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THE MARSHALL PLAN

A Retrospective

edited by
Stanley Hoffmann and
Charles Maier

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The Marshall Plan

Westview Replica Editions

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About the Book and Editors

The Marshall Plan: A Retrospective
edited by Stanley Hoffmann and Charles Maier

The Marshall Plan, originally seen as the key factor in Europe's economic reconstruction, was the subject of revisionist thought in the 1960s that viewed it as a self-serving tool of U.S. foreign policy. This volume is a comprehensive discussion of the Marshall Plan by two distinct groups of contributors: those who participated in the implementation of the plan and scholars who have made use of recently opened archives. Based on a conference held at Harvard University on the thirty-fifth anniversary of General George C. Marshall's address there, this book includes memoir contributions from policymakers and assessments of the plan by historians and economists. Their presentations cover the entire spectrum of interpretation of the plan's significance, and their debates provide a rare opportunity for confrontation and interaction between scholars and those directly involved with the Marshall Plan.

Stanley Hoffmann is C. Douglas Dillon Professor of the Civilization of France and chairman of the Center for European Studies. His numerous publications include *Duties Beyond Borders* (1980) and *Living With Nuclear Weapons* (1983). Charles Maier is professor of history at Harvard University and resident associate of the Center for European Studies. He is the author of *Recasting Bourgeois Europe* (1975).

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Preface

June 5, 1982 marked the thirty-fifth anniversary of Secretary of State George C. Marshall's noted commencement address at Harvard University. In that speech Marshall admitted that "the rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than had been foreseen." United States policy had to aim at "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." But assistance had finally to be more than a piecemeal or crisis-by-crisis approach. Aid would be available for any country that was willing to cooperate loyally in recovery, although "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." Finally, the Secretary declared, "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."

June 1982 also marked the tenth anniversary of Chancellor Willy Brandt's announcement of the establishment of the German Marshall Fund, which included a special gift for the Harvard Center for European Studies. The time was thus appropriate for commemoration and reflection.

The historical colloquium on the Marshall Plan that the Center scheduled for the occasion has continued a tradition of anniversary symposia. In 1979, scholars gathered on the tenth anniversary of the death of Charles de Gaulle to assess his historical role; in the spring of 1980, a gathering reviewed the latest scholarship concerning the defeat of France forty years before. These earlier symposia were made available in publications the Center itself produced. For this colloquium we are able to initiate a series of Westview Press publications based on Center colloquia and entitled overall "Reflections on Europe." Since the Marshall Plan symposium, the Center has continued with seminars concerning Italian fascism on the occasion of the sixtieth anniversary of the March on Rome, and concerning the rise of Nazism at the time of the fiftieth anniversary of the National Socialist seizure of power; a colloquium assessing the impact of German and Austrian refugee social scientists in the United States (and America's impact upon them), which was held in conjunction with the Federal Republic's commemoration of the three hundredth anniversary of the initial German migration to the New World; and most recently, a symposium on interwar Austria sponsored by the Austrian Institute in New York on the anniversary of the suppression of the Austrian Socialists in February 1934. As this book goes to press, a gathering, "Sarajevo plus Seventy," is in preparation for June 1984.

The colloquium on the Marshall Plan was unique in several ways. First of all, it marked a congenial anniversary and not the melancholy occasions, which, since they usually make for interesting history, the Center has tended to concentrate on. More substantively, this colloquium represented an effort to bring together participants of the time with scholars in the same gathering, to confront, so to speak, memory, the impulse and the basis for history, with history as an analytical craft that must impose perspective on memory.

We asked contemporary participants to try to go beyond existing accounts and to augment the Washington perspective with the views from Paris or London or the American Military Government in Germany. Our sessions began with a review of the American origins of the Marshall Plan, then moved to consider the European response, not just the immediate reaction to Marshall's speech, but the longer-term European strategies for reconstruction that American aid facilitated. Following upon these general assessments, discussions focused upon the economics of the Marshall Plan -- what was its actual impact -- and then moved to the international legacies of the European Recovery Program. By legacies we meant both the emerging European institutions and the potential relevance of the Marshall Plan as a model for subsequent United States policy initiatives.

Colloquium organizers presumed that we need not go over all the basics of the Marshall Plan era. Nor was our purpose merely to rehash reminiscences or to follow the older controversies over whence the Plan had originated. Available memoirs and documents suggest that the notion of aiding Western Europe in a large-scale and coherent manner did not spring from one policy maker's brain; this Aphrodite was a collective emanation. On the other hand, it would not be correct either to see this symposium as an exercise in oral history. Oral history seeks to reconstruct the past from the perspective of the participant. On one level it uses his or her knowledge to learn about specific events or, perhaps more fruitfully, about the environment of decisions, the perception of contending personalities, and the elusively perceived "mood" of the period. But oral history, to be carried out well, requires extensive preparation for the interview and it demands sophisticated awareness of how memory and particular formative influences work to filter experience. The practitioner of oral history must always recall that the subject has a present agenda as well as the one from the period about which information is sought, and perhaps intervening agendas as well.

Our stated purpose was not to extract memories as the raw material of history, although the memories that participants offered were vivid and instructive. It was to have contemporary participants and today's scholars bring common scrutiny to past events. It was also pedagogic. Many of those who took part were not experts on the Marshall Plan; they were there to pose the questions of informed and interested laymen concerned about a decisive episode in the formation of contemporary Europe.

Contemporary participants took on their task in different ways. We were fortunate to secure the presence of Averell Harriman, who, already then in his late 50's, had served as the Special Representative in Europe, essentially the co-director of the European Recovery Program in the field (with Paul Hoffman serving as counterpart director of the Washington agencies grouped in the European Cooperation Administration). Milton Katz, who had succeeded Harriman in 1950 as Special Representative, was also present to analyze why the administration of the Plan in Europe could work with the flexibility that was required. Most of the contemporaries who took part in the colloquium - Miriam Camps, Charles Kindleberger, Robert Bowie, Eric Roll, Henry Labouisse, 'Van' Cleveland, and others - had been younger staff workers, shaping proposals for different agencies and seeing the effort from the perspective of their respective responsibilities. As the reader of these proceedings will sense, they quickly began to relive their experience as they perceived it, although they also sought to impose analytical distance, even to the extent, in the case of Cleveland's contribution, of posing the counter-factual question of what Europe would have become without the Marshall Plan.

Those of us who attended only in the capacity of historians or interested students remained impressed with the exuberance that the European Recovery Program had both generated and drawn upon. For most of us this sense of constructive vitality came itself as a major revelation. It went beyond history, occasionally bordered on self-congratulation, but perhaps not undeservedly. Part of our conference's final reflections went into assessing how confidence in public purpose had so eroded since the era of the Marshall Plan.

The format of the colloquium diverged from that of the usual scholarly gathering. Working sessions were initiated with a few brief presentations, not with long formal papers. The Colloquium presupposed that the audience of participants were well informed and anxious to contribute their own insights. Hence the written contributions that open up each session's resume of discussion remain brief, but concentrated. Among those that follow, Michael Hogan's and my own are perhaps the most academic; Katz's and Gordon's, reflective on the lessons of past experience; Cleveland's, speculative and provocative.

What can readers hope to find in this little volume? Some obviously will search for more information. Others will seek new analytical vantage points. They will find some here, with the possible exception of what a decade ago would have been called a "revisionist critique." That the Marshall Plan reinvigorated European capitalism was not belabored. The purpose of the Recovery Program was to make the economic systems in being function more efficiently -- and more equitably (to forget that impulse would be unjust) -- not to replace them. That the Marshall Plan contributed to United States leadership in the West was also accepted: that, too, had been an objective. Most participants of the time and most of those attending this colloquium, though not all, tacitly accepted this framework.

Nonetheless, students of history and government bring a range of questions to this period. One of the important ones, which Stanley Hoffmann refers to in his conclusion, is how foreign policy emerges, whether from a sense of perceived, overriding national interest, or from the resultant of forces between contending domestic bureaucracies. Enthusiasts of this literature are familiar with the formal models. Happily, the participants in this colloquium had not lived their ERP experience as a textbook model. If, on the one level, their different roles suggested a welter of bureaucratic objectives -- and the experience of "staff" personnel will always reinforce this forest-floor perspective -- their contributions as a group could also provide evidence of an emerging coherent foreign policy responding to perceived needs and dilemmas. The historian has the duty to reconstruct both in tandem and to remember that they will cast light on different levels of inquiry. In any case, the partisans of both perspectives can find raw material in this symposium. In addition the record of these two days of exchanges provide more insights and alternatives to the existing monographic literature. The resume, abridged as it is, still conveys the freshness of participants and the flavor of the exchanges.

An enterprise such as this one is necessarily a collaborative project. As organizers of the colloquium, Stanley Hoffmann and I drew upon important contributions from Center staff members and interested volunteers. Thomas Schwartz, a doctoral student in the Harvard history department, attended the conference and took on the laborious task of editing the massive transcripts of the discussion. Karen Rosenberg also aided in the work of editing discussion. Wolfgang Krieger, currently a German Kennedy Fellow at the Center and a Lecturer in Modern History at the Hochschule der Bundeswehr in Munich, went over the resulting manuscript to help with identifications and consolidation of material, as did Malcolm McKinnon, a Harkness Fellow affiliated with the Center and a Lecturer in History at Victoria University at Wellington, New Zealand. Jennifer Laurendeau, also a doctoral candidate in the Harvard history department, prepared the bibliography, glossary and names index. Without their labor and knowledge of the period, this manuscript would have remained a morass of unidentified voices and unexplained initials. Among center staff, Claire Fuller aided with the collation of papers and transcripts. Abby Collins was instrumental in organizing the colloquium itself and the enterprise of preparing this volume.

The occasions for rallying those who shaped the European Recovery Program will become scarcer as time goes on. This little book, it is hoped, usefully records one of the rare possibilities where historians and participants had a chance to work together at a distance from events sufficient to allow analysis, but not so far removed as to obliterate first-hand memory.

Charles S. Maier
Cambridge, MA
April 1984

1. European Integration and the Marshall Plan*

Michael J. Hogan

I think it is fair to say that while a comprehensive history of the Marshall Plan has not been written, historians have treated the origins of the plan in great detail. My purpose here is to review some of this detail; and in doing so I want to organize my remarks around two questions. First, why did American leaders launch the Marshall Plan when they did? And second, what distinguished the plan from previous American aid programs? The second question is the most significant. The answer to it will explain why the Marshall Plan made such an important contribution to the historic process of European unification. It will also help to correct an oversight in the existing literature by illustrating the role that junior officials, some of whom are here today, played in shaping this important American policy initiative.

In answering the first question, it seems clear that a number of factors converged in the winter and spring of 1947 to set the stage for the Marshall Plan. For one thing, it had become clear by then that initial American stabilization policies were not working. After the war American leaders had sought to promote European and world recovery through limited reconstruction loans and relief assistance, German reparation transfers, and new multilateral currency and trading arrangements. They increased the lending capacity of the Export-Import Bank, arranged a 3.75 billion dollar loan to Great Britain, and funded the work of the United Nations Relief and Rehabilitation Administration. They also brought the United States into the Bretton Woods institutions and opened negotiations for the multilateralization of world trade. In

*A longer version of this paper appeared in the Summer, 1982 issue of Diplomatic History. Grateful acknowledgment is made to Prof. Hogan and Scholarly Resources, Inc. for permission to reprint the text.

March 1946, moreover, they agreed to a new reparation and level-of-industry plan for Germany. In theory at least, this plan would provide the reparation and coal transfers needed to subsidize recovery in the liberated areas of Europe while leaving Germany with sufficient capital equipment to maintain a standard of living equal to, but not higher than, that of her neighbors.

Despite these initiatives, however, there were few signs of recovery in 1947. Although the United States had expended over nine billion dollars in a variety of aid programs in Europe, the devastating winter of 1946-1947 had slowed the pace of recovery there. Industrial and agricultural production still lagged behind prewar levels and, since the population had increased, hunger and malnutrition were commonplace. France, Italy, and Great Britain faced severe balance-of-payments problems; and in Germany, the American occupation authorities were complaining that reparation transfers, coal exports, and the restrictions imposed by the level-of-industry agreement were slowing the pace of German recovery and diminishing the contribution that German production could make to European stabilization. British and American officials were pushing for an upward revision of Germany's level of industry; but the French, motivated by economic and security considerations, were refusing to go along unless the Allies endorsed their demands for annexation of the Saar, for detachment of the Ruhr and the Rhineland, and for the German reparation and coal transfers needed to implement their Monnet Plan for industrial reequipment and modernization.

The economic crisis in Europe had political and foreign policy repercussions that concerned American leaders. It was increasing the trend towards bilateralism there and hurting American efforts to build a new multilateral system of world trade. In France and Italy, it was eroding electoral support for the governments and enhancing the popular appeal of the communist parties. In Germany, it was fostering a popular discontent upon which the communists and the Soviets were capitalizing. And in Britain, it was forcing policy makers to curtail their international commitments, especially their commitments in Germany and Greece. The Americans filled the gap with the bizonal fusion agreement of late 1946 and the Greco-Turkish aid program of early 1947. But in framing these initiatives they came to appreciate more fully that a far-reaching aid program would be necessary in order to reverse the economic and political erosion in Europe, clear the way for Germany's revival, and bolster the morale of anticommunist elements in Italy and France.

This appreciation became all the greater with the failure of the Moscow Foreign Ministers Conference of March-April 1947. At Moscow, the Soviets, with some support from the French, rejected new American proposals for unifying the German economy and raising the level of Germany industry, proposals that the Americans hoped would revive German industry and increase its contribution to European recovery. Secretary of State George C. Marshall came away from the conference convinced that the Soviets hoped to gain politically from the deadlock over Germany and the worsening economic and political situation in Europe. And this conviction sparked his determination to find a new approach to the problem of German recovery and European revival. It was shortly after his return from Moscow that Marshall instructed George Kennan's Policy Planning Staff to begin a study of European aid requirements. Kennan's work was to supplement similar investigations already underway by a special agency of the State-War-Navy Coordinating Committee and by the State Department's new Committee on the Extension of U.S. Aid to Foreign Governments. These and other studies, in turn, would lay the groundwork for the famous proposal which Marshall subsequently announced at Harvard University on June 5, 1947.

The convergence of these factors -- the failure of previous aid programs, the worsening economic and political situation in Europe, the decision to aid Greece and Turkey, the deadlock over Germany, and the collapse of the Moscow Conference -- explain the timing of the Marshall Plan. But such factors do not explain why policy makers believed that a new aid program would succeed where previous programs had failed. What distinguished the Marshall Plan from earlier American aid initiatives? The answer to this question can be found in the idea of European economic integration, an idea already widely touted in both Europe and the United States as the key to peace and productivity on the continent. Involved here was the conviction that American aid efforts had failed, and would continue to fail, so long as assistance was distributed piecemeal to individual countries and so long as Europe remained divided into separate national markets. What was needed, or so the Americans came to believe, was a comprehensive recovery program that would integrate the European economies and, in so doing, liberate European productivity from the constraints inherent in a segmented market. This was the way to put the continent on a self-supporting basis. It was also the way to buttress Western Europe against communist subversion, reconcile Germany's revival with the security and economic concerns of the liberated areas, and bolster America's flagging campaign for multilateralism.

In the State Department, the strategy of integration first emerged in discussions among junior officials like Thomas Blaisdell, Paul R. Porter, Walt W. Rostow, Harold Van B. Cleveland, Miriam Camp, Charles Bonesteel, Joseph Jones, Ben T. Moore, and Charles P. Kindleberger, many of whom, as Kindleberger later recalled, had been promoting the idea of regional planning for European economic recovery and integration through such United Nations agencies as the Economic and Social Council, the Council's Subcommission on Economic Reconstruction in the Devastated Areas, and the Economic Commission for Europe. For these officials, American recovery policy should not aim at rebuilding the independent national economies of Europe. This would simply recreate the kind of fractured prewar economic structure that had been an important factor in retarding productivity and development on the continent. Their vision instead was of a unified and integrated European economy that would incorporate Germany and minimize national autarchy. According to Cleveland, Kindleberger, and Moore, the "symbols of nationalism in France and Italy and in Germany" were "essentially bankrupt and in danger of being captured by reactionary and neo-fascist political elements which we do not wish to support." The great need was for transcending nationalism and developing "the supra-national idea of European unity." And if the United States was to do this, it should begin by promoting currency convertibility, encouraging the immediate lowering of tariff barriers, and supporting a "recovery plan which stresses the raising of European production and consumption through the economic and 'functional' unification of Europe." As they saw it, in other words, economic integration would unleash the latent productive power of European enterprise and make the continent self-supporting.

It would also facilitate a successful resolution of the German problem. According to Rostow and Porter, this could be viewed as a problem of European disunity, soluble only when the framework of separate national sovereignties had given way to a continental economy capable of making full use of Germany's productive power. As a step in this direction, Porter urged actions that would internationalize the Ruhr or establish international controls over key German resources. Such controls, he argued, would give assurances against the revival of the German behemoth and, in this way, satisfy the security and economic concerns of the liberated areas and clear the way for Germany's revival. Together with trade liberalization, currency convertibility, and coordinated investment programs, they would also contribute to economic integration, to greater productivity, and to a balanced recovery throughout Europe.

Through the work of these junior officers, the idea of European unity, or at least European economic integration, soon became a component in the State Department's policy planning. Moore, Jones, and Cleveland all served on the department's Committee on the Extension of U.S. Aid to Foreign Governments and, according to Jones, urged committee members to think of Europe as a whole and to administer aid in ways that would foster economic unification. Through this departmental body they also helped to shape the report, issued in mid-April, by the ad hoc group of the State-War-Navy Coordinating Committee. At two points in its report, the ad hoc group urged the United States to support "regional and world trading and production systems" and, in the case of Europe, to incorporate German resources into regional planning. Reports coming from George Kennan's Policy Planning Staff, of which Bonesteel was a member, made the same points, calling for the integration of German resources into a comprehensive recovery program that would encourage "intra-mural economic collaboration" and "regional political association" in Western Europe. At the same time, Jones, with advice from Moore, Cleveland, and others, was drafting speeches for Acheson and Marshall that made the "growth of European unity" a "fundamental objective" of American recovery policy.

By May 1947, then, the idea of European integration had begun to win support from the top policy makers in the State Department. In addition to Acheson and Kennan, Under Secretary of State William L. Clayton endorsed this idea in his famous memorandum of May 27. As Clayton saw it, a massive three-year aid program would be necessary to avert "economic, social and political" chaos in Europe, halt the trend toward bilateralism there, and resuscitate American efforts to build a multilateral system of world trade. But American aid, he went on, must be used to reorganize an economy that had become "divided into many small watertight compartments," thereby reviving productivity by creating "a European economic federation." Clayton, Kennan, and other officials reiterated this argument in a staff meeting with Secretary Marshall on May 28. Clayton, for example, called again for some system of "closed European economic cooperation," and Marshall's special assistant, Charles E. Bohlen, concluded that American recovery aid should be conditioned on "substantial evidence of a developing over-all plan for economic cooperation by the Europeans themselves, perhaps an economic federation to be worked out over three or four years."

Since Bohlen subsequently drafted Marshall's Harvard speech, and in doing so relied heavily on Kennan's report and Clayton's memorandum, it should not be surprising that the results implicitly endorsed the idea of European integration. The speech emphasized the need for recovery in "Europe as a whole" and invited all European countries to cooperate in this task. It noted the willingness of the United States to give financial support and provide "friendly aid" in drafting a recovery plan, but insisted that the Europeans demonstrate collective initiative and responsibility and that there be a "joint" program "agreed to by a number, if not all, European nations." In his speech, Marshall did not suggest a scheme for achieving European economic unity. This, he had argued earlier, should be left to the Europeans. Yet he told Senator Arthur Vandenberg that he was "deeply sympathetic" with this general objective; and it seems clear that his stress on a comprehensive recovery scheme, on collective European responsibility, and on joint programming was intended to encourage the kind of regional collaboration that would foster integration.

For American leaders, then, European economic unity had become a major policy objective. From the deadlock over Germany and the wreckage of the administration's early reconstruction programs, it had emerged as a new design for stabilizing Europe. To be sure, no one had devised a formula for blending German recovery with French demands. Nor had anyone sketched the particular form that a European union should take, this in part because time prohibited detailed planning and in part because the emphasis on self-help made the Europeans responsible for drafting the recovery program. Nevertheless, American policy goals now included some form of European economic integration; and for many of those making policy, integration had become a way to achieve all other American objectives in Europe. For some, it could strengthen European democracies against the challenege of communism. For others, it could help resolve Franco-German differences and reconcile Germany's revival with the economic and security concerns of her neighbors. And for still others, it could bring enhanced productivity and permanent stability to the European economy, salvage America's export markets on the continent, and resuscitate efforts to build a new multilateral trading system.

2. The American Origins of the Marshall Plan: A View From the State Department

Charles P. Kindleberger

It happens that I had my say on the origins of the Marshall Plan almost thirty-four years ago, and have little to add.[1] In that paper, I noted the contributions of the press, notably Walter Lippmann and James Reston, of Department of State officials at the highest level, such as Dean Acheson, William L. Clayton and George Kennan, and speech writers such as Joseph Jones (It seems to go relatively unnoticed in international politics that the necessity to say something interesting in a speech promotes innovations in policy; in addition to Jones' authorship of Acheson's Delta, Mississippi speech, the other shining example is President Truman's Point IV program, written by Ben Hardy of the Department of State's writers' stable in response to President Truman's request for a speech which would be positive, take some of the negativism off the Truman Greek-Turkish doctrine of February 1947, and offer a Truman challenge to the positive resonance of Secretary Marshall's speech of June 5, 1947.)

Since Harold Van Buren Cleveland, Ben Moore and I have been mentioned a few times for a memorandum on the need for a reconstruction program for Europe as a whole -- a low-level Department of State effort under way in the economic side of the Department, with no encouragement or support from the lower political regions -- it may be helpful to historians if I say something on the issue. Cleveland and Moore worked in the trade side of the Department under Clair Wilcox. I was engaged on German Economic Affairs in a division on occupied areas. The initiative in the matter came from Cleveland and Moore, probably the former as I vaguely recall it. They came to our division to ask if we would furnish a passage on how Germany fit into the reconstruction of Europe. For the most part our staff was deeply engaged in pressing emergency questions of reparations, acquiring sufficient foodstuffs, exporting coal and the like. I vividly recall an argument between Van Cleveland and George Jacobs on my staff in which Cleveland in exasperation said "The trouble with you, Jacobs, is that you have tunnel vision," to which Jacobs replied "The trouble with you Cleveland is that you are wall-eyed." Despite the differences in focus, our division added a number of pages to achieve for me footnote immortality.[2]

The roots of this positive attitude go considerably further back, of course. As early as July 3, 1945, the Department of State under Edward S. Mason as Assistant Secretary for Economic Affairs, aided by Walt W. Rostow, pressed hard for the revival of German coal production for export to liberated territories, and of German machinery production for coal mining, to help reconstruct the Polish industry in Silesia. In the fall of 1945 we reinterpreted the Potsdam agreement on reparations to deny the Morgenthau plan, stating that we wished to have removals of capital equipment to be sharp and quick, following which rebuilding could take place to enable Germany to contribute to the reconstruction of Europe and its own economy.

The more interesting initiative occurred in the spring of 1946, and heightened a split between economists and political officers. The episode which led to the creation of the Economic Commission for Europe is described in detail with much supporting documentary material in a book by Walt Rostow.[3] The Cold War was hotting up and the political officers were more ready to accept it than were we. Men like H. Freeman Matthews, Elbridge Durbrow and James W. Riddleberger were cynical and tired from years of negotiating with the Russians in the JPC in London. They felt that Russian acceptance of any general principle was suspect in that it would commit the United States but not the Soviet Union, which responded only to tit-for-tat bargaining, as for example letting an American ship out of Murmansk in exchange for our allowing a Soviet icebreaker to make passage through the Panama Canal. For their part, the economists following the initiative of Rostow, who was a member of the Division of German and Austrian Economic Affairs, were anxious to tidy up the sprawl of agencies concerned with the recovery of Europe - the European Coal Organization, the Emergency Committee for Inland Transport Organization (as I recall it: the initials were certainly ECITO) and the Emergency Economic Committee for Europe (EECE). We drafted a number of communications proposing a new European-wide organization to tackle European reconstruction problems more systematically, and with the help of Clayton and Collado, persuaded the Undersecretary, Mr. Acheson, to get the Secretary to put it forward to the May-June meeting of the Council of Foreign Ministers (of Britain, France, the Soviet Union and the United States). I remain vague on the steps by which this finally emerged as the Economic Commission for Europe which met in Geneva for the first time in April 1947. It was on his way back from this organizational meeting that Mr. Clayton became thoroughly discouraged over the collapse of the European economic fabric, with city and countryside no longer trading effectively with one another because monetary conditions were chaotic, food desperately short at the end of the disastrous 1946-1947 harvest, and industrial production set back by the hard winter.[4] Back in Washington the trade and commodity side of the Department, as contrasted with the political divisions and my own German and Austrian economic affairs group, had been busy drafting papers in the State-War-Navy Coordinating Committee calling for systematic reconstruction efforts worldwide, but with emphasis on Europe and food, coal, fertilizer, steel and capital equipment.[5] Paul Nitze, Robert Schaetzel, Joseph Coppock, William Phillips and especially Harold van Buren Cleveland and Ben Moore were involved at some point in the period from March to July 1947, with a committee set up in June, shortly after the speech, under the chairmanship of Willard Thorp.

My conclusions on the origins of the Marshall Plan are that it emerged largely from the economic side of the Department, with _causa remota_ being the German and Austrian economic division, an intermediate cause (my Latin fails me) being the economists in the trade and commodities divisions, and the _causa proxima_ being the Undersecretary, Mr. Clayton, and George Kennan, the chief of the Policy Planning Staff, virtually the only political officer to take a leading role.

The conventional revisionist wisdom produces a number of views which seem to me true, if at all, only in some subconscious psychological sense. Gimbel's book, for example, rejects the major interpretations in favor of an argument that French intransigence about reparations and the allocations of food and fuel were the chief obstacles to four-power control of Germany, with the Marshall plan put forward to ensure German economic recovery and to make it politically acceptable to Europe and the United States.[6] The argument is unpersuasive, and fails to conform to any recollection of mine. At the Moscow CFM (Conference of Foreign Ministers), the French were not taken seriously, given the fact that the Foreign Minister was frequently incapacitated by alcohol. Another revisionist view is that the offer to the Soviet Union to participate in the recovery program was insincere, because it was known in advance that that country would not. Again I have a hard time understanding how they knew since at the time everyone with whom I communicated in the Department -- a skewed low-level economic set to be sure -- had a different view. We were pleased when Poland and Czechoslovakia accepted the Marshall invitations, concerned when the Soviet Union sent Molotov to Paris, relieved when he withdrew because we envisaged that the Russian bear could choke the program to death by embracing it. Perhaps our betters knew. We did not. I remain sceptical of the view that the offer was not genuine.[7]

At this stage I run out of material on the origins of the Marshall plan, but I cannot resist making a point by way of recantation on the economic analysis of the program to be discussed by Lincoln Gordon and Van Cleveland tomorrow. The issue turns on what econometricians call an identification problem, or what is sometimes vulgarly known as a chicken-and-egg problem. In making and defining the estimates of the amounts of assistance needed for Europe, we economists claimed to have calculated the balance of payments deficits of Europe and financed them. Somewhat later, Fritz Machlup made a sharp point that the financing made possible the deficit, which could not have been allowed to develop had the funds not been there, as contrasted with our claim that the finance was needed because of the deficit.[8] I felt uneasy at the time, and somewhat later I confessed to the professional sin of having used an economic model that I knew to be doubtful.[9] Thirty-four years of subconscious and a month or so of conscious reflection now lead me to defend the departmental position of 1947-1948. The issue is one that reaches deep into the heart of economic analysis of real situations and turns on whether the economist allows his models, worked out for understanding of long-run equilibria, to serve in policy issues.

The Heckscher-Ohlin-Samuelson (H-O-S) model of international trade says that comparative advantage conforms to underlying factor proportions. What a country exports and imports will depend upon first its factor endowments and second the empirical fact that some commodities are normally produced in labor-intensive, some in capital-intensive, and others in land-intensive ways.

The relevance of this to the Marshall Plan is that the war alters factor proportions. Take Germany as an example. There was substantial capital destruction and an increase in population on a smaller territory, because of the return of the _Volkdeutsch_ from Eastern Europe, the refugees from territory ceded to Poland, and the _Flüchtlingen_ that poured into West Germany from the Soviet Zone of Occupation. The Heckscher-Ohlin-Samuelson theorem, if it were used for short-run analysis, would call for a new set of exports and imports for Germany, with labor-intensive exports such as textiles, shoes, and the like, and capital and land-intensive imports. One highly reputable economic journalist, of German background, Kurt Bloch of Fortune, talked as though this were the obvious thing to do (although I lack a reference to the view in writing).[10] There were, however, a number of distinguished economists and politicians who used the same implicit model of a highly malleable European economy that could transform its resources from one to another industry. Senator Joseph Ball said on the floor of the Senate in the spring of 1948 that there was no need for the Marshall Plan. All that needed to be done in Europe was to balance national budgets and to depreciate the exchange rate to the purchasing-power parity level. A more general statement was put forward by Gottried Haberler of Harvard: halt the inflation and adjust the exhange rate.[11] Similar positions were held by Friederic Lutz, Henry Hazlitt, and somewhat less rigidly by Jacob Viner and Fritz Machlup.

Some years later in talking with Jan Tinbergen of the Netherlands, and thoroughly imbued with the H-O-S model, I asked him why in planning the recovery of the Netherlands, he had not taken into account the Dutch loss of capital and gain in population (from the halt in migration and the pull-back from the Netherlands East Indies) and planned for labor-intensive exports. He said he had not thought of it. The instinct of some economists is a superior guide to policy than the ratiocination of others. Economic structures are malleable with time within limits, but there is a heavy burden of hysteresis or inertia that makes it much easier to restore the status quo ante, to shape the factor proportions to the structure of international trade, rather than the reverse. The issue is general, and especially divides the Chicago School of today from the rest of us.

Let me in conclusion deal a low grade to a Keynesian point of view, closely connected with the Marshall Plan as applied to Italy. The first use of Keynesian analysis in a major governmental document that I recall is that of the Harriman Report, largely drafted by Richard Bissel. It was a brilliant use of the links running from investment to national income, both for short-run business cycle analysis and for growth. By 1948 most economists in Government were Keynesians, and a group of them in the Economic Recovery Program office in Rome undertook to lecture the Italian government on the necessity for running a deficit to correct the substantial unemployment. Luigi Einaudi, then Finance Minister and later President of the Republic, refused to accept the analysis, maintaining that the unemployment was structural, from wrong factor proportions, not cyclical from a lack of effective demand.[12] Gordon and Cleveland tomorrow will doubtless claim that the economic analysis that went into the Marshall Plan was exemplary. After having claimed so much for economists as contrasted with foreign service officers for the origins of the Marshall Plan , it seems to me well to inject a suspicion of humility.

One should also observe that the immediacy of the success of the Marshall Plan was in considerable part owing to the fact that the disastrous harvest of 1946-1947 was to make economic analysis and planning appear a great deal more effective than they actually were.

Notes

1. C.P. Kindleberger, "Memorandum for the Files: Origins of the Marshall Plan", in Department of State, <u>Foreign Relations of the United States</u>, 1947, vol. III., Washington, D.C.: U.S. Government Printing Office, 1972, pp. 241-7. (See Appendix D)

2. See for example, Joseph M. Jones, <u>Fifteen Weeks</u>, New York, Viking Press, 1953, p. 241; and Max Beloff, <u>European Unity and the United States</u>, Washington, D.C., The Brookings Institution, 1963, pp. 14-15.

3. W.W. Rostow, <u>The Division of Europe after World War II: 1946</u>, Austin, The University of Texas Press, 1981, esp. pp. 73-5; "to some limited degree, impossible to measure, the formulation and circulation a year earlier of a recovery plan linking a European organization to enlarged American aid, plus the midwifery of bringing it to life, may have contributed an element to the creative ferment that yielded the Marshall Plan as something that had to be done."

4. See memorandum by W.L. Clayton, "The European Crisis," <u>FR</u>, May 27,1947, III, pp. 230-2.

5. See Report of the Special 'Ad Hoc' Committee of the State-War-Navy Coordinating Committee, April 21, 1947, <u>FRUS</u>, 1947, III, pp. 204-19.

6. John Gimbel, <u>The Origins of the Marshall Plan</u>, Stanford, Stanford University Press, 1976.

7. C.P. Kindleberger, "The Marshall Plan and the Cold War," <u>International Journal</u> (Canada), XXIII, 3 (Summer 1968), pp. 369-82.

8. Fritz Machlup, <u>International Payments, Debts and Gold</u>, New York, Scribner, 1964, Chapter XX.

9. C.P. Kindleberger, "The Life of an Economist," Banca Nazionale de Lavoro, <u>Quarterly Review</u>, September 1979.

10. <u>Fortune</u> published three articles on Germany in 1946 and 1947, one anonymously, "The Second Battle

of Germany," in December 1946; J. Kenneth Galbraith's "Is There a German Policy?" in January 1947, on his return from a short stay in the Office of Economic Security Policy including German economic affairs in which he admits (in A Life for Our Times) that he had little sense of purpose and accomplished little; and a third by John Davenport, "Letter from Germany: The Paperkrieg," (July 1947), an attack on planning and in praise of the theories of Walter Eucken.

11. In Seymour E. Harris, ed., Foreign Economic Policy for the United States, Cambridge, MA, Harvard University Press, 1948.

12. George Hildebrand, Growth and Structure in the Economy of Modern Italy, Cambridge, MA, Harvard University Press, 1965.

3. Recalling the Work of the Harriman Committee

W. Averell Harriman

1. On June 22, 1947, President Truman announced the appointment of three committees to promptly study and report on aid to Europe proposed by General Marshall in his Harvard speech. First the President asked the Secretary of Interior to study the availability of the raw materials to be required. Second, he asked the Council of Economic Advisors to study the economic effects on the country. Lastly, he appointed me as chairman of a bipartisan committee to give him a completely independent judgement on extending economic assistance to Europe. After consultation, I selected seventeen men of widely different backgrounds and occupations. I went over this list with Senator Vandenberg, and he recommended the addition of Owen Young and Robert LaFollette. President Truman agreed and appointed the Harriman Committee with nineteen members.

2. The committee established seven subcommittees to report on different aspects of aid to Europe. The reports of the seven subcommittees were unanimously approved by the committee. The full report submitted to the President was never formally voted on by the committee as a whole. We were under great pressure to get the report out. It was submitted to the President on November 7, and he sent it to Congress the next day, November 8. I told the committee members if anyone had any objections they were free to make them. None of them did.

3. Dick Bissell was the Executive Secretary of the Committee. Whoever recommended Bissell did me the greatest service. He organized the staff and played a major role in writing the report, giving full consideration to the views the members had expressed. Bissell was an economist who made complex economic problems appear simple and understandable, and I was told that is what appealed to the press.

4. Together with Richard Bissell and Robert LaFollette, I held a press conference on the morning of

November 8 to explain the report. The favorable press reaction contributed to the eventual acceptance of the plan on Capitol Hill. Senator Vandenberg told me that the Harriman Report was the most useful material he had to get Congressional approval.

5. It was suggested to President Truman that the European Recovery Program be called the Truman Plan. The President said no, that there was already the Truman Doctrine covering Greece and Turkey. He added that we needed General Marshall's prestige and support to get the plan through Congress. So he decided the program should be called the Marshall Plan.

6. President Truman insistently offered Paul Hoffman the job to head the Marshall Plan, but Hoffman explained that it was impossible for him to accept the appointment. On his way back to his hotel, Hoffman heard on the car's radio that the White House had just announced that President Truman had appointed Paul Hoffman as head of the Marshall Plan. There was no way now that he could get out of it.

7. The Committee report, prepared under great pressure for President Truman, who needed this bipartisan report to mobilize support for U.S. aid, was sent immediately by President Truman to Congress which was meeting in special session. The Committee recommended 5.75 billion dollars. This was almost three percent of the total U.S. gross national product. On December 19, Truman himself sent a statement to Congress supporting the program.

8. On February 23, 1948, Congress authorized 5.5 billion dollars. There was considerable opposition in the Congress to the appropriation. However, the coup in Czechoslovakia in March created such concern that the Congressional appropriation as authorized was made on April 4. The Committee had estimated that the entire expenditure would be between 12 and 17 billion. The total actual expenditure turned out to be about 13 billion dollars.

9. The reports of the Secretary of Interior and the Council of Economic Advisors were available to the Committee before its report was concluded.

The summary of conclusions was as follows:

"1. The hope of Western Europe depends primarily on the industry and straight thinking of its own people.

2. The United States has a vital interest -- humanitarian, economic, strategic, and political -- in helping the participating countries to achieve economic recovery.

3. The aid which the United States gives will impose definite sacrifice on this country.

4. The magnitude of Western Europe's deficit with the American Continent in 1948 will be of the order of seven billion dollars, but when all possibilities of financing are taken into consideration, the approximate need for appropriations past and future to cover the calendar year of 1948 may be of the order of 5.75 billion dollars.

5. The extension of such aid, now or in the future, calls for anti-inflationary fiscal policies on the part of this country, and a new agency to administer the aid extended.

The years following World War I were years of intense dislocation and dissolution both at home and abroad. Yet, by 1924, Europe, which seemed totally disorganized in 1919, was well on its way to recovery.

It is safe to say that at no time in history has there been more need for Western Europe and the United States to stand firmly together."

4. Discussion

In response to Charles Maier's request, Charles Kindleberger explained the Rostow initiative. After the First World War, Kindleberger remarked, the United States was deeply divided about the recovery of Germany. In particular, some American chemical companies, notably Allied and Dupont, did not want Germany to return to the world marketplace since that would threaten the gains they had made during the war. In this sense, isolationism also had a very real economic content. After the Second World War, in contrast, American economic interests did not wish to hinder German recovery. The one exception might be the Morgenthau Plan, but that was never seriously considered for very long, since the recovery of Germany was thought to be of the highest priority from an early point in the occupation. As a stimulus to recovery, Walter Rostow and Edward Mason particularly wanted to make German coal production available for Europe. Rostow's idea was to take all the emergency economic entities -- the Coal Organization, the Inland Transport Organization, and the Emergency Committee for Europe -- and weave them together into one organization. An anecdote told by Robert Bowie illustrated the connection perceived at the time between German recovery and European unification. Bowie recalled being with General Clay in Germany in the fall of 1945, working on problems connected with German coal production. He stood with Lewis Douglas in front of a map of Europe, while Douglas commented that there was no way American policy in Germany could succeed without an integrated European economy. General Clay, however, according to Kindleberger, was interested in Germany and Germany alone, to the point that he refused, for example, to buy lemons from Italy.[1]

Miriam Camps noted that she had served on the three committees mentioned by Kindleberger, and she recalled a trip to Europe by the United Nations Temporary Commission on Devastated Areas (colloquially referred to as "the Devastators"). It was to this Commission that the Rostow initiative, the idea of a single organization, was sold. This was the origin of the Economic Commission for Europe, in which Lord Roll was a key figure. In general, the United States in the immediate postwar period did not approve of establishing separate organizations and splitting European countries one from another, she stated.[2]

However, divisions among American foreign policy makers over the issue of European integration were pointed out by Imanuel Wexler. Wexler stressed the importance of Americans outside the government who believed in European cooperation. In this group were Walter Lippmann, John Foster Dulles, Thomas Dewey, and J. William Fulbright, the last of whom tried to introduce provisions designed to encourage unification in various aid bills. By contrast, the U.S. Treasury was strictly opposed to anything resembling a "European Regional Bloc," he recalled. It was deeply committed to the multilateral solutions embodied in the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT). This battle among Americans did not cease with the victory of the Marshall Plan, but continued through the enactment of the European Payments Union, he stated. Henry Labouisse recalled that Congress favored European unification, and a number of high-ranking officials advocated the creation of supranational institutions in Europe. Wexler provided the example of Hale Boggs of Louisiana who wanted to make European unification a condition for American assistance but was talked out of it by the State Department.

The question of British commitment to European integration was raised by Harold Van B. Cleveland who had served on the "Devastators" Committee and had carried the Rostow memorandum to London in the winter of 1945-1946. He recalled having far more difficulty dealing with the British delegate than with the Russian. The British reaction to moves towards European integration was also discussed by Governor Harriman, who described the formation of the European Payments Union (EPU). By providing 200 million dollars to act as a reserve in case of default, the United States took a real step towards integrating trade in the West, he explained, because the EPU represented a specific program, in contrast to earlier "great ideas" about a United States of Europe. The British, however, continued their unrelenting opposition to such steps as the EPU. Sir Stafford Cripps told Harriman that the EPU would destroy the sterling area, an idea which the Governor termed "nonsense".

Turning the discussion towards policy, Maier inquired how the Americans who believed in the ideal of

European unity proceeded to formulate real policy proposals. Speaking as a participant in the period, Lincoln Gordon made the observation that the concept of "integration" meant something quite different in 1949-1950 than it did at the time of Marshall's speech in 1947. He took issue with Michael Hogan's paper by stating that General Marshall's speech does not even begin to hint at the broader kinds of proposals which would later be attempted. The Marshall speech was directed at the most autarchic aspects of the European economy, that is, the bilateral trade agreements, the actual barter aspects of the European economies which emerged out of the lack of hard currency. The first step which the Marshall Plan attempted was to seek a "normalization" of the European economy.

Attempting to date the move from normalization to the second stage of genuine economic integration, a common market and a free trade area, Gordon asserted that the latter policy was not actively promoted by the American government until 1949-1950. Robert Bowie and Lord Roll, attempting to clarify the chronology of the period, stated that as early as 1945-1946 the Americans wanted European unification to proceed further, but the institutional shape of that unification had not yet been devised. However, a number of participants questioned just how prevalent ideas for European unity were during the earlier period. Don Price stated that when he was involved in UNRRA (United Nations Relief and Rehabilitation Agency) in 1943 and 1944, all the outside "do-gooders" who had no influence were pushing for European integration, while the Russians were fighting it even then. Cleveland recalled a trip by Jean Monnet to the United States in the first half of 1948 in which Monnet met a group from the State Department and spoke of a United States of Europe. "He seduced us totally," Cleveland said, noting that he subsequently wrote a memorandum advocating a federal Europe. He concluded that, these ideas were in the air in the first years after the war, though they were not dominant. Miriam Camps agreed with Cleveland and disputed Gordon's contention that genuine economic integration was not actively promoted by the U.S. government until 1949-1950. The concept of a united Europe was present earlier, particularly among people involved with Germany, though it was not a dominant ethos, she asserted.

The idea of some form of customs union was certainly in the air from quite an early stage, she explained, and was advocated by Will Clayton, among others. A customs union seemed to be acceptable both to those who were pushing for the multilateral GATT approach and to those favoring a more regional approach. It was a way around the trade problem, though one not easy for the British to accept. Lord Roll confirmed Camps' recollection that the British opposed the customs union approach, and cited British suspicion of American intentions in regard to European unity as proof that such American desires did indeed exist.

When asked by Maier whether, in late 1946 and early 1947, some of the international agencies were tainted by the fact that they were trying to include Eastern Europe, Camps answered that it was her view that until the Russians withdrew from the Paris Conference on European Economic Recovery it was uncertain whether or not the Marshall Plan might be given to the Economic Commission for Europe (ECE), as Walt Rostow, who was working for Gunnar Myrdal at the time, very much wanted. Once they withdrew, however, it was clear that a separate Western organization would be needed. Lord Roll commented that the British had been very chary of handing responsibility over to the ECE and were not particularly upset when the Russians rejected the Marshall Plan. He told an anecdote about the Foreign Ministers' Meeting in Paris, at which he was present: on the day Molotov left the conference, he recalled hearing Bevin on the phone with Attlee. "Clem," he said, "'e walked out, uttering threats."[3]

Maier stated that from his reading of the British documents it was clear that the British were relieved that the ECE was not going to have the responsibiity for administering the Marshall Plan. He asked why this was so. Did it stem from a distrust of the Russians, or a dislike of Gunnar Myrdal? Both Camps and Hogan observed that Clayton was opposed both to Myrdal and to using the ECE to administer the Marshall Plan. Hogan added that the British deliberately scheduled the meeting with Molotov in Paris two weeks before the ECE meeting so that they could determine Soviet attitudes before they committed themselves to using that agency. Hogan later stated that the British did not want the Russians involved in the plan. But as soon as the Russians walked out, he noted, the British fought "tooth and nail" against many of the same things -- the collective program, sharing sovereignty -- which the Russians had disliked. In Clayton's phrase, they adopted the "Molotov approach."

Turning to the American attitude towards Russian involvement, Kindleberger recalled that, from his perspective at the junior economic level, the question of Russian participation certainly had not been resolved at the time of the Marshall Plan speech. "So we were very relieved when they decided not to participate," he stated. Labouisse reminded the group that the question of Russian participation had been an open one, and he referred to George Kennan's memo of late May 1947, which spoke of the possibility of Russian participation.

Gordon asked when the American attitude toward the Soviet Union changed: was it only in the spring of 1947? The same question, he said, could be phrased as: at what point did the American government stop viewing European regional organizations negatively, as "dividing Europe"? Bowie recalled that in late winter 1947 and spring 1948, the first concerns for European security were expressed by the Brussels Pact. There was a growing feeling that certain problems -- such as the coal problem -- needed to be dealt with at a European regional level; this was the thinking behind the setting up of the International Authority for the Ruhr, he explained. Camps felt the change in American attitudes toward the USSR was gradual, and that some officials lost faith in the Russians much earlier than others. However the Foreign Ministers' Meeting in Moscow in the spring of 1947 was a very important turning point, she declared.

In Wexler's view, the American administration feared that if the Marshall Plan included the Soviet Union, Congress would never appropriate the funds. Peter Hall inquired whether resistance in Congress was ever strong enough to throw the whole plan and its course of operation in doubt. Maier commented that the real danger was not that Congress would refuse the plan outright, but that it would limit it with a series of short-leash authorizations and appropriations. Bowie noted that if the American effort had seemed half-hearted, the plan might not have mobilized the energies of people and given them hope, which was the response he had observed in Germany. On the topic of short-leash appropriations, Hogan remarked that there never was much hope in the State Department that Congress would agree to a series of short-term measures. But, he reported, there was a great deal of uncertainty in the State Department after Marshall's speech as to whether Congress would approve the plan. Gordon added that if assistance had come in the form of short-leash appropriations, the European governments would never have embraced the trade and payments liberalization reforms; they would never have made their balance of payments dependent on the short-leash payments of the American Congress.

Governor Harriman said that it was his impression that Marshall was confident that the Russians would not accept the Marshall Plan. It was also his view that if they had, Congress would have killed the plan. Second, while the Moscow Conference may have been the turning point for General Marshall, the real turning point was the failure of the Russians to keep the Yalta agreements on Poland. The failure of the Russians to allow "free and unfettered elections" in Poland demonstrated their untrustworthiness. Finally, the Governor felt it was wise from both a psychological and an historical point of view to offer the Marshall Plan to the Russians, but that it was his impression that we were confident it would not be accepted. Governor Harriman recalled that he and his associates were gravely concerned over whether Congress would actually appropriate the funds in early 1948. But, he related, "we used to have a saying, 'Old Joe helped us out again'." In this case, he explained, the Soviet coup in Czechoslovakia created the atmosphere in Congress that made it possible to pass the appropriation. When Martin Sherwin asked to what extent the coup in Czechoslovakia might be considered part of Stalin's response to the West's "mobilization" in the Marshall Plan, Governor Harriman answered that he was "appalled" by the implication of this question. As one who had hoped the Russians were interested in amicable relations, Harriman said, he was bitterly disappointed by their repeated failure to keep their agreements. He felt that he must express himself very vigorously against any implication that the Russians changed their behavior because of the Marshall Plan.

The factors which led to the Russian walkout were the subject of some discussion. Camps asked the Governor whether Marshall had stressed the need for a "collective effort" on the part of the Europeans as a way to exclude the Russians, to which Governor Harriman replied that a collective effort had been necessary for the plan to succeed, but that the desire to exclude the Russians had probably been there as well. Hogan commented that both George Kennan and Will Clayton had defined the plan in a way that would make it unattractive to the Russians. They had discussed the program as a way to provide short-term commodity assistance, and their definition of commodities meant that the Russians would not get very much out of the plan, but would contribute quite a bit to it. According to Hogan, Kennan especially had felt that, given the sacrificies of sovereignty involved in the plan, there was scant possibility that the Russians would accept. Some junior people, however, did think the issue was still open and believed that the Plan could constitute a bridge to the East and would reestablish wartime collaboration.

According to Wexler, it is clear from American documents that, after Marshall's speech, Clayton went to London to speak with British officials and the result of these talks was an aide-memoire which set up the necessary steps to respond to Marshall's speech. One of the steps required that detailed information be submitted by the respective countries to a steering committee and, on the basis of this information, various plans would be drawn up to increase production. Before Bevin went to Paris, he told Clayton and Douglas that he would use the aide-memoire "as a reasonable approach to the discussions in Paris." This obviously meant that the Russians would have to share detailed economic information, which few people expected them to do.

However, according to Gordon, the fact that the Russians walked out did not make it any easier to pass the Marshall Plan. It was, he reminded the participants, the 1981 equivalent of a 90 billion dollar appropriation which came after expenditures for the World Bank, GARIOA (Government and Relief in Occupied Areas), the IMF, and the Anglo-American loan, and promises not to come back to Congress for more international spending. To return and ask for 3 percent of the gross national product was very daring, especially in the light of continuing isolationism, such as that of Senator Taft. In order to build a base of support for the plan, it was necessary to launch a massive campaign of public education and persuasion, he recalled. Bowie confirmed that many people had been concerned that the GARIOA funding seemed to have become an endless commitment, and there was a growing perception that a decisive step like the Marshall Plan was needed to control the "gusher" of problems we had in Europe.

Lord Roll agreed that "it is a myth that the passage of the Marshall Plan was easy," especially from the British perspective. After the act was passed, he noted, the British left sought explanations for why it had occurred, and the only explanantion they could seize upon was that the U.S. needed to get rid of its surpluses. Cleveland commented that while such Marxist explanations for the plan are not very helpful, since the U.S. was experiencing a boom at the time, it is interesting that the plan did take the form of the United States supplying commodities to Europe.

In response to Richard Kuisel's question about the origin of the perception that Europe was approaching the starvation level, Maier remarked that en route to Moscow in 1947, Marshall was told that the French desperately needed coal, and that Clay was also informing him of the hunger riots in Germany in early 1947. Kindleberger recalled that we feared a political breakdown in Germany. In part, the problem was a seasonal one, having to do with the harvest, he explained. We felt that if we could get through May, we could last through the rest of the year, for there would be some seasonal improvement. Lord Roll remembered that the food situation in the British zone in Germany had created tremendous tension within the British government, particularly between the Ministry for Food and the Foreign Office, because food rationing was still going on in England, and there was competition between the demand for food in England and in Germany. On the topic of shortages, Frederick Hadsel noted differences between Marshall's spoken words and the official text of his speech. On the first page of the speech, after the statement, "the reaction of the long-suffering peoples," Marshall added, "of Europe," while on page four, after "people in the cities are short of food and fuel," he added, "and in some places approaching the starvation level." These were the only changes in the text of the speech, but, at the end, Marshall added two final paragraphs (4) which reflect his pragmatism, convey the necessity of the plan, and suggest the great uncertainty of the outcome, Hadsel stated.

In reply to a question by Hogan about how public opinion was mobilized to support the plan, Cleveland recalled a definite campaign conducted by the State Department for this purpose. He recalled delivering between fifty and sixty speeches on behalf of the Marshall Plan. Hadsel noted that Tyler Wood was a very important figure in mobilizing public opinion, for he even organized a special committee with that task. Maier noted that it was the cofrontation with Congress which produced most of the documents connected with the plan; however, Kindleberger remembered that he was assigned to assist Senator Vandenberg at the Congressional hearings, but that the senator never asked for any help. Governor Harriman asserted that there was one man who was best capable of mobilizing public opinion: Josef Stalin.

Notes

1. On the other hand, said Kindleberger, some groups, such as the oil industry, were interested in European-wide programs for a different reason. The oil industry wanted to reestablish its old cartel in Europe and to plan every refinery on a European-wide basis. It came very close to succeeding, he said.

2. Miriam Camps went on to suggest that historians pay more attention to a 1945 memo by a member of the British Cabinet Office, Bill Hasseler, which suggested that the United Kingdom take the leadership of postwar Europe.

3. Imanuel Wexler added that Trygvie Lie was assured by Bevin that the United Nations would be given a major role in the economic recovery, but this never materialized. Governor Harriman added that NATO should be considered one of the factors tending toward unifi-

cation. Miriam Camps reminded the historians present that a great deal happened in a very short span of two or three months, and that these decisions came very rapidly.

4. Compare the prepared text of General Marshall's speech and the printed versions, pp. 95.

The European Response: Strategies for Reconstruction Within the Framework of the European Recovery Program

5. Supranational Concepts and National Continuity in the Framework of the Marshall Plan

Charles S. Maier

Historical discussion of the Marshall Plan has hitherto focused upon one of three principal concerns. Early historiography stressed the unique benevolence of the American commitment and approvingly underlined Washington's demand that Europeans themselves strive for an integrated economic approach to their regional needs.[1] More recent, critical, sometimes Marxist authors have examined how Marshall Plan aid served American interests in encouraging social democratic and centrist political and labor leaders to withstand rival Communist forces.[2] Some of the newest studies have switched focus from ideological objectives to the bureaucratic process of American policy making. They have asked whether in fact Americans followed a coherent vision in the development of the European Recovery Program, or did not just patch together an aid package designed to reconcile tensions arising out of pro-French or pro-German priorities and the interests of key Congressional leaders.[3] This contribution draws upon each of these past perspectives and questions. But it addresses a different set of issues, namely the interplay between American policy makers' vision for an integrated Europe, and the Europeans' own efforts to find as much room for maneuver as possible for their own national objectives.

The European Recovery Program rested on a few basic premises. The first consisted of the idea that disputes over ideology might be resolved by discussions of how best to assure economic growth. That is, issues of political power could be transformed into questions of efficiency and technique. Ideological cleavages persisted, Americans liked to think, only in societies with fixed resources. In growth economies political antagonists could become social partners. They would share a common interest in finding the technically most efficient way to maximize production with its benefits for everyone.

Another underlying assumption was that the impediments to production were not permanent constraints,

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but temporary "bottlenecks" (the term appears in the paper of the Policy Planning Staff's memorandum[4]), which could be cleared away with a little know-how. Once capital and labor rolled up their sleeves together, they could get rid of the frictions in an industrial economy. America's industrial performance in the Second World War offered the triumphant demonstration. Thus the Marshall Plan was envisaged as a way to clear bottlenecks so that Europe would recover the level of output her society should naturally produce. The bottleneck concept of intervention motivated ECA planners especially during the early phases of the program. (By 1949 ECA officials emphasized more positive concepts of integration and growth as well.) Bottlenecks, moreover, were also political and social, not merely economic. Impediments to German productive capacity -- whether insufficient food or misguided decartelization programs -- were to be lifted; the bottlenecks on French financial stability had to be remedied by tax reform; the bottlenecks constraining international trade could be corrected by leading the British toward multilateralism, and so forth. In each case American policy makers presupposed an underlying dynamic economy that needed only to be emancipated from archaic restraints, whether technological or political.

The third premise was that Western Europe had to be reconstructed and supported as a unit. This belief provided the major policy innovation of the Marshall Plan, namely its switch from a country-by-country allocation of emergency aid to a vision of a West European region with interlocking needs and strengths. As Secretary of State Marshall emphasized in an early gloss on his speech, "U.S. financial and economic aid to individual European countries on a piecemeal basis cannot alone solve the situation."[5] Nonetheless, as Americans sought to establish a European balance sheet the societies in which they prepared to intervene did not appear to them uniform or of a piece. Each component country presented distinct economic and political challenges. Moreover -- this is the point I wish to emphasize here -- this very differentiation allowed Europeans themselves to pursue particular national strategies, to avoid homogenization in a vague Western entity. Much of the success of the Marshall Plan I believe, derived from this very elasticity, which could both suggest a unity of commitment and spirit and simultaneously sanction the diversity that had always characterized so differentiated a region. Americans and Europeans alike found it advantageous to elaborate the respective national roles.

American planners in the spring of 1947 moved quickly from the notion of case-by-case aid to a coherent West European strategic concept. As late as the SWNCC (State-War-Navy Coordinating Committee) report of April 21, Germany was not included as a candidate for urgent help, while Hungary was. By mid-May, however, Kennan's new Policy Planning Staff (whether originating ideas or distilling those now emerging from several different sources) drafted plans for a four-to-five year commitment for Europe as a whole.[6] In retrospect we can discern three different complexes of problems besetting United States policy makers: the economic future of West Germany, the political role of France and Italy, and finally the emerging structure of Atlantic trade and payments, which focused on the role of Britain (and to a lesser extent Belgium). These three sets of issues helped define the specific national roles within Marshall-Plan Europe. Let us consider them in turn.

The crisis of German production in the spring of 1947 was one of the causes of urgency. West German production seemed to be collapsing, as coal production, especially, fell to 45 percent of the prewar level. But despite the hunger, misery, and disorganization, American businessmen, labor leaders, and officials understood that Germany had to serve as the revived industrial center for Western Europe. To use the metaphor that was applied during the economic doldrums of the late 1970's, West Germany should be serving as locomotive. This meant allowing Germans to produce rather than setting limits upon their output. As Harriman wrote to Truman while he was still serving as Secretary of Commerce, "The best reparations our Western Allies can obtain is the prompt recovery of Germany."[7]

To wager on German economic recovery required that German political reliability be secure. In fact, the German political problem was as satisfactorily resolved as it might be. While there was anxiety about the Berlin trade unions' political affiliation, there was relatively little concern about Communism in the Western zones. Moreover, the left wing of the SPD had been frustrated and the Party had chosen to go into opposition in the new Bizonal authorities. Britain was too economically feeble to press ahead with socialization of industry in her zone and instead had to give way to American preferences for indefinite postponement of any change in ownership of the Ruhr coal and steel resources. By the end of 1948 West Germany was thus politically secure and the administrative bottlenecks on her economy could be relaxed. Monetary reforms, major relaxation of curbs on production (the Levels of Industry), British, then French acquiescence in reconstruction of a vigorous private enterprise, targeting of infrastructural aid, most urgently to coal mining, and with least priority to public housing, could help launch a resumed growth spurt.

The key to German recovery, though, remained France's political attitude. If War Department and ECA officials concentrated on Germany, the State Department still remained preeminent in establishing French policy. In their perspective the assigned role was less economic than political. Neither France nor Italy was given an economic vocation; neither country could supply an industrial surplus for the rest of Europe. But politically both had crucial roles. The French Third Force (the Catholic Mouvement Républicain Populaire, the Socialists, and centrists) had to prevail against a threatening Gaullist movement to the Right and Communists to the Left. Gaullist success might trigger civil war; excessive Communist influence would prevent French ministries from sanctioning West German recovery. As Robert Lovett, Acting Secretary of State, wrote Harriman in December 1948, "The goal of [the] European Recovery Program is fundamentally political, and France is the keystone of continental Western Europe."[8]

For Lovett and others securing the requisite non-Communist unity required social and economic stabilization and reform. Ending inflation was the paramount task. In turn this required cutting government spending, curbing the Communist labor unions and limiting wage pressure, and introducing effective tax increases. Reports from the Paris Embassy always stressed inflation and communism as linked evils. Washington was happy with the efforts at monetary stabilization that René Mayer and Maurice Petsche were making, and indeed allowed them to use Marshall Plan counterpart funds to balance the state budget rather than see further note issues. By late 1948, the period of hand-to-mouth expedients appeared successfully surpassed. Yet the French role was still to be crucial in integrating West Germany. "France and France alone," Secretary of State Acheson instructed the Paris Embassy in October 1949, "can take the decisive leadership in integrating Western Germany into Western Europe."[9]

Italy likewise had a political mission, but a less extensive one. Americans hoped just to keep the country out of Communist control. Before the elections of April 1948 some policymakers thought this impossible over the long haul. With De Gasperi's stunning victory the possibilities were more cheerful. But Marshall Plan aid would be crucial in helping the new De Gasperi ministry, once the premier had ousted the Communists, in surviving the economic turmoil to come. Ambassador Dunn sought wage freezes, resumption of employers' free hand in laying off redundant labor, control over political strikes, reduction of government spending and "extraordinary amounts of foreign aid for some time to come."[10]

In both France and Italy the need to contain Communist appeals meant that the role of the non-communist, social democratic left became pivotal. Hence the crucial battle turned over control of the labor-union federations. As Lovett summarized the issue for France, "Politically speaking the break must come to the left of or at the very least in the middle of the French Socialist Party. Translated into labor terms, the healthy elements of organized labor must be kept in the non-Communist camp. Otherwise the tiny production margin of the fragile French economy would vanish and the ensuing civil disturbances would take on the aspects of civil war."[11] It would be harder to find a more succinct statement of the way political and economic strategies meshed in American policy for Europe. Thus France and Italy were seen as politically vulnerable, but precisely because of their early vulnerability, as crucial stakes. In contrast, West Germany was politically secure, for the moment economically impoverished, but potentially the mainspring for Europe's future abundance. The European Recovery Program brought the two components of Washington's policy into a coherent whole. It secured stabilization in the politically vulnerable societies through economic recovery; it promoted economic recovery by removing the impediments, political and economic, on German production.

The third major set of issues became more urgent once the immediate crisis of 1947-48 had passed and American policy-makers looked toward a four-year aid program. The long-term objectives of meshing European resources and freeing trade and payments from postwar restrictions would collide at that point with the special needs of Great Britain. During 1947-48, Britain seemed the natural leader for Western Europe. But by 1949, London appeared the foot-dragger in efforts to broaden multilateral trade and payments. "We have been too tender with Britain since the war," David Bruce said in October 1949. "She has been the constant stumbling block in the economic organization of Europe."[12] On the other hand the small countries, Belgium and the Netherlands, above all, benefitted from their European vocation. Their leaders were natural organizers for the supranational OEEC, which Britain wished to see as weak as possible. As monetary issues became crucial this polarity was reinforced. In effect, Britain became a soft-money footdragger, relying on her residual Commonwealth resources (which Americans resented) and seeking to shield the pound sterling from the demands of full convertiblity; Belgium emerged as a deflationary, hard-money stalwart.

Ultimately compromises were reached. In 1948 and 1949 partial advances toward convertibility were negotiated, but Britain was shielded from their full impact. Americans saw Europeans move toward currency convertibility with the European Payments Union, negotiated during 1950-51, but less quickly than the Marshall Plan notion of "integration" had envisioned. If London angered Americans working in Paris with her rejection of the Schuman Plan, her cooperation in the Korean War still assured her of a close (if not "special") American relationship.

The very differentiation of national problems that American policy implied, let Europeans have a certain freedom of maneuver. Within the American "hegemony" Britain preserved as much of her Commonwealth position, her shielding of her balance of payments, as possible. She also played what might be termed the "Polybian" strategy, attempting to become the Greeks in America's Roman empire, wagering on the "special relationship" to prolong their influence and status. Bevin, Cripps, and civil servants such as Plowden understood how to create a sympathetic ambiance in high-level negotiations. The earlier stand against Hitler, the later continuation of economic "austerity" helped deflect charges of self-indulgence. Cooperation on all the military issues made British cooperation crucial as NATO emerged and the Cold War turned hot in 1950.

The French strategy toward Washington could also draw upon a reservoir of historical sympathy, though not the same Anglo-Saxon mystique. But the French used other tactics: the plea of political desperation during 1947-1948: the spectre of inflation, Communism, resistance to the Western agreements on Germany. French leaders also maximized their own international leverage within the new Atlantic institutions. They embraced United States concepts for European integration in part to form French-dominated sub-coalitions within Western Europe. The Schuman Plan meant that French political exertise would have a voice in the development of German economic potential; it would take advantage of ephemeral French political superiority to secure German commitments of cooperation for the period that would arrive once Germany recovered more freedom of action. Likewise Paris insisted on Italian membership in NATO over British and even American skepticism. A Paris-Rome-Bonn triangle would enhance French influence while appearing advantageous for Washington.

What about the nations that did not have the political resources of Britain and France? How might they shape a distinct role within the general framework of Atlantic Europe? If necessary, as in the case of Italy, they could rely on their own seeming precariousness. Throughout 1947 and 1948, Rome brandished the peril of communism. To secure aid, then to get American support on the Trieste issue, Italians drew strength out of weakness. Alcide De Gasperi, and the Ambassador in Washington, Tarchiani, emphasized their country's democratic fragility as they sought assurance of aid if they reorganized their government without the Communists. Even after the success of that operation, Washington treaded gingerly, for the State Department did not want to upset the delicate equilibrium within the Democrazia Cristiana itself. Washington preferred to have it continue on a centrist course and cooperate with Italy's Social Democrats rather than veer to the right and push all the working class into the arms of the Communists. The latent instability and the felt need to wager on the left center gave De Gasperi continued freedom of maneuver vis-a-vis his American benefactors.

The Low Countries were small, not precarious. Indeed their internal stability and the clear limits on their national power led them logically to take advantage of the new supranational developments. Not having the size and resources to follow the French search for a sub-coalition, they sought to magnify their interests through the new agencies of Atlantic Europe. Men such as Paul-Henri Spaak (though detested by the British) and Dirk Stikker became the symbols of the emerging Alliance and then Community. In the meanwhile Belgium was also pivotal in American calculations because of her international financial strength. U.S. Treasury advocates of currency convertibility appreciated Belgium's deflationary policies and her vanguard role in pressing for convertibility. It was appropriate that Camille Gutt, who engineered Belgium's postwar currency reform, should go on to preside over the International Monetary Fund.

West Germany had perhaps the least political maneuverability of all the European components: half a nation, burdened by her history, arousing constant distrust, and limited in sovereignty. But typecast as the animator of economic recovery, the new Federal Republic constantly emphasized its industrial vocation. The Germans promised in terms of coal and steel what the Belgians and Dutch offered in terms of political cooperation. German industrialists and labor leaders joined forces in petitioning for an end to dismantling, deconcentration, and limits on economic sovereignty. They constantly sought limits upon the authority of the International Ruhr Authority, largely a sop to French opinion in any case. And after Schuman announced the French project for a common coal and steel authority, Adenauer prodded German industrialists to subordinate particular economic hesitations to the political gains he understood that it promised. West German sovereignty had to be achieved by coal and iron (and later by a NATO commitment). Bonn's continuing pressure to have the restraints taken off her productive potential found continuing sympathetic responses, first from Generals Clay and Draper and later from High Commissioner McCloy. Via Jean Monnet Bonn effectively wooed France lest she balk at Germany's piecemeal recovery.

As the Cold War became less preoccupying later, theorists of international relations tended to contrast its bipolarity with the more complex relationships of the classical European balance of power. The Soviet-American antagonism had apparently suppressed all the old jockeying for power among the European states. But within the structures of bipolarity an articulation of national roles and an anxious search for missions continued: muffled but still preoccupying. These new national missions now drew upon different potential: in the case of Britain upon the Commonwealth resources and sentimental ties with the United States; in the case of France upon the respect her Third Force ministers might win, and upon her skillful architecture of West European subcoalitions; in the case of Germany, upon industrial potential; and for Italy, the feared consequences of democratic collapse. The new roles within the institutions of the Marshall Plan continued to shape european consciousness. americans might have preferred that this national resilience did not persist. It limited the thrust toward integration that was ECA policy at least after 1949. But the implicit American division of political and economic tasks among the Europeans itself provided the basis for this national resilience. Cold War bipolarity did not absolve Europeans of their continental history. The Marshall Plan thus preserved national identities even as it aspired to supersede them. It may actually have been more successful as a result.

Notes

For a fuller version of the arguments in this contribution see my essay, "'Voi Europei'". Concetti regionali e ruoli nazionali nel quadro del Piano Marshall," in Elena Aga Rossi, ed., Il Piano Marshall e l'Europa (Rome: Trecani, 1983), 39-58.

1.See Harry Bayard Price, The Marshall Plan and its Meaning (Ithaca, NY: Cornell University Press, 1955); also Joseph M. Jones, The Fifteen Weeks (New York: Viking Press, 1955).

2.Gabriel Kolko and Joyce Kolko, The Limits of Power. The World and United States Foreign Folicy (New

York: Harper and Row, 1972); also Lutz Niethammer, "La nascita e la caduta delle prospettive socialiste nell'Europa del secondo dopoguerra," in Elena Aga Rossi, Il Piano Marshall e l'Europa (Roma: Trecani, 1983), 101-108, which summarizes a 1977 conference held at Essen to be published as "Marshallplan und europäische Linke."

3.Cf. Hadley Arkes, Bureaucracy, the Marshall Plan, and the National Interest (Princeton: Princeton University Press, 1973) which finds an underlying national sense of purpose in the Plan; also John Gimbel, The Origins of the Marshall Plan (Stanford: Stanford University Press, 1976), which sees it as the upshot of different agency perspectives and needs.

4. Policy Planning Staff Memo, May 23, 1947,in United States Department of State, Foreign Relations of the United States,[FRUS], 1947, III, 225.

5. FRUS, 1947, III, 247-249.

6. Ibid., 204-219, for the SWNCC memo. Kennan's summary of the Policy Planning Staff recommendations with covering letter to Acheson, May 23, 1947, in ibid., 223-230.

7. W. Averell Harriman to Truman, August 12, 1947, in Harriman papers, Commerce file: F. Germany."

8. Lovett to Harriman, Dec. 3, 1948, in FRUS, 1948, III, 301-303.

9. Acheson to Paris Embassy, Oct. 19, 1949, FRUS, 1949, IV, 469-472.

10. Dunn to Secretary of State, May 7, 1947, in FRUS, 1947, III, 896-897.

11. Lovett to Paris Embassy, October 24, 1947, National Archives, Record Group 59: 851.00/ 10-2447.

12. Meeting of Ambassadors at Paris, October 21-22, 1949, FRUS, 1949, IV, 492.

6. The Marshall Plan As Anglo-American Response

Eric Roll

I find it difficult to stick to what Charles Maier prescribed, because I regard the Marshall Plan, climactic though it is and was, as merely part of a process that had its origins in the inter-allied machinery of the war, and the people and techniques of that time. As a result, I'm afraid I'm going to impinge a bit on what speakers tomorrow are going to say, a bit on the legacies.

One question in Maier's letter was "How was it that in so short a time the powers of Europe could be mobilized to respond so quickly, and as it turns out, so effectively?" Looked upon as an operation, or what we might call an exercise, I view the Marshall Plan response as essentially an Anglo-American response. It had its origins in the techniques, themes, and above all the people in the inter-allied machinery of the war. That had a great deal to do with the rapidity with which it was mounted, and I am speaking now purely and simply of it as a technical operation, the response and organization of the Committee on Economic Cooperation in Paris, the production of the reports, the general report, the voluminous reports of the technical committees and the presentation to the American Administration and the American public.

Let us take the three topics: themes, people, techniques. (This is, of course, somewhat artifical, they overlap; but it is convenient for expository purposes).

Themes: We have already touched on the overriding objective of preventing a political collapse in Western Europe, especially France and Italy; also a solution to the German problem. This overriding need of preventing collapse, which was clearly very imminent in France and Italy, is impulse enough to explain why the technical resources were mobilized so quickly.

There were of course subsidiary themes. But among the principal economic themes, in my mind, was undoubtedly the question of the dollar shortage and dollar viability, which was far and away the most important theme in the British mind at the time. It affected, of course, all of the participating countries but it was so central to British economic policy thinking that it left its mark on the way in which the response of the European countries to Marshall's speech was organized and the report drafted.

Now earlier the question arose as to what would have happened if there had not been a Marshall Plan. As far as Britain is concerned, I had the chance to work on a report of an inter-departmental Committee after the Paris conference, but while Congress was still debating, and before we actually knew that it was going to become operational, which had precisely as its title "What if Marshall aid is not received?". We produced a report which was essentially a political document, the answer to which was already known before we started to work, because we were trying in that document to sway some of the characters in the Cabinet resistant to American aid. There were many because of the likelihood of rather difficult conditions which re-echoed some of the problems we had in the Lend-Lease negotiations and that Keynes had also had in the loan negotiations. Despite the likelihood of some conditions of that kind (they inevitably crop up as conditions of American aid), such as progress towards liberalization, progress towards multilaterialization (that became a prickly issue in 1949-50), despite all that, the consequences of not accepting some of the strings and thereby foregoing the aid, were such the British government would not face.

That is what we were trying to demonstrate and what we did; with a wealth of statistics, lots of model building, lots of forecasts about balance of payments; and all these were accepted by the government. This overwhelming need, as we saw it, for creating dollar viability, which in my opinion to some extent was overdone in the sense that it did not take into account a lot of other economic problems that were going to arise or the general question of how to organize the European economy - I think has left an indelible mark on the report of the Paris Committee. It runs right through from beginning to end.

That was the main theme. Now why was it so very much in the British mind? Well, we all know what the balance of payments situation was. But those of you who have read the documents that have become available in the last four or five years after the thirty year rule may have read for example a Cabinet paper which Dalton submitted, I think in February of 1946, which was really a cover document to a paper by Keynes which started off if I remember rightly with the words "We are rapidly going down the drain". In early March

1947, Dalton submitted another paper to the Cabinet and then finally on the 21st of March, 1947, just three months before the Marshall Plan conference, he submitted yet another paper on the balance of payments which started off with these words: "We are racing through our US dollar credit at a reckless and ever-accelerating speed". That was then the recurring theme. At this he hammered away all the time and this was the main preoccupation in Whitehall at the time.

You can also find traces of it in the documents that were written in the following twelve or eighteen months, particularly by "Otto Clarke," Sir Richard as he later became (he is now dead), who was chairman of the London Committee, the rear link with those who were operating in Paris.[1] Even at that time when we were considering in London the character of the continuing organization in March 1948, i.e. before the setting up of the OEEC, the need to ensure that the whole efforts of Europe were concentrated on achieving dollar viability, as it was called, was absolutely paramount.

As I say, I think in retrospect it was overdone and I even had some doubts at the time, I think the phrase which Otto used quite frequently in those papers is very significant "We shall never achieve independence of the dollar unless there is a fundamental restructuring of European industry".

What is interesting here to my mind is to see how the British conception of this was reflected in the report of the Paris committee and then in the early work of the OEEC. Actually, there was a difference of view in Britain at the time of how to approach the question of broad economic policy for the United Kingdom. In 1946, the government decided to have an economic survey and the economic section of the Cabinet Office, under James Meade, whom many of you know as a Nobel prize winner in economics, was asked to prepare a draft. That draft never saw the light of day. Thus there was no economic survey published for 1946 because what Meade produced was essentially a macroeconomic document. It was the kind of document, that, though it was not as refined as it would be today, might still be written today. It talked about inflationary gaps and deflationary policies; it was framed strictly in macroeconomic terms, and therefore totally alien to the preoccupations of Labour ministers at that time, who were still thinking in terms of allocation of resources, of direction of labour, of whether to release women from compulsory occupation, and things of that kind. Thus, that document was rejected. The next one was the economic survey for 1947, which was written very largely by Otto Clarke though the first part, the philosophy of planning, was written by Stafford Cripps himself, and it was essentially a microeconomic document. It dealt essentially with what to do about non-ferrous metals, what to do about the school-leaving age, etc. etc.

And this is, to my mind, exactly what we did in the Paris report. We set up these technical committees. I happened to be in charge of the agriculture--the Food Committee--at the time, which was one of the most important because that was the biggest dollar spender in Britain and in Europe. And the whole of that report was based on these micro-planning conceptions, which were then the vogue in Britain, and which fitted in reasonably well with French indicative planning also. This is a very interesting thing to remember because the basic concept went right through the OEEC's work for several years. There were some subsidiary themes of course. For instance, the European Payments Union. That was not a microeconomic effort; Averell Harriman told us earlier what trouble he had with Cripps over it and I remember that very well. I don't know whether any of you recall that there was at that time a musical review which had been produced by Al Friendly, which was called La Sterlina Dollarosa, or Stop Pounding My Pound. And in it was one song, which to the tune of "Constantinople" made various European Statesmen pronounce the word multilateralization and poor old Cripps is made on the record to fail this test every time.

Apart from the European Payments Union there was the question whether you could move from liberalization of quotas to liberalization of tariffs. On this of course the British view was that you could not, because that was something for the GATT and should not be mixed up with the OEEC and so on and so forth. But the essential thing was this preoccupation with, if you like, physical microeconomic planning, not necessarily through controls in all cases, but that as a basic approach.

People: I have said that the Marshall Plan was very much an Anglo-American effort and the report of the Paris conference to a considerable extent the work of people who had experience of the allied war-time machinery. You have only to look through this room to see Milton Katz, who was, if I remember rightly, Secretary of the Combined Production Board for a while, and Linc Gordon, who was the author of the Controlled Materials Plan and was in the Raw Materials Board during the War. Otto Clarke worked in the Combined Production Board; Governor Harriman -- well, we all know the part that he played. But it is not only people: one of the most important things in wartime munitions planning, some of you may remember, was the so-called Purvis balance sheet, the balance sheet produced by Purvis, the Canadian businessman, who was chairman of the British Purchasing Mission, with whom Monnet worked very closely, and which was a parallel to the famous Stimson balance sheet and was then consolidated into a single statement.

This technique which served at that point, of course, for wartime production -- for aircraft, for landing craft, for ships, and so on -- was exactly the technique then applied in the Marshall Plan conference and in subsequent OEEC work. And even in those cases where some Frenchmen, like Monnet and Marjolin, played a very prominent part (Marjolin in particular, Monnet behind the scenes), they were, of course, people who had been very much involved in this Anglo-American machinery, particularly Monnet.

Methods: Now, finally a word about the more detailed methods used, which I think is something equally important. The methods, questionnaires and cross-examinations of people became a very, very important activity in other subsequent, post-war international organizations, and of course gave rise to some of the most amusing anecdotes of that period. One which some of you may remember concerns the time when we sent out our original questionnaires on import programs, on the basis of which we were then going to produce a list of requirements. Marjolin and I at about 2:00 in the morning came out of a meeting and were walking home. As we passed through these rooms where the lights had already been turned off, we came upon a little room where the light was still on. And there was the Greek delegate, with all these questionnaires, laboriously filling them in. We said, "But this is not for you, this is to be sent to Athens for the people there to fill in." He said, "You don't really think that anybody in Athens will know anything about this and will be able to fill it in. I can just invent the figures myself."

If I may just bore you with two other anecdotes about the techniques, which I think are very illuminating. As you now, we were receiving a great deal of what was called in those days "friendly aid" from our American colleagues. The program was supposed to be purely European, but believe me, we had very close contact with Dick Bissell and others from the American mission. And I remember very clearly sitting there one night as chairman of the Programs Committee, cross-examining a charming young woman who was the Belgian representative, who had spent some time during the war in a concentration camp. I was cross-examining her, trying to compress these Belgian requirements because we had already had a pretty clear idea what the ECA thought Congress was likely to appropriate and it was considerably less than the first indications of our requirements. So what we had to do in the program committee was to press and press and press and get the requirements down.

Somewhere about 1:00 in the morning I got a message from Marjolin that said could I join him in his office. So I handed over the chair to my Dutch deputy and went to see Marjolin. Dick Bissell was present, having just received a message from Washington with the lastest indications of what the appropriation was going to be.

It turned out to be some four or five hundred million more than we had all assumed. Bissell wanted me to know this right away, so I went to cross-examine my Belgian friend again, and I started off by saying, "By the way, we were talking about tobacco earlier. Now, are you quite sure that you have stated your requirements accurately because I seem to remember from the figures we had about consumption, that these were higher, etc., etc.?" And my assistant, Gerald van Loo, of the British Treasury, was sitting by me, looked at me, kept digging me in the ribs, saying, "What on earth are you doing?" I said, "Shh, keep quiet." I was later able to explain to him why we had to get these requirements up again to fit the new total of appropriations.

Finally, one other anecdote while I'm on the techniques. As you may remember, the original appropriation was for fifteen months, whereas our programs were, of course, for twelve months. So a formula was worked out -- it was pretty simple -- whereby the original requirement, minus the proportionate deduction to fit it into the Congressional appropriation, then divided by fifteen, multiplied by twelve was what we were going to get for a year. I remember Tim O'Connell, the Irish delegate, came up to me one day and he said, "This won't do." I said, "Why, what's the matter?" He said, "When I go back to Dublin, they'll say to me, 'Tim, wha are we going to get?' and I'll say, 'You're going to get A minus B over fifteen times twelve.' And they'll say, 'The British have cheated you again.'"

Well, however, after all this, I think what is important to remember--and I hope that the speakers tomorrow morning will agree with this--is that these techniques, which really do go back to war-time experience became a most important element in practically all post-war international machinery and intenational discussion, for example in the NATO Temporary Council Committee, of which Averell was chairman, and which set up this wonderful group consisting of him, Edwin Plowden, Jean Monnet, with Linc Gordon, Etienne Hirsch and myself as deputies. We were trying to devise a proper system of burden sharing among the NATO allies. That was based entirely on the same techniques, on the same principles; and I think that a great deal of what happened in Brussels that led to the Treaty of Rome and subsequently to the operations of the EEC was based on exactly the same kinds of thinking.

Note

1. "Otto" Clarke's memoranda have since been published selectively by Sir Alec Cairncross, ed., as Anglo-American Collaboration in War and Peace, 1942-1949. See bibliography.

7. Discussion

Charles Maier's observation that the European governments had largely retained their national identities was challenged by M. Katz who saw the reconstitution of European nations as one of the main objectives of the Marshall Plan. In response, Maier noted that good foreign policy works towards the goal that unites all parties while allowing each party to satisfy its own desires. In his view, the Marshall Plan was just such a "positive-sum" approach to foreign policy. To illustrate his point, he mentioned the politicians of the French Fourth Republic who, despite, American criticism of French economic policies, could ultimately garner American support whenever a crisis arose. It was the Marshall Plan, said Maier, which forced their political opponents, the French Communists, to exclude themselves from the political scene.

Milton Katz's rejoinder was that, in 1945, the only organized government, transport, and currency system on the continent of Europe were the Anglo-American Armies of Occupation. "Europe," in his words, "was something we were trying to recreate." From Charles Bohlen, Katz said, he had heard an anecdote about General Marshall's meeting with Stalin in Moscow in 1947 in which Bohlen, the interpreter, was the only other person present. General Marshall said to the Russian leader, "Marshal Stalin, I'm terribly worried about conditions in Europe." Stalin then put his hand on Marshall's shoulder in a friendly manner and said, "Don't worry. We'll take care of that." After Stalin had left, Marshall turned to Bohlen and said, "What did he mean by that?" As Bohlen was listing the possible meanings, Marshall stopped him and said, "I think I know exactly what he meant." It was then that Marshall decided he wanted a real plan for Europe, Katz related.

"We wanted each country to be itself," Katz remembered, noting that he welcomed French "crotchetiness," for it was a signal to him that Europe was coming alive again. In the immediate postwar was coming alive again. In the immediate postwar period, the United States had such overwhelming power that it was difficult for the ministers of individual European countries, which were in a weakened condition, to have a "normal human exchange" with an American representative in a bilateral context. Therefore, the OEEC, by bringing together all the European countries, made it possible for them to deal with the United States, and also for American officials to deal with the Europeans on a more "normal" and equal basis. For each of the OEEC countries, he stressed, the central problem was the European problem. With this last statement Lord Roll disagreed, maintaining that in Britain, at least, it was not accepted that the central problem was the European problem. Other concerns, particularly the dollar shortage and Commonwealth questions, had an important place in British thinking, according to Roll.

Maier, too, contested Katz's main thesis, which he characterized as a "zero hour perspective" in which Europe was viewed as a "tabula rasa." "This is the conqueror's viewpoint," he stated, and it neglected the fact that Europe, despite its weakness, still possessed significant networks for commerce and capacities for production. In fact, he continued, to Europeans the "dollar problem" was partly an American and not solely a European difficulty. Maier noted that the British attributed one-third of their dollar shortage in 1947 to the price inflation in the United States and, to a certain extent, felt that the Americans should resolve this problem and would, through the provision of Marshall Plan aid.

Discussion of European reactions to Marshall's speech began with an anecdote recounted by Averell Harriman. Marshall himself, Harriman related, did not want a publicity build-up of his Harvard speech, but Dean Acheson, recognizing its importance, briefed several members of the British press before the speech. One of the correspondents, a member of the BBC, conveyed the message to Ernest Bevin who immediately contacted Bidault, the French Foreign Minister. Bevin even rushed to the Foreign Office early on the morning after the speech, only to be annoyed to find that no one was there yet. This story, explained Harriman, reflects the great credit which should be given to Bevin for his initiative, and his leadership of the Marshall Plan in Europe. But the Governor also added, in reference to Lord Roll's paper, that the British-American relationship, while very close, also rested on America's willingness to pull British chestnuts out of the fire, as in the case of Greece. In regard to Lord Roll's presentation, Charles Maier also noted the value of Otto Clarke's memoranda (see bibliography) as a source for this period, and he referred to one British Treasury document which, in evaluating the British need for the American loan in 1946, commented that anyone who read the file thinking Britain needed the loan would feel justified, and anyone who read it thinking Britain did not need the loan could also feel justified.

The contrast between British and French reactions to the Marshall Plan was emphasized by Lord Roll. He raised the question of why the French got along better with the Americans, much to the annoyance of the British. In answer, he noted that after the Marshall Plan had been announced, the French became the pragmatists while the British became the theorists, especially concerning such questions as infringements of sovereignty. The difference in perspective between England and the continent stemmed, he said, from the fact that England was the only country not to experience the destruction of its preexisting pattern of resource allocation during World War II. In non--economic terms, England was the only country not occupied and not liberated. This fact helps explain the greater resistance in England to the economic innovations and changes wrought by the Marshall Plan than in the other countries. It also helps explain the difference between England and the Continent in terms of economic performance since the war. "We are only now rid of the barnacles which hindered postwar economic change," he said. Elsewhere he commented on the lack of British self-confidence and its deep "cultural pessimism" which stands out in contrast to the Continental countries. Referring to the Otto Clarke papers,[1] he observed that they consistently painted a bleaker picture of Europe's future than was to be the case. Many British policy-makers, he reported, thought the "dollar problem" would go on forever.

Lincoln Gordon added that his experience in England in the mid-1950s had led him to conclude that the English suffered from "mesmerization with the structural inferiority" of their economy. He recalled attending a seminar at Cambridge University in which the idea of exporting automobiles to the United States was referred to as "absolutely unthinkable." This obsession with structural obstacles was, in Gordon's view, "dead wrong," but it did characterize the "inferiority complex" which he observed in postwar England.

Discussion of France and the Marshall Plan began with L. Gordon affirming Maier's point that there was a fairly wide tolerance on the part of the Americans for different approaches to the use of Marshall Plan assistance. He did, however, remember Lewis Douglas "fulminating" against the French Monnet Plan as "socialism gone wild." This raised the question for Gordon of how it was that France, the country of the Monnet Plan, eventually became the center of the liberal movement on trade and payments, through such organization as FINEBEL. What, he asked, caused the change in approach in French policy from the microeconomic planning of Monnet to support for the macroeconomic approach of loosening trade and payments restrictions?

Richard Kuisel answered Gordon by noting that Jean Monnet, an avowed internationalist, always saw the necessity for international solutions, but when he returned to France in 1945, he considered the first priority to be basic reconstruction and economic reform within France. However, once the Monnet Plan had been adequately funded, internal stabilization achieved, and increased investment for productive capacity made, Monnet then jumped back into the search for European solutions. According to Kuisel, the shift in French policy was a reflection less of contradictions in Monnet, than of changing priorities in different periods. Kuisel conceded, however, that there were internal French differences over how to use Marshall aid.

Katz noted that the ECA Paris office always supported Monnet in his efforts to use Marshall Plan assistance for increased investment in productive capacity. Henry Labouisse commented that there was American pressure on the Europeans to come up with mutual economic undertakings and agreed that there was an effort to support Monnet and push for a stronger OEEC; however, Monnet quickly lost faith in the OEEC as a vehicle for his "United States of Europe" because of the unanimous vote requirement. On the other hand, Marjolin, who was more pragmatic than Monnet, did not believe in the supranational approach. On this last point Miriam Camps disagreed, noting that during the early debates on the power of the Secretary General of the OEEC, the French, including Marjolin, had favored stronger powers, which the British and Scandinavians had opposed.

A discussion of American intervention in the economic policies of European countries for the use of Marshall Plan assistance was initiated by George Ross. According to Gordon, when the macroeconomic element of the Marshall Plan became the most important (i.e., with the EPU), the American government pushed strongly for the liberalization of trade and payments. This resulted in some tension between the United States and European governments whenever "extreme illiberal restrictions" existed. But on the microeconomic level, he said, the Americans had great tolerance for "dirigisme," and he cited as an example the attitude toward Norwegian planning. But according to Robert Bowie, "America had no desire to impose any economic order on Europe," though, to some extent, the manner of U.S. assistance implied a certain degree of economic interdependence among the recipients.

Bowie's picture of internal American "harmony" in policy towards France was disputed by Kindleberger, however, who remembered a "very tough" attitude on the part of the younger men in Washington, many of whom wanted France to put its economic house in order without additional American assistance. In this case, the older leaders like General Marshall and Paul Hoffman were far more lenient than their younger subordinates. "Age is more compassionate than youth," he concluded. Katz agreed that there was no one United States approach; there were, he continued, differences between ECA and the Treasury Department, and differences between the State Department and the ECA.

Asked by Suzanne Berger whether European governments attempted to take advantage of such differences among the Americans, Katz answered that such efforts were taken for granted, but because of the unique structure of the Marshall Plan agency (the "theatre command concept") they were largely unsuccessful. Lord Roll added that such European efforts would be a dangerous game to play. The British, he recalled, did perceive ECA-London to be more in favor of supranational solutions, more liberal-minded economically, and in some cases if the British could talk with John Snyder or Andrew Overby of the U.S. Treasury Department, or someone in the State Department, they would do so. But it was not his impression that this was a significant factor in British thinking.

8. Lessons From the Marshall Plan: Successes and Limits

Lincoln Gordon

Five years ago, when I had the honor of co-chairing with Robert Marjolin the OECD's thirtieth anniversary conference (with its somewhat grandiose title "From Marshall Plan to Global Interdependence"), Stanley Hoffmann was enormously helpful both at the planning stage and as the author of one of our six substantial papers. It would therefore have been very hard to refuse his invitation to reciprocate -- especially since he and Charles Maier emphasized that this time there would be no formal papers (and also, for that matter, no honoraria!), but only the responsiblility for launching a discussion in a group of knowledgeable and articulate scholars. I hope that we can keep this quinquennial practice going -- perhaps in a different venue each time like modern-day economic summit meetings -- at least until the fiftieth anniversary.

My only difficulty is picking and choosing among the many specific topics that were involved in the economics of the Marshall Plan. I have decided to employ my few minutes in three endeavors: (1) a few generalizations on the character of the Marshall Plan as an exercise in applied international economics; (2) some lessons drawn from experience as a participant which have had many subsequent applications and continue to do so; and (3) a question about the role of European economic integration which seems to me deserving of informed discussion.

I will begin with the economic. Among the various "grand design" international enterprises of the decades following World War II, the Marshall Plan was uniquely successful. It accomplished more than had been hoped, in less time than originally planned, and at substantially lower cost. It was the opposite of the cost and time "overruns" which have become our late twentieth century stock in trade.

Those magnificent results flowed, I would argue, not so much from accuracy in diagnosis as from partly accidental correctness of prescription. Out of the jockeying between European and American officials during the summer of 1947 there emerged the CEEC's four-point program: (1) a strong production effort with emphasis on agriculture, energy, transport, and capital modernization; (2) internal financial stabilization; (3) development of economic cooperation among the European countries, and (4) a solution to Europe's dollar problem -- first by Marshall aid and later mainly by increasing export earnings. It was all there in embryo -- the microeconomic approach to investment for physical reconstruction, productivity, and modernization; the macroeconomic approach to internal stabilization and intra-European trade and payments liberalization; and the deus ex machina solution to the immediate balance-of-payments crisis. But the translation of those generalities into working policies provided a host of lessons. Let me specify a few.

The first is humility in balance of payments forecasting. In response to Congressional insistence, the Washington planning team for the Marshall Plan produced in 1947 a series of "Brown Books" forecasting for each European country in detail--commodity by commodity and service by service, for each of the four fiscal years 1948/49 to 1951/52--its exports, imports, capital transactions, and net payments balances. It was an exercise in futility. Net balances are small residuals from a host of much larger gross transactions; they are enormously influenced by exchange rates, inflation rates, and other macroeconomic variables. As late as 1949, we felt certain that Germany and Austria would be in current deficit for years after the 1952 scheduled completion date for the Marshall Plan; in fact, Germany began in 1951 a long and almost unbroken series of substantial annual surpluses.

The second lesson is the power of overall price and cost relationships, reflected in exchange rates, in overcoming apparent structural problems. We might recall the British insistence in the plan's second year, 1949, that without an allocation of at least 1.2 billion dollars the sterling area would collapse. During that summer, Britain's gold and dollar reserves fell to about 1.25 billion dollars, far below their professed "safe minimum" of 2 billion dollars. In September, Sir Stafford Cripps could no longer withstand the pressure, and the pound was devalued from $4.03 to $2.80. The Marshall Plan allocation to Britain that year was only 920 million dollars. Yet by June 30, 1950, London's reserves had risen to 3.75 billion dollars, and a few months later Marshall aid to the UK was suspended by mutual consent.

A third lesson concerns the relative importance of social capital in relation to physical capital. This is the key to the frequent failure of forced pace development programs in so-called developing countries. I recall a visit to the Ruhr in 1949 with Bob Bowie, when our host -- Dr. Sohl of the Krupp steel works -- showed us the prewar floor plan of his mills, what had been destroyed and what removed to the USSR for reparations, how much had already been rebuilt, his schedule for completing the reconstruction, and his plans for going beyond prewar to a larger and more modern plant. The workers were on a six-day week and the managers on 6 and a half days, taking off only Sunday afternoons. They had the technical knowledge, all the needed skills and the capacity to learn new ones, and a strong institutional framework of incentives and rewards. Without those elements, the same amount of external aid would have produced a trivial fraction of the results -- if any.

A fourth lesson involves the interweaving of market forces and institutional factors, and the need to be wary of purist dogmatism. I recall the skepticism of Harvard economist Seymour Harris concerning the emphasis on control of counterpart funds -- the local currency generated by the sale of imports financed with Marshall Plan dollars. Any half-sophisticated Finance Ministry and Central Bank, he argued, could simply sterilize those funds, print the equivalent at home, and spend them without American permission or advice. In Britain that was substantially the case, and no serious effort was made to influence counterpart usage. But in France, where weak government and popular fear of inflation led to strict limits on governmental borrowing from the Bank of France, control of counterpart became a key instrument of pressure toward stabilizing reforms. And in Italy, the selective application of counterpart to dollar-earning and dollar-saving investments, under the skillful guidance of Hollis Chenery, almost certainly speeded the achievement of balance-of-payments equilibrium. There were many novel experiments during those years: incomes policy successes for a time in the Netherlands; Monnet Plan acceleration of infrastructure in France; economic liberalism on investment planning in Britain and Germany, but combined with enormous expansion of welfare commitments. Some succeeded and others failed, but all involved mixtures of private enterprise and governmental framework-building; none were at the extremes of pure planning or pure market forces.

What, then, can be said of the most ambitious aspect of the Marshall Plan -- not in its 1947 formulation but in its 1949 reformulation by Paul Hoffman and the U.S. Congress? That reformulation aimed at least at European economic integration and if possible at European political unification -- a United States of Europe.

In principle, one can place the freedom of economic intercourse among geographical units along a spectrum from autarky to complete ease of movement of goods, persons, enterprises, and funds. The United States embodies the free end. In the middle are what might be called normal international economic relationships, with currencies convertible but not at permanently fixed exchange rates, goods subject to moderate tariffs but not quota or barter restrictions, portfolio investment flowing freely but direct investment subject to some degree of nationalist discrimination while permitted and even welcomed in most sectors. Such "normal" relationships prevailed in most of Europe and North America before the Great Depresson and again among the non-communist industrialized countries after the early 1960s. They were the kinds of relations sought by the Bretton Woods agreements of 1944 and the abortive Havana Trade Charter, part of which became the GATT. At the extreme unfree end was postwar Europe, with rigid controls of capital and trade, multiple exchange rates, and a good deal of bilateral barter, as celebrated in the famous line of Al Friendly's 1948 Marshall Plan operetta: "Will you swap ... a little bit of steel for Chateauneuf du Pape?"

When the American Marshall planners and the CEEC spoke of economic cooperation among the European participating countries, they meant moving away from this autarkic strangulation, which was disastrous for a region of small countries and limited markets, and getting as rapidly as possible to the Bretton Woods plus GATT norm. From 1948 to 1951 that movement was the chief preoccupation of the OEEC (alongside the allocation of Marshall aid); its stages were marked by the successive Intra-European Payments Plans and the European Payments Union, with the progressive dismantling of quantitative trade restrictions. And they made an enormous contribution to the overall success of the effort.

But integration and unification were more ambitious goals, at least as much political as economic in content. In the September 1948 number of the <u>American Economic Review</u>, Harvard economist Gottfried Haberler warned against placing "too much emphasis on grandiose but utterly utopian schemes ... which easily catch the eyes of the public (and are eagerly embraced by politicians and statesmen because they afford an opportunity for displaying idealism, yet do not imply any real commitment). ... A European Economic Union," he went on, "is impossible without complete political unification. It is therefore utterly utopian, unless it were to be imposed by a European dictator, a Hitler or a Stalin. A mere customs union would not mean anything nowadays with all other devices of international and national control being maintained. ... The truth of the matter is that even with a much lesser degree of planning and government intervention than is now being practiced everywhere in Europe, a European economic unification is impossible. For the plans of different countries simply do not mix."

Nevertheless, in the face of that august advice, Hoffman and Congress plunged in; sectoral integration among the six was launched in the Schuman Plan in 1950, and the European Economic Community (EEC) was formed by the Treaty of Rome ten years after the Haberler article and long after the Marshall Plan as such had ended.

Even today, Haberler's skepticism of 1948 remains relevant. The integrationist claim in 1949 that European economic recovery could not take place without integration or unification was proven false by the record of the following few years. Still it is often argued that the further forward surge of the European economies in the 1960s was in large part a result of the Common Market. The EEC certainly attracted American and other investments, and the volume of internal trade rose much faster than the external. But in preparing for this conference, I ran a few calculations the other day (using the International Monetary Fund's country-by-country series on national accounts corrected for price changes) on the amount of real growth in the various European countries from 1958 to 1980. For the six original EEC members it was a factor of 2.54 (or 2.63 excluding Luxembourg), or about 4 1/2 percent per year. For six non-members -- Sweden, Norway, Switzerland, Austria, Spain, and Portugal -- it was 2.61, virtually identical. For the three late joiners (UK, Denmark, and Ireland), it was 2.18, mainly because of the poor British showing. For Greece it was 3.57 and for the U.S. 2.15. But for Japan, which did not integrate with anyone else but was the greatest beneficiary of the Bretton Woods/GATT system, it was 5.82.

I am led to suggest that in economic terms, the CEEC and Haberler were correct. In effect, the major gains lay in the move from autarky to the central norm, with only limited further economic gains from the EEC as such. Had the EEC become a genuine economic union, with a common currency and central bank and unification of fiscal, monetary, and social policies, those gains might have become much larger. But that would have required a genuine political federation. On the evidence to date, Jean Monnet was wrong in supposing that a common market would inescapably entail a step-by-step move to political federation. But perhaps we should be satisfied with its positive contribution to a less grandiose but still formidably consequential political objective: the orientation (or should one say "occidentation") of the Federal Republic toward the West and the permanent elimination of the possiblility of war between Germany and France.

9. "If There Had Been No Marshall Plan . . ."

Harold van B. Cleveland

Lincoln Gordon's comment about European integration reminds me that Lenin, sometime in the twenties - on the subject of European unity (I suppose he was talking about Stresemann and so forth), said that the idea of European unity is either impossible or reactionary. There's food for thought in that one, but I'm not going to analyze it.

I think it's fun and useful to do counter-factual history, because it seems to me, it does sometimes illuminate what is really critical. (Also, nobody can prove you're wrong.)

What I thought might be fun to do for a few minutes, is to pick up a theme which kept coming back yesterday: the theme of "counter-factual history", that is, that "What if there hadn't been a Marshall Plan?" Or , if you want to put it more tendentiously, "Was the Marshall Plan necessary?", and come at it, first of all, from an economic standpoint, and illuminate some of the questions that bear on some of the questions that Linc also talked about. Then, try to reach some conclusion on the question itself.

That's a great advantage, but even with history, you can't prove that people were wrong either. It's a little like telling a lie, a big lie, and seeing if you can make it stand up. Which reminds me -- all you guys are quoting operettas -- I'm going to quote Sir Walter Scott. Maybe you remember this line: "Oh what a tangled web we weave, when first we practice to deceive," which leads me to believe that what we really need is much more practice. Well, we get a little practice with the Marshall Plan.

Just assume, for instance, that Congress didn't authorize the Marshall Plan, or that, more probably, the administration decided it just couldn't get it passed. Then, take the next step in this, and say, look at the British situation.

The British were in an exchange crisis at about this point, which was, as I recall, partly the result of the move towards external convertibility as part of the British loan arrangement. Then suppose that, lacking any promised aid and being in the midst of an exchange crisis, the Labour government had fallen, which was not an absolutely impossible thing to have happened. And that Churchill had come back with a very hard-line, very hard-money chancellor, and that the British had done what they might well have had to do in those circumstances: namely to devalue to bring the exchange crisis to an end. And suppose further, they had accompanied this devaluation, as good liberal economists would have told them they had to, by a restrictive monetary policy and by a real whack at the budget: what we would call a genuine stabilization program -- the sort of thing the IMF has forced many countries to do at various times. What would have happened to the British situation?

Well, I suppose that it would have been tough for a while, but if it had been a sufficient devaluation, and the internal measures had been sufficiently tough, there would have pretty soon been a pretty good recovery. The balance of payments deficit certainly would have come right, and if the exchange rate was right, and if domestic policy was right, there was no reason why there shouldn't be a considerable recovery. Because, after all, British policy at this point was a policy of suppressed inflation, suppressed by controls, import quotas, of course, price controls in many ways, and very powerful internal demand pressure, pumped up by money creation, artificially low interest rates and very heavy public spending -- spending which was partly for consumption, to promote consumption, and partly for investment.

But there could have been instead, it seems to me, a British recovery that soon developed, rather promptly in these circumstances. And I would suppose also that in these circumstances, it might have been possible, or indeed, perhaps not difficult, to get out of the Treasury or the Fed or the two of them combined, a substantial stabilization loan to Britain on the promise of these internal measures. And it would have been large enough to give Britain a level of reserves which would have made the whole program credible from a market standpoint. So that doesn't seem to me to be something that one just can't imagine to have happened. There's Britain.

Now France. Of course, if the pound had been devalued, the franc would have been devalued, too, as it was in 1949. And, it would have been, in the typical French fashion, over-devalued. This happened in 1926, you remember, and it happened in 1949, and it happened in 1959, as I recall. And it would have happened in this case too. And, suppose that Rueff, or somebody who thought like Rueff, had become the Finance Minister at that point. As Finance Minister, Rueff, of course, has a stranglehold on the Bank of France. And so you get in France, too, a stabilization program. You don't get the Monnet Plan, or rather you may get the Monnet Plan in outline, but you don't get it in size. You get a general dismantling of the internal controls and you get the beginning of a move toward convertibility. The U.S. Treasury responds again by a stabilization credit. A stabilization credit, not of Marshall Plan size, but maybe of a billion dollars. We'll call it a billion and a half for the UK, and 800 million for France. How's that? That's the usual relationship, isn't it?

Internally, there is a shock, a big shock. Money growth slows down abruptly, as it did in 1926; the budget comes back pretty close to balance, we'll say, and of course, balance of payments comes right, too. The standard of living is very low, unemployment goes up temporarily quite high. But in the conditions of a more-or-less equilibrium exchange rate, and the promise of convertibility coming along, the private economy begins to take off. Confidence in the franc within France and abroad increases. You might even have gotten some American banks to make loans to French banks, similar to Britain, I think. And so on.

Now, in Germany this scenario seems even more plausible. Because, after all, Germany in 1947 was in good condition from a monetary standpoint, very similar to the condition it had been in in 1924. You had had hyper-inflation in Germany, you had had virtual disappearance of money except for scrip issued by the occupation authorities and cigarettes. You had almost the reversion to barter, some kind of near barter economy. As in 1924, the real value of the money stock had declined drastically and the economy was in a kind of depression. The difference may have been that in the post-WWII period, the physical disruption was worse than it was in 1924, but the social, economic, and monetary dislocation was probably comparable. Well, we know what happened in Germany. When the currency reform took place, there was just an extraordinary response of the economy. Within a couple of years, you had something that began to be called the German miracle. You had a balance of payments surplus, as Linc pointed out, and you had a very strong recovery. I think that in the circumstance that I am positing, again we would have had stabilization credits. The interest of American banks and business in Germany would have taken off in a quite remarkable way, as it did after the 1924 stabilization loan. And you would have had a quite extraordinary recovery, I would have guessed, in Germany.

We'll even, if you will let me sneak this one in, let GARIOA continue for a while because the bureaucrats and the military would not have wanted to have given up their GARIOA so easily. So we can stick that one in there too, and that really helps. And remember, too, that from 1924, there was the Dawes Plan, with the Dawes loan -- that's my equivalent of the stabilization -- and there was also a revised reparations schedule in the Dawes Plan so that the Germans managed that recovery and at the same time managed to create a very strong balance of payments surplus which included the inflow of capital and covered this large outflow of reparations. Germany wouldn't have had that problem this time. It would have had the problem of being separated from the East, so that you wouldn't have had the usual agricultural sources -- you would have had the agricultural imports from North America instead, but given the internal arrangements in the economy, it would seem to me that the balance of payments problem would have been solved rather promptly.

Italy is a harder case for my scenario because it's a little hard to imagine an effective internal stabilization program in Italy. So I am going to allow myself a little escape here, and say that, given the significance of the Italian lobby in Congress, we would have managed to continue in one form or another some kind of aid program for Italy, on a grant basis, for a period, say of two or three years.

I'm only putting in these examples to make you think how it might really have been different. As these currencies moved toward convertibility, and I think they would have moved rather promptly toward convertibility under these circumstances, the whole point about intra-European trade liberalization would have become moot. Because quotas could have been removed, there wouldn't have been a dollar shortage in Europe, and it wouldn't have been necessary -- there would have been no interests, except for residual protectionist reasons -- for maintaining an apparatus of intra-European quotas. Those would have been ended very rapidly without necessarily any very powerful push from the United States because there would have been such strong European interests in getting rid of them.

The point I am trying to make is that what was really critical here -- what really created the dollar shortage, what created this big need for aid, what created the problem that your British Treasury colleagues, Eric, couldn't get around -- was the structure of internal management in these countries: the shape and structure and objectives of domestic policy. And these were regarded, by all concerned, as fixed factors, as necessary conditions, as commitments that had to be supported by the program, and specifically of course, by very large external aid.

This was, you might say, all very well, but didn't you have an awful lot of investment that had to be covered and financed, and wasn't the aid absolutely essential for that purpose? Didn't you need a Monnet Plan, didn't you need a big increase in investment in Germany and Italy and France? And the answer is, yes, of course, you needed it, but it didn't have to be provided by external resources to anything like the extent that it was. It could have been the result of just a somewhat quicker internal recovery. You did have, except in the UK, a very favorable relationship between wages and prices in Europe. That is to say, you had low real wages, you had the possibility of a tremendous investment boom. You had the potential for very high real returns on investment, and in fact that's what happened as the recovery miracles -- France, Germany, Italy -- developed. You did have lagging real wages, and high profits and very high rates of investment.

I think that in the scenario that I've given you would have had that also. You might even have had it sooner. Perhaps that's enough of all that here -- you get the point.

I have one more observation about the thinking about policy, which came to me and which was much reinforced by what you said yesterday, Eric. The dominant thinking all throughout this program, with the exception of people who were fringe to it, like the U.S. Treasury, or the International Monetary Fund, or an odd central banker here or there, the dominant thinking was what Eric called microeconomic. That is, it thought about the economy, not only in real terms exclusively, or nearly exclusively, but also in small chunks, in small pieces. The word "structural" which Linc dealt with very competently a minute or two ago, was the word of the hour. Everything was a structural problem: the dollar problem was a structural problem, European industry was in such a structural state that it couldn't possibly compete with the United States, there was a structural inability of Europe to have a sufficient level or growth of productivity to compete with the almighty U.S. economy. And so on. This was the standard discourse. The whole argument about European integration, for example, you remember, Linc, was that you couldn't get enough growth of productivity without European integration and without that growth of productivity you were going to have a permanent dollar shortage, and so on. That was the way people thought. And that was just as true in the ECA in Washington and in the ECA in Paris, as you imply Linc, and it was true in the European governments, to a large extent anyway. And it was reflected in the very structure of the program itself -- this business of projecting balance of payments deficits on the basis of the build-up of quite invented import requirements, and export proceeds carefully tailored to produce the necessary figure of aid. I don't think that the Turkey story that was told last night is really apocryphal at all, it really was quite representative of the intellectual method, even though it was, as it were, an extreme case of the application of the method[1]. It wasn't entirely cynical. There was an element of "This is where we were; we had this program; we had to have these numbers, it had to be justified." The whole damned apparatus depended on it. All our jobs depended on it. All our fun depended on it, and we were really having fun. So enough of that.

I figured that the final point I'd like to come to, lest you think I'm being purely cynical and foolish, is that the Marshall Plan was nevertheless a most extraordinarily successful operation. Not because it was strictly essential from an economic standpoint, because as you see, it wouldn't have been hard to imagine adjustments which would take place, and those adjustments would have had to have taken place, or something like them, if the aid hadn't been available. But the important thing about the Marshall Plan was that it created this capacity, this ability, this spirit of cooperation or integration. That it created, or made possible the creation of the European idea, that it gave flesh and blood, and moral purpose to the Atlantic idea, and that it, in the process, made acceptable and possible and constructive the unavoidable hegemonic position of the United States vis-a-vis Europe. In so doing, it changed for at least a generation, for twenty-five or thirty years, the structure of world politics in an essentially very constructive and very positive way. So I end on the paradox that bad economics might sometimes make good politics and good diplomacy.

Note

1. The Turkish delegate to the Paris talks -- according to this anecdote related outside the formal colloquium procedings -- had to be instructed not to try to make his country's balance of payments deficit appear smaller than it was likely to be; there was no reward for virtuous austerity. Instead the new premium was to be on making the payments deficit appear as wide as plausible, since U.S. aid would be calculated on the basis of projected deficits.

10. Discussion

Reaction to Harold Van Cleveland's remarks centered around two points: the potential for chaos in postwar Europe, and the question of whether it was possible to separate political and economic factors in considering the Marshall Plan.

Lord Roll commenced discussion of the first topic by stating that the attempt to impose stabilization of the type suggested by Cleveland would have created "the most awful political calamities" all over Europe. Roy Macridis asserted that the scenario would have allowed Stalin to do what he very much wanted to do, namely, to take over Western Europe without any effort. Very strong exception to "the entire Cleveland scenario" was taken by Charles Kindleberger who said it was "as wrong as it could be." When such measures were tried in prewar Germany, Kindleberger stated, they resulted in political chaos, six million unemployed, and a Nazi takeover. And Milton Katz commented that the Cleveland scenario had, in fact, been posed by a group of Senators visitng Western Europe in late 1950 or early 1951. The answer given to them could be applied to the Cleveland scenario: "The Marshall Plan made politically and economically possible and administratively feasible economic adjustments that otherwide couldn't have been made within the limits of political and administrative tolerance."

Lincoln Gordon continued the argument, remarking that the implicit assumption in these stabilization scenarios is that the institutions of a society will remain intact. This assumption is fundamentally flawed when speaking of postwar Europe, he maintained. To Cleveland's question, "What would the political alignment of Western Europe have been in the absence of the Marshall Plan?" Gordon responded that the more appropriate question is: Would open societies and democratic institutions have survived at all in the absence of the Marshall Plan? The real issue is not political alignments within the framework, but the survival of the social framework itself, he argued, because, quite apart from party politics, the basic social, economic, and political structures of these societies were in jeopardy. In such a situation, one can't speak of a purely economic remedy, for any solution has to be a political-economic one. With this Stanley Hoffmann concurred, adding that the same could be said of the EEC: one simply can't separate its economic benefits from its political ones.

The "basic revisionist argument" that all economics is political was raised by Martin Sherwin. Objecting to what he saw as the prevailing trend of discussion -- that what happened as a result of the Marshall Plan was the "best possible result" -- he suggested that, with a different set of assumptions, one might argue that Socialist governments in Western Europe would not have been such a bad thing. Stanley Hoffmann interrupted to say that this argument made no sense, for in France, for example, the Communists and the Socialists could not agree on anything. The alternative assumptions that Sherwin proposed are based on the absence of such a split within the Left. Hoffmann asserted that the same problem exists in Gabriel Kolko's "absurd book," which tries to argue that the United States destroyed "the Left" in postwar Europe. Sherwin countered that even if this argument did not make sense, it should be raised, but Hoffmann continued to dismiss it in the cases of both France and Italy. Gordon added that his understanding of revisionism is that its basic thesis is not that all economics is politics, but that all politics is economics, which he would dispute.

The unity of politics and economics in the Marshall Plan was stressed in the remarks of Charles Maier. The Marshall Plan had a "political-economic importance," he stated. The poltical milieu of Western Europe in 1947 did not allow an IMF-type stabilization program. Or even if it did, he argued, what would have been the calculable costs of such a program? The United States stepped in to avoid the large transitional costs of stabilization crises and unemployment. The actual relationship of the Marshall Plan to capital formation is very small, but the politics of the Marshall Plan were of great importance, he continued. The involvement of the American government gave the Europeans a certain degree of reassurance, which they felt, rightly or wrongly, was lacking in private-sector loans. The difference between the Marshall Plan and the stabilization efforts of the 1924-1929 period resides precisely in the involvement of the government.

Differing with Maier, Imanuel Wexler maintained that there was a definite connection between Marshall Plan assistance and gross domestic capital formation.

Wexler stated that while most European countries did engage in a very high rate of investment after the war, it is extremely doubtful that this could have been sustained without Marshall Plan assistance. Addressing the question of whether the Marshall Plan was necessary, Wexler asserted that this can only be answered indirectly. One must look at whether American policymakers perceived the Marshall Plan to be necessary. He noted that it is very clear from the documents that they perceived it to be necessary to make Europe viable.

Richard Kuisel supported Wexler's point by citing the example of France. By the end of 1947, he stated, it was clear that Monnet and his associates had underestimated the financing of the Monnet Plan, and had Marshall Plan assistance not arrived, the Monnet Plan would not have been fulfilled. Even if one argues that private investment would have led to French economic revival, it is still clear that it would have been invested in different ways. In 1945, Monnet had warned De Gaulle that something needed to be done or the French economy would "crystallize in its prewar shape." To the extent that the Monnet Plan helped reconstruct the French economy in a new shape, the Marshall Plan was instrumental in bringing about this change, Kuisel concluded.

A new topic for discussion was introduced by Stephen Schuker when he asked whether there had been substantial disagreements between American officials and the Europeans over how to use the counterpart funds. It was his understanding that such disagreements had occurred in France and Italy. In reply, Gordon stated that there were no systematic differences that applied across the board: the situation varied from country to country. The British and the Americans did not differ in their views; however, in the case of France, the U.S. helped push a greater effort for stabilization on the macroeconomic level than would otherwise have taken place. For example, there was some American pressure to limit government deficits, reduce expenditures, and require more taxation. In Italy, the reverse was true, for there the Finance Ministry was more orthodox than the Americans. The U.S. authorities wanted the Italians to increase their investments, especially those that would help them move faster toward balance of payments equilibrium, and the Americans also wanted more of an effort made in the Italian South.

Continuing the discussion of the Italian case, Schuker asked whether the Cleveland scenario might not be correct in that instance. Weren't the Italian advocates of a free market correct when they argued that recovery could be brought about with less stimulation of demand than the Americans believed necessary? Answering that question in the negative, Gordon replied that the counterpart funds were not very large in relation to the Italian GNP or to Italian savings and investment rates. He stressed that the importance of the counterpart funds should not be overrated.

Pursuing another implication of the "Cleveland scenario," George Ross asked whether, if it had been followed, Western Europe might have had a lesser commitment to "welfare-state full employment" and state intervention in economic matters. The Marshall Plan, he suggested, allowed the consolidation of a number of reforms that otherwise might not have occurred. This question was amplified by Cleveland, who asked, "Suppose the U.S., instead of the Marshall Plan, had insisted on capitalism in Western Europe?" Lord Roll responded to the queries by noting that, at the time of the Marshall Plan, the United States was committing itself domestically to full employment policies. According to Michael Hogan, the argument that the United States was "subsidizing socialism" was in fact frequently made in Congressional hearings on the Marshall Plan, and often discussed by State Department policy-makers who concluded, however, that it is "better to subsidize socialism than to have to deal with communism." Cleveland recalled, in this context, that when Monnet visited the United States in early 1946 and revealed the content of the Monnet Plan, "we were just delighted."

A new theme was introduced by Maier with the question, "What would have happened to the Marshall Plan had Truman lost the 1948 election?" Kindleberger answered that both John Foster Dulles and Arthur Vandenberg would probably have continued to play a constructive role in furthering the Plan. Robert Taft -- though he is portrayed in Profiles in Courage as a man who never told a lie -- lied when he said he favored the plan; he was opposed to it, and wanted to cut it in half, said Kindleberger. However, Katz, noting that Taft handled domestic policy and left foreign policy to Vandenberg, felt that any changes made after a Republican victory would have been slight, to which Gordon added that, except for Governor Harriman, the Plan was run largely by Republicans, and everyone assumed Dewey would win. Henry Labouisse remembered Harriman's great surprise at the election and his subsequent desire to get back to Washington.

Another question asked by Maier was whether, in 1949-1950, the participants perceived a change in the Marshall Plan toward more interventionist planning. Gordon answered that there was more concern with trade and payments in the second half of the plan, while Katz remarked that the shift had to do with the knowledge that the aid was coming to a definite end. The greater emphasis on direct investment on the part of Marshall Plan officials that Imanuel Wexler noted by late 1949, Katz related to a European movement for the harmonization of investment, a movement which, Gordon added, did not get very far. Lord Roll concluded the discussion by pointing out that after NATO had been formed and the Korean War had broken out, discussion of the future institutional structure of the Western nations increased. There were arguments about putting an economic content into NATO, and the British were accused of wanting to empty the OEEC of any substance. It was at this time, Lord Roll recalled, that Richard Bissell pointed out that there were too many derelict international organizations on the scene.

11. The Continuing Institutions: An Assessment

Miriam Camps

There were many fathers of the OEEC (Organization for European Economic Cooperation) but there was only one mother. On the whole I think the child was a success, although, for reasons I shall come back to, I have some reservations about the grandchild, today's OECD (Organization for Economic Cooperation and Development).

In the short time available, I cannot talk about all the "international legacies" of the Marshall Plan. Some of them have, in any case, already been discussed in earlier sessions. High on anyone's list of "legacies" must come the consequences of the immensely important decision to deal with the German problem not by the earlier policy of limiting production in Germany but by incorporating Western Germany into Western Europe as an equal partner and encouraging German production in that context. We have also discussed the emphasis placed by Mr. Clayton in his early discussions with European leaders on the advantages he saw in the formation of a European customs union. Although the Schuman Plan had other roots[1], Mr. Clayton's emphasis undoubtedly did something to stimulate the European interest in customs unions and can fairly be seen as one of the factors which contributed to the eventual decision to form the common market. American support for customs unions could be reconciled with the central lines of U.S. commercial policy more easily than could less far-reaching measures. But the Marshall Plan forced certain modifications in the "globalism" that had marked American thinking about postwar economic arrangements and made "regionalism" respectable, with long-term consequences not only for U.S. policy in Europe but in other parts of the world as well. As many people have already noted, the warm personal relationships formed during the Marshall Plan period, both among the Western Europeans and between them and Americans, contributed in an important if unquantifiable way both to the process of European integration

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and to the formation of a strong and enduring Atlantic relationship. More specifically, as Eric Roll has said, various practices that were pioneered by the OEEC have been widely copied and are of continuing importance. He referred to the technique of "confrontation", i.e. subjecting a country's officials responsible or a particular economic policy to a searching cross-examination by similar experts from two or three other countries. I believe the use of "wise men" -- as used with success by the OEEC in the first division of aid -- is another example.

The OEEC and its present-day successor the OECD are the most conspicuous international institutional "legacies" of the Marshall Plan. The OEEC was, for a time, a remarkably successful international organization. And, despite some "European doctrine" to the contrary, it was not seriously hampered either by the unanimity rule or by the lack of a staff with "supranational" powers in the pursuit of its three main achievements: the division of aid; the elimination of quantitative restrictions on much of intra-European trade; and the establishment of the EPU (European Payments Union). But the continued existence of the OEEC after the main tasks of the Marshall Plan had been completed and its transformation into the OECD has posed some problems. And it is to this less remarked-on "legacy" that I now want to turn, for it is part of our task to reflect on errors that may have been made as well as on the undoubted successes of that period. With the advantage of hindsight, I think it may well have been a mistake for the United States to have exerted as much pressure as I recall we did exert to ensure that the OEEC was established as a permanent organization or, in the jargon of the day as a "continuing organization". As I remember, I had no such doubts at the time, but I now think I could make a respectable case that it might have been better had the OEEC been established as a temporary organization. Let me try.

The sixteen countries (and the Western zones of Germany) that came together in the OEEC was a logical grouping for the tasks of the Marshall Plan period, but the OEEC failed as the main vehicle for European integration and neither it nor its successor (the OECD) has been the ideal instrument for Atlantic economic cooperation or for the harmonization of economic policy among the advanced industrialized countries. Moreover, the fact that the OEEC/OECD has been looked to by some countries to play one of these roles and by other countries to play another has at times been a source of tension and confusion in both Western European and Atlantic relationships.

The OEEC was established as a European organization, and the United States was, initially, neither a full member nor an associate member, although American representatives, in fact, attended most, if not all, of the meetings. However, in May 1950 it was decided that the United States and Canada should become associate members of the organization, thus adding to the difficulties of the OEEC's becoming the primary vehicle for European integration, as some -- particularly in the ECA -- had earlier hoped. That role had, in effect, already been ruled out by the strong opposition of the United Kingdom (and the Scandinavian countries and Switzerland) to steps that went beyond "cooperation" and started down the slippery road to federation. Nevertheless, the decision formally to associate the U.S. and Canada with the OEEC tended to strengthen the hands of those who saw the OEEC as an Atlantic rather than a European body. The "Atlanticizing" of the OEEC meant, I think, that Article II of the North Atlantic Treaty could not be given any real meaning. But the partial character of U.S. participation, the difficulties inherent in the concept of Atlantic economic cooperation - difficulties which led to the eventual inclusion of Japan in the OECD -- and, in some circumstances, the presence of the neutrals, all tended to make the OEEC's Atlantic role a somewhat ambiguous one.

If my recollection is correct -- and I intend to verify what follows by a little research in the archives when I am next in Washington -- the decision to associate the U.S. and Canada with the OEEC was reached in a rather curious way. In May, 1950, a series of bilateral and trilateral meetings was held in London by the Foreign Ministers of France, the United Kingdom and the United States. During a bilateral meeting with the British (for which I wrote the reporting telegram) Mr. Bevin argued that it would be desirable to build up the economic side of NATO and that this would be a better way to encourage the economic cooperation between the two sides of the Atlantic that everyone agreed was then needed than by having the U.S. join (or become an associate of) the OEEC. During this meeting I understood Mr. Acheson to say that he agreed with Mr. Bevin, and I so reported to the Department in a telegram that was signed by Mr. Acheson's deputy, Philip Jessup. The next day there was a trilateral meeting. After M. Schuman explained why he believed it would be better for the U.S. to join or associate with the OEEC, Mr. Acheson agreed with him, to the consternation of the British and the bewilderment of Mr. Jessup and myself. When, later, Mr. Jessup and I asked Mr. Acheson why he had changed his mind, he replied that he had not changed it. The previous day he had not yet decided on which course to follow. Mr. Bevin was then a sick man and he was in obvious pain during the meeting. Mr. Acheson was therefore anxious to conclude the discussion as quickly as possible and was simply indicating that he understood the British position, but he was not intending to express either agreement or disagreement.

If my memory of what happened is correct, it seems clear that the decision at that time might easily have gone the other way. During this colloquium a number of speakers have indulged in counter-factual speculation, and I should now like to follow their example. Suppose that the decision in May 1950 had gone the other way. And suppose further that in 1952 when the British sought to reduce the budget of the OEEC and to cut out some functions and to move others to NATO this, too, had happened. (Some cuts were made, but not nearly such drastic ones as the British were advocating.) Had these things happened, it seems probable that by, say, 1954 the OEEC would either have been wound up or withered away. Would anything much have been lost? How might the negotiations between the Six and the other European countries have developed?

Probably one should assume that the British would have followed much the same course they did follow when, in the summer of 1955, the Six embarked on the negotiations that were to lead to the two treaties of Rome (those establishing the European Economic Community and Euratom in 1957): that is, they would have participated in the early discussions in the Spaak Committee, left when the negotiations were limited to those countries that accepted the objective of a customs union, and then reviewed their position and sought to negotiate an acceptable ecnomic arrangement with the Six. But if the OEEC had no longer existed, those negotiations would have taken place bilaterally; there would have been no OEEC to "threaten" the integrity of the Community and no other countries to complicate the British-Six negotiations. In 1954 the British had signed an association agreement with the European Coal and Steel Community and taken the lead in forming the Western European Union when the French failed to accept the EDC (European Defense Community). A bilateral negotiation between the UK and Six in 1956-1957 would very likely have been seen by the Six (and the U.S.) as a logical, indeed welcome, extension of the British successful associaton arrangement with the Coal and Steel Community, not -- as some saw the free-trade area proposal -- as a British ploy to substitute the weaker commitments of an OEEC-wide arrangement for the stronger, more far-reaching commitments of the Community.[2]

Had there been no OEEC, the Six would, I think, have been ready, even eager, by the late 'fifties or early 'sixties to make various kinds of association arrangements, not only with the British but also with those other European countries with whom they had close economic ties. The long and ultimately fruitless free-trade area negotiations under the aegis of the OEEC and the acrimonious rivalry that characterized OEEC-Community relationships tended to make the Community more doctrinaire and less flexible than I think it might otherwise have been. Had this been the line of development -- the withering away of the OEEC by 1954, no OEEC-wide free-trade area negotiations but the successful conclusion of various asociation arrangements betweeen the Community and the United Kingdom and other European countries in the late 'fifties -- interesting avenues of speculation about the probable development of the Community and the British relationship to it are opened up. These, unfortunately, I have no time to pursue today. Obviously, under this scenario, there would have been no transformaton of the OEEC into the OECD in 1960.

The OECD was a decidedly makeshift organization, designed, in part, to relieve the tensions between the Six and the Seven but to do so in a way which protected the integrity of the Common Market of the Six and allayed the fears of some "Europeans" and some Americans that the British would launch a new and successful attempt to bring the Six and the Seven together in an OEEC-wide free trade arrangement. It was also intended to continue and to expand "Atlantic" economic cooperation. But, by then, the United States was already beginning to think of expanding the membership of the OECD to include the Japanese. This was formally done in 1964. Thus, by the mid-sixties the principal role of the OECD had become that of encouraging closer and more harmonious economic cooperation among the "advanced" industrialized democracies. I am inclined to believe that there was, and still is, a need for an organization to perform this function. But I think it would be easy to design one that would meet the need rather better than does today's OECD.

For some purposes it is important to establish permanent international organizations, e.g. for the mangement of money, for the regulation of trade, for the adjudication of disputes. But for other purposes, improvisation and experimentation are better prescriptions. The OEEC was at its best in its early days when in fact it was experimenting and improvising. "Permanence" was unnecessary and, perhaps, counterproductive. Much the same seems to me to be true of its successor, the OECD. It should be a more exciting, more experimental, body than it is today, encouraging frank exchanges of view on a range of closely interrelated policies among those countries whose actions effectively determine the character of the international environment and providing a testing ground for some functions that can later be transferred to other more inclusive, more permanent organizations such as the GATT and the IMF. The bureaucratic barnacles and claims to membership inherited from its predecessor limit its effectiveness. (For example, Brazil would be a far more logical member than Portugal for today's tasks.) And like many organizations that have been around for a long time its arteries have begun to harden.

Although I think it possible that, had less emphasis been put on the "permanence" of the OEEC, we might have found better organizational arrangements once the recovery period was concluded, this speculation in no way diminishes the importance of what I believe to have been the single most significant institutional legacy of the Marshall Plan, which is the recognition of the legitimacy of, indeed, the necessity for, international discussion of many economic policies traditionally regarded as of purely domestic concern. Although the facts of economic life would have forced governments to move in this direction sooner or later, I think the process - halting and inadequate though it still is - would have been far slower to develop had it not been for the successful experience of the OEEC.

Notes

1. Right from the start, Jean Monnet had written off the OEEC as a vehicle for European integration, although, as head of the plan he was much interested in Marshall Plan money for the modernization of French industry. At the time of the Messina conference, Monnet was primarily interested in Euratom; Spaak and the Dutch were the promoters of the Common Market.

2. The fact that the negotiations on the free trade area proposal took place in the OEEC rather than bilaterally was, in any case, more or less of an accident. It resulted from a complicated situation contrived by the low-tariff countries to force some reduction in European tariffs as the price for continuing adherence to the OEEC's code of trade liberalization. Anyone interested can read about all this on pp. 97-99 of my book, Britain and the European Community, 1955-1963, Princeton and OUP, 1964.

12. Lessons for Administration and Policy

Milton Katz

In recent assessments of the international legacies of the Marshall Plan, there has been some tendency to focus almost exclusively upon the relationship of the Plan to the European Coal and Steel Community, the European Common Market and later European institutions. In these brief introductory remarks, I shall try to take account of these relationships. I shall, however, also discuss three additional legacies. One involves the function of the Marshall Plan as the seedbed for the European Payments Union and for later measures to assure free trade and a stable system of payments within Europe. A second relates to the experience of the Marshall Plan as an object lesson in the difference between international measures adopted by the United States that are genuinely national policy and international measures adopted by the United States that are nominally national policy. A third relates to the experience of the Marshall Plan administration in Europe as an object lesson in the usefulness of the theater command concept for civil administration abroad as well as for military organization abroad.

Let me begin with the relationship of the Marshall Plan to the European Payments Union (and subsequent trade payments measures) and the European Coal and Steel Community, the European Common Market, and other comparable European institutions. These institutional developments do survive with identifiable content and contours. Although questions might be raised whether the Marshall Plan did play the direct and indirect generative and catalytic roles in establishing or fostering them which I and many others attribute to it, I confess that I am not aware of any serious challenge to the attribution. In regard to the trade and payments arrangements, the record does seem clear enough. In regard to the Marshall Plan's catalytic influence affecting the origin of the European Coal and Steel Community as the first phase in the postwar organization of Europe, I believe I can cite supporting data from personal experience involving the Marshall Plan organization in Europe and in Washington and early associations with Jean Monnet. Since it does not appear feasible to develop the analysis and argument further in this 10 to 15 minute introduction, let me leave the position as I have stated it, subject to challenge and correction in the discussion which is to ensue.

I now turn to an aspect of the Marshall Plan which seems to me insufficiently understood. I refer to its quality as a national policy in a full and realistic sense, geared into agreed European purposes and policies, sustained at home by government-wide and public support, and made explicit and proclaimed in a statute. Foreign Service personnel, academic students of foreign affairs, and specialists on foreign affairs in the news media often speak of a Presidential order, a pronouncement of a Secretary of State or even of an internal document within the Department of State or the National Security Council as "national policy". If interdepartmental dissension should arise concerning such a pronouncement, or Congressional disaffection, or public outcry, these tend to be regarded as "interferences" with "national policy" rather than as effective detractions from the assumed authentic quality of the pronouncement as "national policy." For some purposes and in some situations, such a view of "national policy" may be factual. More often, it is merely formal. The Marshall Plan became authentic national policy because it emerged with the full support of the President in both the official and the personal sense; with the full support of the Congress; with the understanding and support of the Department of State and of other departments of the Executive Branch, represented in various interdepartmental committees; with the support and understanding of civic and community leadership, of organized farm, labor and industry groups and of the general public. The statute in which it was incorporated as formal law was re-examined and reaffirmed each year in intensive congressional discussions attending the annual appropriations. This framework of national policy constituted the indispensable condition to the realization of the purposes and concepts of the Plan.

The topic assigned to me by the organizers of this symposium includes the legacies both of the "European Recovery Program" and of the "Economic Cooperation Administration." I take the reference to the European Recovery Program to signify the policies and substantive measures of the Marshall Plan and the reference to the Economic Cooperation Administration to signify the administrative concept and structure of the Plan. Others in this symposium have spoken or will speak of the substantive policies and measures. Let me therefore, in these brief introductory remarks, pass on to a consideration of possible legacies of the administrative concept, especially the concept of the Office of the United States Special Representative in Europe.

At its core, the administrative concept was that of a civilian counterpart to the familiar military arrangement of a theater command. The concept was hammered out explicitly in long interchanges between the Administrator of the Economic Cooperation Administration in Washington and the U.S. Special Representative in Paris. It signified a single cleanly defined line of command from the Administrator himself in Washington to the United States Special Representative himself in Paris and from the latter to the various divisions, branches and offices in the Paris headquarters. Divisions and branches in the Washington headquarters maintained constant communication with their counterparts in Paris, but gave no orders and could give none. The structure of command was fortified by communications procedures and procedures relating to personnel, compensation, and travel. The United States Special Representative in Europe could hire or fire executive and professional personnel in Europe; raise or lower salaries; assign or reassign personnel within Europe; and cut travel orders or orders to move personal effects. If the import of these details might be missed by general observers, it won't escape persons experienced in the customary relations between Washington departments and overseas offices. The concept received the steady support of the President. It was made and kept real by constant reiteration and unremitting application on both sides of the Atlantic.

The concept fitted the problems to be faced and the jobs to be done. In the conditions of 1948-1952, the general problem of Europe transcended the separate national problems. The general European problem was indeed the principal national problem in each participating state. It was so in fact and so felt to be by the several governments. It made sense to concentrate upon the problem as a whole. It made corresponding sense to match the comprehensive approach with a comprehensive administrative scheme. The stress on European initiative in the administration of the Marshall Plan pointed to Europe as the locus for the theater coordination. The pervasive American supporting role required a continuous American presence represented by the United States Special Representative in Europe. The degree of authority vested in the Administrator of the Economic Cooperation Administration in Washington and the theater-wide authority of the United States Special Representative in Europe involved a large measure of delegation. The delegation was made and sustained; and it worked. It was feasible only because it was designed and carried out within the scope of a well-established and well-defined framework of authentic national policy, to which I have previously referred.

Can an existing institutional legacy be found of this aspect of the Marshall Plan experience? I'm afraid not, except as a memory which, if understood, may yet serve as a timely reminder. After the Marshall Plan ended, the Office of the U.S. Special Representative in Europe continued for a while in form. But its substance changed. Certain of its representational functions persisted, but the theater command concept and authority eroded and disappeared.

Conditions of the kind that made the Marshall Plan pattern of administration feasible and appropriate presumably will not often occur. It need not be assumed, however, that they will never recur. If and when they should, the record of this phase of the Marshall Plan experience could serve as a legacy retrieved.

13. American Influence and Atlantic Community As Embodied in the European Recovery Program

Richard F. Kuisel

Looking backward, a historian might ask, how does the European Recovery Program (ERP) fit into the postwar era, or even more broadly, into certain trends of the twentieth century? In particular what place does the Marshall Plan occupy in the history of European integration and in the development of economic and political relations between the United States and Europe? I address these questions not as an expert, but as a scholar who can, at best, offer some reflections.

Given the continuing movement for European unity, can we say in retrospect that the ERP launched it? Did American initiatives and the activities of the Organization for European Economic Cooperation (OEEC) generate the momentum for integration and lead to subsequent steps like the formation of the European Coal and Steel Community?

The answer to this question, I think, is negative. First of all the ERP did not launch the integration because Europeans were already busy "making" Europe before 1947. The war had generated a powerful movement of unification before any American inititatives. Integrationists, one can argue, would have succeeded in advancing their cause with or without the ERP. Secondly the achievements of the ERP were too meager to claim it began integration. Indeed, to those who saw the construction of a common market or a United States of Europe as a major aim of American aid, the OEEC was a disappointment. Despite some real accomplishments with respect to trade and payments the OEEC did not meet the goal set by Paul Hoffman for creating a single market. Tariffs remained as did some import quotas. And investment programs, despite the best efforts of the OEEC, were not coordinated. The sixteen governments remained masters of their national economies and no true joint recovery program emerged. Yet such a critical judgment of the performance of the OEEC assumes a rather simple, linear perspective of integration.

As we now know, the path to European unity has been a much longer and more devious course than imagined in the late 1940s. There has been no quick march to supranationalism. Rather, integration has been a long, slow process without a clear end. Unity seems to be a series of continually shifting arrangements of interdependence. And from the vantage point of 1982 national economies acting within a system of interdependence seem more viable than they did thirty-five years ago. Seen from this perspective the Marshall Plan can be assessed more positively. The ERP and the OEEC made several contributions to the project of alignment including: the liberalization of intra-European trade and payments, the acceptance of West Germany as an economic partner, and the development of what Robert Marjolin has called a "European way of thinking." There were also several linkages with the coal and steel community such as overcoming the problems of financing European trade. In short, the Marshall Plan may not have moved Europe sharply towards unity, but it did mark an early stage in a long process of economic and political alignment whose end is still not in sight.

America's relations with Western Europe were also affected by the ERP in both a negative and a positive way.

Within the context of the ERP, and also outside it, the United States attemped to rebuild Europe on an American model. We did not confine our role to that of a rich uncle providing material assistance but also acted as Europe's mentor who gave advice and even reprimands to backward pupils. We tended to patronize Europeans after the war. We tried to sell what we called, the "free enterprise system." We tried to persuade Europeans not to fear the market and to open their economies both externally and internally to competition. Europeans, we believed, should adopt an American business philosophy and aim at reaching our standard of living. This approach included introducing American-style management practices, labor relations, and production techniques. The ECA, at least in part, used counterpart funds and productivity missions to foster these practices. It is not yet clear how far American officals went in this selling of America. Did we abuse our position? Or in fact did we really have much leverage? This issue merits further discussion.

In France, and perhaps elsewhere, this campaign had mixed results. It probably did promote productivity and change some employers' outlooks. But it also aroused anxiety about "American hegemony" and "American capitalism." The Communists may have led the attack on the Marhall Plan, but there were labor leaders, small businessmen, intellectuals, and non-Communist politicians who also -- often sotto voce -- voiced misgivings. Selling America as part of the ERP fueled anti-capitalist fires on the Left and in general excited distrust of our intentions. It also challenged a popular desire to replace the market economy with a more planned and more socialized order. Free enterprise appeared as a reactionary program to those who sought a new departure for the French economy. In the end Europeans found their own way forward, their own route to prosperity and international competitiveness, without imitating America. The "hard sell" of American business methods unnecessarily stirred resentment against a program of immense generosity.

In a more positive vein the ERP represents a watershed in the emergence of the Atlantic community. Or, more precisely, the period that began with Lend-Lease and culminated in the Marshall Plan marks a change in economic relations between the United States and Western Europe. Though the ERP aimed at ending Europe's need for American aid the two parties emerged after 1952 even more intimately linked than before. The prewar pattern of trade and investment gave way during and after the war to economic interdependency. The Atlantic economic relationship escalated beyond such prewar "norms" as currency convertibility or open markets for goods and investment. Though this shift had been long in the making it was in the 1940s that it became recognized on both sides of the Atlantic. It gradually became evident to officials and to many private economic actors as well that the economies of Western Europe and America were interdependent. After the 1940s a pattern emerged of institutionalized economic intercourse at the highest governmental levels that transcended private transactions. After the ERP both Americans and Europeans assumed that they shared a common economic fate. The new arrangements spawned during and in the wake of the war foreshadowed today's economic summit meetings. In this light the ERP marked a turning point in economic relations between Europe and America.

14. Discussion

The first theme, introduced by Stanley Hoffmann, concerned European reaction to the "theatre command" concept outlined by Milton Katz. There were obviously some differences between a united effort in war, and relations between sovereign states during peacetime, he remarked. Robert Bowie responded by describing General Clay's opposition to the "theatre command" conception: Clay considered himself the sole American official in charge of Germany and disputed Harriman's assertion of authority. Bowie recalled that he and Draper were called upon to mediate this dispute, and eventually got the men to agree to a two-hatted arrangement, whereby the same man was both ECA Representative and Economic Advisor to Clay. To this discussion Miriam Camps added her recollection that, in the first division of aid, the American representative of Bizonia was required to follow Clay's orders.

Hoffmann's second question concerned the links between the Marshall Plan and the development of NATO, and was answered by Lincoln Gordon. In 1950, when the Korean War broke out, the United States was already in the process of trying to convert NATO from a paper guarantee into an operational organization, Gordon stated. The importance of economic analysis in rearmament planning was recognized, since the imposition of heavy rearmament demands on fragile European economies could create numerous problems. Gordon recalled that the NATO Council of Deputies considered whether or not an economic staff should be developed for NATO, but ultimately -- and especially after NATO had moved from London to Paris -- decided not to create another international organization with the same functions as the OEEC. During the "Wise Men" exercise of late 1951, he noted, the OEEC's people and information were used a great deal by NATO. Miriam Camps added that by 1954, the OEEC had completed its useful economic work, and Marjolin had left, so its economic functions could have been transferred to NATO and the

OEEC dissolved. It was a mistake to regard the OEEC as a permanent body, she emphasized. To Lord Roll's question as to what function the OECD fills today, Gordon responded that it produces handsome reports but not much else.

The later period of the Marshall Plan, between 1949 and 1952, needs more careful study, according to Lord Roll. The British attitude -- especially Britain's reluctance to see a stronger OEEC with a large budget, her desire to reestablish a special relationship with the United States, and her attempt to have NATO deal with economic problems -- needs to be understood in relation to certain personal and fortuitous factors. First, during this period, Bevin, Cripps, and Attlee were all seriously ill or dying; and second, the 1951 election, which transferred power from Labour to the Conservatives added to the problem of redefining British policy during a transitional era. The later years of the Marshall Plan were subsequently discussed by Harold Van B. Cleveland, who commented that those who believed in European integration took the United States as their model of a large and efficient market. The "European idea" was thus an American economic idea, democratic and liberal in the nineteenth-century sense. Cleveland reflected that as our enthusiasm for the dirigisme of the Monnet Plan gave way in 1949-1950 to the big-market idea, we came to believe that European economic integration could produce another United States of America. However, Cleveland's interpretation of the period was qualified by Bowie, who said that it had not been necessary to be so visionary to have hoped that integration would lead to reconciliation among the European states, and by Miriam Camps, who stated that very few people in ECA and the State Department had ever thought in terms of a United States of Europe, though those who did had been quite articulate.

The issue of whether an American economic model was imposed upon Europe through the Marshall Plan was taken up by Gordon. Challenging Richard Kuisel's presentation, Gordon argued that the advocacy of "free-enterprise" in a Marxist sense was not a very significant part of the Marshall Plan. One must remember, he said, that at the beginning of the Plan, living standards in Europe were roughly one-third of those in the United States. Some Americans who were interested in modern methods of marketing and management saw certain inefficiencies in European methods, and there may have been some patronizing, but the chief American desire, Gordon maintained, was to raise living standards, not to turn Europeans into Americans. The Europeans also wanted higher living standards, which they have achieved, and while they may resent the origins of the ideas, they enjoy the fruits, he stated. Lord Roll added that the British did not have the feeling of having been patronized or sold an ideology. With this point Imanuel Wexler agreed, but he added that in Britain, the drive for increased productivity was institutionalized in the Anglo-American Council on Productivity in a manner quite different from that pursued on the Continent. There was much greater mistrust between labor and management on the Continent, mistrust which the ECA sought to reduce, and American labor -- more than American industry -- perceived that it had a mission in Europe to export collective bargaining and good labor-management relations as ways to increase productivity, and this sense of mission produced some antagonism in the European countries.

Productivity represented an alternative ideology to the emphasis on class conflict and hence was politically very central to the the Marshall Plan, argued Charles Maier, noting that in France and Italy, labor was organized largely in Communist-affiliated unions. While it was technically necessary to raise productivity in order to raise living standards, this process also served the political function of stressing an Atlantic orientation -- of "bringing friends together" and excluding opponents, i.e. the Communists. Maier also observed that the AFL's role in the Marshall Plan was very important in terms of American domestic politics, for it represented the first time that organized labor was involved in foreign policy. This gave the AFL a great feeling of importance and provided the Marshall Plan with a strong and steadfast supporter. In Germany, Bowie added, American labor was opposed to the Mitbestimmungsrecht (codetermination) and urged German labor to assume a proper union role: to represent workers in collective bargaining in opposition to, and not in partnership with, management. Bowie commented that the British and the Americans differed in their approaches to German industry, the former wanting a socialized coal and steel industry, while the latter favored an "anti-trust" solution which would break up the power of large industries and cartels. The U.S. hoped that less concentrated industrial and economic power would encourage "pluralism" in all spheres, a pluralism which was considered necessary for a healthy democracy. In answer to a query by Gordon about American labor's work in France and Italy, Katz recalled that a large part of their efforts was designed to develop support for non-communist unions. In this context, Henry Labouisse expressed his belief that without the Marshall Plan, France and Italy would probably not have remained non-Communist.

To many Europeans, "capitalism meant Nazism," observed Jeffrey Herf and he suggested that one of the goals of the Marhall Plan was to break that link. But one legacy of the Marshall Plan criticized by many young Germans in the 1960's and 1970's was that, especially in Germany, economic recovery conflicted with the nations's coming to terms with the Nazi past and led to a premature end to both denazification and the war crimes trials. Picking up on Herf's remarks, Hoffmann asked how aware the "theatre commands" of the Marshall Plan were that many Europeans connected capitalism with Nazism, Fascism, and Vichyism. Preaching the capitalist ethos was not the most popular thing to do in postwar Europe, he observed. Katz answered that there was probably less sensitivity to European attitudes than there should have been, adding that Paul Hoffman, a man of great enthusiasm, tended to express himself in an overly simplistic manner which grated on the Europeans. However, Charles Kindleberger added that Erhardt's concept of a soziale Marktwirtschaft demonstrated that, to many Germans, capitalism and nazism were not inextricably linked. There was a great deal of indigenous German thinking about the importance of a liberal market economy, noted Bowie, adding that many thought that if the power of large cartels were broken up, then capitalism would pose no particular threat.

Calling for a new history of the Marshall Plan, Hoffmann intitated a discussion of existing accounts. Several participants felt that Hadley Arkes' Bureaucracy, the Marshall Plan and the National Interest was burdened by its social science jargon; Camps noted that she had found two letters by Gordon which provide an excellent critique of Harry Price's The Marshall Plan and Its Meaning. Katz expressed his hope that a new history would not pay attention to previous ones, and would stress that the political objective of the Plan was to restore a politically effective Europe.

Recollecting his third grade class, in which every pupil packed cardboard boxes with pencils, soap and other things for hungry European children, Maier expressed his opinion that the Plan was part of an "authentic foreign policy" which had coherence -- in part because it dealt only with Western Europe -- a sense of the problem to be solved, and the means to solve it. It produced widespread mobilization within the United States, rewards for friends, and penalties for enemies. Each participant could work for his private gain and yet benefit the whole, Maier maintained. The Plan excluded the extremes, but included all elements of the center and, had it not existed, the most likely outcome, according to Maier, would have been neither a Communist nor a rightist takeover, but rather a return to the incoherent politics of the late 1930's and probable economic stagnation.

Turning to the legacy of the Marshall Plan, Maier suggested that there was none, in the sense that one might simply replicate its technique elsewhere, for the Plan arose out of the special circumstances created by the war and the defeat of the Axis power. The war gave us overwhelming advantages and the Europeans huge problems, a unique disparity which has not been paralleled in the case of the Alliance for Progress or elsewhere. With this, Maier recalled an earlier discussion, in which Gordon had noted that the organization of the Alliance for Progress had been modelled after the OEEC and that, in the 1960's, Governor Harriman had introduced many of the techniques of the Marshall Plan into the Alliance. In that discussion, Katz had remarked that these techniques were not effective in Latin America, while Gordon had countered that the Alliance for Progress was not entirely without success.

According to Stanley Hoffmann, at the time of the Marshall Plan, there was enough disparity in power between the United States and Western Europe to simplify action, and enough of a community of values to make joint effort possible. The difficult question for the future, he continued, is whether such joint action is possible now that the two are more evenly balanced. The difference between the Marshall Plan period and the present was underscored by Maier, who observed that the Plan seemed to represent a "buoyancy mode" in the making of foreign policy: the belief that people can make policies and that the economic order should not totally overwhelm human beings. In contrast, he cited the "anguish mode" of Henry Kissinger; when Kissinger writes of the "anguish" of foreign policy, one has the sense that another little country is about to go down the drain. The participants in the Marshall Plan enjoyed and communicated the sense that they could change things, and this confidence may be foreign to the experience of more recent generations. Miriam Camps agreed, noting that today, when small accomplishments in international affairs take ten years, one cannot comprehend the sense of exhilaration at being able to do so much. The title of Acheson's memoirs, Present at the Creation, captures that spirit, she declared.

15. Final Remarks on the Marshall Plan

Stanley Hoffmann

The retrospective has allowed us to find out, from some of the people who were "present at the creation," more about the way in which this momentous program was set up.

It has confirmed, for instance, our knowledge of the complexity of decision-making in the government of the United States. Clearly, this was as much the case in 1946-1947 as today, and the champions of Graham Allison's famous "Model III" -- bureaucratic politics -- will have found much in the previous pages: the plan originated from the interplay of a great number of actors, each one with his own angle and his own anxieties.

The discussion also emphasized that what became one of the most successful long-term projects in American foreign policy resulted from a series of immediate and urgent concerns and pressures. It was a single answer to a number of headaches, and its greatness lies in the way in which it transcended these. Many of them were economic (and indeed, the ideas came out of the economic offices of the State Department); but the design was profoundly political.

This brings us to some thoughts about its success. First, it was successful precisely because it met not only specific economic challenges, but a larger issue: the recovery of West European societies, shattered by the war. When, in 1973, Henry Kissinger, worried by a proliferation of irritants in U.S.-West European relations, tried to invoke the spirit of the Marshall Plan and invited the allies once more to transcend petty issues into one act of creation, nothing happened -- except recriminations and misunderstandings -- because there really was no transcending need -- no way of resolving current difficulties by addressing a larger imperative.

A second reason for success was that the solution was both imaginative and appropriate. Later, in the military realm, the U.S. would often try to solve

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fundamentally political problems with gimmicky military or technological solutions (cf. the Multilateral Force); these attempts failed. Elsewhere, the U.S. has often thought of duplicating the Marshall Plan in order to cope with issues of economic development and political stability (cf. the Alliance for Progress); this too failed, because even massive aid programs are inadequate when the internal conditions for their success in the recipient countries are likely to defeat even the best intentions and would have to be changed first -- something that can hardly be done quickly or from outside.

A third reason for success was that the plan did not only aim at shaping a common future, it used for that purpose an experience and a model from the past: the Anglo-American exercise in joint military planning, which inspired the "military command" structure so well described here by Milton Katz. It so happens that Jean Monnet, France's postwar planner, was a great admirer of such a combination of pragmatism and efficiency, and thus made it easier for the Marshall Plan executors to obtain French participation. It would be difficult to repeat this experiment today.

We can also note that the plan's success was achieved despite erroneous economic calculations and postulates, and excessive political goals. The convergence of interests proved far more powerful than the mistakes and the illusions. What ensured success was this convergence, and the institutional setup on which the interests focused and which reinforced their solidarity. This was precisely the formula later used by Monnet for his scheme of West European integration.

This brings me to three sets of comparisons. In the first place, why was the Marshall Plan formula so successful, in comparison with Monnet's design for Western Europe -- now bogged down in utterly untranscended arguments over milk and money? There are two answers. On the one hand, for all its boldness, the Marshall Plan carefully preserved the sovereignty of the participants; they were being incited -- prodded, some would say -- to cooperate, they were not being asked to transfer power and resources to any supranational agency (otherwise, England would never have joined). As a result, the West European countries did not experience the tug-of-war that has plagued the European experiment since 1950: between obvious common interests in a variety of fields, and the separate interest of each state in preserving its own autonomy and the freedom of action needed to look after those of its interests that were anything but common to all. On the other hand, and in the opposite direction, the Marshall Plan was not an alliance of equals: it was an offer by the strong which the weak could not refuse.

The European experiment has suffered both from the (formal) equality of the participants, and from the supranational intentions or pretensions. The Marshall Plan flourished both because there was only one boss, and because the associates were not asked to delegate their (meager but thereby even more precious) possessions.

In the second place, we can compare the Marshall Plan with NATO. In history texts, both are seen as elements in America's containment policy, parts of the American design aimed at protecting vital areas from aggression and from internal chaos or subversion. Two paradoxes appear here. The connection between the plan and containment was oblique: the plan was not presented as an anti-Soviet or anti-Communist move, and while the conditons set for the participation of countries east of the Iron Curtain were such as to make Stalin's rejection probable, one could not be entirely sure. In the end, a measure presented, so to speak, as pro-recovery and growth, turned out to be far more effective a weapon of anti-Soviet containment, than many overtly anti-Soviet pacts. George Kennan, when he complained in later years about the "militarization" of containment, suggested that what he had in mind, in 1946-1947, was something like the Marshall Plan: moves to restore the economic health and political self-confidence of vital areas; not measures like NATO. And yet NATO (whose institutional setup resembles that of the plan: an Anglo-American machinery, American command, and formal sovereignty) was designed at the request of the West Europeans themselves, unlike the Marshall Plan. The U.S. felt, above all, threatened by the risk of West European economic collapse; the West Europeans, closer to the Iron Curtain, felt at least equally anxious about the presence of the Red Army in the middle of the continent.

A third comparison is the one so subtly -- if controversially -- developed by Harold Van B. Cleveland: between what happened, and what might have happened without the plan. I don't want to repeat the arguments, but I am convinced that without the plan, domestic conditions -- political and social -- after the tragic years of occupation, restrictions and violence, would have made the kinds of "adjustments" Cleveland describes extremely difficult, and attempts at enforcing them would have brought about as much turbulence as IMF instructions to developing countries in debt have provoked in more recent years. Moreover, without the plan, the habits of cooperation that grew among West European countries would not have flourished, and the fatality of separatism and rivalry might have prevailed once more.

Ultimately, the judgment of history is likely to be that the most important contribution of the plan was not the immediate result -- European econmic recovery, without which various "take-offs" or "miracles" would not have occurred -- but something deeper: this shift from competition and narrow national calculations to cooperation and wider horizons. The participants in this colloquium have pointed out three legacies: OEEC (and the EPU), European integration, the restoration of West Germany. What the three have in common is, so to speak, the elevation of interdependence, from a (frequently ignored) fact to a method. Of course, there have been many lapses: the U.S., because of its power, has sometimes failed to practice what it preached and even -- as in the 1970s -- reverted to economic nationalism; European integration has slowed down, almost to a halt. And yet there has been no return to the 1930s. What has ruled it out has been, in the first place, the role of the U.S.: without its presence and pressure, the organizations of Western economic integration would not have been set up, just as today, one could argue (and nobody has made a better case than Joseph Joffe), this presence and pressure remain, in the realm of Western European defense, the only alternative to fragmentation and mutual suspicion.

Thus, one is left with a mix of admiration and nostalgia. The admiration one owes to the remarkable display of enlightened self-interest, institutional inventiveness, and creative improvisation produced by Washington's bright young men (plus -- at least -- one woman) and older statesmen: there haven't been many examples recently, when the U.S. has oscillated from solo performances to bouts of paralysis. As for nostalgia, it is caused not only by that spectacle (or by the current EEC debacle), but also by one's awareness of the fact that the circumstances that made the Marshall Plan and its success possible are almost impossible to reproduce.

Appendix A

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Appendix B

Secretary of State George C. Marshall's Address at Harvard Commencement 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 appraisement 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 ten 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 evidently will require a much longer time and greater effort than had 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 level - oral addition]. 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 product 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 the 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 of, 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.

[At the end of the formal speech Marshall added, according to the reading draft furnished by the George C. Marshall Research Foundation]: I am sorry that on each occasion I have said something publicly in regard to our international situation, I've been forced by the necessities of the case to enter into rather technical discussions. But to my mind, it is of vast importance that our people reach some general understanding of what the complications really are, rather than react from a passion or a prejudice or an emotion of the moment.

As I said more formally a moment ago, we are remote from the scene of these troubles. It is virtually impossible at this distance merely by reading, or listening, or even seeing photographs or motion pictures, to grasp at all the real significance of the situation.

And yet the whole world of the future hangs on a proper judgment. It hangs, I think, to a large extent on the realization of the American people, of just what are the various dominant factors. What are the reactions of the people? What are the justifications of those reactions? What are the sufferings? What is needed? What can best be done? What must be done? Thank you very much.

Appendix C

Thanking America: Twenty-Five Years After the Announcement of the Marshall Plan, Speech by Chancellor Willy Brandt June 5, 1972

History does not too often give us occasion to speak of fortunate events. But here in this place a quarter of a century ago an event took place which could rightly be termed one of the strokes of providence of this century, a century which has not so very often been illuminated by the light of reason.

We are gathered here at this ceremony to commemorate the speech with which George Marshall announced twenty five years ago that plan which was to become one of the most formidable and at the same time successful achievements of the United States of America. I have no authority to speak for any country other than my own, but I know, and I want the American people to know: our gratitude, the gratitude of Europeans, has remained alive. What we give in return is our growing ability to be a partner of the United States and in addition, apart from regulating our own affairs, to assume our share of responsibility in the world at large.

To go back to the beginning: if happiness is a concept in which mankind perceives an objective, then in our epoch it has for long stretches remained in the shadow. The era of my generation was a concentration of more darkness, more bitterness and more suffering than nations have ever before brought upon themselves. Against this background the act we are commemorating here today shines brilliantly.

Two world wars, which were first and foremost civil wars in Europe, plunged our civilization into the

*On June 5, 1972, Willy Brandt, who was then Chancellor of West Germany, was invited by Harvard University to give a speech on the occasion of the twenty-fifth anniversary of the announcement of the Marshall Plan by Secretary Marshall. This is a reprint of that speech. It is considered a major statement by the German government about its evolving relationship with the United States.

abyss of self-destruction. Ten million times in the first, more than fifty million times in the second catastrophe, one individual and irreplaceable human life was destroyed - on the battlefield, in air-raid shelters, in camps, by firing squads, in the gas chambers, or by sheer starvation.

And the most depressing part of it is that this century is laden with the stigma of names that have become the ciphers of ruin, names denoting the nameless ravaging of souls, and that tell us that hell on earth was a reality. We have known since then that man is capable of revolting collectively against any moral commandment and of surrendering that quality with which he was born: his ability to be human.

We cannot and do not want to shake off this experience. Nor our awareness of the threat that accompanies us day by day in the form of the multiplication of the means of destruction capable of snuffing out our whole civilization if they slip from our control. If we are no longer the master of that difficult peace we have today, that peace which we regard as our day-to-day task but also as the <u>ultima ratio</u> of our existence. For this we have learnt (and I said this six months ago in Oslo): war has become the <u>ultima irratio</u> of this century.

There are many who had forethoughts of this. One of them was George Catlett Marshall. He was a soldier. In other words he served a profession which presupposes constant readiness for war with all its consequences. I put it that plainly because it brings into even greater relief the exemplary achievement of this man. That achievement was underlined by the award of the Nobel Prize for Peace.

He was a soldier out of passion. But this word has a double meaning. In this case it is the passion and energy with which Marshall discharged the duties of his profession. It also includes his readiness to suffer and to share the suffering of others, a quality indispensable in a good soldier and man of character.

As a young staff officer charged with complicated strategic and logistical duties, he witnessed the first mass loss of life at St. Mihiel and in the Argonne Forest in France in 1917 and 1918. We know that this experience marked his life. It did not cause him to falter in the steadiness of purpose which characterized the stages in his career during the interval of that precarious peace between the cease-fire of Compiegne and the 1st of September 1939 - that 1st of September when the German attack was launched against Poland and when George Marshall became Chief of Staff of the United Sates Army. Acting upon the instructions of his president, he took steps to ensure that the United States was heavily armed in its neutrality. Yet it was clear to him that America would for a second time be challenged to decide Europe's destiny. He was known as the organizer of victory. His circumspection and his exact yet imaginative strategy were the mathematics of the campaigns and battles upon which the Third Reich and the crazed policies of its leaders crumbled.

The end was bitter, and not only for the vanquished. Victories, too, can be bitter, especially if they carry the seed of future conflicts. As in 1918, when the war was won, and peace was lost for want of reason on the part of the winners and the losers: through stubborn mistrust on the one side; through resentment of the humiliated on the other. Against the wish of its president, the United States left Europe to itself, left it prone to the animosities and jealousies born of national pride which did not cease to exist when the nations laid down their arms.

That time America's political and military leaders, faithful to the traditions of their fathers, felt that their duty was to withdraw and abstain from further international involvement. But in fact that was no longer possible and apparently no longer permissible.

It was different in 1945: George Marshall and others agreed that victory did not relieve his country of its responsibility. The United States did not for one moment claim that responsibility for itself. It shared it with its Allies, in particular with Britain, which in 1940, putting up a lone resistance, refused to surrender its freedom. And with France, who, despite being sorely wounded, picked herself up again. But not least with the Soviet Union, which had fought tenaciously, and suffered particularly heavy losses, and which now found the door to Central Europe thrown open as a result of Hitler's war.

The understanding between the big powers called for their joint exercise of responsibility. But even before the war was over the victorious powers quarrelled over who should exercise influence over the liberated countries. Defeated Germany then became both the cause and the object of the cold war. For a second time it seemed that hardly had the fighting stopped, than peace was lost in the clash of power interests and ideological conflict.

In that desperate situation President Harry Truman recalled General Marshall from retirement and appointed him Secretary of State; that was on January 21, 1947. Not as Chief of Staff for the Cold War, as many might have feared, but as the man who, having organized the war, was now looked upon to organize peace.

The world hoped for and expected a constructive answer from the United States to the challenge of despair, helplessness and distress, but also the will to live, that had not become extinct in the hearts of the nations of Europe. Creative spirits on both sides of the Atlantic, who realized that no more time should be lost, had long been at work in providing that answer. The plan which bears the name of George Marshall was forged from many ideas and suggestions. Sober analysis of the absurd situation in Europe after the Moscow Conference of April 1947 converged with the determination to act before that terrible "too late" could be uttered.

The European Recovery Program which the Secretary of State outlined here twenty five years ago contained a sincere offer to restore collective East-West responsbility for Europe. The East rejected that offer, and that meant the widening and cementing of division. As you know, in those days I was in Berlin and I say quite openly here that Ernst Reuter and I by no means found it easy to recognize this painful reality. We deplored the division of the continent, of our country, of our own city. We could not cede our will for unity to the advocates of nationalistic protest. But on no account did we want to give up the chance afforded by our regained freedom. We had to pit our will to assert ourselves against the danger of paralysis.

Berlin became the cradle of German-American friendship. The refusal to resign itself to the situation became the basis for future partnership. At the same time, the help we received to help ourselves could only benefit the countries of Western Europe, and that became a turning point in international relations.

In speaking of this assistance I do not overlook the help given in various ways by private charitable organizations, who commenced their activities even before the hostilities were over. I cannot emphasize too highly the moral support which came from their assistance then and in future years.

The Marshall Plan mobilized American reserves to provide Western Europe with the capital and raw materials it needed to regain its vitality. That program explicitly included defeated Germany. It was not only that magnanimity that is part of America's nature, and not only the willingness to help which is characteristic of the people of this country, that inspired the leaders of the most powerful nation in the world to come to the aid of the defeated. It was, of course, also a political calculation which looked beyond the current state of affairs to the horizons of coming decades. By this I mean more than that America understandably thought about its position in relation to the Soviet Union: I mean above all that the Marshall Plan challenged the European partners to enter into close economic cooperation. Inherent in the plan was also an appeal for a common political course.

That was the basic element of the program which without hesitation I would say bears the mark of genius. It traced, though tentatively, the aim of European, or at last West European, unity. It was more than the release of economc dynamism, more than the rekindling of industrial vitality which produced miracles, not only in the Federal Republic of Germany after the currency reform. Every nation of Western Europe showed in its own way that it possessed the unbroken will to work and pull itself up again, a will that had only waited to be sparked off.

With his plan George Marshall roused Europe's stifled self-confidence. He gave many citizens of the old continent a concrete stimulus to bring down from the stars the vision of a Europe united in lasting peace. The first step towards that aim was the OEEC, the Organization for European Economic cooperation. The progressive thinkers in France, Italy, the Netherlands, Britain and Germany were prepared for this change. The most outstanding among them was Jean Monnet. He was in fact Marshall's partner in Europe. That great Frenchman and European saw more clearly than others the need for modern economic planning on a wide scale, an asset that was partly attributable to his precise knowledge of the American reality. He knew that national frontiers had to be removed or at least made bridgeable if the continent was to be revitalized. The Schuman Plan, which by merging the coal and steel industries in the Western part of our continent was a significant first step to the joint organization of its economic energies, was inspired by this great man. His progressive determination coincided with the realistic instinct of three conservative statesmen whose European consciousness was embedded in the folds of history that lay deeper than the ideal of the nation state: Robert Schuman, Konrad Adenauer and Alcide de Gasperi.

Marshall Plan, OEEC and the Coal and Steel Community -- and together with them the cessation of a negative occupation policy as manifest in the dismantling of industry -- were the first stageposts of that European renaissance, a term I prefer to the "German miracle", which was really a European one.

This leads us to ponder a little more the ties that link America inseparably with the destiny of the old continent. It was James Monroe who said that the new world would restore the equilibrium of the old. He has been proved right -- in spite of the latent isolationist tendencies in America that are sometimes traced back to his doctrine. When he spoke of this equilibrium he in fact anticipated the reality we now aspire to through our transatlantic partnership.

In one of his early political writings, Thomas Mann described the Atlantic as the "new Mediterranean" and ascribed to the nation on this side of the ocean the legacy of ancient Rome. Ingenious comparisons of this kind fire our imagination; yet we are conscious of their dubiousness. Nowhere has the United States been prescribed an imperial destiny along classical lines, and past decades have proved that Europe, contrary to all the pessimistic oracles, was by no means doomed for decline as ancient Greece.

On the contrary: the Marshall Plan was productive proof that America needs a self-confident Europe capable of forming a common political will. The United States is waiting for us Europeans to create the institutions capable of acting in our joint name. It waits for Europe to grow into an equal partner with whom it can share the burden of responsibility for world affairs. This we are patiently trying to do by seeking to enlarge and develop the community which, now with the inclusion of Britain, but also Ireland, Denmark and Norway, is in the process of creating an economic and monetary union and of establishing closer political cooperation.

I may add that America's impatience over the slow progress being made in this direction is to some extent understandable. But that impatience was based on the wrong premise; it was erroneous to believe that Europe could reproduce what had become a reality in the United States.

In Europe the idea was not level off national entitites; rather to preserve their identities whilst at the same time combining their energies to form a new whole. The idea was, and still is, to organize Europe in such a way that it will remain European.

Yet however tightly Western Europe may grow together, America will not be able to sever its European links. It will not be able to forget that the western part of the Old World will remain an area of vital interest to it, a relevant conclusion reached by Walter Lippmann from his fifty years of experience as a critical observer of world affairs.

The nations of East and South East Europe, in spite of their less favorable starting position and conditions, have also given an impressive performance of reconstruction and modernization. Thus we should not underestimate the possibilities for cooperation across the whole of Europe that may arise in the years ahead. Are we, after all, not now progressing beyond our bilateral experiences towards a conference on security and cooperation in Europe with the participation of the United States and Canada? And though euphoria would be quite out of place in this connection, it would be unwise not to take any opportunity that holds out the prospect of success, however slight.

It is general knowledge that the Federal Republic of Germany is endeavoring to contribute in its own specific way to the improvement of relations and to the consolidation of peace in Europe. But our policy of conciliation and understanding with Eastern Europe could not for one moment mean that Europe and the United States would move apart. On the contrary: the will for detente is a joint program of the Atlantic Alliance.

With the treaties of Moscow and Warsaw, to which several other agreements will be added, the Federal Republic of Germany has not only honored its pledge to seek reconciliation, in which we see a moral duty, it has in fact returned after a period of unclarity to the main stream of the will of the world, which commands East and West to relax the cramped positions and ease the permanent strain of the cold war. In pursuing this aim we have never lost sight of the dictates of security, including military security.

The Atlantic community has truly acquired a new dynamism. It has developed into the entity prescribed for it by its founders: an alliance for peace, an alliance both militarily prepared and capable of negotiating without cherishing illusions. The alliance remains the basis of our plans and of our actions. Its reliability has encouraged our French and British friends, and ourselves, to remind our neighbors in the East that behind the barriers of power interest and spheres of influence, behind the ineffaceable delimitations of ideological differences, behind the irreconcilability of social concepts, there waits the new reality of a larger Europe which should be capable of harmonizing its interests under the banner of peace.

Our parliamentary debate over the treaties of Moscow and Warsaw was hard. It has shown that the process of detente can only be enhanced by a steadfast and sober policy. Our courage to accept realities should express itself in this sobriety: a sense of reality which other nations have too often found lacking in the Germans. We need this sense of reality more urgently than ever before, for to liquidate the cold war really means to close the accounts of the Second World War.

In this phase of change America's presence in Europe is more necessary than ever. I trust that those who carry responsibility in this country will not refuse to appreciate this. American-European partnership is indispensable if America does not want to neglect its own interests and if our Europe is to forge itself into a productive system instead of again becoming a volcanic terrain of crisis, anxiety and confusion. The forms of the American commitment may change, but an actual disengagement would cancel out a basic law of our peace. It would be tantamount to abdication. We want our American friends to know, however, that we have viewed with anything but indifference the heavy external and internal burdens which they have had to carry during this period. The fact that America does not repress its critical problems but faces up to them unsparingly is in our eyes proof of its unbroken strength. And the fact that it does not take them lightly does not weaken but rather increases our sympathy and the reliability of our partnership.

1947 marked the beginning of the cold war, not because, but in spite of, the Marshall Plan. The situation resulting from the cold war is one of the bitter realities with which America, like Europe, still has to contend today. The results of the Marshall Plan have among other things enabled us, twenty five years after its proclamation, to embark on a policy which has made 1972 a year which may one day perhaps likewise be regarded as a turning point in world politics.

President Nixon has signed agreements with the leaders of the Soviet Union intended to reduce the confrontation and to mark out clearly the areas of cooperation. Europe in particular can but benefit from the introduction of stabilizing factors in the relations between the two superpowers, which lead to greater security.

President Nixon has rightly attributed worldwide significance to the Quadripartite Agreement on Berlin which entered into force two days ago. It is the result of a great common achievement that West Berlin has been able to survive all the crises of a quarter of a century and that now, its link with the Federal Republic being no longer in question, it can look to a secure future.

This also means -- and this is a fact not yet appreciated everywhere -- that the presence of the United States in the center of Europe, unlimited in point of time, has been confirmed with the consent of the Soviet Union.

Moreover, one of our greatest tasks in the years ahead will be not to increase but to limit, and where possible reduce, the mightiest destructive potential that ever was on the soil of Europe, and to do so on both sides, in East and West. If we can together limit our armaments -- mutually and balanced -- instead of building up our arsenals in a race against each other there may be opened up the perspectives that will lead to cooperation between East and West in Europe.

If we can now carefully prepare a conference on security and cooperation in Europe, it is an expression of the reality that the United States will participate as a power without which there can be no security in Europe. To have recognized this reality is an important contribution by the Soviet leaders.

By dint of hard work and with American support Western Europe is now back on its own feet. With the aid of the United States it has again found its own personality. Thus we in Europe, and especially we in the Federal Republic, are deeply indebted to this country.

But in this hour let us not only look backwards. Let the memory of the past become our mission of the future, let us accept the new challenge and perceive the new opportunity: peace through cooperation.

Let me stress once again that to build this structure we need the United States, its commitment, its guarantee and its cooperation.

It is precisely now that we need increasing understanding for our partners on both sides of the Atlantic. It is the expression of our special gratitude for the decision twenty-five years ago not to keep us out. It is an expression of our conviction that we can achieve peace only jointly and by cooperation.

On the occasion of the twenty-fifth anniversary of the announcement of the European Recovery Program by Secretary of State George Marshall, we, my colleagues representing all parties of our Parliament, and I, wish to inform you of several measures taken by the Federal Republic of Germany with a view to closer understanding between partners on both sides of the Atlantic in the seventies and eighties.

1. The German Federal Government has established the financial basis for the setting up of a German Marshall Plan Memorial in the United States. A fund has meanwhile been incorporated and constituted in the District of Columbia as an independent American Foundation: "The German Marshall Fund of the United States -- A Memorial to the Marshall Plan". Its by-laws have been adopted, its board members and officers elected.

The Federal Government undertakes to provide the Fund with 150 million Deutschmarks to be paid over the next fifteen years in installments of 10 million Deutschmarks due on the 5th of June of each year. All parties represented in the German Bundestag approved the Government's appropriation bill for these funds.

Under the arrangements made between the German Government and the fund's Board of Directors, the German Marshall Fund will administer its proceeds without any influence by German authorities, and will use them to promote American-European study and research projects.

There will be three main areas on which the Fund will concentrate its interest: (a) the comparative study of problems confronting advanced industrial societies in Europe, North America and other parts of the world; (b) the study of problems of international relations that pertain to the common interests of

Europe and the United States; (c) support for the field of European studies.

2. Upon the suggestion of the Federal Government, the program of West European Studies of Harvard University will receive this year a non-recurring grant of three million Deutschmarks from the German Marshall Fund to establish a "German Marshall Memorial Endowment" for the promotion of European study projects.

3. The German Government has always attached special significance to exchanges with the United States in the field of science. This is also reflected in the consistent support it has given to the German-American Fulbright Program. So as to make it more effective the German Government has decided to increase its financial contribution substantially above the amount expected of it as a matching contribution -- from the present two million to three and a half million Deutschmarks per year.

4. In order to improve cooperation in specialized fields between American and German research institutes, the German Government has adopted a sponsorship program for the exchange of highly qualified American and German scientists. The German Ministry of Education and Science will earmark five million Deutschmarks per year for this exchange program.

5. The Donors' Association for German Science, an institution established by German industrial and commercial firms, has undertaken to replenish by two and a half million Deutschmarks a year the amount made available by the Federal Government for the sponsorship program. These additional funds will be used for exchanges of scholars in the field of the humanities.

Ladies and gentlemen, we in the Federal Republic of Germany hope that these measures will have a beneficial effect on our partnership. And thus we follow up on the will for common effort that characterized the Marshall Plan Program.

Above all, we want to arouse in the younger generation that mutual trust which in those days exhorted the Europeans to make peace among themselves. They must not forget that the interdependence of states on both sides of the Atlantic proclaimed by John F. Kennedy must remain a moral, a cultural, an economic and a political reality. It must not be renounced, nor must it be weakened. It is part of the as yet unwritten constitution of the future Europe which we continue to strive for: with gratitude and respect for the man whose work we commemorate here today, the soldier who saw his life's fulfillment in an act for peace. Twenty-five years ago he recruited us in the service of peace. In the spirit of his aims we shall endeavour to do our duty.

Mr. President, ladies and gentlemen, I am pleased that we have with us here today the Chairman of the Board of the German Marshall Fund of the United States, Dean Harvey Brooks, as well as the Chairman of the Board of Overseers of Harvard University and Chairman of the Fund's Honorary Committee, Mr. C. Douglas Dillon.

It is my honor and privilege to ask them to accept the deeds by which the German Government sets up the German Marshall Fund of the United States and the German Marshall Memorial Endowment of Harvard's Program for West European Studies, together with the checks for the first of the fifteen annual installments.

Appendix D

Origins of the Marshall Plan* Memorandum by Mr. Charles P. Kindleberger[1]

[Washington,] July 22, 1948

The collection of gossip and rumors presented below is not vouched for in any way. It is set forth only because time is fleeting, memories fade, and the stuff of history is fragile. Even at this date, thirteen months later, I am unable to sort out what I know of my direct knowledge and what I have been told.

It is well known that the topic of European reconstruction was widely discussed during the winter of 1946-47. The Council on Foreign Relations had its entire winter program devoted to this topic. I talked twice on it: once in January on coal; and a second time in May on Germany.

Walter Lippmann,[2] without claiming credit for the origin of the Marshall plan, has told me that he wrote a series of columns (not the one on the cold war) setting forth the necessity for a plan for European reconstruction. This I do not recall and didn't when he told me.

In early 1946, Walt Rostow[3] had a revelation that the unity of Germany could not be achieved without the unity of Europe, and that the unity of Europe could best be approached crabwise through technical cooperation in economic matters, rather than bluntly in diplomatic negotiation. This suggestion was given to Secretary Byrnes for free examination through the kindly offices of Mr. Acheson. Joe and Stewart Alsop[4] wrote a column on the subject in April 1946, referring to what was in the Secretary's briefcase. In any event, the Secretary didn't buy. That summer, however, the US representation on the Devastated Areas Subcommission of the Commission on Employment of the Economic and Social Council of the United Nations bought the idea from Rostow and Kindleberger (who was

*Reprinted from United States, Department of State, <u>Foreign Relations of the United States</u>, 1947, III, pp. 241-247.

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by that time a member of the firm) and peddled it first to Mr. Lubin on the Commission on Employment, to the Poles and to others. This was the origin of ECE, of which causa proxima was Mr. Molotov's[5] decision, made in the corridors of the Waldorf after a midnight debate between the Poles (winners) and the Jugs (losers).

The ECE thought was inextricably wound up in a European recovery plan. ECOSOC in February 1947 wrote terms of reference for ECE (it thought it did; actually Miriam Camp[6] wrote the terms of reference and ECOSOC initialled them). These contained reference to planned recovery programs.

I have had a hard time seeing how the Acheson speech in Delta, Mississippi, was the midwife to the Marshall plan. Acheson made five points -- including primarily the usual ones about multilateralism which the Department has stated so frequently that it is inclined to believe them. One point, however, referred to using United States assistance in future where it would do the most good in recovery in some planned way. this was hardly revolutionary, since there was no specific suggestion of a recovery program, and since there was no suggestion as to who should draw one up. And the point was only one of five.

In my book, Scotty Reston[7] gets a great deal of the credit for initiating the Marshall plan. As I reconstruct the plot, Reston would have lunch with Acheson. Mr. Acheson, as many of his warmest admirers are prepared to concede, converses with a broad brush. Reston would get him started on European recovery, and Mr. Acheson would allude to plans under consideration. The following day invariably Reston would have a first-page story in the New York Times referring to big planning going on in the State Department. This would give Mr. Kennan, who had just been appointed to the newly created planning staff in February, the jim-jams. If there was public talk of all this planning of the Department, and the planning staff had received so much publicity, maybe this was where the effort should be applied. As I say, I have no way of knowing what was going on in Mr. Kennan's mind. I do recall, however, learning that Kennan had been having lunch with Reston (this may have been later, though). Perhaps Reston was acting as liaison man within the Department.

The Secretary got back from Moscow in April -- about the 25th I recall. The Truman Doctrine was making heavy weather of it, both on Capitol Hill and in the country as a whole. Its negative, retaliatory, counter-punching features were disliked. Its implications for economic and ultimately military warfare were regretted. I had the strong impression from a chance conversation with Willard Thorp before I left for Moscow on February 20th (about), that the

Department was in a panic as to what to do in Greece. Slapping together an anti-Russian policy to take over the British policing role there, was too much for the country to swallow. It gagged. The Secretary, whose attention to the Truman message of March 11[8] must have been cursory at best, was obviously going to try something else. The Truman Doctrine was no great shakes. Negotiation in the CFM was no way to get peace fast. He was receptive to new ideas.

Then Mr. Clayton came home from Geneva. I do not remember when he did return, but it was either April or May. It was common knowledge in the Department that Mr. Clayton was deeply exercised by what he had seen in Europe. He had the impression that Europe was collapsing rapidly. His interest lay in production -- and he was deeply impressed by the prospective failure of the French wheat crop -- and in organized markets. He was depressed by what he had seen and heard of black markets, hoarding, etc. He was worked up about the state of the economy of Europe an felt strongly that something should be done.

About this time, partly I guess in response to the Reston articles, Van Cleveland and Ben Moore started to write a long memo on a European recovery program. I was asked to contribute a couple of chapters on Germany, which I did. Cleveland and I had some difficulty getting together on the German passages. He felt that what I had written did not fit into his broader scheme, and I would not accept what he rewrote of my material as bearing any resemblance to the economic problems of Germany or their solution. It took a long time to duplicate in mimeograph. This was finally done and it appeared after the Harvard speech with a date of June 12, 1947.[9]

During April of May, Ty Tood[10] organized the Thursday luncheons in the Assistant Secretary's office for office directors. The purpose of these was to discuss wider problems of a sort a little too vague to warrant holding meetings for. Ed Martin[11] tells me that the Thursday meeting began to discuss the European recovery problem during May. It had, of course, heard from Mr. Clayton. It was, moreover, aware that Cleveland and Moore were writing the piece on a recovery program. Some of the May discussion turned on how to organize the shop to deal with the problem of European recovery.

Bill Malenbaum[12] tells me that on June 3 or 4th, but in any event just before the Harvard speech, Mr. Wm. A. Eddy, Special Assistant to the Secretary for Intelligence, told him that the Secretary had called a meeting at the assistant-secretary level to discuss the proposed speech and that there had been a fundamental difference of opinion between Clayton and Kennan as to how to go about the European recovery program. This difference, of course, turned narrowly on how to write the speech. But it may be ueful to turn first to the drafting of the speech.

On no good authority, and I have forgotten what, I have understood for some time that the speech is a merger of paragraphs from separate memos on the problem of European recovery written by Mr. Clayton and Mr. Kennan. The part laying out the analysis of what is wrong in Europe seems to be very much the product of Mr. Clayton's mind. The emphasis on trade and exchange is striking. The rest, and particularly the final paragraphs, are supposed to be the product of Mr. Kennan's pen.

The question which apparently divided Messrs. Clayton and Kennan was that of whether the initiative should be left to Europe. Mr. Clayton, as I later learned from him, was strongly opposed to a program of the UNRRA type, where the United States put up most of the funds and had only one vote in 17 on its distribution. He was accordingly opposed to reducing the role of the United States to that of supplying the assistance. It seems to me probable that his opposition to a European plan for US assistance sprang from this background of view. Mr. Kennan, on the other hand, presumably had in mind the political desirability of leaving the initiative to Europe. The clash between these views, of course, was ultimately resolved through the device of the multilateral and bilateral agreements, with Europe operating the program under a series of mutual pledges, but each country being responsible for its performance under the program to the US if it received assistance.

Bill Malenbaum also reports that Walter Salant [sic],[13] who had the task for the Council of Economic Advisers of estimating the net foreign balance of the United States for a period ahead, asked him just before the speech what his views were on whether there would be a foreign aid program. Salant said that he had canvassed the Department of State and that there was no unanimity of view as to what was about to transpire, but that on balance he thought the majority view was that there would be no program of assistance.

A newspaper man -- I forget which one -- gave me a long story on how the speech happened to be delivered at Harvard which may be worth setting down, despite the fact that I cannot vouch for one word of it. First, however, I cannot help recalling a bit of dialogue which took place in the central corridor, fifth floor, New State Department Building, in about the second week of July between Philander P. Claxton[14] and me.

CLAXTON: Where have you been? I haven't seen you around lately.

KINDLEBERGER: I am not working on German matters any more. I have moved over and now work on the European recovery program.

CLAXTON: Oh, that's the program which developed out of the Secretary's speech at Princeton.

KINDLEBERGER: Phil, where did you go to college?

CLAXTON: Princeton, why?

KINDLEBERGER: That's what I thought.

According to the newsman's unsubstantiated story, the Secretary agreed with Messrs. Kennan and Clayton that there should be a speech and that it should read about as it eventually did. He then wondered where it might be given. Pat Carter[15] looked up and found that the Secretary had no speaking engagements until June 17, 1947, which all agreed was too far distant in the future in the nature of the existing European crisis.

At that point, the Secretary is said to have remembered that Harvard University had awarded him a degree during the war. He had refused it. Normally, he wrote letters to universities which offered him degrees during the war, saying that he was unable to accept because he felt that the soldiers overseas might misunderstand his position if he were to accept an honorary degree, leaving his desk for the purpose, when they couldn't get away. This type of letter could not be written to Harvard, however, since Admiral King and General Arnold had both been awarded degrees and had accepted. Accordingly, the Secretary merely wrote and refused it.

It had rarely if ever occurred before that Harvard had been refused an offer of an honorary degree, and the University was both surprised and puzzled. Suspecting, however, that the Secratary had some hidden motive for refusing, it wrote back to him saying that it would award the degree, which the Secretary could claim at any time when it suited his convenience.

All this the Secretary recalled. Accordingly, he got in touch with Harvard and said he wanted his degree. This again is reported to have surprised Harvard, which already had a speaker and whose commencement, only a few days away, was practically complete as to arrangements. But Harvard gracefully acquiesced. And the historic speech was given at Harvard. Ed Mason[16] says that he doesn't believe this story because, as he puts it, Harvard does not alter its arrangements even for the Secretary of State.

Joe Harsch of CBS and the Christian Science Monitor has printed this story as to why the Marshall plan should be called the Miall plan.[17] Leonard Miall is the BBC correspondent in Washington and incidentally a neighbor, car-pool mate and friend of mine. I recall very well that the evening of June 4, as we were driving home, he complained that he had just finished writing out a script for the next day's noon broadcast on plans for United States economic aid to Europe, when on his way home he had stopped by the newsroom of the Department and picked up a copy of the Harvard speech. This required him to tear up his script and start again. (It seems to me noteworthy in retrospect that aid to Europe was such a widespread thought in Washington that Miall would have written several scripts on the subject, starting out with the Acheson Delta speech. He was fairly close to Acheson, with whom, along with a group of British journalists, he had lunched once or twice.)

Miall handed me the text of the Marshall speech in the back of the car. I hastily read it as the car moved along and suggested that this was big news and that he would most certainly have to do a new script. I recall that Miall was irritated as well by the fact that there was no firm release date on the Marshall speech, release being the indeterminate hour the speech would begin at Harvard. This was a usual annoyance for him, however, in booking circuits to London.

Harsch's story runs to the effect that Philip Jordan, the information officer of the British Embassy asked Mr. Balfour, then the Chargé, whether he should cable the Foreign Office the text of the Secretary's speech. Balfour is reported to have said no -- just another commencement speech.

The rest of the British and foreign press were all off running down some other story which they featured in their cables -- United States note to some country like Hungary -- if I recall correctly. Only Malcolm Muggeridge of the Daily Telegraph and Leonard Miall of BBC gave it big play (Harsch omits mention of Muggeridge, but Miall insists he should share the credit). And so the Marshall plan was communicated to Mr. Bevin[18] by BBC (and possibly the Daily Telegraph) since the Foreign Office-Embassy, London Times and other avenues of communcation were uninterested in it.

I have many times been asked whether the Department did not advise US missions abroad and/or foreign missions here of the importance which it attached to the speech. As far as I have gathered, without putting any effort into it, the answer is no. Asked why not, I have had no answer.

These random jottings are perhaps not worth recording. I record them just the same to help light the lamp of memory for my old age, waiting for me around the corner.

Notes

1. Mr. Kindleberger, Chief of the Division of German and Austrian Economic Affairs, Department of State, participated in the work of various departmental and interdepartmental committees on the Marshall Plan.

2. Walter Lippmann, newspaper columnist.

3. Walt W. Rostow, Assistant Chief, Division of German and Austrian Economic Affairs.

4. Joseph and Stewart Alsop, newspaper columnists.

5. Vyacheslav M. Molotov, Minister of Foreign Affairs of the Soviet Union.

6. Miriam Camp, a Foreign Service Staff Officer in London in 1946, returned to the Department of State in January 1947 as a divisional assistant.

7. James Reston, a Washington correspondent of the New York Times.

8. Presumably the President's Special Message to the Congress on Greece and Turkey, delivered in person before a joint session, March 12; for text, see Public Papers of the Presidents of the United States: Harry S. Truman, January 1 to December 31, 1947 (Washington, Government Printing Office, 1963), p. 176, or Department of State Bulletin, March 23, 1947, p. 534.

9. Not printed.

10. Clinton Tyler Wood, Deputy to the Assistant Secretary of State for Economic Affairs.

11. Edwin M. Martin, Acting Director, Office of Economic Security Policy.

12. Wilfred Malenbaum, Chief, Division of International and Functional Intelligence.

13. William A. Salant, Assistant Chief, Division of German and Austrian Economic Affairs.

14. Philander P. Claxton, assistant to the Assistant Secretary of State for Occupied Areas.

15. Brig. Gen. Marshall S. Carter, special assistant to Secretary Marshall.

16. Edward S. Mason, professor of economics at Harvard University, and a consultant to the Department of State.

17. Mr. Miall, BBC correspondent in Washington, 1945-53, wrote his own account in The Listener, London, May 4, 1961, in an article entitled "How the Marshall Plan Started."

18. Ernest Bevin, British Secretary of State for Foreign Affairs.

Appendix E

Organizational Chart of the Economic Cooperation Administration

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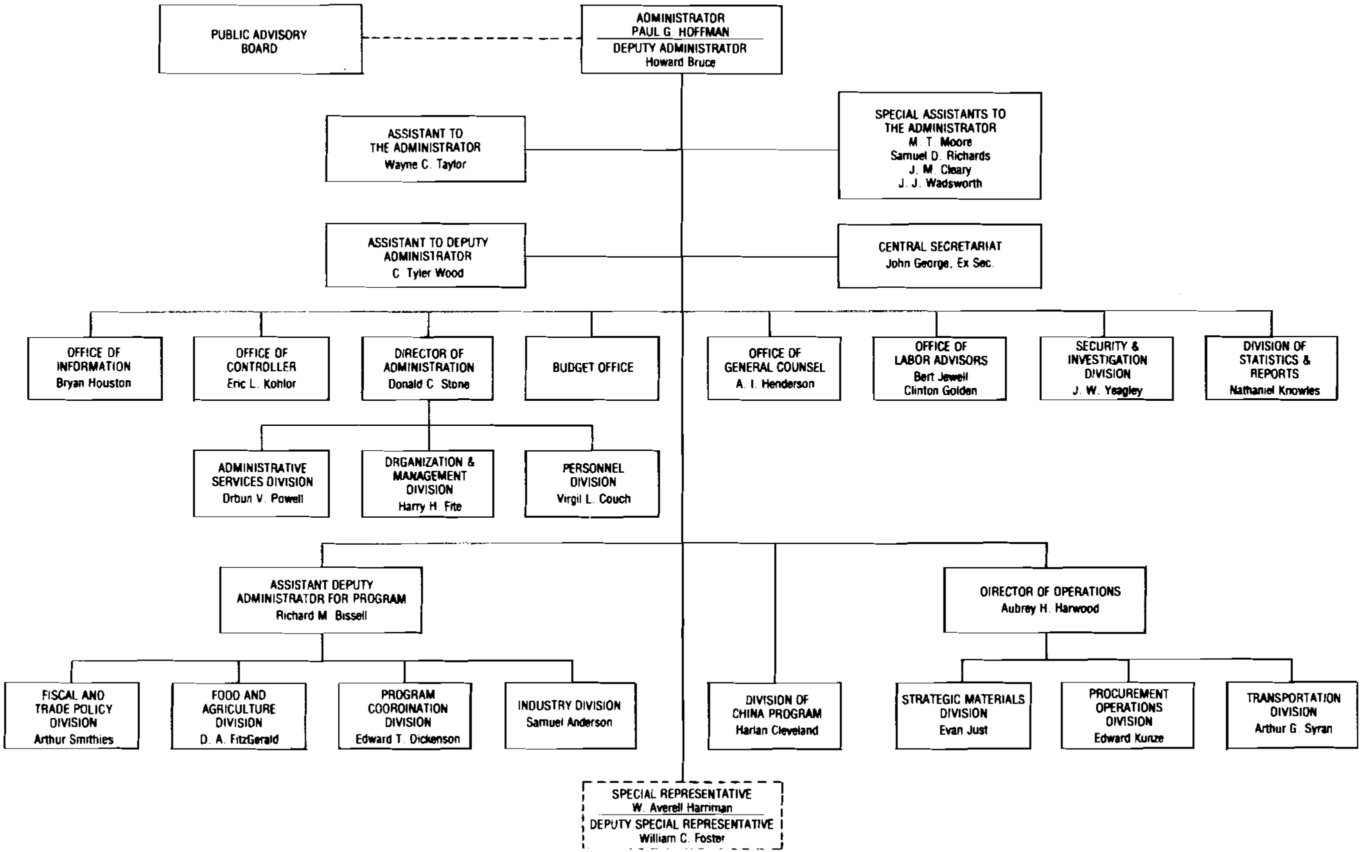
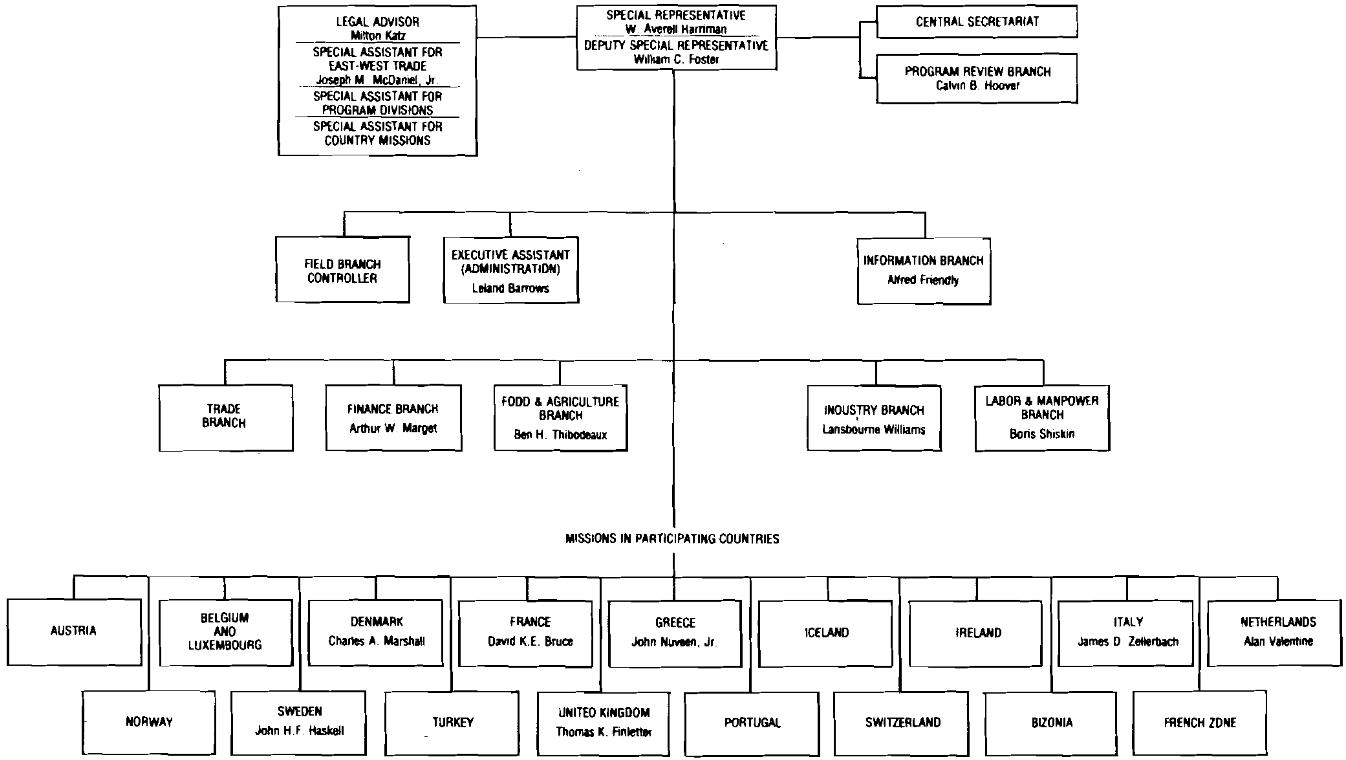
ECA-HEADQUARTERS
Washington, D.C.



ECA-PARIS
OFFICE OF THE SPECIAL REPRESENTATIVE



Huntington Papers
Harry S. Truman Library
July 14, 1948

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Appendix F

Glossary

ANGLO-AMERICAN LOAN - Coincident with the settlement of the British wartime debt in 1946, the United States negotiated a $3.7 billion loan to the United Kingdom, payable at 2% interest over a 50 year term. Much of the credit was drawn upon during the brief experiment with free convertibility of sterling in summer 1947, itself a requirement of the loan agreement.

ARTICLE II OF NATO - The signatories agree in Article II to promote peaceful international relations by developing conditions of "stability and well-being." They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them."

BRETTON WOODS - In July, 1944, representatives of 44 nations met at Bretton Woods, N.H. to develop a means of stabilizing national currencies. As a result the American dollar became the basis for most international transactions. The conference planned the creation of the International Monetary Fund, and the International Bank for Reconstruction and Development, subsequently called the World Bank.

CEEC - Conference (subsequently Committee) for European Economic Cooperation. Established by the Conference on European Reconstruction in July 1947, to prepare a report on European economic capacities and requirements, for use in planning the dimensions of the Marshall Plan.

CLEVELAND, MISSISSIPPI SPEECH - On May 8, 1947, about one month before Marshall's Harvard commencement speech on June 5, Dean Acheson discussed the urgent need for a comprehensive approach to the growing economic problems of Europe in a speech in Mississippi.

COUNTERPART FUNDS - Countries receiving Marshall Plan aid were required to deposit an equal amount of their own currency into special accounts; these were referred to as counterpart funds. Discussion concerning utilization of the funds continued throughout the term of the Marshall Plan; originally five percent of the counterpart was made available to the ECA for administration and procurement.

CURRENCY CONVERTIBILITY - Generally this refers to a monetary system which permits the exchange of one national currency for another.

CONVERTIBILITY (STERLING) - The 1947 British convertibility crisis resulted from the implementation of a policy of free convertibility of sterling in July, in accordance with the terms of the Anglo-American loan agreement. Because there was heavy demand for American goods in Europe in the wake of World War II, convertibility had a drastic effect on British dollar holdings, as European nations moved almost immediately to exchange sterling for dollars. The drain on British reserves was such that convertibility had to be suspended after five weeks, to be restored only in stages later.

DOLLAR DRAIN - See STERLING AREA, CONVERTIBILITY (STERLING). The sterling area countries not covered in the ERP produced a drain on British resources for three reasons: 1) The United Kingdom furnished dollars to sterling area nations to meet their western hemisphere debts; 2) The U.K. supplied exports against previously accumulated sterling balances; 3) There were large transfers of British capital to the Sterling area. More than $700 million was transferred in 1947.

ECA - Economic Cooperation Adminstration. Established in 1948 under the direction of American businessman Paul Hoffman to carry out American responsibilities related to the European Recovery Program. ECA was essentially the Washington office in charge of Marshall Plan programs. The operating agencies in Europe were grouped under the Special Representative of the President in Paris and the separate country missions.

ECE - Economic Commission for Europe. Established in 1947 as a regional organization of the UN, to initiated measures for European reconstruction. ECE involved both Western and Eastern Europe and was overshadowed by the ERP.

ECITO - European Central Inland Transport Organization. Established in 1945, a precursor of the ECE, which superseded it.

EDC - European Defense Community. A French-inspired plan for the establishment of an integrated European army including units from France, West

Germany, Italy, Belgium, the Netherlands, and Luxembourg. The EDC treaty was initialled in May, 1952, but failed ratification in August, 1954, when the French Parliament defeated the proposal.

EECE - Emergency Economic Committee for Europe. Established in 1945, a precursor of the ECE, which superseded it.

EURATOM - A program for a European atomic energy authority on a supranational scale, proposed by the architects of the European Coal and Steel Community in the mid-1950s. (MESSINA CONFERENCE)

EUROPEAN PAYMENTS UNION - Established in 1950 to facilitate international monetary transactions and so to liberalize conditions of trade involving different currencies. The EPU functioned under the aegis of the OEEC; it replaced a difficult system of bilateral trade agreements.

ERP - European Recovery Program. A synonym for the Marshall Plan; it sometimes refers specifically to the outlines for European economic revival delineated by the CEEC.

EUROPEAN COAL ORGANIZATION - Established in 1945, a precursor of the ECE, which superseded it.

EXPORT-IMPORT BANK - Established in 1934 to help create better world markets for American goods, the bank quickly became involved in development loans. One requirement for the Ex-Im Bank's loans was the reciprocal purchase of American products. Under the ERP, the Bank served as ECA's fiscal agent in dealing with loan aid.

FINEBEL - A 1949 proposal to liberalize trade relations between France, Benelux and Italy. FINEBEL was designed to eliminate some of the restrictive quotas still permitted under OEEC guidelines. The project was dropped when the EPU and other trade liberalization negotiations began to near completion.

GARIOA - Government and Relief in Occupied Areas. A category of extensive pre-Marshall Plan aid for Germany and Austria.

GATT - General Agreement on Tariffs and Trade. An integrated system of bilateral trade agreements aimed at the reduction of tariff restrictions among members. Initially involved the US, Brazil, Belgium, Canada, Cuba, France, Luxembourg, the Netherlands and the United Kingdom. The agreement was signed at Geneva in October 1947 and came into force January 1, 1948.

HABERLER ARTICLE - Economist Gottfried Habreler's work in the theory of international transfers of reparations and capital are considered in several articles including "The Market for Foreign Exchange and the Stability of the Balance of

Payments," _Kyklos_ 3(3) 1949.

HARRIMAN REPORT - The President's Committee on Foreign Aid chaired by W. Averell Harriman completed in November, 1947, a report entitled _European Recovery and American Aid_, which recognized the disparity between European and American economic strength and advocated a four-year financial plan involving American grants and loans totalling \$12.5 - 17.2 billion dollars.

H-O-S MODEL - An articulation of Swedish economist Eli Heckscher's theory of international trade, with Bertil Ohlin and Paul Samuelson, which suggests that a country will tend to export the commodity that uses more of the factor of production that is relatively more abundant domestically.

INTERNATIONAL MONETARY FUND - IMF. Proposed at Bretton Woods and established in 1945 to promote monetary cooperation and exchange stability by creating a fund on which member nations could draw to cover balance of payments deficits.

LEND-LEASE - The Lend-Lease Act of March, 1941, provided the United Kingdom with nearly unlimited access to American production and credit resources until August, 1945.

MESSINA CONFERENCE - Meeting of the six foreign ministers of the European Coal and Steel Community, beginning June 1, 1955, which resulted in planning for the establishment of a European Common Market and Euratom.

MONNET PLAN - The French industrial modernization program developed under the supervision of Jean Monnet at the _Commissariat Général du Plan de Modernisation et d'Equipement_, beginning in 1947. It dealt especially with the modernization of industrial infrastructure and the heavy industries - coal and steel.

MORGENTHAU PLAN - A plan developed during World War II and associated with American Secretary of the Treasury Henry Morgenthau, it proposed that postwar Germany be deindustrialized.

OECD - Organization for Economic Cooperation and Development. Established in 1959 by representatives of 20 nations including the United States, Canada, and the United Kingdom, it was created to increase the national incomes of its members by 50% from 1960-70. In 1961 it superseded the OEEC.

OEEC - Organization for European Economic Cooperation. Established 16 April, 1948 by Austria, Belgium, Denmark, France, Greece, Iceland, Eire, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and the UK, with the commanders in the beginning of the British, French and US zones of occupation in Germany. The OEEC was designed to oversee the economic revival of Western Europe; it was closely related to the Marshall Plan.

POINT FOUR PROGRAM - In President Harry Truman's 1948 inaugural address, he called for American assistance to industrially undeveloped nations and for capital investment where it was needed. The proposal became known as Point-Four because it followed the articulation of three other courses of action: continued American support for the UN, a continued program for world economic recovery, and aid to "free-world" nations threatened with aggression.

POTSDAM CONFERENCE (1945) - The last of the wartime "Big Three" (US/UK/USSR) conferences. The political discussion centered on German occupation policy, Soviet involvement in the Pacific Theater, and the establishment of a German-Polish boundary. At Potsdam, the U.S. accepted the "provisional" Polish administration of former German territory up to the Oder-Neisse line. The Soviets won the right to draw seventy-five percent of their reparations from the Eastern zone, to draw 10 percent in industrial equipment from the Western zones, and finally to claim another 15 percent from the Western zones in exchange for food and raw materials. The conferees also set up the Allied Control Council, composed of the four (US/UK/USSR, France) Allied military commanders, to administer Germany.

SCHUMAN PLAN - A proposal for the establishment of a European Coal and Steel Community, developed in the spring of 1950 by Jean Monnet and proposed in May by French foreign minister Robert Schuman, for whom it is named. The plan, approved in 1952, placed the two countries' coal and steel production under a common authority whose agencies adumbrated those of the Common Market after the Treaty of Rome (1957).

STERLING AREA - See also CONVERTIBILITY (STERLING); DOLLAR DRAIN. Composed of nations in the British economic sphere who held their reserves in sterling, in part in London, and might draw on these to meet their dollar deficits. The ERP contemplated US financing of no more than the Western Hemisphere deficits of the UK and its dependent territories. No provision was made in the ERP for the dollar drain on the UK of the independent Sterling Area countries outside of Europe. Only three Sterling Area countries -- the UK, Ireland, Iceland -- were included in the ERP. Other self-governing members were not, so their dollar deficits could ultimately require a claim on British reserves (South Africa, India, Pakistan, Ceylon, Burma, Australia, New Zealand, Southern Rhodesia, the Faroe Islands and Iraq.)

TCC - Temporary Council Committee (also called Wise Men). The TCC was established in 1951 to consider the economic and military capabilities of the NATO signatories and West Germany in preparation for a concerted rearmament effort. The TCC's report was completed on December 18, 1951 and discussed by the North Atlantic Council at Lisbon in February, 1952. The term "Wise Men" refers to the overseers of the TCC inquiry. They were W. Averell Harriman of the United States, Jean Monnet of France, and Sir Edwin Plowden of the United Kingdom.

TREATY OF ROME (1957) - The two Treaties of Rome were signed by the six members of the ECSC on March 25, 1957. One of the treaties established the European Economic Community (Common Market); the other established the European Atomic Energy Community.

WESTERN EUROPEAN UNION (1954) - Proposed in 1954 by British Foreign Secretary Anthony Eden, WEU was intended to fill the gap left by the failure of the EDC and to provide for a West German defense contribution. The WEU proposal facilitated the termination of the German occupation; it was itself an organization which subsumed the functions of the 1948 Brussels Treaty and the Brussels Treaty Organization into a new "community" which included West Germany.

Appendix G

Biographical Identifications

DEAN ACHESON (b.1893 d.1971)
Assistant Secretary of State, 1941-1945; Undersecretary of State, 1945-1947; Secretary of State, 1949-1953.

HERVE ALPHAND (b.1907)
Director of Economic Services, French Ministry of Foreign Affairs; French deputy and later permanent representative at the North Atlantic Council, 1950-1954.

CLEMENT ATTLEE (b.1883 d.1967)
British Prime Minister and First Lord of the Treasury, 1945-1951; leading figure in the British Labour Party.

ERNEST BEVIN (b.1881 d.1951)
British Secretary of State for Foreign Affairs in Clement Attlee's Labour government, 1945-1951.

GEORGES BIDAULT (b.1899 d.1983)
French Minister of Foreign Affairs, 1944-1948; President of the M.R.P. (Robert Schuman's party), 1949; member of the Queuille, Pleven, Faure, Mayer, Laniel cabinets, 1949-1953.

RICHARD BISSELL (b.1909)
Economist and Civil servant, Bissell was executive secretary of the President's Committee on Foreign Aid (Harriman Committee), 1947-1948; deputy administrator of the ECA, 1948-1951; acting administrator from September, 1951; deputy director for Mutual Security from December, 1951. Bissell was instrumental in the development of the TCC's report.

CHARLES BOHLEN (b.1904 d.1974)
Counsellor, Department of State, 1947, 1951-1953; Minister, U.S. Embassy in Paris, 1949; later U.S. Ambassador to Moscow, 1953-1957.

ROBERT BOWIE (b.1909)
Special Assistant to the Deputy Military Governor for Germany, 1945-1946; Chief, Office of the General Counsel, HICOG, 1950-1951; later Director

of the Policy Planning Staff, Department of State.

MIRIAM CAMP (married name Camps)
A State Department economic analyst from the end of World War II until 1954.

LUCIUS D. CLAY (General, U.S. Army) (b.1897 d.1978)
Commander-in-Chief, European Command and Military Governor of the American Zone in Germany, 1947-1949.

HOLLIS B. CHENERY (b.1918)
Harvard economist; Economist, ECA-Paris, 1949-1950; Head, Program Director, MSA-Rome, 1950-1952.

WILLIAM L. CLAYTON (b.1880 d.1966)
Assistant Secretary of State for Economic Affairs, December 1944-August 1946; Undersecretary of State for Economic Affairs, 1946-1948.

HAROLD VAN BUREN CLEVELAND (b.1916)
Assistant Chief, Division of Investment and Economic Development, State Department, 1946-1948; later involved in discussions concerning the EPU and the matters at ECA, 1949.

EMILIO G. COLLADO (b.1910)
State Department official and economist during World War II, he was a trustee of the Export-Import Bank, 1944-1945; American executive director of the International Bank for Reconstruction and Development, 1946-1947.

SIR STAFFORD CRIPPS (b.1889 d.1952)
President of the British Board of Trade, 1945; Chancellor of the Exchequer after 1947.

HUGH DALTON (b.1887 d.1962)
Chancellor of the Exchequer, 1945-1947; Chancellor of the Duchy of Lancaster, 1948-1950.

THOMAS DEWEY (b.1902 d.1971)
Governor of New York, 1942-1954; Republican Presidential candidate in 1944, 1948.

LEWIS DOUGLAS (b.1894 d.1974)
U.S. Ambassador to the United Kingdom, 1947-1950.

JOHN FOSTER DULLES (b.1888 d.1959)
Secretary of State under President Eisenhower, 1953-1959; Member of U.S. Delegation to San Francisco Conference, 1945; U.S. Delegation to the UN General Assembly, 1946-1950; Advisor to the Secretary of State at several councils of foreign ministers, 1945-1950; 1950-1951, negotiated the Japanese Peace Treaty.

ELBRIDGE DURBROW (b.1903)
Chief of the Division of Eastern European Affairs at the end of World War II; Counselor of Embassy at Moscow, 1946-1974; attached to the National War College, 1948-1950; Chief of the Division of Foreign Service Personnel, 1950-1952.

LUIGI EINAUDI (b.1874 d.1961)
Governor of the Bank of Italy, January 1945-May

1948; Vice Premier and Minister of the Budget, 1947-1948; President of the Italian Republic, 1948-1955.

J. WILLIAM FULBRIGHT (b.1905)
U.S. Senator from Arkansas, 1945-1974; noted for his role as a member of the Senate Foreign Relations Committee.

LINCOLN GORDON (b.1913)
Economist and political scientist, Gordon served with the War Production Board during World War II, with the Department of State and ECA in 1947-1948, and later with the State Department and Mutual Security Agency.

W. AVERELL HARRIMAN (b.1891)
Heir to a railroad fortune, Harriman served as expediter of Lend Lease in Britain 1941-1942, then as American Ambassador to the Soviet Union 1943-1945, to Great Britain in 1946; Secretary of Commerce, 1946-1948; Special Representative of the President in Europe under the European Recovery Program from 1948 to 1950. He was the American "Wise Man" of the TCC, later Director of the Mutual Security Agency, 1951-1953; Governor of New York 1954-1957.

SEYMOUR E. HARRIS (b.1897 d.1975)
Harvard economist 1922-1964; one of the chief American disciples of Keynesian economics.

ETIENNE HIRSCH (b.1901)
Head of the Technical Division (1946-1949) and later Deputy Commissioner General (1949-1952) of the Plan Monnet; Hirsch participated in preparatory conferences on the Schuman Plan (1950-1952) and in the TCC, 1951-1952.

PAUL G. HOFFMAN (b.1891 d.1974)
Administrator of the ECA, 1948-1950.

PHILIP JESSUP (b.1897)
Deputy U.S. representative to the UN Security Council and U.S. delegate to the UN General Assembly, 1948; Ambassador at Large, after March, 1949 until 1953.

JOSEPH JONES (b.1908)
Special Assistant to the Assistant Secretary of State for Public Affairs, 1946-1948; Jones was involved in the drafting of three key speeches: the President's "Truman Doctrine" speech, Dean Acheson's Cleveland, Mississippi speech, and Secretary of State George Marshall's Harvard commencement address.

MILTON KATZ (b.1907)
Lawyer and public official, Katz was the U.S. special representative in Europe, 1950-1951.

GEORGE F. KENNAN (b.1904)
Career diplomat and director of the State

Department's Policy Planning Staff, 1947; later counsellor and chief long-range planning advisor to the Secretary of State; Ambassador to the Soviet Union in 1952.

JOHN MAYNARD KEYNES (b.1883 d.1946)
British civil servant and economist, author of the 1936 General Theory of Employment, Interest, and Money; he was a chief architect of British economic policy during World War II, a participant in the Bretton Woods Conference and a supporter of the IMF. He was deeply involved in negotiations for the Anglo-American loan of 1946.

CHARLES KINDLEBERGER (b.1910)
Chief of the Division of German and Austrian Affairs, Department of State, 1947; participated in the work of various departmental and interdepartmental committees on the Marshall Plan.

HENRY LABOUISSE (b.1904)
Lawyer and economic advisor; Office of European Affairs, Department of State, 1946-1948; head of U.S. delegation to the Economic Commission on Europe, 1948; Coordinator of Foreign Aid and Assistance, 1948-1949; director of the Office of British Commonwealth and North European Affairs, 1949-1951; Chief of ECA mission to France, 1951-1952.

ROBERT LAFOLLETTE, JR. (b.1895 d.1953)
Republican Senator from Wisconsin, 1925-1947.

TRYGVIE LIE (b.1896 d.1968)
Norwegian statesman, Secretary General of the United Nations, 1946-1953.

ROBERT MARJOLIN (b.1911)
Adjunct Commissioner General, French Reequipment and Modernization Plan 1946-1948; Secretary General of the OEEC, 1948-1955.

GEORGE MARSHALL (b.1880 d.1959)
General, U.S. Army; former Army Chief of Staff; American Secretary of State, 1947-1949; Secretary of Defense, 1950-1951.

EDWARD S. MASON (b.1899)
Professor of economics at Harvard University and a consultant to the Department of State; in 1947 a member of the U.S. President's Commission on Foreign Aid.

H. FREEMAN MATTHEWS (b.1899)
Director of the Office of European Affairs until July 21, 1947, subsequently Ambassador to Sweden; Assistant Secretary of State, Deputy Under Secretary of State, 1950-1953.

JAMES E. MEADE (b.1907)
Director of the Economic Section, United Kingdom Cabinet offices, 1946-1947; Professor of Commerce, London School of Economics, 1947-1957.

V.I. MOLOTOV (b.1890)
Minister of Foreign Affairs of the Soviet Union.

BEN T. MOORE (b.1912)
Assistant Chief of the Division of Commercial Policy, State Department, 1946-1948; special assistant on trade policy, 1949; officer in charge of economic organization affairs, Office of European Regional Affairs, 1949; later first secretary at the American Embassy, London; and Director of the office of European Regional Affairs, 1952.

JEAN MONNET (b.1888 d.1979)
Architect of the French Plan, 1946, and of the Schuman Plan, 1950; President of the European Coal and Steel Community, 1952-1955.

GUNNAR MYRDAL (b.1898)
Executive Secretary, Economic Commission for Europe, 1948; Representative of Secretary General of UN on Technical Committee on Berlin currency and trade, 1949.

PAUL NITZE (b.1907)
Consultant to the War Department during World War II, Nitze was deputy to the Assistant Secretary of State for Economic Affairs, 1948-1949; Director of the State Department Policy Planning Staff, 1950-1953.

SIR EDWIN NOEL PLOWDEN (b.1907)
Chief Planning Officer and Chairman of the British Economic Planning Board, 1947-1953; British "Wise Man" of the TCC, 1951-1952.

DONALD PRICE (b.1910)
Political scientist, member of the Bureau of the Budget, 1945-1946; Deputy Chairman of the Research and Development Board at the U.S. Department of Defense, 1952-1953.

JAMES V. RIDDLEBERGER (b.1904 d.1982)
State Department expert on German Affairs; Chief of the Division of Central European Affairs, 1944-1947; Counsel of Mission, Office of the U.S. Political Advisor for German Affairs, 1947-1949; Political Advisor to the U.S. High Commissioner, later U.S. political observer at the EDC conference, Acting Deputy Special Representative, Europe.

ERIC ROLL (b.LORD ROLL OF IPSDEN) (b.1907)
Assistant Secretary of the Ministry of Food, 1946-1947; Assistant Secretary of the Ministry of the Treasury, 1947; Chairman of the Economic and Financial Working Group, OEEC, 1948-1953; Under Secretary of the Treasury, 1948-1953; British representative to the NATO Financial and Economic Board, 1952-1953.

WALT W. ROSTOW (b.1916)

Economist; assistant chief of the division of German and Austrian economic affairs, Department of State, 1945-1946; assistant to the executive secretary of the Economic Commission for Europe, 1947-1949.

JACQUES LEON RUEFF (b.1896 d.1978)
French Inspector General of Finances; under de Gaulle an influential advocate of anti-Keynesian monetary policies and a return to the gold standard.

JOHN SNYDER (b.1895)
Secretary of the Treasury, 1946-1953.

PAUL-HENRI SPAAK (b.1899 d.1972)
Belgian Prime Minister and Minister of Foreign Affairs, 1947-1949; Chairman, Council for Economic Recovery, 1948; President of the Consultative Assembly of the Council of Europe, 1949-1951.

JOSEPH STALIN (b.1879 d.1953)
General Secretary of the Central Committee of the Communist Party of the Soviet Union, 1922-1953.

DIRK STIKKER (b.1897 d.1979)
Netherlands Minister of Foreign Affairs, 1948-1952; Netherlands representative to the Council of the OEEC, 1950; Chairman of the OEEC, 1950-1952.

ROBERT TAFT (b.1889 d.1953)
Republican Senator from Ohio, 1939-1953, known for opposition to postwar expansion of the American role in international affairs.

WILLARD THORP (b.1899)
Assistant Secretary of State for Economic Affairs, 1946-1952.

JAN TINBERGEN (b.1903)
By 1947 Tinbergen was especially noted among economists for his analysis of business cycles in the U.S. and the UK; from 1945-1955 he was the Director of the Central Planning Bureau at The Hague.

ARTHUR VANDENBERG (b.1884 d.1951)
Republican Senator from Michigan, 1928-1951; Chairman of the Senate Foreign Relations Committee, known for "bipartisanship" on foreign relations issues.

JACOB VINER (b.1892 d.1970)
Professor of economics at Princeton University, 1946-1970, and an expert on international trade.

C. TYLER WOOD (b.1900)
Deputy to the Assistant Secretary of State for Economic Affairs, 1947-1948; later assistant administrator for operations, ECA-headquarters, 1948-1950; deputy U.S. Special Representative in Europe and U.S. representative to the NATO Financial and Economic Board, 1951.

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