

Creation and Implementation of the Marshall Plan, 1947-1948

By Larry I. Bland

The European Recovery Program, better known as the Marshall Plan, is popularly but incorrectly regarded as a giant welfare program that helped Western Europe. Consequently, there are periodic calls for “a Marshall Plan for _____” (fill in the blank), most recently East Europe. Experience has shown, however, that the particular circumstances of the period and place are not easily replicated.

In Europe after World War II, the prestige of the Communists was high and their political clout was rapidly growing at the expense of parties representing the moderate left and right. International trade was stagnant, despite great demand, because the West Europeans had inadequate purchasing power. Imperial powers such as France, Britain, and the Netherlands sought preferential treatment. There was pressure on all West European governments to increase social welfare spending and raise defensive tariffs against the undamaged United States, which held almost 50 percent of the world's wealth.

Americans reacted with concern to media images (newsreels, *Life* magazine, etc.) of European destruction and suffering. Bilateral loans, International Monetary Fund currency stabilization efforts, and U.S.-

financed UN-sponsored relief and reconstruction activities (\$9 billion between 1944 and 1946) were clearly inadequate for the challenges. Thus, political and social leaders in the United States in the winter and spring of 1947 engaged in a serious discussion on what to do. They connected the too-little, too-late U.S. response to the 1929-1931 European economic crisis with the rise of Hitler, and feared the consequences of another such failure. Truman Administration advisers were convinced that a new approach was needed.

Top Truman officials focused on American beliefs in the value of a federalist system, the New Deal's free-trade ideas, and the tendency to seek to transform seemingly intractable political problems into technical ones that are solvable. In a June 5, 1947, address at Harvard University, Secretary of State George C. Marshall delivered a 10-minute, low-profile speech that avoided specifics but outlined the issues. Marshall made a dramatic statement of Europe's economic plight, and argued that the United States could do something about it. He said that Europeans should assume the responsibility for initiating the program, and that the offer was open to all European nations (it was assumed that the openness requirements would cause the USSR to reject the idea). Finally, Marshall made a decisive statement on the need to rehabilitate the German economy. The press named the idea after the non-partisan Secretary Marshall. The name was useful to the Truman Administration, which had lost control of both houses of Congress in the 1946 elections. (Truman noted in his memoirs that the Plan would never have passed if it had been labeled the "Truman Plan.")

Marshall's Harvard address was short on specifics (such as dollar amounts) in order not to galvanize opposition in the United States (particularly from the Robert A. Taft-Herbert Hoover wing of the GOP) before the Europeans could react. During the summer of 1947, the Committee of European Economic Cooperation began meeting in Paris. The Soviet-dominated countries rejected the idea, and a program by the United States was proposed. To speed consideration and emphasize the Plan's importance, President Truman called a special session of Congress in November.

Nonpartisan Approach

Marshall was careful to emphasize the proposal's nonpartisan nature. He made a special effort to cultivate Senate Foreign Relations Committee Chairman (and potential Presidential nominee in 1948) Arthur Vandenberg (R-Mich.) to counter the Taft opposition. To help mobilize public support, nongovernment supporters established the Committee for the Marshall Plan (headed by Republican Henry L. Stimson, who was a former Secretary of State and War, with a Women's Division under Mrs. Wendell Wilkie).

Marshall led off the Congressional hearings in early January 1948. He then personally campaigned nationwide, making major speeches to targeted audiences of labor-intensive industries (capital-intensive busi-

nessmen were predisposed to support the Plan), export-oriented farmers (for example, cotton and corn growers), and those concerned with the moral dimensions (such as church and women's groups). Increasingly, Marshall warned that the choice was between good and evil and that the United States had to lead the forces of good.

Moderates were insistent that the Marshall Plan not permanently increase government bureaucracy and financial commitment. To meet these concerns, the Plan was limited to four years' duration. A new operating agency was created called the Economic Cooperation Administration (ECA). Vandenberg insisted—and the Administration agreed—that Republican businessman Paul Hoffman of the Studebaker Corporation would head the ECA, but the key office in Paris would be under W. Averell Harriman, a financier identified with the New Deal.

After intense but not prolonged debate, the authorization bill passed easily (Senate, 69-17; House, 329-74) and was signed by President Truman on April 3, 1948. The initial appropriation was \$5.3 billion for the first 12 months. The four-year total was \$13.3 billion (\$11.8 billion in grants, \$1.5 billion in loans) to the 16 nations receiving assistance. (To get modern ost equivalents, multiply by 8; to equate it to modern economic impact, multiply by 20.) Most of the money went to finance morale-raising imports of fuel, food/feed/fertilizer, raw materials, and machinery. But an important, if little-known, aspect was the transfer of technical and managerial knowledge aimed at improving the quality of European capitalism. The AFL-CIO was influential in containing opposition to the Plan from European unions and coaxing them away from left-wing socialism and toward American-style unionism.

Passage of the Marshall Plan was not a sure thing. Although the idea of helping suffering Europeans was popular, it was rather media-driven and amorphous. Moreover, following a combined 16 years of economic depression and war, a good number of Americans were opposed to the Marshall Plan's requirements. To achieve Congressional approval and implementation, President Truman and his advisers: (1) converted West Europe's seemingly intractable socioeconomic problems into solvable technical ones (trade, aid, currency, management technique, etc.) with reasonably well-understood parameters; (2) cultivated a bipartisan political approach, thereby marginalizing opposition from the left and the right; and (3) co-opted or divided by careful lobbying those large groups that might have become the locus of serious opposition (i.e., agriculture, business, labor). One intended consequence of the Marshall Plan was furthering America's national interest in a peaceful Europe by forcing the West European nations into supra-national cooperation. The Marshall Plan thereby helped lay the foundation for the modern European Union.

