

The Marshall Plan for Rebuilding Western Europe

The Marshall Plan was a series of economic strategies and reforms that helped to strengthen Western Europe after World War II. It also helped to make the United States the leader of the free world.

During World War II, the United States and the Soviet Union fought together as allies against Nazi Germany. When the war ended, Soviet troops occupied much of Eastern and Central Europe. Communist governments, allied with the Soviet Union, soon controlled this area and set up police states. In 1946, Winston Churchill, who had served as British prime minister during the war, famously warned that an “iron curtain” divided Western and Eastern Europe and that communism threatened to spread throughout war-ravaged Europe.

The wartime alliance between the Soviet Union and the United States was ending. A new period of conflict between the two powers—known as the Cold War—was beginning. In January 1947, President Harry S. Truman appointed a new secretary of state—George C. Marshall. Marshall was a career military officer and had headed the Army during World War II. As the leader of the Army, Marshall had earned the admiration of the American public.

Soon after Marshall took office, a crisis arose over Greece. Greece had been occupied by Nazis during the war. Two resistance groups had fought the Nazis. One supported the Greek monarchy. The other was communist. After liberation from the Nazis, the communists refused to join a new government and rebelled against the monarchy. British troops put down the rebellion. In 1946, a new rebellion erupted. In February 1947, the British announced that they could no longer afford to give military and financial support to Greece.

Based on what had happened in Eastern Europe, many in the U.S. government suspected that the Soviet Union was funding the communist rebels. (Most historians have since concluded that the Soviet Union, weakened by the war, gave little support to the rebels.)

Marshall realized that only the United States was economically able to provide aid to Greece. The war had devastated the economies of other nations.

At a key meeting in the White House, President Truman, Secretary of State Marshall, congressional leaders, and a few others debated what the United States should do about Greece. Marshall’s assistant Dean Acheson warned that this crisis was just the beginning. If the communists were not stopped, he said, Soviet domination might extend “to Europe, the Middle East, and Asia.”

On March 12, 1947, President Truman addressed Congress and asked for \$400 million in economic aid for Greece and its neighbor Turkey. He announced what came to be known as the Truman Doctrine: “I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressure.” Truman had in mind mainly economic aid to eliminate “misery and want” that often became the “seeds of totalitarian regimes.”

Some criticized this new doctrine as too aggressive and likely to lead the United States into a costly “reckless adventure.” Within two months, however, the fear of a communist power grab in Greece prompted Congress to approve Truman’s request for aid.

The Idea of the Marshall Plan

In 1946, George F. Kennan, a State Department Russian specialist, wrote a long telegram from Moscow analyzing Soviet intentions in Europe. The following year, *Foreign Affairs* magazine published the telegram as an [article](#) by “X.” The article caused a stir and was widely discussed. Kennan concluded that the Soviets, surrounded by capitalist countries, were insecure and wanted to expand their power. Kennan called for a “long-term, patient but firm and vigilant containment of Russian expansive tendencies.”

Secretary of State Marshall appointed Kennan to head a planning group to assess whether European nations could resist Soviet expansion. Kennan quickly reported that the war had left Europe in terrible economic shape. He reported on the grim realities in Europe:

- Many survivors of the war were homeless, hungry, and unemployed.
- Inflation robbed the wages of those who were employed.
- Factories, railroads, bridges, electric power plants, and water systems were damaged or destroyed.
- Farmers suffered from drought and when they brought their products to market, city dwellers could not afford them.
- Trade and the flow of capital needed to finance reconstruction were interrupted.

Kennan recommended that the United States help rebuild “the economic health and vigor of European society.” He saw this not just as humanitarian aid, but as the best way to fight communism in Europe. He believed that the European nations receiving U.S. aid needed to operate as an economic unit, much like the 13 colonies did after the American Revolution. Eventually, he argued, a rebuilt Europe would benefit the United States by once again being able to buy American factory and farm products. More importantly, an economically strong Europe would stop the spread of communism.

Only a few weeks after President Truman requested aid for Greece and Turkey, Kennan and other top advisors to Secretary of State Marshall convinced him of the need for a massive aid program for all of Europe.

On June 5, 1947, Secretary of State Marshall made an innovative proposal in a [speech](#) at Harvard University. Noting the disastrous conditions in Europe, Marshall called for a “joint effort” by the European nations to plan the rebuilding of Europe. The United States would provide “friendly aid” in drafting the plan, but this was really “the business of the Europeans.”

Marshall promised that once the plan was in place, the United States would provide the necessary funds to make it work. “Our policy,” Marshall made clear, “is directed not against any country or doctrine but against hunger, poverty, desperation, and chaos.”

Making the Marshall Plan

Marshall even invited the Soviets to participate. But Kennan predicted that the Soviet Union and Eastern European countries under its control would refuse to join. He believed that Stalin, the Soviet dictator, would never go along with an American-inspired plan that required the free exchange of economic information.

As predicted, the Soviets refused Marshall’s invitation to help develop a plan to rebuild Europe. They charged that his plan was a scheme to dominate Europe economically. Under Soviet control, the Eastern European nations also declined to participate.

In July 1947, 16 Western European nations met in Paris to put together an economic recovery plan. But the Americans soon became disappointed about the direction of the planning. Rather than a unified plan for Europe as a whole, each country was developing its own “shopping list.” In addition, the French argued that western Germany, occupied by Britain, France, and the United States, should remain economically weak and not receive much Marshall Plan aid. The French believed this would prevent Germany from ever again going to war.

Marshall insisted that the plan must establish an independent economy, a reasonable standard of living, and the elimination of trade barriers for the whole of Western Europe. Marshall expected all this to occur within four years. He also stressed the importance of full German participation. He saw it as necessary for the economic recovery of Western Europe.

With this push from Marshall, the Europeans compromised and submitted a plan to the United States in September 1947. The Europeans said they needed \$19 billion to carry out the Marshall Plan.

Selling the Marshall Plan

In November 1947, President Truman called a special session of Congress to request immediate aid for France, Italy, and Austria, which all had active communist parties. Truman then followed up with the main Marshall Plan funding request of \$17 billion over four years.

The Republican Party had been out of power during the Great Depression and war years. But it gained control of Congress in the 1946 election on a platform of reducing government spending and returning to an isolationist foreign policy. Congress and the president were completely at odds. But Marshall commanded great respect, and Truman put Marshall’s name on the

proposal.

The Truman administration assembled many experts to present arguments for funding the Marshall Plan. They pointed out that the Marshall Plan would do many necessary things—from providing humanitarian help for war-torn Europe to preventing another economic depression in the United States by making Europe a market for American products.

But the most powerful argument for Congress and the American public was that the Marshall Plan would contain the spread of communism. In February 1948, at the peak of the debate on the Marshall Plan, communists overthrew the government of Czechoslovakia. Shortly afterward, President Truman spoke to Congress. “There are times in world history,” he said, “when it is far wiser to act than to hesitate.”

Congress moved quickly to approve emergency aid to France, Italy, and Austria. The lawmakers then passed the Economic Cooperation Act of 1948, which funded the Marshall Plan at a slightly lower level than Truman had requested. During the next four years, the United States provided over \$13 billion in aid to 16 Western European nations, including West Germany. (That is more than \$100 billion in today’s dollars.)

The Marshall Plan in Action

The basic purpose of the Marshall Plan, according to the Economic Cooperation Act, was to ensure “individual liberty, free institutions, and genuine independence” by restoring “sound economic conditions.” Between 1948 and 1951, the Marshall Plan attempted to implement several economic strategies and reforms to rebuild Western Europe. It aimed to:

meet immediate needs for food, medicine, and housing.

increase industrial and agricultural production rapidly by rebuilding factories, railroads, bridges, etc.

expand trade among the European nations and with the rest of the world.

combat inflation and establish financial stability.

create a common market free of national trade barriers.

Some Marshall Plan aid came as technical assistance. The U.S. Economic Cooperation Administration arranged for technical aid and advisors from American businesses, banks, farm organizations, and labor unions. Advisory groups worked on improving European production, business organization, and labor-management relations.

Most aid came as cash grants or loans (\$11.8 billion). The Europeans used this money to buy essential goods like wheat and oil and to reconstruct factories and housing.

The Europeans decided how to divide the American aid among the 16 nations. They sometimes disagreed over how much each should get. The United States constantly pressured them to compromise and make “collective use” of the aid to rebuild Europe as a whole.

Many Europeans were skeptical of American intentions, particularly in France. But as the Marshall Plan proceeded, skepticism dropped off. In a 1947 poll, 47 percent of French citizens thought Marshall’s idea for aiding Europe was mainly to stimulate markets for U.S. goods. Only 18 percent looked on the aid as a “sincere desire to help France.” By 1953, however, 57 percent of the French people polled believed the Marshall Plan was “indispensable” or “useful” for France. Only 14 percent expressed negative opinions, and these views came overwhelmingly from communist sympathizers.

Did the Marshall Plan Succeed?

By the time the Marshall Plan ended in 1951, industrial production in Western Europe had risen 40 percent above the prewar level. Trade and exports also increased far above what they were before the war. People had returned to work and their standard of living was rising. Politically, communist parties lost influence everywhere. After Czechoslovakia, no European nation fell to communism. Also, the economic revival of West Germany helped rather than threatened its neighbors.

The Marshall Plan did not cure all of Europe's economic problems. Western Europe was still importing 30 percent of its food in 1951. Inflation remained a problem in some countries. The Marshall Plan's proposal of a common market for Europe remained just an idea. National trade barriers continued to block the free flow of goods and services, which would have lowered prices. In the next decades, Europeans eventually created a common market and other institutions that today make up the European Union.

George C. Marshall, the professional soldier who inspired the rebuilding of Western Europe, won the Nobel Peace Prize in 1953. The United States, by investing in the future of Europe, cut the cycle of wars that had plagued that continent for centuries. In doing so, the United States turned away from its traditional isolationism to become the leader of the free world. Winston Churchill called Marshall's decision to rebuild Europe "the highest level of statesmanship."

For Discussion and Writing

1. Make a list of reasons why the United States decided to provide Western Europe with more than \$13 billion in Marshall Plan aid. What do you think was the most important reason? Why?
2. In what way did the Americans and Europeans differ over the Marshall Plan?
3. Do you think the Marshall Plan was a good idea? Explain.

ACTIVITY

Foreign Aid Priorities

Considering the war on terror in the world today, what should be the priorities of the United States in providing foreign aid?

- A. Form small groups to discuss and rank the following forms of U.S. foreign aid from most (1) to least (6) important.
 - **humanitarian aid** (food, clothing, medicine, etc.) to nations experiencing droughts, earthquakes, civil wars, and other disasters
 - **cash grants** to poor developing nations
 - **loans** to poor developing countries
 - **civilian advisors** to provide assistance in building the economy and democracy in poor developing countries
 - **U.S. military bases and troops** in strategic countries around the world
 - **military arms and equipment** to countries threatened by terrorists
- B. Each group should report to the class on its choice for the most and least important form of U.S. foreign aid along with the group's reasons for its choices.