

By Meredith Hindley

How the Marshall Plan Came About



ON COMMENCEMENT DAY at Harvard University in June 1947, Secretary of State George C. Marshall told an audience of alumni gathered in the yard about a plan to provide Europe with economic aid. The speech, delivered in the calm, deliberate manner that reflected Marshall's measured approach to life, was not rhetorically dramatic. But what the speech promised—that if the European countries could devise a program to facilitate the economic recovery of Europe, the United States would provide the resources—went on to change the face of postwar Europe.

The following excerpts from the George C. Marshall Papers show how the invitation to give an informal talk at Harvard became the forum for the announcement of the European Recovery Program—better known as the Marshall Plan.

Top—George C. Marshall Foundation

In the spring of 1947, a European aid program was already in the works, but Under Secretary Will Clayton's memo, with its vivid descriptions of Europe's destruction and economic needs, speeded up the announcement of the Marshall Plan.

May 27, 1947

MEMORANDUM

BY THE UNDER SECRETARY
FOR ECONOMIC AFFAIRS

THE EUROPEAN CRISIS

It is now obvious that we grossly underestimated the destruction to the European economy by the war. We understood the physical destruction, but we failed to take fully into account the effects of economic dislocation on production—nationalization of industries, drastic land reform, severance of long-standing commercial ties, disappearance of private commercial firms through death or loss of capital, etc., etc. . . . Europe is steadily deteriorating. The political position reflects the economic. One political crisis after another merely denotes the existence of grave economic distress. Millions of people in the cities are slowly starving. More consumer goods and restored confidence in the local currency are absolutely essential if the peasant is again to supply food in normal quantities to the cities. (French grain acreage running 20–25% under prewar, collection of production very unsatisfactory—much of the grain is fed to cattle. The modern system of division of labor has almost broken down in Europe.) . . . *Only until the end of this year* can England and France meet the above deficits out of their fast dwindling reserves of gold and dollars. Italy can't go that long. . . . Europe must again become self-sufficient in coal (the U.S. must take over management of Ruhr coal production) and her agricultural production must be restored to normal levels. (Note: No inefficient or forced production through exorbitant tariffs, subsidies, etc. is here contemplated.)

Europe must again be equipped to perform her own shipping services. The United States should sell surplus ships to France, Italy, and other maritime nations to restore their merchant marine to at least prewar levels. (To do it, we will have to lick the shipping lobby, fattening as it is off the U.S. Treasury).

. . . Without further prompt and substantial aid from the United States, economic, social, and political disintegration will overwhelm Europe.

Aside from the awful implications which this would have for the future peace and security of the world, the immediate effects on our domestic economy would be disastrous: markets for our surplus production gone, unemployment, depression, a heavily unbalanced budget on the background of a mountainous war debt.

. . . It will be necessary for the President and Secretary of State to make a strong spiritual appeal to the American people to



A 1950 COMPETITION TO DESIGN A POSTER CELEBRATING INTRA-EUROPEAN COOPERATION AND THE MARSHALL PLAN GARNERED 10,000 ENTRIES FROM THIRTEEN COUNTRIES, INCLUDING THE ONE OPPOSITE FROM THE NETHERLANDS BY F. J. E. MOTTES, ABOVE FROM AUSTRIA BY WALTER HOFMANN, AND BELOW FROM ITALY BY MARIO PUPPO. ABOVE LEFT IS MARSHALL AT HARVARD'S 1947 GRADUATION CEREMONIES.

—Posters courtesy of the German Marshall Fund



sacrifice a little themselves, to draw in their own belts just a little in order to save Europe from starvation and chaos (*not* from the Russians) and, at the same time, to preserve for ourselves and our children the glorious heritage of a free America.

Europe must have from us, as a grant, 6 or 7 billion dollars worth of goods a year for three years. With this help, the operations of the International Bank and Fund should enable European reconstruction to get under way at a rapid pace. Our grant could take the form principally of coal, food, cotton, tobacco, shipping services, and similar things—all now produced in the United States in surplus, except cotton. The probabilities are that cotton will be surplus in another one or two years. Food shipments should be stepped up despite the enormous total (15 million tons) of bread grains exported from the United States during the present crop year. We are wasting and over-consuming food in the United States to such an extent that a reasonable measure of conservation would make at least another million tons available for export with no harm whatsoever to the health and efficiency of the American people.

This three-year grant to Europe should be based on a European plan which the principal European nations, headed by the UK, France, and Italy, should work out. Such a plan should be based on a European economic federation on the order of the Belgium-Netherlands-Luxembourg Customs Union. Europe cannot recover from this war and again become independent if her economy continues to be divided into many small watertight compartments as it is today.

Obviously, the above is only the broad outline of a problem which will require much study and preparation before any move can be made.

Canada, Argentina, Brazil, Australia, New Zealand, Union of South Africa could all help with their surplus food and raw materials, but we must avoid getting into another UNRRA [United Nations Relief and Rehabilitation Administration]. *The United States must run this show.*

—W. L. Clayton



BY KURT KREPCIK,

AUSTRIA.

Spurred on by Clayton's memo, Under Secretary of State Dean Acheson suggested that Marshall give a speech explaining the problems facing Europe and how the United States can help.

May 28, 1947

**MEMORANDUM
BY THE UNDER SECRETARY OF STATE
TO THE SECRETARY OF STATE**

In further reference to your question this morning as to how we should present the economic problems of Europe which we discussed with you. . . . My suggestion, therefore, is that. . . within the next two or three weeks you make a speech which would not undertake to lay down any solution, but would state the problem and that the great immediate problem is not an ideological one, but a material one. This could be followed up by speeches by Cohen, Clayton, and me, stilling dealing with the problem rather than the solution. A little later on, a new phase might be reached after full discussion within the Government and on the Hill, when the President, you, and other cabinet officers might begin to outline solutions.

—Dean Acheson

After weeks of indecision, Marshall finally squared away his plans for receiving an honorary doctorate at Harvard and insisted that he only give some informal remarks.

May 28, 1947

**LETTER TO JAMES B. CONANT,
PRESIDENT OF HARVARD UNIVERSITY
FROM GEORGE C. MARSHALL**

My dear Dr. Conant,

My plans for visiting Harvard now seem to be definitely squared away and will follow somewhat this pattern:

Mrs. Marshall and I will fly to Boston on Wednesday, June 4, arriving sometime in the late afternoon. It is possible that General and Mrs. Bradley will accompany us in the plane, as I understand from him that he has also been honored by the University. I will have no Aide or Assistant with me and assume that General Bradley is in separate communication with you as to his plans.

Mrs. Marshall and I accept with pleasure your invitation to dinner on June 4, at 7:30 p.m. We are also delighted that you have asked us to stay at your house in Cambridge and hope that we will not be a burden to you.

We will follow your schedule and wishes completely and will plan on staying for the luncheon and the alumni meeting. It will be necessary for us to leave immediately after the alumni gathering for our return trip to Washington.

As I wrote you on May 9th, I will not be able to make a formal address, but would be pleased to make a few remarks in appreciation of the honor and perhaps a little more.

If an academic costume is required, I would appreciate the University arranging this for me since I do not have my own. I am 6 ft. 1 in. tall, weight 200 pounds, and my cap size is 7 1/2 plus.

Mrs. Marshall and I are looking forward to seeing you and Mrs. Conant again.

Faithfully yours,
—G. C. Marshall

By May 30, Marshall had decided to announce the European Recovery Program at Harvard. Hoping to disarm critics, Marshall and his advisors chose Harvard due to its conservative climate.

May 30, 1947

MEMORANDUM
FOR GENERAL CARTER
FROM GENERAL MARSHALL

Please have someone consider the various suggestions as to talks that I might make and prepare a draft for a less than ten-minute talk by me at Harvard to the Alumni. I will supply the polite references for the occasion. The substance of the talk might be in reference to the extremely critical period through which we are passing, the volume of public and political suggestions and the absolute necessity for a very calm and careful consideration of the proper policy to be followed. Irritation and passion should have no part in the matter. It is of tremendous importance that our people understand the situation in Europe, the plight of the people, their very natural reactions, and particularly the dominant character of the economic factors, as accentuated by the complete breakdown of the business structure—the fact that since 1938 there had been practically no development of peaceful business. All machinery was obsolete or obsolescent. Nationalization had disrupted the business structure. Firms had lost contact of years standing with each other, particularly across borders, or had gone out of business entirely. Currency offered more of difficulty than substance to the resumption of trade. We have possibly been too prone to estimate the collapse of business on the basis of visible destruction, but it now appears that the conditions I have referred to above are more serious than the actual demolishing of plants and rupture of communications.

—G. C. M.

Marshall's imprint on the Harvard speech, drafted by Charles Bohlen, one of Marshall's advisers, was his insistence that the program come from Europe and that any country willing to abide by the rules could participate.

June 5, 1947

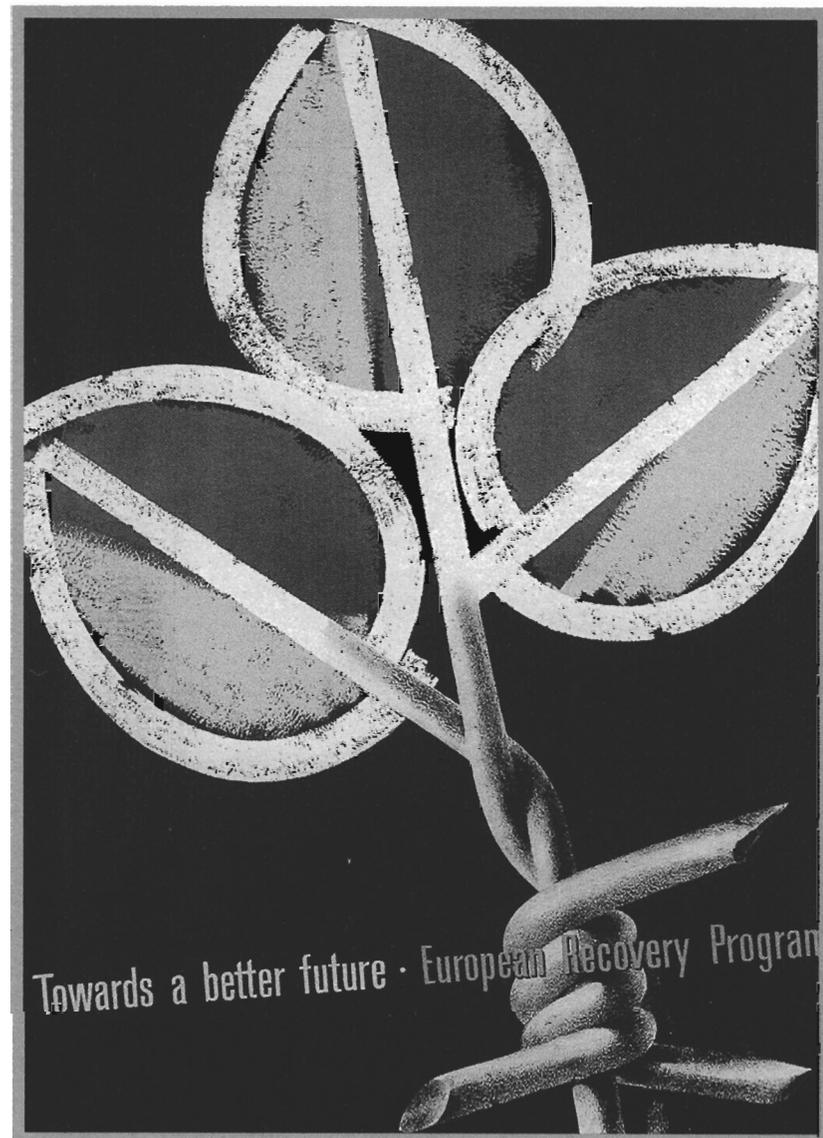
REMARKS BY THE HONORABLE GEORGE C. MARSHALL,
SECRETARY OF STATE, AT HARVARD UNIVERSITY

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

In considering the requirements for the rehabilitation of Europe the physical loss of life, the visible destruction of cities, factories, mines and railroads was correctly estimated, but it has become obvious during recent months that this visible destruction was probably less serious than

By EMIL HOTZ,

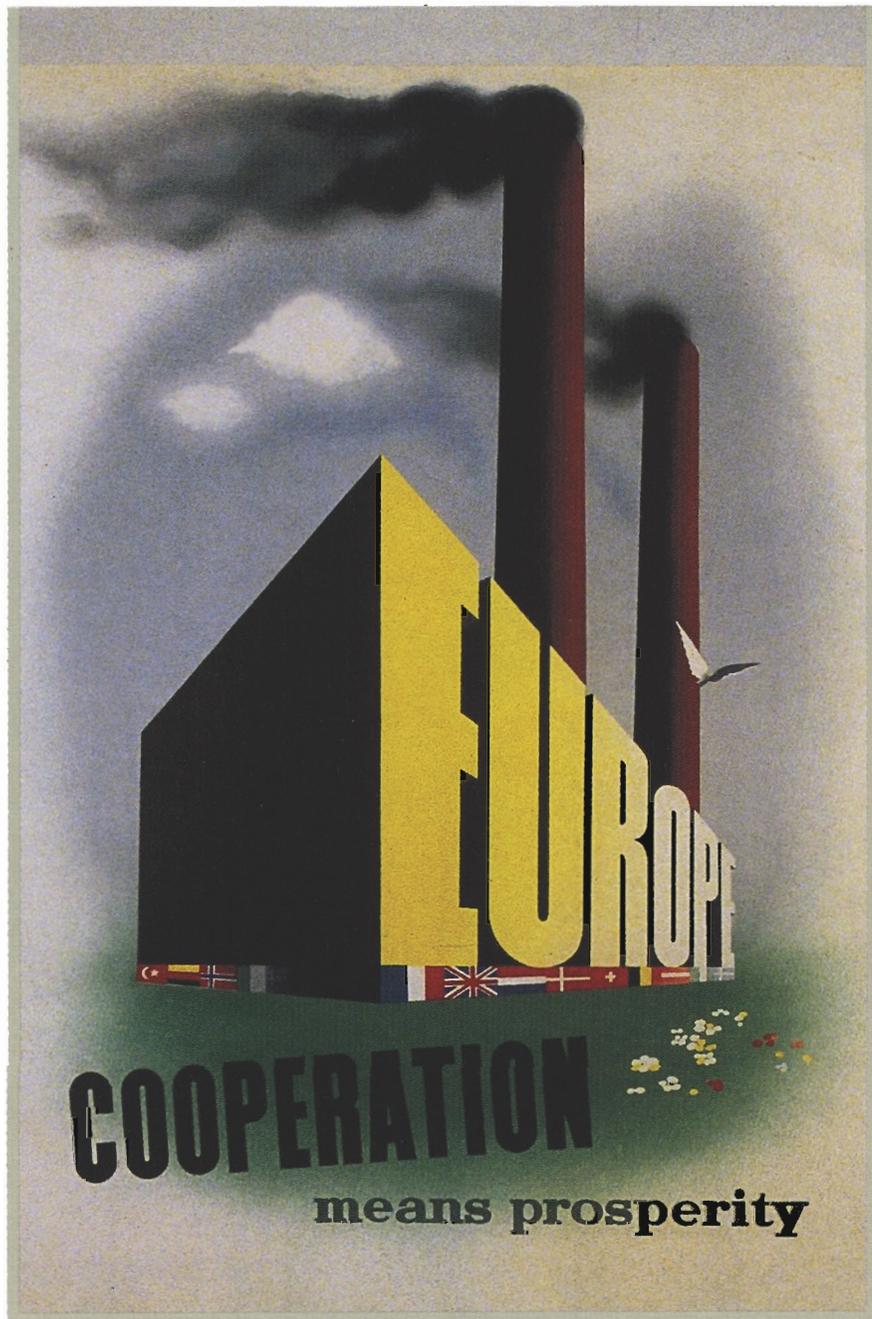
SWITZERLAND.



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

Continued on page 53



BY LOUIS EMMERICK, THE NETHERLANDS.

Continued from page 25

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. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction. Thus a very serious situation is rapidly developing which bodes no good for the world. The modern system of the division of labor upon which the exchange of products is based is in danger of breaking down. The truth of the matter is that Europe's requirements for the next three or four years of foreign food and other essential products—principally from America—are so much greater than her present ability to pay that she must have substantial additional help, or face economic, social and political deterioration of a very grave character.

The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole. The manufacturer and the farmer throughout wide areas must be able and willing to exchange

their products for currencies the continuing value of which is not open to question.

Aside from the demoralizing effect on the world at large and the possibilities of disturbances arising as a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a piece-meal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative. Any government that is willing to assist in the task of recovery will find full cooperation, I am sure, on the part of the United States Government. Any government which maneuvers to block the recovery of other countries cannot expect help from us. Furthermore, governments, political parties or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States.

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

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

In the days following the speech, Marshall courted the support of Arthur Vandenberg, the powerful Republican chairman of the Senate Foreign Relations Committee. Vandenberg had renounced his isolationism and become an important congressional ally.

June 10, 1947

LETTER TO SENATOR ARTHUR VANDENBERG
FROM GEORGE C. MARSHALL

Dear Senator Vandenberg,

. . . I am deeply sympathetic towards the general objective. . . which is, as I understand it, to encourage the peoples of Europe to cooperate together more closely for their common good and in particular to encourage them to cooperate together to promote the economic recovery of Europe as a whole.

Of course the United States wants a Europe which is not divided against itself, a Europe which is better than that it replaces. Only as we can inspire hope of that can we expect men to endure what must be endured and make the great efforts which must be made if wars are to be avoided and civilization is to survive in Europe.

But we should make clear that it is not our purpose to impose upon the peoples of Europe any particular form of political or economic association. The future organization of Europe must be determined by the peoples of Europe.

While recognizing that it is for the peoples of Europe to determine the kind of organized effort which may be appropriate to facilitate the peaceful development of a free Europe, the United States welcomes any initiative which may be taken by the peoples of Europe within the framework of the United Nations to ensure greater cooperation among themselves to expedite the reconstruction and restoration of the economy of Europe as a whole, to improve living standards, to strengthen the general security and to promote the general welfare.

To avoid any misunderstanding as to our purpose, I believe that it desirable that some of the ideas I have expressed here be embodied in a Resolution. Perhaps the authors of the Resolution might consider adding a preamble along these lines. . . .

Faithfully yours,
—G. C. Marshall

To the delight of the Truman administration, the reaction of the British and French to the Marshall Plan was immediately positive. Within days of the speech, the British and French governments called for a conference in Paris to discuss how to take the Americans up on their offer.

June 12, 1947

MEMORANDUM

FOR GENERAL MARSHALL (Personal Attention)
FROM HOWARD C. PETERSEN,
ASSISTANT SECRETARY OF WAR

Lord Pakenham came to Berlin to see me on German matters last Sunday. The first thing he did was to ask that at Mr. Bevin's request I convey to you Bevin's enthusiastic acceptance of your Harvard speech. He said this gave Bevin the chance he had been seeking and inferred that Bevin would initiate some action in Europe in response to your invitation in the speech. Pakenham, and Sholto Douglas as well, with an unusual lack of understatement expressed the delight with which their government received your speech. I was not able to discern from my talk whether they saw in your proposal some possible relief from the U.K. dollar costs in Germany, but I will venture that inference nonetheless.

BY ERNEST STORCH,

AUSTRIA.

The French acceptance of your speech as expressed to me by Mr. Jean Monnet was as equally warm. Monnet emphasized that no amount of American credits could do the main

job of economic construction which had to be done in Europe itself. Basic to that job are, of course, food and coal. He spoke the hope that the U.S. would displace the U.K. in running the Ruhr coal mines as that production was at the core of European recovery. He also told me unofficially that in his judgment there was little possibility of the French joining the bizonal merger until after November. As to the French strikes he said that although they had been exploited by the Communists their cause was rooted in the tremendously high cost of living.

—Howard C. Petersen

President Truman submitted the Marshall Plan to Congress in December 1947 after a massive campaign to mobilize public support. It would take Marshall and his staff months to convince Congress of the wisdom of aiding Europe. Republicans were concerned that the Marshall Plan would spur inflation and the \$4 billion appropriation request didn't fit in with their plans for a small budget. Any lingering doubts were cast aside in February 1948 following the surprise communist coup in Czechoslovakia, a country that had been nominally under Soviet control beforehand.

In April 1948, Truman signed the bill inaugurating the European Recovery Program, which funneled more than \$12 billion in American aid into sixteen European countries over the next three years.

Marshall had little direct involvement with the administration of the European Recovery Program, but his nonpartisan stance and his warm relations with powerful Republicans, such as Senator Arthur Vandenberg, helped propel the Marshall Plan through Congress. In 1953, Marshall was awarded the Nobel Peace Prize. □

