

## The Marshall Plan and the creation of the West

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Few US government programs have had so good a press as the Marshall Plan, which delivered some \$12.3 billion in aid to Europe between 1948 and the end of 1951. The fiftieth anniversary of the plan, in 1997, produced a flood of studies and conference reports that all shared the view, as one Marshall Plan official put it in his memoir, “that Marshall Plan dollars did save the world.”<sup>1</sup> Calls for subsequent “Marshall Plans” for troubled regions such as the Balkans, post-1990s Russia, the Middle East, and Africa reveal the talismanic quality the very name has attained. For some decades now, scholars have been working to historicize the Marshall Plan and to take this legendary program out of the realm of myth and submit it to historical analysis. In doing so, they have significantly revised early accounts that saw the Marshall Plan as a beneficent rescue plan for war-torn Europe. For example, the economic impact of the plan has been significantly downgraded as scholars concluded that the crisis of 1947 in Europe was less grave than American policymakers had thought. Furthermore, the role of the Marshall Plan in exacerbating, perhaps precipitating, the division of Europe is now recognized, despite Marshall’s initial claim that his offer of aid was not directed against any country or doctrine. The role of the Marshall Plan in promoting European economic integration has been questioned, and the demise of the plan in 1951, at a time when European economies were again facing economic crisis, inflation, and budget deficits, suggests a less-than-perfect performance. These critiques must be taken seriously. Yet in focusing narrowly on the short-term impact of the plan, they often fail to capture its historical significance. It was far more than a foreign aid program. It represented the first stage in the construction of that community of ideas, economic links, and security ties between Europe and the United States we know simply as “the West.”

1 Charles Kindleberger, *Marshall Plan Days* (Boston: Allen and Unwin, 1987), 247.

## Origins

Though it grew into an ambitious project for European recovery, the Marshall Plan emerged primarily from the evident failures of American policy in occupied Germany. At the Potsdam Conference of July 1945, the United States, Britain, and the Soviet Union had agreed to govern defeated and occupied Germany as a single economic unit, even though they also agreed that Germany was to be divided into four zones (the fourth going to France). This contradiction, obvious even then, nonetheless was accepted as a workable program to guide a slow and carefully constrained German economic recovery while also ensuring that no central German administration would emerge to threaten the peace of Europe again. The problem with this plan was that German economic growth was vital to European economic recovery as a whole; without German coal, steel, manufacturing, and trade, the whole European network of industrial life did not have a remote chance of revival. How could the United States square the need for German economic growth with the geopolitical requirement that Germany be occupied, divided, and controlled? Until the Moscow meeting of the Council of Foreign Ministers in March–April 1947, American administrators in Washington and Germany tried to find a middle ground between punishment and reconstruction. They failed, not least because two of their partners, the Soviet Union and France, insisted on a harsh occupation arrangement that was designed to hobble German industry permanently, while their British ally, with whom the United States fused its zone of occupation into a jointly run bizon, was calling for an easing of industrial restrictions so as to lower the costs that the overstretched British Exchequer was paying for the occupation. Between these two competing views, the Americans themselves were torn between a desire to impose a tough occupation regime and a growing anxiety that to do so might make Germany vulnerable to political instability, Communist subversion, and Soviet machinations.

By the beginning of 1947, Secretary of State George C. Marshall, prodded by a number of his immediate advisers, notably Under Secretary of State Dean G. Acheson, Policy Planning Staff director George F. Kennan, and Under Secretary of State for Economic Affairs William L. Clayton, began to see the need for a clear break with the ambivalent policies that the Potsdam agreement had generated. This was not only because Germany's own fate seemed to hang in the balance, but also because the overall European picture was threatening to American interests. The Truman Doctrine of March 1947 had announced an aid policy to Greece and Turkey in defiant tones: the

United States must be willing, President Harry S. Truman told the US Congress, “to help free peoples to maintain their free institutions and their national integrity against aggressive movements that seek to impose upon them totalitarian regimes. This is no more than a frank recognition that totalitarian regimes imposed on free peoples, by direct or indirect aggression, undermine the foundations of international peace and hence the security of the United States.”<sup>2</sup> This assertion echoed across the continent. In France and Italy, powerful Communist Parties organized strikes and protests against the reigning centrist governments, while the economic health of these European states had not apparently improved since the end of the war. Foodstuffs and coal were in short supply throughout Europe, and the piecemeal aid the Americans and British had offered through the United Nations Relief and Rehabilitation Administration (UNRRA) and short-term grants had failed to generate self-sustaining recovery. It was time, Marshall believed, to use Germany as an engine to power a broader European recovery. “The recovery of Europe,” he told the American people in his radio address of April 28, 1947, upon returning from the Moscow meeting of the Council of Foreign Ministers, “has been far slower than expected. Disintegrating forces are becoming evident. The patient is sinking while the doctors deliberate. So I believe that action cannot await compromise through exhaustion. New issues arise daily. Whatever action is possible to meet these pressing problems must be taken without delay.”<sup>3</sup>

Bolstered by reports from his Policy Planning Staff and Under Secretary Clayton – whose May 27 memorandum to the secretary declared that “we grossly underestimated the destruction of the European economy by the war” – Marshall decided to go public.<sup>4</sup> On June 5, 1947, Marshall delivered a brief speech at the commencement exercises at Harvard University. What is notable about this address is its emphasis on an integrated, coherent solution to Europe’s economic problems. “The remedy,” Marshall said, “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.” Carefully avoiding the specific issue of Germany, he said that the United

2 President Truman’s address to a Joint Session of Congress on March 12, 1947, can be viewed at [www.trumanlibrary.org/whistlestop/study-collections/doctrine/large/documents/pdfs/5-9.pdf#zoom=100](http://www.trumanlibrary.org/whistlestop/study-collections/doctrine/large/documents/pdfs/5-9.pdf#zoom=100).

3 Quoted in John Gimbel, *The Origins of the Marshall Plan* (Stanford, CA: Stanford University Press, 1976), 199.

4 US Department of State, *Foreign Relations of the United States, 1947* (Washington, DC: US Government Printing Office, 1972), vol. III, 230–32 (hereafter *FRUS*, with year and volume number).

States' purpose was "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." The Americans wanted to "find a cure rather than a palliative"; and to this end would help Europeans in drafting a Europe-wide plan for recovery.<sup>5</sup>

Marshall had already concluded that Germany would have to be mobilized in the effort of European recovery; and he anticipated that the only way to persuade France and other Europeans to accept this strategy was to create new institutions that would oversee and shape a balanced European recovery. An integrated approach, involving European cooperation, was also the best way to persuade Congress to increase funding for European recovery. Obviously, the Soviet Union would object; Marshall knew this because the Soviets had objected steadily to American proposals for an upward revision of German industrial activity and to the creation of any central German political institutions. Marshall could have had no illusions that the Soviet Union would perceive his European aid plan as an affront and an open break with four-power policies in Germany, which it was. Potsdam was dead; the Marshall Plan era had begun.

Of course, a number of crucial battles remained to be fought, both international and bureaucratic. Marshall's ideas had to be presented to the Europeans; they had to take up his invitation to act; and Congress had to create legislation giving life to Marshall's proposals. These multiple lines of action occupied the period from July 1947 to April 1948. In a hastily arranged conference in Paris in late June, British foreign minister Ernest Bevin, French foreign minister Georges Bidault, and Soviet foreign minister Viacheslav Molotov convened to discuss a European response to Marshall's June 5 speech. Bevin and Bidault were eager to make Marshall's plan work, even though they each had concerns about precisely what "integration" meant. But Molotov was wholly, indeed ideologically, opposed to the underlying premise of economic integration, common purpose, and transparency in his dealings with capitalist states. After a few days of trying to divide the French from the British, Molotov realized the Soviets were facing a common front: the Europeans wanted American help, and were willing to let Washington lead. Molotov and his legions of advisers withdrew from the Paris meetings and, in a massive strategic blunder, announced that the Soviet Union would not participate in the plan.

5 Quoted in Joseph M. Jones, *The Fifteen Weeks* (New York: Viking, 1955), 34–35.

Molotov's withdrawal opened the way for Bevin and Bidault to arrange a meeting of sixteen European nations that did wish to participate in a European recovery plan.<sup>6</sup> Opening on 12 July, the meeting quickly created the Committee on European Economic Cooperation (CEEC). The CEEC was a cockpit of competing national economic interests, as the major states began to fight over precisely how much aid they needed, and how their own national recovery programs would deploy that aid in the common cause of European recovery. Nonetheless, throughout the summer of 1947, Europeans were talking openly and passionately about a plan for continental recovery in which CEEC states would work together: this marked a major turning point in the history of postwar Europe.

The CEEC final report requested \$19.3 billion in aid over four years; the Truman administration in turn sought \$17 billion; but Congress in the end appropriated \$5.3 billion for the first year and asked the administration to return for subsequent requests on an annual basis. This came only after a good deal of bargaining between the Truman administration and Congress, in which a small but vocal band of critics, on both Left and Right, assailed the plan. The Economic Cooperation Act of April 1948 authorized the European Recovery Program (ERP) and created the Economic Cooperation Administration (ECA) to implement it. The European participants were grouped together in the Organization for European Economic Cooperation (OEEC), designed to coordinate progress toward the goals of the ERP. It is worth noting the language of the act that authorized the Marshall Plan, because it contains nomenclature that would become part of the fabric of postwar international relations, thanks to Marshall's initiative. The act stated that "the restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance." European recovery required a "strong production effort, the expansion of foreign trade, the creation and maintenance of internal financial stability, and the development of economic cooperation, including all possible steps to establish and maintain equitable rates of

6 The countries were Austria, Belgium, Denmark, France, Greece, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom, and the US-UK bizon of Germany.

exchange and to bring about the progressive elimination of trade barriers.”<sup>7</sup> What had begun as a short speech at Harvard in June 1947, calling for a plan for European recovery, had emerged by April 1948 as a massive undertaking: in Michael Hogan’s words, the United States now undertook “nothing less than a major reorganization of the European state system into a more viable framework for controlling the Germans, containing the Soviets and putting the continental countries on the road to economic recovery and multilateral trade.”<sup>8</sup>

### The economic impact of the Marshall Plan

If the narrative of events leading up to the announcement of the Marshall Plan is largely uncontested by historians, the plan’s impact remains a subject of serious debate. The question can be phrased simply: as Alan Milward put it, “was the Marshall Plan necessary?”<sup>9</sup> Dean Acheson wrote in his memoirs that he and Will Clayton and Secretary Marshall had all concluded that Europe in 1947 was on the brink of “headlong destruction,” and that, unless something were done, “millions of people would soon die, creating a chaos of bloodshed and disorder.”<sup>10</sup> This view of the European economic situation in 1947 was, we now know, overstated. In fact, thanks to the detailed research of Milward and numerous other scholars working in the archives of West European states, it is evident that the Marshall Plan was not, strictly speaking, necessary to restart the European economies. Despite the anguished prognostications of Clayton and Acheson, by the end of 1947, both Britain and France had reached or surpassed their prewar levels of industrial production. Italy, Belgium, and the Netherlands, among others, would do so by the end of 1948. Even when the slower performance of divided and occupied Germany is factored in, Europe had matched its prewar industrial production by mid-1948. Since the ERP did not become law until April 1948, and since Marshall Plan aid did not start arriving in Europe until May and June of that year, Marshall aid cannot be said to have restarted European economic growth.

7 *United States Statutes at Large, 1948* (Washington, DC: US Government Printing Office, 1949), vol. 62, 137.

8 Michael J. Hogan, “European Integration and German Reintegration: Marshall Planners and the Search for Recovery and Security in Western Europe,” in Charles Maier and Günter Bischoff (eds.), *The Marshall Plan and Germany* (New York: Berg, 1991), 116.

9 Alan Milward, “Was the Marshall Plan Necessary?,” *Diplomatic History*, 13, 2 (1989), 231–53.

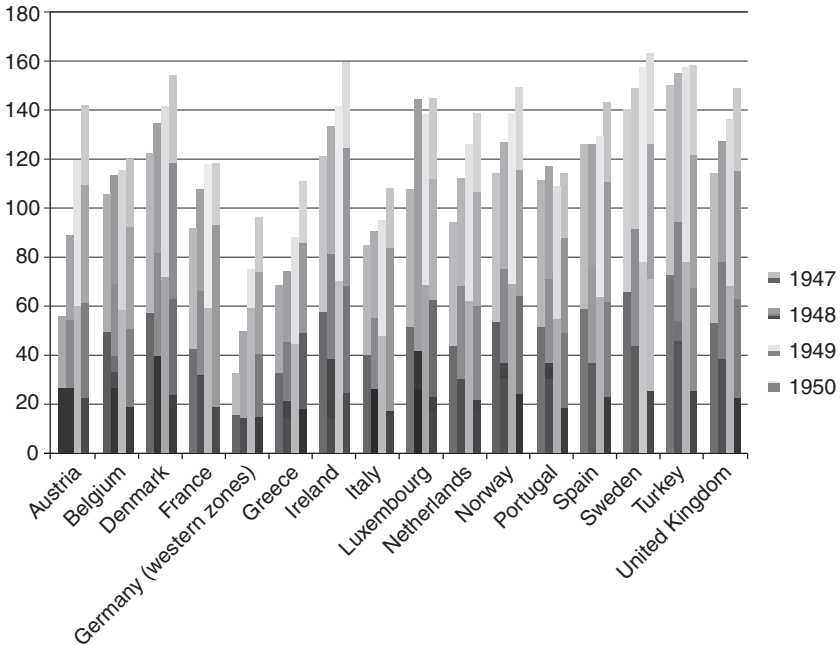
10 Dean Acheson, *Present at the Creation: My Years at the State Department*, (New York: Norton, 1969), 231–32.

Furthermore, once Marshall aid began, it remained a small fraction of the total gross national product of the recipient countries. In its first year of operation, from July 1948 to June 1949, Marshall aid represented 2.4% of Britain's GNP, 6.5% of France's, 5.3% of Italy's, and only 2.9% of West Germany's. The country with the highest figure was Austria, where Marshall aid amounted to 14% of GNP in that year. Marshall aid was essential, however, in addressing Europe's serious dollar shortfall in 1947, which was created, as Milward definitively showed, by Europe's sudden resurgence: in restarting production, Europeans began to draw in products and raw materials from overseas that they could not yet pay for, their dollar reserves having been long depleted. This shortfall of dollars threatened to halt Europe's recovery, and it was with this fairly narrow problem in mind that American planners in the State Department framed the idea of a large American aid program to Europe.

This argument, however, in no way demeans the impact of the Marshall Plan. It only obliges us to be more precise: Marshall aid did not restart European economic growth, but it allowed European states to continue along a path of industrial expansion and investment in heavy industry upon which they had already started, while at the same time putting into place a costly but politically essential welfare state to which all West European governments were committed.<sup>11</sup> Marshall aid allowed European governments to move with some confidence to effect a transformation in Europe's economic life, away from the cautious, deflationary 1930s to the Keynesian, high-investment strategies of the 1950s. In this sense, Marshall aid gave Europeans choices that they might not otherwise have had.

The economic impact of the Marshall Plan varied from country to country. France probably provides the best example of a country in which Marshall aid had an extremely advantageous "knock-on" effect. France used Marshall aid to support the Monnet Plan, an ambitious program of industrial investment and expansion that had been outlined by Jean Monnet in 1946. It was a state-designed scheme to channel investment into key sectors of the economy such as steel and coal production, railway and transport, cement, housing, and agriculture. Marshall aid allowed France to cover its yawning dollar deficit, which in turn allowed the French government to continue to invest in the Monnet Plan. Some 67 percent of Marshall aid in France was used to obtain raw materials vital for continued industrial production, such as coal, oil, and

<sup>11</sup> Alan Milward, *The Reconstruction of Western Europe, 1945–1951* (Berkeley, CA: University of California Press, 1984), 54.



2. Industrial production in countries receiving Marshall aid, 1947–1950 (1938 = 100).

Source: United Nations, *Economic Survey of Europe in 1950* (Geneva, 1951), 30–31.

cotton, as well as for purchasing machinery and vehicles. As a result of this strong commitment to heavy industry, French industrial output continued to climb throughout the Marshall Plan period: in 1951, it exceeded by 42 percent the level of 1938. Exports began to pick up, so that, by 1950, France was exporting almost as much as it was importing (though it continued to have a large deficit with the United States). Marshall aid was also used in France to help cover some of the national debt, which because of an inefficient tax system France could not do by internal revenues. This eased, though it did not cure, the constant inflationary problems that France faced in this period by limiting the amount that the Treasury had to borrow to cover the debt. On strictly economic grounds, then, the Marshall Plan experience in France proved a major success.

In Britain and Italy, the record was more modest. Britain received the largest amount of Marshall aid, at some \$2.8 billion. Yet the British economy was much larger than that of any other recipient, and Marshall aid amounted to no more than 2 percent of GNP overall. It was even smaller than the American loan of 1946. By 1948, the British economy was well on its way

toward viability, with exports having recovered well thanks to the heavy demand in Europe and the colonies for British manufactured goods. By 1948, Britain had reached a current account balance. Unlike France, Britain did not have an urgent political need for aid, as it was not facing a Communist challenge from within. Nonetheless, British officials still wanted Marshall aid, and felt it would provide the critical margin during a time of economic fragility. Because the government had pursued such a severe restriction of imports, the British people were constantly short of foodstuffs. British officials thus planned to spend much of the Marshall aid on staples such as wheat, tobacco, maize, barley and oats, meat and bacon, cotton, and edible oils and fats. Overall, 30% of Marshall aid in Britain was spent on foodstuffs, compared with only 10% in France. A large portion of the remaining sum was spent on paying down the national debt. Such was the basic health of the British economy that Marshall aid was stopped in December 1950.

Italy's experience in the Marshall aid period was altogether different from that of Britain and France. Italy, after all, was a former enemy and a defeated power. The effort to regain international standing and domestic legitimacy preoccupied the Christian Democratic governments that dominated Italian politics after the expulsion of the Communists in May 1947. The government of Prime Minister Alcide De Gasperi therefore sought to distance itself from the statist, interventionist economic policies of the Fascist period, and from the sharp inflation that Italy had suffered in the last years of the war. De Gasperi outlined no urgent, state-financed program of national recovery, as Monnet had done in France. Instead, De Gasperi followed the lead of his ultra-orthodox budget minister Luigi Einaudi in attacking inflation first and restoring the stability of the currency. Einaudi wanted to balance the budget and trade deficit not through increased production but with sharp cuts in government expenditure – precisely the opposite approach taken in France. For De Gasperi, this was smart politics: it appealed to the middle and upper classes in Italy, who were gratified at the appearance of sound money policies and now rallied firmly to the Christian Democrats. The working class, which bore the brunt of these deflationary policies in the form of higher unemployment, were in any case already hostile to the De Gasperi regime.

The Italian government therefore looked upon American aid with some caution. Of course, the aid itself was welcome, especially the large quantities of bread grains, oil and coal, cotton, and machinery that the ERP provided from 1948 to 1951. At the same time, however, Einaudi steadfastly refused to accept American advice on using Marshall aid to “kick-start” the Italian economy. Fearful that a large state-financed investment program would

aggravate inflation, the Italian government during the Marshall Plan period undertook to finance only reconstruction efforts, and put little investment into new manufacturing capacity. This they left to the private capital markets, which were still moribund. Unlike the French government, which had pumped huge sums into heavy industry – and was suffering high inflation because of it – Italy restricted public investment, a policy that slowed expansion and contributed to unemployment. Large quantities of the “counterpart” funds – the lire that the Italian government earned from selling Marshall Plan goods in Italy – were merely put in the bank to bolster Italy’s reserves and strengthen the currency; too little of the aid made its way to industrial modernization. Only after two years of wrangling with the Americans did Italian officials agree to begin shifting counterpart funds into public-works projects, industry, and agriculture. Moreover, Italy did not lay out a long-term plan for recovery until 1955 – three years after the end of the Marshall Plan. Italy during the Marshall Plan period offers little support to the legend of an American rescue of postwar Europe. Italians took the aid but failed to use it well – and the Americans discovered to their surprise that they had little leverage to compel Italy to do so.

The dramatic postwar recovery of the Federal Republic of Germany seems at first sight to offer a clear case for the benefits of Marshall aid. In the ten years from 1948 to 1958, West Germany passed through a transformation so great, so swift, that it soon came to be called the *Wirtschaftswunder* – “economic miracle.” In the 1950s, industrial production tripled and unemployment sank from over 10% to less than 4%. Exports increased so much – sixfold – that, by 1960, the FRG was responsible for 10% of the world’s total exports, more than Britain and second only to the United States. From 1950 to 1960, the GNP increased at an average annual rate of 7.9%. Surely, this swift recovery owes something to Marshall aid?

The answer is not clear-cut, and there has been some considerable debate about the role of Marshall aid in German postwar recovery. Germany, it would seem, profited from a convergence of positive trends that opened the way for a swift economic expansion after 1948. The German economy was not entirely shattered by the war, and still had significant industrial stock intact at its end; Germany also profited from an immense pool of labor, the product of the postwar migration from the eastern zone at the end of the war. But the real trigger for German growth was the currency reform of June 1948. During the war, the Nazi leadership pumped Reichsmarks into the economy with heavily inflationary effects. By 1945, with German industry at a standstill, there were far too many old marks chasing very few goods. The currency’s value

collapsed and Germans fell back on bartering and the black market. In 1948, the Western powers – the Soviets would have none of it – agreed to withdraw all the old bills and replace them with a new Deutsche Mark at about a ten-to-one ratio. Thus, some 90 percent of the currency was withdrawn from circulation overnight. The new bills, printed in the United States and secretly shipped to Germany, were introduced on June 20, 1948. The effect was immediate. The new currency had genuine purchasing power. Workers returned to their jobs, absenteeism dropped, and productivity surged. The black market disappeared, as those who had goods to sell would now exchange them for the new currency. Shops filled up with goods that hitherto had been hoarded or stashed away. Factory managers could now look forward to earning hard currency for their goods instead of the worthless Reichsmarks. Economics minister Ludwig Erhard took the bold step of abolishing rations and price controls on most consumer goods, demonstrating his strong faith in the power of the free market to meet consumer demand.

If the currency reform was a sort of starting pistol for the takeoff of the German economy, Marshall aid played a crucial role in clearing a path down which the Germans could run. Just as in Britain in 1946 and France in 1947, Germany's sudden recovery in mid-1948 triggered a payments crisis, as Germans went on a buying spree and began drawing in large amounts of imports. Marshall aid, and earlier American grants, both covered a great deal of Germany's import needs: 70% in 1946–47, 65% in 1948, and 43% in 1949. In addition to helping Germans pay for their imports, the Marshall Plan gave a kick-start to industrial recovery through the use of counterpart funds. The German government sold US-financed goods to consumers, and then placed those marks in a separate account. These funds, still controlled by Washington officials, were then reinvested in industries that badly needed an influx of capital, such as electricity, coal-mining, agriculture, housing, railways, and shipping. Once new US-backed capital started to flow in to certain industries, the private capital markets in Germany soon followed suit. German money followed American money, and the result was a swift restoration of German industrial production – so swift in fact that the Germans were running a trade surplus by 1951. US aid, though modest in size – Germany received only half the aid given to Britain and France – kept German recovery moving. As historian Charles Maier put it, Marshall aid acted “like the lubricant in an engine – not the fuel – allowing a machine to run that would otherwise buckle and bind.”<sup>12</sup>

12. Charles S. Maier, “The Two Postwar Eras and the Conditions for Stability in Twentieth-Century Western Europe,” *American Historical Review*, 86, 2 (April 1981), 342.



13. Marshall Plan freight cars arrive at the German town of Furth im Wald, near the Czech border.

In France, Britain, Italy, and Germany, Marshall aid was deployed by national governments in a context framed by national politics and priorities: Washington could cajole, and sometimes insist, but the real decisions on how to deploy the aid were left to European governments. With respect to economic policy, Marshall aid was, as one historian has written, Washington's "feeble weapon."<sup>13</sup> But this was precisely part of the genius of the scheme. In restoring economic choices to Europeans, the Marshall Plan also restored political choices. American aid helped boost economic activity and gave the parties of the center-right that had won this generous support credibility and

13 Chiarella Esposito, *America's Feeble Weapon: Funding the Marshall Plan in France and Italy, 1948–1950* (Westport, CT: Greenwood Press, 1994).

legitimacy. Marshall aid gave the Christian Democrats (and their Socialist allies) in France, Italy, and later West Germany a chance to bring home the bacon. This they did, and a grateful electorate in turn rewarded these centrist parties with success at the ballot box, thereby ushering in an era of close ties between the United States and the reviving West European states.

### Ripple effects: the Marshall Plan and the creation of the West

While the precise economic achievements of the Marshall Plan remain contested, historians nonetheless agree that the plan's political, strategic, and even cultural impact was enormous. Like a series of concentric circles rippling outward from a central node, the impact of the plan carried far beyond the narrow scope of the aid package so vaguely outlined in Harvard Yard in June 1947.

The most immediate political-strategic impact of the Marshall Plan was visible in the United States' German policy. The Harvard speech did not focus on Germany explicitly, but behind that message lay a sharp break with what had come before; the policy of Potsdam and the slow, heavily constrained German economic recovery it implied was now discarded. At the heart of the Marshall Plan lay an argument that European recovery as a whole could not proceed without a vibrant German economy as its engine. The corollary was true as well: the western part of Germany would not long remain quiescent and pliable unless it was given a role in the broader process of European revival. Marshall's proposal laid bare – and repudiated – the central contradiction of American policy up to June 1947, and acknowledged that there could not be a European recovery without Germany to underpin it. From a political point of view, then, Marshall's speech marked the birth announcement of a West German state, though in fact that achievement lay two years in the future.<sup>14</sup>

The implementation of this strategy had a number of overlapping stages: the upward revision of Germany's level of industrial production in the summer of 1947; the inclusion of the British–American bizon (the French, for the time being, kept separate control of their own zone) in the emerging Europe-wide agreements on trade and payments that were outlined at the CEEC; the expansion of powers given to German political authorities within the bizon in January 1948; and the inclusion of the bizon in the establishment

<sup>14</sup> For further analysis of Germany's position, see Hans-Peter Schwarz's chapter in this volume.

of the newly formed OEEC itself in April 1948. Of the OEEC, General Lucius Clay, the military governor, noted that “for the first time since surrender, western Germany was a participant in an international undertaking.”<sup>15</sup>

The new American emphasis on placing Germany at the center of a Europe-wide recovery plan was most evident at the London Conference in 1948, where the United States, Britain, France, Belgium, the Netherlands, and Luxembourg convened to discuss a long agenda of European issues. From February to March, and then again from May to June, the conferees negotiated precisely how the new Germany was to be *both* controlled and granted some political and economic autonomy. Secretary Marshall and his lieutenants pushed the argument that German recovery could bring security and prosperity to Western Europe; without it, Western Europe would continue to live in fear of an unstable, mercurial Germany, nursing grievances and playing a middle game between East and West. Using the Marshall Plan as a stick as well as a carrot – the Congress passed the ECA in April, right in the midst of the London Conference – the Americans demanded the fusion of the bizon with the French zone of occupation, and agreement on a plan to allow a Constituent Assembly in Germany draw up a federal constitution. As a concession, the Americans accepted the creation of an International Authority that would oversee and control coal and steel production in the industry-heavy Ruhr Valley – a vital French demand – though even this authority would be largely advisory, with no real power. By the end of the London meetings in June 1948, the United States had brought Britain, France, and the nascent German leadership toward a consensus on creating a West German state, partially sovereign, and linked to the West by economic integration.

Can it be said then that the Marshall Plan effectively started the Cold War? No; the chapter in this volume by Vladimir O. Pechatnov makes it clear that US–Soviet relations had already worsened severely during 1946.<sup>16</sup> Yet the Marshall Plan surely marked a point of no return. It demonstrated that the Americans had made a clear choice to favor a strong German recovery as the engine of a West European recovery favorable to US interests. The Soviets, meanwhile, saw the plan as part of an American bid for economic and strategic hegemony that required a swift reaction. Moscow insisted that its own satellite states in Eastern Europe reject Marshall aid, and ordered West European Communist Parties to ratchet up their demonstrations, propaganda, and strikes. Within the Soviet sphere of influence in the East, Stalin

15 Lucius D. Clay, *Decision in Germany* (Westport, CT: Greenwood Press, 1950), 216.

16 See Vladimir O. Pechatnov’s chapter in this volume.

became far less accommodating to any ideological deviation from the rigid line laid down by the Cominform, the Soviet-dominated association of Communist Parties, in September 1947. This played into the hands of the hardliners throughout Eastern Europe and culminated in the Prague coup of February 1948, when Stalin's Communist allies in Czechoslovakia engineered the overthrow of the last multiparty government in Eastern Europe. The Soviets radicalized their German policy as well. They denounced the London accord of June 1948 as a breach with wartime and postwar accords, which of course it was. Using the currency reform in the western zones as an excuse, the Soviets cut off land access into and out of the western sectors of Berlin. The Berlin blockade and subsequent airlift completed the transformation of the American role in Germany from occupier to protector. Progress toward fusion of all three zones, the creation of German government institutions, and the promulgation of the Federal Republic of Germany on May 23, 1949 was swift. It may be too much to state that the Marshall Plan started the Cold War, whose many roots reached back across a wide acreage of wartime and postwar distrust and rivalry. But from June 1947 on, the United States set a course for a western German state and a capitalist European economic revival that confirmed the division of Europe.

Just as the Marshall Plan led directly to the creation of a western German state and the division of Europe, so too did it spur new European security plans that would lead directly to the formation of the North Atlantic Treaty Organization (NATO).<sup>17</sup> The principal architect here was not, however, Secretary Marshall, but the able British foreign minister Ernest Bevin. Bevin, who described Marshall's plan as "a lifeline to sinking men," had played the key role in getting the CEEC up and running. Yet he also saw immediately the security implications of the plan. If Washington was now committed to a western German revival and perhaps an independent state, Bevin wanted to be sure that Washington would also deal with any adverse consequences, especially mounting Soviet threats to Western Europe. On December 15, 1947, Bevin told Marshall he wanted to see the formation of "a western democratic system comprising the Americans, ourselves, France, Italy, etc., and of course the Dominions. This would not be a formal alliance but an understanding backed by power, money, and resolute action. It would be a sort of spiritual federation of the West." In a formal paper, Bevin proposed the creation of a Western Union, including not just the core West European countries but old

17 For further analysis of the origins of NATO, see the chapters by Anne Deighton and Melvyn P. Leffler in this volume.

foes such as Germany, Spain, and Portugal, as well as all the Scandinavian countries. This, he believed, was the only way “to call a halt to the Soviet threat.”<sup>18</sup> This proposal was well in advance of American ideas. The State Department, then seeking a Congressional commitment of many billions of dollars for Europe, did not want to begin lobbying for a military alliance as well. The Americans responded by giving Bevin their blessing, but refusing any outright support for his alliance scheme. This came as a blow to Bevin, who realized that, without American membership, any European security system would be a hollow shell.

Bevin’s vision for a Western alliance was given a huge and quite unintentional boost by the Prague coup, which galvanized West European leaders. On March 17, 1948, Britain, France, Belgium, the Netherlands, and Luxembourg signed the Brussels Pact, a mutual defense agreement, and Bevin again urged the United States to join in a broader Atlantic security system to “inspire the necessary confidence to consolidate the West against Soviet infiltration.” The alternative, Bevin pointedly declared in a memo to the US State Department, “is to repeat our experiences with Hitler and to witness the slow deterioration of our position.”<sup>19</sup> In what has become a case study of “empire by invitation,” Bevin and Bidault were positively begging for an assertion of US military power into Europe to defend them from what they perceived to be a determined Soviet campaign of expansion.<sup>20</sup> If there were any doubts about the Soviet menace, the Berlin blockade quickly dispelled them. The blockade was a massive miscalculation, for it gave Bevin yet another opportunity to plead for a formal military commitment from the United States. In mid-July 1948, the Western powers began exploratory talks on the creation of a Western alliance. The chief obstacle to the alliance was hesitation in the US Congress over weakening the constitutional authority of that body to engage the United States in a war on behalf of an ally. This issue was gradually resolved, and the result, in April 1949, was NATO, composed of twelve members.<sup>21</sup> It would not have been created without Bevin’s determination and the bungling tactics of the Soviets; but NATO also sprang from a shared belief that the economic community being created by the Marshall Plan would be strengthened by a mutual defense pact alongside it. Like the ERP, NATO was an expression of

18 *FRUS, 1948*, vol. III, I, 4–6.

19 *Ibid.*, 32–5, 46–8.

20 This term was coined by Geir Lundestad, in “Empire by Invitation? The United States and Western Europe, 1945–1952,” *Journal of Peace Research*, 23 (1986), 263–77.

21 The twelve original members were Belgium, Britain, Canada, Denmark, France, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, and the United States.

transatlantic solidarity, a pact between the United States and Western Europe that underscored a common set of values and governing principles.

The Marshall Plan's long-term ripple effects reached out beyond Germany and US alliance policies. The plan also shaped the evolution of internal European politics, the process of European integration, and, by legitimizing a particular economic model of production and consumption, opened the way to the Americanization of Europe.

The Marshall Plan clearly impacted the internal political dynamics in a number of recipient states. In France and Italy, the powerful Communist Parties were obliged by Stalin's Cominform to align their policies with the Soviet bloc, which proved politically disastrous for them. By championing strikes and disruptions of American shipments of grain, tractors, and aid, the Communists put themselves at odds with a needy population; they also pushed away the moderate socialist parties which, in 1945, had been eager to carry a broad left-wing alliance, Popular Front-style, into the period of reconstruction. American tactics could sometimes be crude, as in the manipulation of the Italian elections of 1948, where covert funding of anti-Communist parties may have tipped the balance toward the Christian Democrats; but usually such measures were not necessary. The Marshall Plan forced European parties to choose between Moscow and Washington: all but the Communists chose Washington. By 1948, the Left was decisively split, with the Communists in opposition everywhere and the socialist parties firmly enlisted in the pro-Western camp. The beneficiaries of this leftist strife were the Christian Democrats and affiliated liberal parties, whose right-leaning, often Catholic leaders such as Robert Schuman and Georges Bidault in France, Alcide De Gasperi in Italy, Konrad Adenauer and Ludwig Erhard in West Germany, and Dirk Stikker of the Netherlands held power and key Cabinet posts well into the 1950s. Marshall aid helped create a cadre of Atlanticist leaders who shaped postwar Europe.

The Marshall Plan also had a catalytic effect on the process of European integration. The ERP, by placing Germany at the forefront of Europe's recovery, compelled France, Germany's perennial rival, to seek out new methods of international control that would block the emergence of a dominant Germany inside Europe. To France's dismay, the OEEC, on which the Americans had initially placed such high hopes, never evolved into a Europe-wide control authority. The British, eager to defend the integrity of the sterling bloc and their global network of financial and imperial controls, blocked any serious integration of Britain's economy with the European continent. The OEEC remained a talking shop, with no powers to compel

trade liberalization or currency stabilization. The French therefore felt somewhat bereft: Germany was recovering at a dramatic rate, but the hoped-for “web” of transnational controls was nowhere to be found. Still worse from the French point of view, the Americans and British were by the start of 1950 beginning to think about ways to enroll Germany into the Western alliance. The French greatly feared the rearmament of Germany and its entry into the alliance. Not only might such a policy provoke an armed response from the Soviets, but it would also tilt the balance of power in Europe in Germany’s favor; in addition to having a powerful economy, the Germans might soon possess a new, American-supplied army as well. What use would Germany have then for European cooperation? The Americans seemed determined to place West Germany at the center of its Cold War strategy, while Britain was unwilling to provide any counterweight to Germany inside a unified Europe.

Monnet, the creative, energetic director of the French economic recovery agency, suggested a solution to French foreign minister Schuman: France and Germany, and any other willing state in Western Europe, should pool their coal and steel industries, placing them under the international, binding control of a High Authority. In a stroke, Monnet believed, the long wrangle over Germany’s coal and steel production would be swept away. Germany would enter on equal terms into a novel arrangement with France, signifying a joint partnership in a program of industrial expansion. French anxieties would be eased because German industry, should it expand rapidly, would pull France and the rest of Europe along with it. The High Authority would contain Germany: by controlling coal and steel – the sinews of power in the 1950s European economy – it would in effect preside over a new balance of economic power in Europe. But it would do so in a constructive framework rather than through a humiliating military occupation. It would offer an olive branch to Germany while placating French anxieties over German recovery; and it would please the Americans, who had been urging Schuman to take just such a bold step.

On May 9, 1950, Schuman announced a proposal for the creation of a European Coal and Steel Community, which in due course became the cornerstone of the new Europe. The divergent reactions in Washington and London to Schuman’s plan reveal how far apart these two governments had drifted with respect to European integration. The US ambassador in Paris, David Bruce, hailed the plan as “the most constructive thing done by the French government since the Liberation.” The response in Britain, by contrast, was hostile and peevish. Bevin seethed with anger at having been ambushed in this way; the Foreign Office felt France had “behaved extremely

badly in springing this proposal on the world at this juncture without any attempt at consultation.” The British feared that France and Germany were reviving an old dream of a Franco-German cartel in Europe, one with profound implications for Britain’s own economy. Britain refused to join subsequent talks on the plan, in principle opposed to a scheme in which decisionmaking would be placed in the hands of a supranational body that was, as Prime Minister Clement Attlee put it, “utterly undemocratic and responsible to nobody.”<sup>22</sup>

The European Coal and Steel Community (ECSC) had six founding members: France, Germany, Italy, and the three Benelux countries. The ECSC placed the coal and steel sectors of these states under a common, supranational authority whose purpose was to rationalize and modernize production, making the industry more efficient while removing decisionmaking from the hands of national governments. It started operations in August 1952, headquartered in Luxembourg, and with Monnet as its first chairman. The Marshall Plan did not author the Coal and Steel Community; rather, the ECSC was called into being precisely because the American plan for continental integration through the OEEC had stalled, while German economic recovery was surging ahead. But American officials took enormous satisfaction in the fact that France had become an advocate of the principles behind the ERP: that a Europe bound together by trade and coordinated economic policy would be prosperous and peaceful.<sup>23</sup>

By promoting the rise of centrist political leaders and laying the groundwork for new international mechanisms of trade, modernization, and industrial growth, the Marshall Plan also contributed, perhaps decisively, to the Americanization of Europe. This term suggests more than simply the exchange of “productivity teams” of European and American industrialists, the screening of films about American factories, or sending traveling caravans into the French countryside to extol the virtues of American productivity – all of which were projects undertaken through the ERP. In the years during and after the Marshall Plan, on a broad front, European governments moved to change the way their peoples worked, produced, and consumed. They lowered tariff barriers to trade within Europe; they adopted American management style in

22 Bruce and Bevin cited in William I. Hitchcock, *France Restored: Cold War Diplomacy and the Quest for Leadership in Europe, 1944–1954* (Chapel Hill, NC: University of North Carolina Press, 1998), 129; Attlee cited in Derek Urwin, *The Community of Europe* (London: Longman, 1991), 46.

23 For further discussion of European integration, see N. Piers Ludlow’s chapter in volume II.

their businesses; they joined in the creation and expansion of multinational corporations, developed higher productivity standards, and eventually began to adopt American-inspired antitrust, deregulation, and privatization policies. The fact that Europeans also began to drink Coca-Cola, wear blue jeans, and watch American films were only symptoms of a deeper convergence among Western states of their habits of production and consumption. Europe and the United States, so different from one another before 1939, began to merge into a genuine transnational community that valued economic growth, security, high standards of living, and mass consumption. These had been the ideas promoted explicitly by the original missionaries of the Marshall Plan.

### The Marshall Plan in history

In a narrow sense, the Marshall Plan was not long-lived. With the outbreak of the Korean War in June 1950, the American political establishment began a swift rearmament program and pushed the Europeans to do the same. Prices of commodities soared and the hard-pressed Europeans once again found themselves facing dollar shortfalls, budget deficits, and inflation – the very conditions the ECA had been designed to fix. The internal political environment in Washington also changed: Republicans gained seats in Congress and launched an attack on the multilateralist conceptions of Marshall aid. Congress created the Mutual Security Agency to replace the ECA, which it did at the end of 1951, and insisted that military rearmament be made the United States' chief foreign aid goal.

For the next three years, the diplomacy between Europe and the United States focused on securing a German contribution to European defense. Only after a bitter dispute was agreement reached and in 1955, ten years after the end of World War II, West Germany was brought into the NATO alliance. The officers who had served in the ECA and had promoted economic integration as a solution to European recovery were saddened and alarmed to see how the ERP had become militarized. But in the end, Germany's enrollment in NATO served the cause of European solidarity well: Germany turned out to be a vital partner in NATO, and the alliance knit European militaries closely together. Meanwhile, the Marshall Plan had helped generate momentum on a parallel track, toward genuine European economic integration, which took concrete form in the 1957 Treaty of Rome. It would take another thirty-five years before anything like a "united" Europe would be realized; and even today intense national rivalries over economic policy persist within Europe. Indeed, the construction of the West has not been easy or

swift. What can be said is that the vision of a Europe closely bound together in common purpose, premised on democratic governance, the free exchange of goods and services, and enduring transatlantic ties to the United States has been more fully realized than anyone could conceivably have imagined when George Marshall sketched out a plan to help Europe at the Harvard commencement on June 5, 1947.