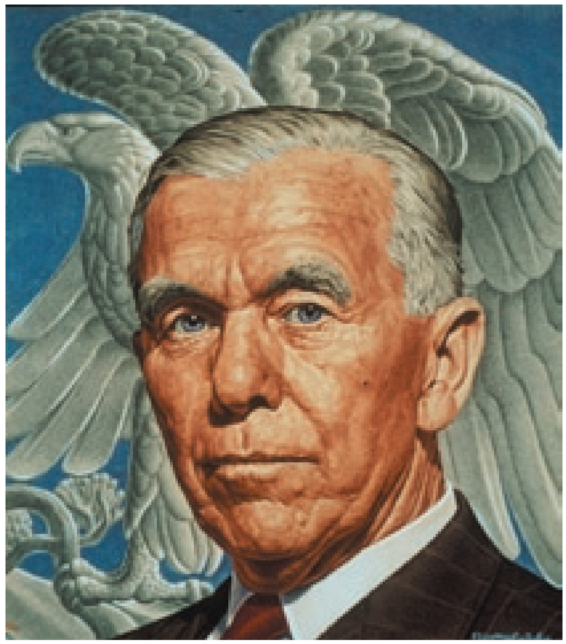
THE MARSHALL PLAN
A Strategy That Worked

DAVID W. ELLWOOD


AP/National Portrait Gallery

A 1947 portrait of George C. Marshall, the first U.S. secretary of state of the postwar era. He oversaw the creation of the successful European Reconstruction Program bearing his name.

The myth of the Marshall Plan has become as forceful as its true historical legacy. In 1955, the plan's official historian noted how, from a one-paragraph "suggestion" by Secretary of State George Marshall at a Harvard graduation ceremony, had sprung a program that "evolved swiftly into a vast, spirited, international adventure: as the enterprise unfolded, it became many things to many men." Fifty years later, such was the fame of the project, that the same could still be said.

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It didn't start as a plan, and some of the veterans said it never did become a plan. Its own second-in-command, Harlan Cleveland, called it "a series of improvisations … a continuous international happening." Yet the European Recovery Program (ERP)—better known as the Marshall Plan—has entered into history as the most successful American foreign policy project of all since World War II.

After the fall of apartheid, South Africans called for a Marshall Plan. After the fall of the Berlin Wall, East Europeans and Russians demanded the Marshall Plan they had been denied by the Soviet Union in 1947. Fearful of disintegration in Africa, the British government in 2005 proposed coordinated international intervention on the lines of the Marshall Plan.

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AP/WWP

The architects of the Marshall Plan discuss the progress of European reconstruction at the White House, November 1948 (from left to right): President Harry S Truman, Secretary of State George C. Marshall, Paul G. Hoffman, former president of the Studebaker automobile corporation who headed the Marshall Plan's Economic Cooperation Administration, and Ambassador Averell Harriman, also a former business executive and America's senior representative in Europe for countries participating in the Marshall Plan.

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The Inception of an Idea

Three contingent developments led to the creation of a special new American project to help Western Europe in the spring of 1947. The first was the physical condition of the post-World War II continent after the setbacks caused by the extreme winter of 1946-1947. Second was the failure of the recent Truman Doctrine—an outspoken scheme to help Greece and Turkey fight Soviet pressures—to indicate a constructive way forward. Third was the grueling experience of Secretary of State George Marshall in the Moscow Conference of Foreign Ministers, dedicated to the future of Germany, in March-April 1947.

Marshall had been recalled to become secretary of state by President Harry S Truman at the beginning of 1947, after retiring from the Pentagon at the end of the war as Army chief of staff. Marshall's success in that job—Churchill called him "the organizer of victory"—and his personal qualities of incisiveness, integrity, and self-abnegation made him the most authoritative public figure of the era. His patience and sense of duty were tested to the full in Moscow. A senior American diplomat, George Kennan, summarized Marshall's pithy conclusion upon leaving the Soviet capital: "Europe was in a mess. Something would have to be done. If he (Marshall) did not take the initiative, others would."

Kennan and his new State Department Policy Planning Staff produced one of the master documents from which the Marshall Plan eventually flowed. In part, their thinking derived from Roosevelt-era understandings of the causes of two world wars and the Great Depression: class hatred, poverty, backwardness, and the lack of hope for change. These policymakers aimed to build a postwar world that supported the ordinary citizen's demand for a share in the benefits of industrialism. Everywhere in the world, they believed, people with prosperity, or at least the prospect of it, did not turn to totalitarianism.

But there was a specifically European dimension to the Marshall effort. Europe's evil genie, said people like Kennan, Assistant Secretary of State Dean Acheson, and future ERP Ambassador Averell Harriman, was nationalism. If that root of Nazi-fascism and other 20th-century rivalries could be bottled up in an integrated European economic framework, the resulting prosperity might dampen nationalist competition, prevent future armed conflicts, and obviate U.S. involvement in future European wars.

In these ways, modernization and integration became the twin objectives of the ERP, and the arguments turned on how to achieve them. It was central to the method of the Marshall Plan that the Europeans should think and act for themselves within the vision: that was what made the plan not just another aid program.

In Marshall's brief and outwardly simple comments at Harvard University in June 1947, there were, first of all, explanations of Europe's devastation and hopelessness. There were warnings for those who sought to exploit the misery politically. There was a clear signal that U.S. aid would not be conditioned on ideology; i.e., the Soviet Union and other communist nations would not for that reason be disqualified from participating.

Then came the crux of the speech, a tantalizing paragraph inviting the Europeans to agree together on what they needed and what they might do were the United States to step in. The U.S. role, Marshall said, "should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so." The secretary of state insisted that the Europeans must act jointly, and that "a cure and not a palliative" must be sought. He concluded by urging his fellow Americans to "face up to the vast responsibility which history has clearly placed upon our country."

"We expected them to jump two inches and they've jumped six feet," wrote one American journalist. In less than two weeks, the French and British foreign ministers set in motion in Paris a Conference on European Economic Cooperation (CEEC), which, in stages between the end of June and the end of September, with the help of 14 other governments, prepared a report to the State Department on the total economic aid they thought they needed. Most of those represented did not have a national plan and some not even an overall picture of their nation's economy. With no experience of any sort in joint, continent-wide planning, the delegates arrived at a grand total of $28 billion. The figure was rejected immediately by Washington as hopelessly high.

But the Paris CEEC event was most famous for the arrival—and swift departure—of a large Soviet delegation headed by the Kremlin's foreign minister, Vyacheslav Molotov. Confronted with the Western proposal for a jointly formulated and implemented pan-European recovery strategy that treated Germany as a single economic entity, the Soviets walked out, as Washington anticipated they would. The Soviet delegation charged that the Americans and their key allies sought to control Europe's economies—a case of Great Power imperialism in its latest, American, guise. Moscow exerted great pressure on East European nations to reject Marshall aid. In February 1948, a communist coup d'état in Czechoslovakia instigated by Moscow reified the rupture among the World War II allies.

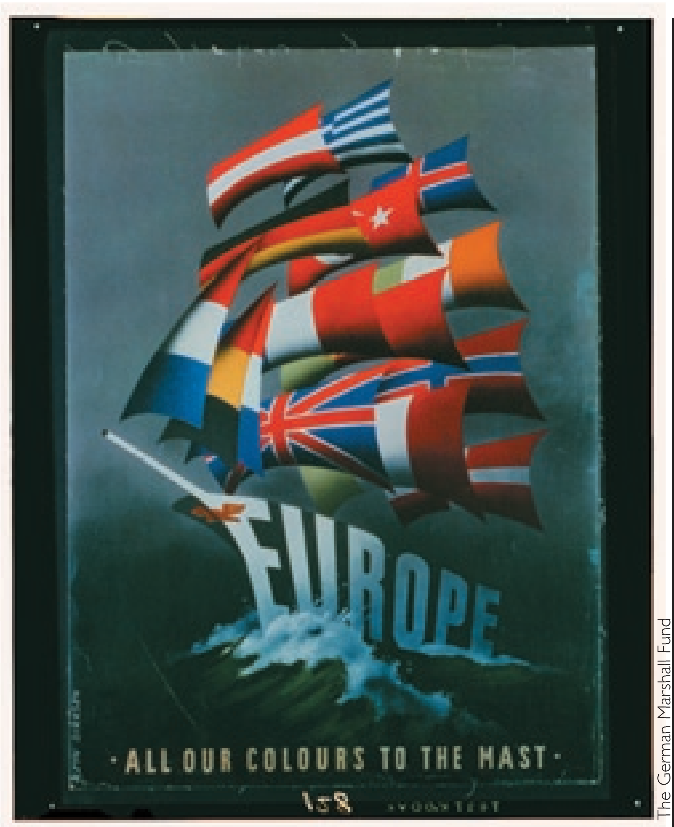
Setting the Plan in Motion

After a long winter of discussion, some stopgap help, and greatly increased tension in East-West relations, the European Recovery Program was born officially with an act of Congress signed by President Truman in April 1948. To administer the project, a new federal agency, the Economic Cooperation Administration (ECA), was established. Truman, a Democrat, signified his intent to secure bipartisan support for the program by appointing a Republican, Studebaker automobile company CEO Paul G. Hoffmann, as ECA head. Expenditures began to flow immediately, under tight congressional supervision.

The program's official enactment identified the supreme objective as creating in Western Europe "a healthy economy independent of extraordinary outside assistance" by 1952. To this end, comments the economic historian Immanuel Wexler, "the act stipulated a recovery plan based on four specific endeavors: (1) a strong production effort, (2) expansion of foreign trade, (3) the creation and maintenance of internal financial stability, and (4) the development of (European) economic cooperation." To the dismay of many Europeans who had counted simply on a big relief program, it soon became clear that such an agenda could only be realized by way of permanent structural change in the European economies, singly and together, as a whole. This was what Marshall had meant when he talked of "a cure rather than a palliative," nothing less.

To meet the challenge, the ongoing Conference on European Economic Cooperation (CEEC) quickly turned itself into the Organization for European Economic Cooperation (OEEC), under Belgian Prime Minister Paul-Henri Spaak. In the meantime, American embassies in each of the member nations were obtaining signatures on the bilateral pacts, which spelled out the obligations of European governments toward their new sponsors. Among them was recognition of the authority of the ECA "mission" to be set up in each national capital. A formal committee would link each mission to its participating government, in order to supervise the running of the program on the ground.

The committee's key task was to make plans for spending productively the sums in the new "Counterpart Fund." This was a characterizing feature of the whole operation, the tool that most distinguished the Marshall Plan from any conventional aid program. The fund was an account at each national bank specially created to contain the proceeds from the local sale of ERP-supplied goods. Much of the help, it turned out, would not be



The German Marshall Fund

One of 25 designs selected in a 1950 competition to create posters capturing the goals and spirit of the Marshall Plan. 10,000 entries were submitted by artists from 13 Marshall Plan countries.

as free, or as liquid, as the Europeans had imagined. It would instead normally be merchandise sent from the United States and sold to the highest bidder, public or private. Their payments would then go back, not to the United States, but into the new fund. From it would come the money to pay for national reconstruction and modernization efforts, as decided between the ECA mission and the government in each participating capital.

At the same time the ERP was clearly a mighty weapon in the Cold War. Its senior representative in Europe, Ambassador Harriman, went so far in 1949 as to characterize the entire effort as a "fire-fighting operation." Marshall's successor as secretary of state, Dean Acheson, the individual who, in his own words, "probably made as many speeches and answered as many questions about the Marshall Plan as any man alive," remembered that "what citizens and the representatives in Congress always wanted to learn in the last analysis was how Marshall Aid operated to block the extension of Soviet power and the acceptance of communist economic and political organization and alignment."

Selling the Plan to Its Beneficiaries

Against the plan, indeed, stood the forces of the Cominform, an international organization set up in October 1947 by the Kremlin with the explicit purpose of combating the Marshall Plan, by coordinating the political efforts of national communist parties under Soviet direction and by directing propaganda efforts within each participating nation. At a time when communist forces were leading an armed insurgency in Greece, looked capable of taking power politically in Italy, seemed to threaten chaos in France, and knew what they wanted in Germany—unlike the West at this stage—the Cold War gave an urgency to the program that concentrated minds everywhere.

Furthermore, from the very beginning, ECA planners knew that overcoming likely political obstacles would require speaking directly to the European publics over the heads of the local governing classes. Improvising swiftly, the teams of journalists and filmmakers who launched the ERP Information Program turned it, by the end of 1949, into the largest propaganda operation directed by one country to a group of others ever seen in peacetime.

The Plan Evolves

The Marshall Plan's early years, from June 1948 to the start of the Korean War in June 1950, were remembered by all concerned as the golden epoch of pure economic action and rewards. Experts pointed to the rise of nearly a quarter in the total output of goods and services that the ERP countries enjoyed between 1947 and 1949. They asserted that the "over-all index of production, based on 1938, rose to 115 in 1949, as compared with 77 in 1946 and 87 in 1947." Agriculture also recovered, and progress on the inflation front was considered "uneven but definitely encouraging." The foreign trade of the member states was back to its prewar levels, but its most remarkable feature was a change in direction. No longer oriented toward the old European empires, trade was increasing most rapidly within Western Europe, among the ERP members themselves. Experience would show that this was a long-term structural shift in the continent's economy, which within a few years would spur political demands for European integration.

Meanwhile, by the end of 1949 it had become clear that the partner nations' visions of the European Recovery Program differed significantly in certain key aspects from those of the American planners. Western European governments badly needed the ERP dollars, but at the same time they sought to avoid permanent dependence on the United States and more generally to obtain American aid on terms that accounted more fully for their own political objectives.

The British went to extraordinary lengths to resist the Marshall Plan's insistence on immediate economic integration with the rest of Europe, the great string attached to Marshall aid everywhere. The Dutch resisted pressure to start dismantling their empire in the name of free trade. The Austrians refused point blank to reform their railways and their banking system as the Americans desired. The Greek people rejected a new ERP-sponsored currency because they believed that gold sovereigns were the only truly reliable form of monetary exchange. The head of the Italian industrialists told the mission chief in Rome that no matter how cheap synthetic fibers became, Italian women would always prefer clothes made in the home with natural materials. Tinned food might be sold very cheaply, he said, but Italian traditions of cooking would always be preferred. Small firms and traditional artisan skills would be central to Italy's future, just as they had been in the past.

By the start of 1950, practical experience and extensive opinion polling had brought a significant shift in outlook. Obliged to recognize that Europeans often preferred noncommunist social welfare states to the American liberal capitalist model, Marshall planners concentrated their focus on an area of substantial Euro-American agreement: security. Administrators began to insist only that ERP benefits be equally available everywhere, their aim now being less to reorganize Europe than to cut the ground from under communist attacks on both the plan and the idea of welfare-based social democratic reform.

The Impact of Korea

The unexpected and fear-inspiring turn of events in Asia in 1950 soon put the very existence of the Marshall Plan in doubt. The sharply intensified Cold War confrontation that started with the North Korean invasion of the South in June shortened the project in time and radically transformed it, partially employing Marshall Aid as a tool to enable general West European rearmament in the name of "Mutual Security." Congressional amendments of 1951 and 1952 to the original ERP Act provided $400 million more for a continuing drive to persuade European employers and workers to "accept the American definition of the social and economic desirabilities [sic] of productivity," but now so that military output for national defense against the Soviet threat could be increased at the same time as consumer goods. Everyone was expected to do more for the general effort (hence the strengthening of NATO), and so rebuild their armed forces, greatly run down since the end of World War II. The ECA teams on the ground quickly decided that there was no conflict between America's demand for general rearmament and the traditional ERP objectives: it was just a matter of bending the existing policy goals to the new requirements.

In such a context the successful ERP Information Program soon accelerated into something resembling "psychological warfare," with the world of industry and organized labor identified as the key front in the ideological Cold War against communism. As one of the ERP's most influential brains, Assistant Administrator (and later Acting Administrator) Richard M. Bissell explained in the April 1951 issue of *Foreign Affairs*, a leading U.S. journal of international relations, the United States could wage this war in Europe most effectively by the force of its economic example and the powerful appeal of its consumerist economy to Europeans of all regions and social classes:

> Coca-Cola and Hollywood movies may be regarded as two products of a shallow and crude civilization. But American machinery, American labor relations, and American management and engineering are everywhere respected…. What is needed is a peaceful revolution, which can incorporate into the European economic system certain established and attractive features of our own, ranging from high volumes to collective bargaining…. [This] will require a profound shift in social attitudes, attuning them to the mid-twentieth century.

The Balance Sheet

In the end, every participating nation succeeded in carrying out its own distinctive version of Bissell's peaceful revolution. Economically, the Marshall Plan mattered far more in Greece, France, Austria, and The Netherlands than it did in Ireland, Norway, or Belgium. For some nations, such as Italy, it was perhaps truly decisive for one year only; for others, the benefits flowed for several years.

Each nation made different use of the economic impetus provided by the plan. The Danes secured raw materials and energy supplies. Other peoples, such as those in the German occupation zones, appreciated most the food provided by the ERP. In Italy and Greece, help with rebuilding railways, roads, and power supplies gave the most lasting benefit. In France, industrial investment came first; in Britain, the Counterpart Fund was almost entirely used to pay wartime debts and refloat sterling.

Both Austria and Sweden, each in its own way, believe that its successful anchorage in the West dates back to the Marshall Plan. While communist parties continued to grow in Italy and France, they at least had not taken power, and those nations remained oriented toward the West as the Cold War progressed. Perhaps Germany benefited most overall, as the dynamic of European integration conceived and fostered by the ERP allowed the new Federal Republic to grow in strength and respectability while calming the suspicions of its neighbors. The hoped-for revolution in Franco-German relations did indeed come about. Whatever its other origins in short-term, Cold War necessities, no political development heightened the contrast with the post-World War I era more than this one.

Fifty years after the great experience, Jim Warren, a Marshall planner in Greece, rejoiced:

> We had a goal; we had fire in our bellies; we worked like hell; we had tough, disciplined thinking, and we could program, strive for, and see results.

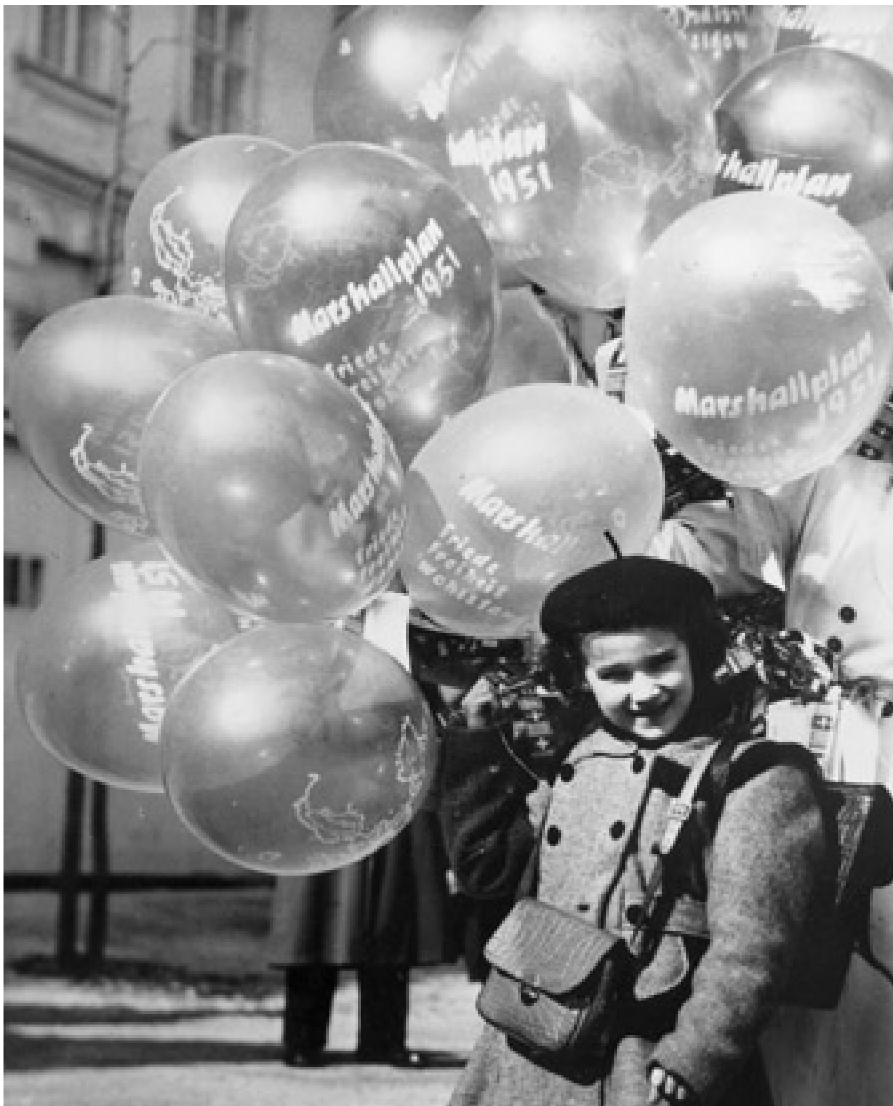
For a short time, a new, intense American presence in Europe sought ways to translate the successes of the American economic experience into recipes for the political salvation of others. Appreciative Europeans of the time spoke of "a sense of hope and confidence" these American planners brought—of "restored courage and reawakened energy" in the Old World.

In Europe the clash of imported and native models provided the energy to set the great 1950s boom going. The European Recovery Program had supplied the spark to set the chain reaction in motion. In 1957 came the Treaty of Rome, which launched the European Economic Community. Although this scheme of fledgling economic integration was far less radical than the American visionaries of 1949 had demanded, of the inheritance left by the Marshall Plan and its promises, none was more concrete. This founding document initiated Europe's peaceful economic integration, a process that continues to this day.

As for the Americans, following a wobbly emergence in World War I as an international power, they had finally developed foreign policies and a grand strategy "consonant with their new responsibilities as the greatest creditor, greatest producer, and greatest consumer of the 20th century"—as Vera Micheles Dean put it in 1950 in a book titled *Europe and the United States*. They had also endowed themselves with a new national image of America as a power that could successfully blend military, political, and economic leadership on an international scale, an image destined to reappear whenever nations turned from war and misery to reach forward toward a new, more hopeful future. ■

The opinions expressed in this article do not necessarily reflect the views or policies of the U.S. government.

THE MARSHALL PLAN
A Story in Pictures

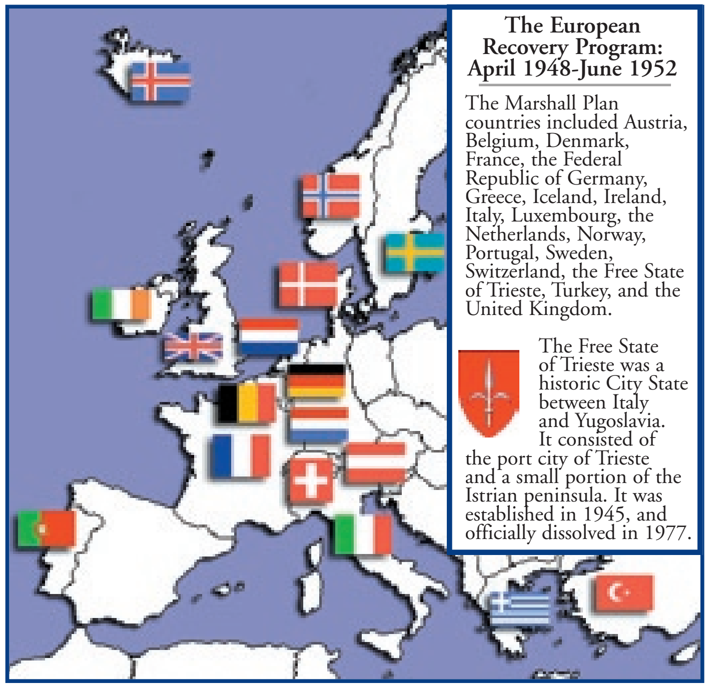


AP/WWP

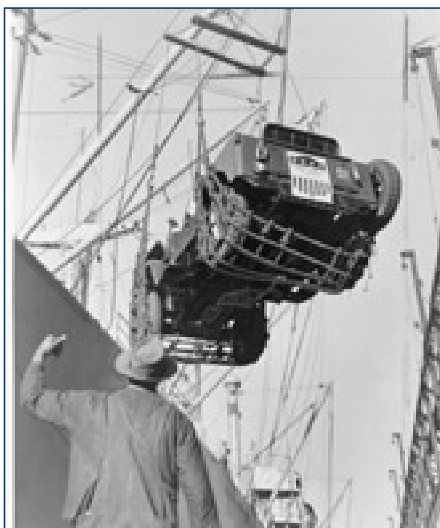
A young girl at a spring fair in Vienna, Austria, in 1951, holds a bouquet of hydrogen-filled balloons advertising the Marshall Plan. Reading “Peace, Freedom, Welfare” in German, the balloons were released by visitors at the fair, carrying postcards expressing the hope that “someday goods and products will flow freely across the countries of a united and prosperous Europe” into the Eastern Bloc. The balloons were one of many ways America and its allies strived to counter negative Soviet propaganda against the reconstruction and economic development plan.

Delivering the Goods

This map depicts countries participating in the Marshall Plan in Western Europe. While Eastern European nations were discouraged by the Soviet Union from participating, virtually all of Western Europe joined the European Recovery Program at its inception in June 1948. West Germany joined a year later once it regained a measure of self-government.



Staff photo



Library of Congress

A jeep carrying the banner “strength for the free world” is loaded at Baltimore harbor in 1951 for Marshall Plan use.

AP/WWP

U.S. Ambassador to France Jefferson Caffery, at the microphone, delivers a speech in Bordeaux in honor of the first shipload of American aid delivered to France under the Marshall Plan on May 10, 1948.

Rebuilding

Library of Congress

With help from the Marshall Plan, Greece was able to accelerate mining of its bauxite reserves to provide raw materials for European aluminum production and supplies as part of European reconstruction and economic recovery.

Library of Congress

Dutch road workers take a break from the relentless task of reclaiming land. In the Netherlands, Marshall Plan funds helped to reclaim lands devastated by World War II and build roads essential to transport relief supplies across Europe.

Library of Congress

A public housing project under construction in Matera, Italy, built by the Italian government with Marshall Plan funds in 1951.