



# The Marshall Plan

Rebuilding Europe



A mine worker in postwar Sicily, where Marshall Plan funds were committed to reconstruction and economic development.

(Cover) A delivery of wheat bearing the words "For European Recovery Supplied by the United States of America" is unloaded at Rotterdam, The Netherlands.

# Introduction

On June 5, 1947, speaking to the graduating class at Harvard University, Secretary of State George C. Marshall laid the foundation, in the aftermath of World War II, for a U.S. program of assistance to the countries of Europe. At a time when great cities lay in ruins and national economies were devastated, Marshall called on America to “do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace.”

The U.S. Congress approved Marshall’s long-sighted proposal in 1948, and by 1952 the United States had channeled some \$13 billion in economic aid and technical assistance to 16 European countries. During the program’s four years, participating countries saw their aggregate gross national product rise more than 30 percent and industrial production increase by 40 percent over prewar levels.

But the Marshall Plan, as it came to be known, was not just an American program. It was a joint European-American venture, one in which American resources were complemented with local resources, one in which the participants worked cooperatively toward the common goals of freedom and prosperity.

Many have been generous in their praise of the Marshall Plan, but perhaps none more than Sir Winston Churchill, to whom it represented “the most unsordid act in history.”

# Remarks of Secretary of State George C. Marshall

**Churchill's words won the war, Marshall's words won the peace.**

– DIRK STIKKER  
FOREIGN MINISTER, THE NETHERLANDS,  
1948-1952

**The Marshall speech ... was greeted as a great act of statesmanship and as an expression of what we felt was genuine idealism on the part of the United States.**

– HALVARD LANGE  
MINISTER OF FOREIGN AFFAIRS, NORWAY,  
1946-1965

**We should be very grateful to the American secretary of state, whose speech at Harvard gave our nations this great opportunity for coming together in mutual help.**

– EAMON DE VALERA  
PRESIDENT, IRELAND, 1959-1973

Harvard University, June 5, 1947

I need not tell you that the world situation is very serious. That must be apparent to all intelligent people. I think one difficulty is that the problem is one of such enormous complexity that the very mass of facts presented to the public by press and radio make it exceedingly difficult for the man in the street to reach a clear appraisal of the situation. Furthermore, the people of this country are distant from the troubled areas of the Earth, and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples and the effect of those reactions on their governments in connection with our efforts to promote peace in the world.

In considering the requirements for the rehabilitation of Europe, the physical loss of life, the visible destruction of cities, factories, mines, and railroads was correctly estimated, but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of European economy. For the past 10 years conditions have been highly abnormal. The feverish preparation for war and the more feverish maintenance of the war effort engulfed all aspects of national economies. Machinery has fallen into disrepair or is entirely obsolete. Under the arbitrary and destructive Nazi rule, virtually every possible enterprise was geared into the German war machine. Long-standing commercial ties, private institutions, banks, insurance companies, and shipping companies disappeared through loss of capital, absorption through nationalization, or by simple destruction. In many countries, confidence in the local currency has been severely shaken. The breakdown of the business structure of Europe during the war was complete. Recovery has been seriously retarded by the fact that two years after the close of hostilities, a peace settlement with Germany and Austria has not been agreed upon. But even given a more prompt solution of these difficult problems, the rehabilitation of the economic structure of Europe quite



George C. Marshall (left) receives an elaborately decorated donkey cart in April 1951 as a thank-you gift from the residents of Sicily for Marshall Plan aid. With Marshall is Italy's ambassador to the United States, Alberto Tarchiani.

evidently will require a much longer time and greater effort than has been foreseen.

There is a phase of this matter which is both interesting and serious. The farmer has always produced the foodstuffs to exchange with the city dweller for the other necessities of life. This division of labor is the basis of modern civilization. At the present time it is threatened with breakdown. The town and city industries are not producing adequate goods to exchange with the food-producing farmer. Raw materials and fuel are in short supply. Machinery is lacking or worn out. The farmer or the peasant cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable transaction. He, therefore, has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and finds for himself and his family an ample supply of food, however short he may be on clothing and the other ordinary gadgets of civilization. Meanwhile, people in the cities are short of food and fuel, and in some places approaching the starvation levels. So the governments are

forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction. Thus, a very serious situation is rapidly developing which bodes no good for the world. The modern system of the division of labor upon which the exchange of products is based is in danger of breaking down.

The truth of the matter is that Europe's requirements for the next three or four years of foreign food and other essential products – principally from America – are so much greater than her present ability to pay that she must have substantial additional help or face economic, social, and political deterioration of a very grave character.

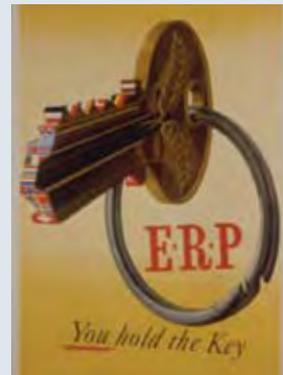
The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole. The manufacturer and the farmer throughout wide areas must be able and willing to exchange their products for currencies, the continuing value of which is not open to question.

Aside from the demoralizing effect on the world at large and the possibilities of disturbances arising as

a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in 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. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a piecemeal basis as various crises develop. Any assistance that this government may render in the future should provide a cure rather than a mere palliative. Any government that is willing to assist in the task of recovery will find full cooperation, I am sure, on the part of the United States government. Any government which maneuvers to block the recovery of other countries cannot expect help from us. Furthermore, governments, political parties, or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States.

It is already evident that, before the United States government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this government. It would be neither fitting nor efficacious for this government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country 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 program should be a joint one, agreed to by a number, if not all, European nations.

An essential part of any successful action on the part of the United States is an understanding on the part of the people of America of the character of the problem and the remedies to be applied. Political passion and prejudice should have no part. With foresight, and a willingness on the part of our people to face up to the vast responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome. □



In 1950, artists from 13 Marshall Plan countries took part in a competition to create posters capturing the goals and spirit of the Marshall Plan. From some 10,000 designs submitted, an intra-European jury in Paris made up of museum curators, art educators, and others chose 25 of the posters for production and distribution throughout Western Europe. Nine of the winning posters are shown here, and another four on the inside back cover of this publication.

# Blueprint for Recovery

MICHAEL J. HOGAN

On June 5, 1947, U.S. Secretary of State George C. Marshall rose to address the graduating class of Harvard University. Former wartime chief of staff, the first career soldier to become secretary of state, Marshall was one of the most respected global leaders of the day.

The secretary's address set the stage for a massive American aid program to revitalize the war-devastated economies of Europe. It would become the largest such program in America's history and one widely regarded as the most successful peacetime foreign policy launched by the United States in the 20th century.

British Foreign Secretary Ernest Bevin was among the many Europeans to praise what came to be known as the Marshall Plan. He called it "a lifeline to sinking men," a ray of hope where none had existed before, an act of "generosity ... beyond belief."





Entire families are part of the work crew constructing an ECA-aided block of apartment buildings in Berlin, Germany.

(Page 6) Before and after photographs show the Mönckebergstrasse business district in Hamburg, Germany, as it appeared in 1945 and in 1950, following its rebuilding with Marshall Plan aid.

## The Situation in Europe

Although V-E Day brought the struggle against Nazi Germany to an end, the peace still had to be won, and this required, above all, the reconstruction of economic and political systems badly damaged by World War II.

The Europeans strove mightily to mend the damage. But even as Marshall spoke at Harvard, capital equipment remained hopelessly obsolete or in need of wholesale repair. The depletion of gold and dollar reserves made it difficult to import essential items and use existing facilities efficiently. Food shortages and inflation discouraged maximum efforts by a demoralized work force; shortages of coal, steel, and other basic resources further restrained production; and the severe winter of 1946-47, the worst in modern memory, nearly wiped out earlier economic gains. In 1947, Western Europe's agricultural production averaged only 83 percent of its prewar volume, industrial

production only 88 percent, and exports a bare 59 percent.

Making matters worse, the economic crisis worked like a superheated crucible to inflame already serious political and diplomatic problems. In France and Italy, worsening economic conditions undermined governmental authority. In Britain, the winter crisis and the drain on reserves triggered a decision to withdraw British forces from Greece, a country racked by a bitter civil conflict that compounded the economic dislocations growing out of the war. The situation was the same in Germany. Economic conditions there remained the worst in Western and Central Europe, prompting the American occupation authorities to warn that widespread poverty was fostering a popular discontent upon which the Communists were capitalizing.

The German problem exacerbated existing divisions between the former Allies, particularly those between the United States and the Soviet Union. According to wartime agreements, Germany had been divided into American,



**When the Marshall proposals were announced, I grabbed them with both hands. I felt that it was the first chance we had ever been given since the end of the war to look at European economy as a whole.**

— ERNEST BEVIN  
FOREIGN SECRETARY, GREAT BRITAIN,  
1945-1951

A British automobile — manufactured with ECA-supplied copper for wiring, nickel for steel, and zinc for die-casting — is loaded for export at a London dock.

(Page 9) Children play on a street in Marseilles, France, as new housing rises in the background.

British, French, and Soviet occupation zones. The zones were to be treated as an economic unit and were to give way to a central administration and then to a new German government. Progress in this direction, however, had foundered on the incompatible interests of the victorious powers. They could not resolve their differences over the amount and form of reparations or over the level of industry and the degree of central administration to be accorded a united Germany. Nor could they agree on arrangements for international control of the Ruhr, where the great coal and steel industries constituted the basis of Germany's economic and military might.

These and other differences came to a head at the foreign ministers conference that convened in Moscow between January and April 1947. The negotiators were

unable to agree on the terms of a German settlement. Secretary of State Marshall, who headed the American delegation, left the conference convinced that Soviet leaders hoped to gain politically from a deadlock that would deepen the economic crisis in Central and Western Europe, pave the way to victory for the Communist parties in France, Italy, and Germany, and thereby open the door to an expansion of Soviet influence in an area deemed vital to American security.



## Origins of a Recovery Plan

After returning from Moscow, Marshall set the wheels of American recovery planning in motion. He instructed the State Department's Policy Planning Staff and other agencies to report on Europe's need for economic assistance and on the conditions that should govern American aid.

These reports were then combined with recommendations coming from other quarters to lay the foundation for the proposal that Marshall would announce at Harvard University. In this and subsequent pronouncements, Marshall and his colleagues urged the Europeans to take the initiative and assume the responsibility for drafting a program of economic recovery. The Americans would provide "friendly aid" in the drafting process and financial support for a workable program – a regional program, not a collection of disparate national schemes – that was founded on such principles as self-help, resource sharing, and German reintegration.

This was the "lifeline" that the Europeans needed, and most of them, as British Foreign Secretary Bevin recalled, "grabbed" it "with both hands." Bevin and French Foreign Minister Georges Bidault first met to discuss Marshall's proposal with Soviet Foreign Minister Vyacheslav M. Molotov, who said that a regional recovery program would violate national sovereignties. The meeting broke down when Molotov refused to approve a program organized on this basis, whereupon Bevin and Bidault convened a second conference that opened in Paris on July 12, 1947. The Soviets declined to participate, and they prevented the Poles and the Czechs from attending as well.

At the conference, the occupation authorities represented the western zones of Germany. Joining them were the delegates of 16 European nations: Austria, Belgium, Denmark, France, Great Britain, Greece, Iceland, Ireland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Sweden, Switzerland, and Turkey.

The conferees spent two months drafting a comprehensive recovery plan that came close to what the Americans had in mind. As modified by subsequent deliberations in Washington, this plan became the basis for the European Recovery Program that President Harry S Truman presented to Congress in December 1947 and that Congress passed as the Economic Cooperation Act in the spring of the following year. The act provided more than \$5 billion for the first 18 months of what eventually became a four-year program that would cost the American people approximately \$13 billion before it ended in 1952. This sum amounted to between 5 and 10 percent of the federal budget



U.S. President Harry S Truman (seated) signs legislation authorizing the first segment of Marshall Plan aid for the reconstruction of war-torn countries of Western Europe in April 1948.

**I believe that, in years to come, we shall look back upon this undertaking as the dividing line between the old era of world affairs and the new — the dividing line between the old era of national suspicion, economic hostility, and isolationism, and the new era of mutual cooperation to increase the prosperity of people throughout the world.**

— HARRY S TRUMAN  
PRESIDENT OF THE UNITED STATES,  
1945-1953

over the life of the recovery program, or about 2 percent of the gross national product over the same period.

## The U.S. Domestic Debate

Coming on top of the \$9 billion already expended on a variety of postwar programs in aid of Europe, the Marshall Plan appropriation was bound to raise objections in Congress. Senator Robert A. Taft of Ohio led a group of economy-minded legislators who were convinced that Marshall aid would aggravate existing shortages in the United States. It would drive up the wholesale price index, they argued, and end in new government controls over the economy.



In 1949, in response to a request from Turkish officials for American technical assistance and training, an American expert discusses newly donated agricultural equipment with Turkish farmers at the Ankara Agricultural School.

Nor did economic issues exhaust the list of objections. Taft and his allies, who represented an older, isolationist tradition in American diplomacy, also worried lest the Marshall Plan entangle the United States in the affairs of Europe at a time when tensions there could spark another world war.

These were serious reservations, but in the ensuing debate supporters of the Marshall Plan organized a mighty offensive that overturned the arguments mounted by their opponents. Spokespersons for the Truman administration led the offensive, testifying before congressional committees, speaking at public meetings across the country, and organizing three presidential commissions to explain how the United States could manage an expensive foreign aid program without wrecking its economy. In

collaboration with their government counterparts, a variety of private groups also threw their support behind the Marshall Plan. These included the major trade unions, the leading farm associations, and powerful elements in the business community. In public and private forums alike, the spokespersons for these groups joined the Truman administration to defend the Marshall Plan as an act of creative statesmanship, an instrument of American as well as European interests.

After four months of deliberation, the U.S. Congress passed the Economic Cooperation Act in the spring of 1948. The vote in the House of Representatives was 329 in favor and 74 opposed, while that in the Senate was 69 in favor and 17 opposed – margins that belied the intensity of the debate and the inveterate opposition of the measure's critics.



With new equipment and machinery received as part of the European Recovery Program, the Fiat motors works in Italy began producing cars that were called “Marshall Plan Babies” by plant workers.

## Enlisting the Private Sector

To administer the Marshall Plan, Congress established the Economic Cooperation Administration (ECA), complete with an administrator in Washington, D.C., a special representative in Paris, and local missions in each of the participating countries. The ECA had complete control over operational matters and shared with the U.S. Department of State responsibility for shaping policy. Undergirding this organizational arrangement was the assumption, widely held in Washington, that revitalizing production, solving complicated trade and financial problems, and managing the other tasks involved in Europe's recovery required a special administration staffed by the "best brains" from the areas of business, labor, agriculture, and the professions.

These arguments convinced President Truman. He promptly appointed Paul G. Hoffman, president of the Studebaker automotive corporation, as the ECA's administrator in Washington, and W. Averell Harriman, a prominent figure in the business and banking communities, as the special representative in Paris. Hoffman and Harriman filled their offices with top men from the academic and corporate worlds. The major farm groups donated members to the private advisory committees established by the ECA, worked closely with its overseas missions, and helped to staff its food and agriculture divisions. Much the same was true of the American Federation of Labor, the Congress of Industrial Organizations, and the other trade unions. In these and other ways, the ECA became the center of a vast network of cooperation between public policy makers and private leaders, whose skills contributed immeasurably to an efficient and bipartisan administration of the recovery program.

This administrative system did not stop at the water's edge. In accordance with the principles of maximum self-help, mutual aid, and shared responsibility, Marshall and other officials insisted from the start that participating countries take the initiative and play a major role in their own recovery. This required a regional authority that could speak for Europe with a single voice.

The participating countries met this requirement by establishing the Organization for European Economic Cooperation (OEEC). Headquartered in Paris, the OEEC worked in tandem with the ECA to devise annual recovery plans, allocate American aid, make currencies convertible, and loosen the restraints on production and trade. The two agencies had their differences, of course. But their cooperation never broke down, nor did their dogged pursuit of European recovery.

The OEEC quickly assembled a distinguished staff in Paris, arguably the most impressive assembly of economic and financial talent anywhere in the world. Belgian Prime Minister Paul-Henri Spaak, one of the great champions of Western European unity, chaired the OEEC Council, which comprised national representatives from each country. Robert Marjolin of France, another advocate of European unification and a prime mover behind the French Monnet Plan, headed the OEEC's international secretariat. For the most part, equally impressive figures stood in for government ministers at the head of their national delegations. The OEEC, under the leadership of able men, proved to be an effective instrument of economic cooperation with an increasingly European identity and a burgeoning staff of international public servants.

The network of cooperation stretched from the OEEC's headquarters in Paris across the map of Western Europe, involving at every level a pattern of power-sharing between public officials and private leaders much like the one that took shape around the Economic Cooperation Administration. Each of the participating governments established its own recovery agency, many of which, like the central planning commission in France, involved the active participation of business, labor, and farm groups. The same groups established links with the ECA's missions in the participating countries, as well as with the OEEC. They also joined forces in the national production centers and productivity teams that were established with American support to improve industrial efficiency and maximize output.

## Partners in Reconstruction

The Marshall Plan was fundamentally a joint enterprise. The major American contribution took the form of primary products and manufactured goods in short supply on the Continent or in the overseas territories of the participating countries. Approximately \$12 billion in Marshall Plan aid had been expended by the middle of 1951, much of which helped member states to finance essential imports of fuel (\$1.5 billion); food, feed, and fertilizers (\$3.4 billion); and machines, vehicles, and equipment (\$1.8 billion).

These imports combined with other forms of American assistance to bring a high degree of economic progress and stability to Western Europe. Inflation had been contained in most of the participating countries by 1950, and both intra-European and extra-European trade had recovered to levels well above those anticipated at the start of the Marshall Plan.



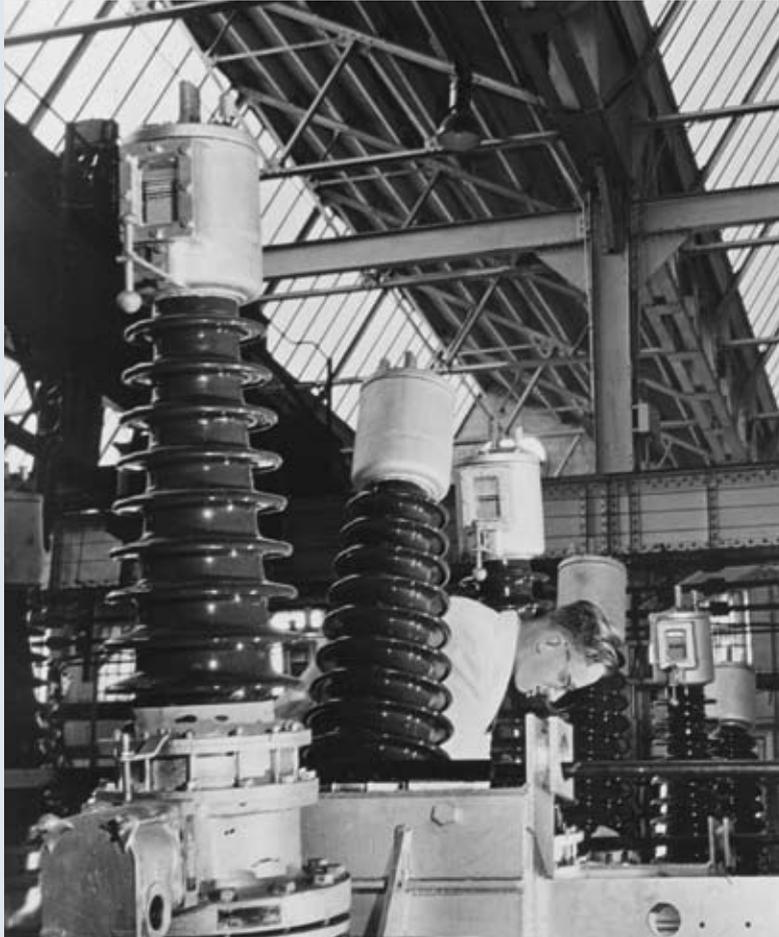
Workmen construct a steel plant just north of the Arctic Circle in Mo-i-Rana, Norway, with the help of Marshall Plan funds.

(Page 15) Part of the European Recovery Program effort to rebuild and expand Greece's transportation infrastructure involved clearing World War II debris from the Corinth Canal, restoring it by 1950 to being a key shipping artery.

Something similar can be said of the recovery of Western European production. During the Marshall Plan period, Western Europe's aggregate gross national product jumped by more than 32 percent, from \$120 billion to \$159 billion. Agricultural production climbed 11 percent above the prewar level, and industrial output increased by 40 percent against the same benchmark.

The designers of the Marshall Plan cannot take all of the credit for this remarkable record of success. Local resources accounted for 80 to 90 percent of capital formation in the major European economies during the first two years of the recovery program. Compared to this effort at self-help, some might conclude, the American contribution was marginal, measured in quantitative terms, and actually declined in the years after 1949. In truth, however, American aid and European effort were linked inextricably. The Marshall Plan, as Paul Hoffman once explained, provided the "critical margin" of support that made European self-help possible. It facilitated essential imports, eased production bottlenecks, encouraged higher rates of capital formation, and helped to suppress inflation – all of which led to gains in productivity, to





**The Marshall Plan was a work of world importance. Undoubtedly, without this aid, Europe would have collapsed in poverty, misery, and chaos and would have dragged down the whole world in ruins.**

— JULIUS RAAB  
FEDERAL CHANCELLOR, AUSTRIA, 1953-1961

With Marshall Plan copper and aluminum keeping production going, Britain's Thomson-Houston Company was able to send electrical equipment — such as the massive oil circuit breakers shown here — to all parts of the world.

improvements in trade, and to an era of social peace and prosperity more durable than any other in modern European history.

The use of counterpart funds provides another example of how the Marshall Plan worked as a shared enterprise. These funds comprised the local currency equivalent of American grants, which the Economic Cooperation Act required participating countries to set aside in special accounts jointly controlled by the ECA and the governments involved. Such an arrangement forced both sides to negotiate their differences, which sometimes were considerable, and to reach an agreement that made expenditures possible. In Britain, counterpart funds were used to liquidate the Bank of England's short-term public debt. In The Netherlands, they helped to contain inflation, underwrite a program of land reclamation, and provide low-cost housing for industrial workers. In France, they supported the Monnet Plan for industrial modernization and re-equipment. In Italy, they were earmarked for a

variety of industrial and agricultural projects and for a public-works program to absorb part of the large pool of unemployed labor.

All across Europe, the landmarks of this joint enterprise still stand. In Berlin, Marshall aid reconstructed a power station that had earlier been dismantled as reparations. In Austria, it played a part in building the Limberg Dam and other components in a vast hydroelectric project. In Greece, it helped to reopen the Corinth Canal and restore the famous Orient Express, which once again linked Greece to Western Europe. And in other participating countries, it went to upgrade the manufacturing, mining, transportation, and communications industries. Some of the most notable projects included the Usinor steel mills and the Génissiat hydroelectric project in France, the Finsider and Falck steel plants in Italy, the Margram rolling mill in Great Britain, and the Donawitz and Linz steel mills in Austria.



A carver at work on the Limberg Dam — part of a vast hydroelectric project in Austria built with Marshall Plan counterpart funds.

## The Path to Prosperity

The spirit of cooperation evidenced in the execution of the Marshall Plan was born of more than need. Americans and Europeans were linked by a system of shared values. In the 20th century, a commitment to productivity formed part of the common culture, and one particularly important to a program of economic recovery. The goal was to promote industrial efficiency in Europe. The vehicles for achieving this goal included a variety of technical assistance projects, engineering schemes, and productivity surveys launched in Europe with the aid of American experts, and a host of productivity teams of European workers and managers who came to the United States to study agricultural and industrial production methods. Out of these efforts, all believed, would come a new day of economic progress and social stability in Europe.

By the middle of 1951, the Economic Cooperation Administration had expended nearly \$30 million on a

dazzling array of technical assistance projects. In addition to projects that aimed at increasing efficiency and raising productivity in industry and agriculture, the list included a plan to expand electric power facilities in Greece, a program of veterinary research in Britain, and a number of schemes to improve public administration in Italy, Greece, and other participating countries.

By that time, moreover, hundreds of European productivity teams had toured the United States and scores of American experts had traveled to the participating countries and their overseas territories. The ECA maintained 372 experts overseas in the second quarter of 1951 alone and sponsored 145 productivity teams involving more than 1,000 European labor, management, and agricultural representatives. In addition, the ECA used technical assistance funds to conduct seminars for European managers, to sponsor training programs for European engineers, and to distribute technical and scientific information through films, literature, and exhibits.



**The grand American plan demonstrating the generosity of the people of the United States constituted, at the same time, the expression of an exigency of solidarity in the interest of all the free world.**

— GIUSEPPE PELLA  
PRIME MINISTER, ITALY, 1953-1954

**Thanks to the Marshall Plan, the economy of the democratic part of Europe was saved. ... The success was a striking demonstration of the advantages of cooperation between the United States and Europe, as well as among the countries of Europe themselves.**

— PAUL-HENRI SPAAK  
PRIME MINISTER, BELGIUM, 1947-1949

As in other areas, the Europeans cooperated in these projects and made a contribution of their own. Labor and management leaders from Great Britain and the United States organized the Anglo-American Council on Productivity. By the end of 1951, the council had sponsored visits to the United States by 66 British productivity teams, disseminated more than 500,000 copies of their reports, and published major studies on standardization and simplification in industry.

Other participating countries followed this example. They organized national production councils and worked through the Organization for European Economic Cooperation to launch an intra-European technical assistance program under which national groups of cooperating labor, management, and professional leaders began exchanging technical information and production data.

The results of this dissemination are impossible to estimate, but neither the ECA nor the participating countries doubted that technical assistance added measurably to Europe's economic revival. In France, technical assistance enhanced the Monnet Plan for industrial redevelopment. In Germany, it accelerated earlier trends toward the rationalization of industry. In other countries, it led to improved engineering and marketing methods, to important technological adaptations, and to the spread of industrial planning, the growth of automation, and the better organization of production.

The integration of the Western European economies also looms as one of the great achievements of the postwar era and one for which the Marshall Plan can take a due share of credit. The architects of the Marshall Plan celebrated the benefits of economic integration and did what they could to bring it about. The strategic assumptions behind their policy held that an integrated economic order, particularly one headed by central institutions, would help to channel the revitalized strength of the Federal Republic of Germany in a constructive way. Economic integration would reconcile West Germany's recovery with the security concerns of her neighbors, thereby creating a unit of power in the West sufficient to contain Soviet power in the East.

With these goals in mind, the designers of the Marshall Plan tried to strengthen the OEEC and liberalize intra-European trade so that coordinated planning and normal market forces could weld separate economies into a single productive unit. They also encouraged the Council of Europe and helped to found the European Payments Union, forerunner of the European Monetary System. In addition, they threw their weight behind the Schuman Plan (proposed in 1950) and the coal and steel community that grew out of

(Page 18) A worker monitors spinning machines that manufacture a rayon cord fabric for use in automobile tires at a textile plant in Oporto, Portugal, that was built with U.S. economic assistance.

(Below) The Marshall Plan helped repair the ruined docks and wharves of Ostende, one of Belgium's principal fishing ports.



it, just as they would support the larger European Economic Community that followed.

## The Birth of New Europe

The Europeans were less enamored than the Americans with the integrative powers of the market. The British government rejected integration altogether, and the other participating governments refused to go as far in this direction as the Americans wanted. Nor did the Marshall Plan preclude the British from pursuing socialist policies, the French from adopting a modernization scheme that assigned the state a greater role than the Americans thought desirable, or the Germans and Italians from following fiscal and monetary strategies at odds with those favored in the Economic Cooperation Administration. American policy succeeded in large part because it encouraged participating countries to exercise a high degree of autonomy within the framework of the Marshall Plan. Although an American plan, it placed a premium on European self-help and did not break down when the Europeans devised plans and programs of their own.

There were differences, to be sure, but they were always overshadowed by the common vision that bonded the American Marshall Planners to their friends and allies on the other side of the Atlantic. Together they saw a new Europe emerging from the rubble and the ruin of war with restored life and fresh vitality. And who can say that they did not go a long way toward turning the dream into reality? Viewed against the pattern of bilateralism that existed in 1947 or from the perspective of the Treaty of Rome concluded a decade later, it seems clear that recovery

**This magnanimous support ... gave the German people the feeling that they were no longer written off by the rest of the world but that they also could again take part in the progress of the free world.**

— LUDWIG ERHARD  
CHANCELLOR, FEDERAL REPUBLIC OF GERMANY,  
1963-1966

planners helped to set Western Europe on a road that led from the economic autarchy of the 1930s to the Common Market of the 1960s.

Nor was this the only gain. Through the Organization for European Economic Cooperation and the Council of Europe, through the European Payments Union and the Schuman Plan, this generation of American and European policy makers also created an institutional framework that stood in lieu of a final peace settlement in the West. It was this framework that set the stage for a historic rapprochement between ancient enemies and led to West Germany's reintegration into the North Atlantic community.

The Marshall Plan, as defined by Marshall in his historic commencement address, was "directed ... against hunger, poverty, desperation, and chaos." Measured against this criterion, it must be judged a great success. It succeeded in the revival of economic growth, the containment of Soviet expansion, and the stabilization of democratic politics. It also laid a hardy foundation for transatlantic cooperation on a myriad of economic and political issues – and for an Atlantic community that remains vital and growing today. □

### About the Author:

*Michael J. Hogan is the executive vice president and provost, and the F. Wendell Miller Professor of History, at The University of Iowa. A specialist in the history of American diplomacy, Dr. Hogan is the author of **The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-1952**, which received the Stuart L. Bernath Book Award of the Society for Historians of American Foreign Relations, the George Louis Beer Prize of the American Historical Association, and the Quincy Wright Prize of the International Studies Association. Other of his books include **A Cross of Iron: Harry S Truman and the Origins of the National Security State, 1945-1954** and his edited volume, **Paths to Power: The Historiography of American Foreign Relations to 1941**. Dr. Hogan served for 15 years as editor of **Diplomatic History**, an international journal for specialists in diplomacy and foreign affairs. He has also served on the U. S. Department of State's Advisory Committee on Diplomatic Documentation, which he chaired for three years, and as a consultant for a number of BBC documentaries and for the U.S. Public Broadcasting System special **George C. Marshall and the American Century**.*



Imports of American coal under the Marshall Plan contributed to maintaining Danish industry during post-World War II shortages.

# George Catlett Marshall



George Catlett Marshall

Army General, Chief of Staff of the Army, Secretary of State, Secretary of Defense – George Catlett Marshall served the United States and the world as a soldier and a statesman.

According to Marshall’s civilian superior during World War II, Secretary of War Henry L. Stimson, Marshall was “one of the most selfless public officials” he had ever known. It is not by chance that his name is given to what Sir Winston Churchill described as “the most unsordid act in history” – the Marshall Plan – through which thousands of millions of U.S. dollars were channeled to a war-torn Europe for economic reconstruction.

The son of a coal merchant, Marshall was born in Uniontown, Pennsylvania, on December 31, 1880. He graduated from the Virginia Military Institute in 1901. Commissioned a lieutenant of the infantry, Marshall was first assigned to serve in the Philippines.

During World War I, Marshall served as chief of operations of the First Army and gained recognition for his role in preparing the Meuse-Argonne offensive in 1918. He later served as assistant commandant for instruction of the Infantry School at Fort Benning, Georgia.

Marshall became chief of the War Department’s War Plans Division in 1938. Nominated for Army chief of staff by President Franklin D. Roosevelt in early 1939, he served as acting chief for two months and then took full control on September 1, 1939 – the day that World War II began with Nazi Germany’s invasion of Poland.

As head of the Army, Marshall directed the American military buildup for World War II. He presided over the raising of new divisions, the training of troops, the procurement of equipment, and the selection of top commanders. Under his leadership, the U.S. Army grew in less than four years from fewer than 200,000 persons to a well-trained and well-equipped force of 8.3 million men and women.

As chief of staff and principal U.S. war planner, Marshall strongly advocated an Allied drive on Nazi forces across the English Channel, which evolved into the Normandy invasion on June 6, 1944, and the campaign to liberate Western Europe.

Marshall's later career has often been discussed in terms of whether it was desirable to have a "military mind" in a high civilian post. U.S. statesman Dean Acheson pointed out that "nothing could be more mistaken than to believe that General Marshall's mind was a military mind in the sense that it was dominated by military considerations, that is, considerations relating to the use of force." Acheson wrote in his 1959 book, *Sketches From Life*, that Marshall not only kept military concerns from ruling his civilian decisions, but also, "when he thought about military problems, nonmilitary factors played a controlling part." Bernard Baruch, an American businessman and statesman, called Marshall "the first global strategist."

Marshall recommended that his protégé, Dwight D. Eisenhower, lead the Allied forces in Europe, after Roosevelt decided that Marshall himself was too indispensable in Washington. In late 1944, Marshall was named General of the Army.

Marshall retired as chief of staff in November 1945 at the age of 65. Only days after Marshall left the Army, President Harry Truman persuaded him to go to China, as his special representative, to try to mediate the bitter civil war there. Although Marshall's efforts were unsuccessful, Truman asked him to accept the post of secretary of state. The U.S. Senate disregarded precedent and unanimously approved the nomination without a hearing on January 8, 1947, making Marshall the first military leader to become the head of the U.S. Department of State. As secretary, Marshall directed his staff to formulate a program of economic recovery for Europe, which he outlined in a brief but historic address to Harvard University's graduating class on June 5, 1947.

Marshall worked at the United Nations and in other forums for treaties with the defeated powers that would restore them to places of respect and equality in the family

of nations. He championed rearming Western Europe to bolster the region against potential Soviet aggression, and he indicated a willingness for the United States to participate in a regional arrangement for collective defense. He also initiated a series of regional alliances for the United States and Latin America that were designed to promote hemispheric cooperation. Ill health led to Marshall's resignation from the State Department in early 1949.

After the outbreak of the Korean War in 1950, President Truman asked Marshall to return to government as the head of the Department of Defense. In the year that he served, Marshall increased the size of the Army, promoted a plan for universal military training, and helped to develop the North Atlantic Treaty Organization (NATO).

Marshall was dedicated to building a strong defense, but he also labored to find peaceful solutions to world conflicts. In December 1953, he was awarded the Nobel Prize for Peace in recognition of his contributions to the economic rehabilitation of Europe. He was the first soldier to win that honor.

Not long before Marshall's death in Washington, D.C., on October 16, 1959, Winston Churchill paid him the following tribute: "During my long and close association with successive American administrations, there are few men whose qualities of mind and character have impressed me so deeply as those of General Marshall. He is a great American, but he is far more than that. In war he was as wise and understanding in counsel as he was resolute in action. In peace he was the architect who planned the restoration of our battered European economy and, at the same time, labored tirelessly to establish a system of Western defense. He has always fought victoriously against defeatism, discouragement, and disillusion. Succeeding generations must not be allowed to forget his achievements and his example."

– Jeanne Holden

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