

A Summary of the Marshall Plan

Even now a model for positive economic diplomacy, the Marshall Plan was a rational effort by the United States aimed at reducing the hunger, homelessness, sickness, unemployment, and political restlessness of the 270 million people in sixteen nations in West Europe. Marshall Plan funds were not mainly directed toward feeding individuals or building individual houses, schools, or factories, but at strengthening the economic superstructure (particularly the iron-steel and power industries). The program cost the American taxpayers \$11,820,700,000 (plus \$1,505,100,000 in loans that were repaid) over four years and worked because it was aimed at aiding a well-educated, industrialized people temporarily down but not out. The Marshall Plan significantly magnified their own efforts and reduced the suffering and time West Europe took to recover from the war. The program--whose official title was "European Recovery Program"--aimed at: (1) increasing production; (2) expanding European foreign trade; (3) facilitating European economic cooperation and integration; and (4) controlling inflation, which was the program's chief failure.

The idea of massive U.S. loans to individual countries had already been tried (nearly \$20 billion--mainly long-term, low interest loans--since the war's end) and had failed to make significant headway against Europe's social and economic problems. The plan that Marshall enunciated at Harvard University on June 5, 1947, was revolutionary in that it required the recipients to organize to produce a rational, multilateral approach to their common economic problems. Another innovative feature was its limited duration: four years maximum, thereby assuring American taxpayers and their representatives that the program would not be an indefinite commitment.

The economic problems in 1947-48 included not only the lack of capital to invest, but also the need for Europeans to overcome a U.S. trade surplus with them so massive as to imperil further trade and to encourage unmanageable inflation. Marshall Plan money helped stimulate the revival of European trade with the world and increased trade among European countries.

Americans were reluctant to invest in Europe because their profits were available only in local currencies that were little desired by U.S. businesses and investors. The Marshall Plan guaranteed that these investors would be able to convert their profits earned in European currencies into U.S. dollars. Grants and loans in U.S. dollars enabled managers in Europe to purchase in America specialty tools for their new industries. Marshall Plan money also paid for industrial technicians and farmers to visit U.S. industries and farms to study American techniques. Plan funds even paid the postage on privately contributed relief packages.

Many people in Washington helped to implement and manage the European Recovery Program that Marshall first outlined at Harvard; this is why, in addition to his normal modesty, Marshall refused to call the idea the "Marshall Plan." He always believed that his greatest contribution to the program was his 1947-48 nationwide campaign to convince the American people--and through them the Congress--of the its necessity; he likened his efforts in scope and intensity to a campaign for the presidency.

Over its four-year life, the Marshall Plan cost the U.S. 2.5 to 5 times the percent of national income as current foreign aid programs. One would need to multiply the program's \$13.3 billion cost by 10 or perhaps even 20 times to have the same impact on the U.S. economy now as the Marshall Plan had between 1948 and 1952. (Most of the money was spend between 1948 and the beginning of the Korean War (June 25, 1950); after June 30, 1951,

the remaining aid was folded into the Mutual Defense Assistance Program.)

On December 10, 1953, George C. Marshall received the Nobel Peace Prize in Oslo, Norway. He accepted it, not as his individual triumph, but as the representative of the American people, whose efforts and money had made the program a success.