. All added unnecessarily to taxpayers' expense. For example, in the shape of a 50% rule tied to strategic arguments, preferential treatment was afforded to the shipping industry and organized labor for transporting ECA commodities. Flour millers obtained, for a time, a favorable quota for wheat shipments, and tobacco growers were permitted to export 40,000 tons of a crop that Europe did not want.[14]

But as a rule political meddling was rebuked and political enemies accumulated. With his European perspective, Robert Marjolin found decisions made by ECA's leaders prior to the Korean War to be driven exclusively by calculations of the long-term public good. That they almost never ran interference for American businessmen impressed him greatly. Indeed, he marveled that "their interest was not American trade, American exports or things of that sort." A Norwegian Marshall Plan official, Knut Getz Wold, remembered that "the object was to discriminate to the maximum extent possible against the exports of United States products. That this was . . . positively encouraged by the U.S. authorities . . . is really a measure of the degree to which the immediate self-interests were subordinated to the interests of European economic recovery."[15]

Marjolin and Getz Wold almost got it right. While Hoffman and Harriman refused to curry favor with powerful Senators, hiring none of their relatives to positions in the Marshall Plan, and while they adamantly opposed subsidies to ailing lumbermen and other businessmen by steering European buyers their way, they did compromise their own principles when it came to oil. Years before Dwight Eisenhower's Secretary of Defense, Charles Wilson, equated America's national interest with General Motors' corporate interest, Marshall Planners treated the interests of the country and the oil industry interchangeably. ECA's relationship with America's oil companies provides, in one sense, a cautionary tale about entrusting the private sector to do what is best for the nation as a whole. Put simply, the private objectives of oilmen could not be reconciled with the ECA's announced national goal of self-sustainable western European recovery and growth in four years. Their public relationship was marked, accordingly, by a lack of cooperation along with a serious falling out over crude oil prices. But, in private, matters were quite different.

Walter Levy, an OSS oil analyst during World War II and Chief of ECA's Petroleum Branch in 1948 and 1949, eventually concluded that "the mere dollar saving approach is too narrow in the case of oil." The United States could not, in his expert opinion, sacrifice a "vital national interest" in order to comply with guidelines for aiding western Europe. What was perfectly appropriate for lumber and aluminum was inappropriate for oil. As the premature absorption of ECA by MSA indicated most forcefully, the strategic argument overpowered all others. Levy's superiors in Washington agreed that oil deserved to be in the forefront of strategic calculations. Although Levy did have the pricing convention used for twenty years by the multinationals modified, in the end ECA advanced Big Oil's interests at the expense of European recovery by deliberately restricting the European oil industry's economic growth. The act qualified as the unselfish Marshall Plan's most selfish.[16]

After World War II, western Europe's massive dollar shortage had a variety of causes. A large contributor to that shortfall was oil imported from American companies operating overseas, primarily in the Middle East. Europe paid for half its consumption in dollars to American suppliers. While coal still met around 90% of the continent's energy needs (down to 75% by 1950), cars, trucks, tractors, and planes could not move without gasoline. Moreover, King Coal was in the process of being dethroned. In 1949, ECA spent $600,000,000 for petroleum products, while estimates for the following year of $800–900,000,000 amounted to 20% of total expenditures.

Overall, in excess of 10% of ECA commodity assistance went for purchasing oil, more than on any other commodity.

Before long, Marshall Planners realized that if western Europe reduced its oil imports, they could shrink the dollar gap appreciably, especially since the price of crude more than doubled—from $1.05 to $2.22 per barrel—between war's end and the spring of 1948. Aggravating the situation was the fact that for a time America's oil giants, acting in collusion, overcharged ECA for deliveries to western Europe. Their prices reflected production costs in the United States rather than the Middle East. Eventually rolled back, the price illegally charged ECA still exceeded the price American customers paid. The differential was, in fact, sizable—$0.32 per barrel. Squabbling eventually led to litigation. In 1952, the oil companies were taken to federal court.

ECA understood well that another way to save dollars in western Europe, besides curtailing the influx of petroleum, involved expansion of Europe's refinery capacity, particularly since refined products were more expensive than crude oil. This was the alternative, however, that Walter Levy and ECA Washington rejected because it would simultaneously hurt the overseas business of American oil companies and American strategic aims. ECA opted to finance refinery improvements and expansion only to replace imports of some dollar-denominated products. According to business historian David Painter, Marshall Planners "would not finance projects that threatened to compete with US companies." So, they ended up funding "very few refinery projects." In all, the $24,000,000 the Plan invested in refineries contrasted with $1,200,000,000 in oil purchases from American firms.[17]

Oilmen's special needs, like those of shippers, took priority over the general interest of lasting European recovery. Guided by their own agenda of costs and profits, private oil companies served as poor instruments of a specific public policy, even as detriments to its timely achievement. Perhaps on all counts they merited preferential treatment, given the subsequently vital role which cheap, unlimited oil played in western Europe's unprecedented economic growth in the 1950s along with oil's strategic importance in the Cold War. Yet the Marshall Plan's oil tangle does draw into sharp relief the overriding question of primacy: whenever incompatible, should long-term public planning or short-term private interests determine America's approach to postwar reconstruction? Though not unequivocally, the Marshall Plan came down on the side of the former. The two prominent exceptions of the shipping and oil industries aside, governmental interests and business interests were, to Marshall Planners, distinguishable and divisible. Their separation qualifies, in fact, as one of many keys to the ERP's success bearing directly on the challenges of postwar reconstruction today. All validate the Marshall Plan as a prime example of a usable past.

Hamburg, Germany: Mönckebergstrasse in the business district, 1945 vs. 1950