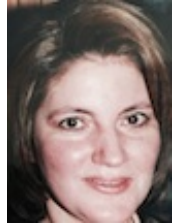


The Marshall Plan speech at 70 – and the lessons it can provide for today's challenges

LSE blogs.lse.ac.uk/europpblog/2017/06/05/the-marshall-plan-speech-at-70-and-the-lessons-it-can-provide-for-todays-challenges/

2017-6-5

Today marks the 70th anniversary of the Marshall Plan speech given by US Secretary of State George Marshall on 5 June 1947. The speech outlined the principles of the Marshall Plan, under which the United States provided financial support to help rebuild Western Europe after the Second World War. [Effie G. H. Pedaliu](#) writes that while the conditions present in post-war Europe were unique, the Marshall Plan can provide lessons for many of the challenges currently facing the world.



Portrait of George Marshall by [Thomas Edgar Stephens](#) (Public Domain)

Seventy years ago, on 5 June 1947, the US Foreign Secretary George Marshall delivered a speech at Harvard in which he explained why America ought to underwrite postwar European reconstruction. According to British Foreign Secretary [Ernest Bevin](#), in war-ravaged Europe Marshall's words were 'a lifeline to sinking men, bringing hope where there was none'.

Marshall did not announce a fully formed plan at Harvard, but he elaborated some of the principles behind what would become the most successful economic reconstruction and structural adjustment plan in history, the European Reconstruction Program (ERP). In 1953, the retired 5-star general was awarded the Nobel Peace Prize.

Marshall's speech prepared the ground for securing bipartisan support by convincing the American public to 'face up to the vast responsibility which history has clearly placed upon' the US. It was a successful public relations exercise that enabled the Truman administration to allocate \$13 billion in aid from 1948-1952 to Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, the United Kingdom and Western Germany.

The Marshall Plan and the Cold War

As Kathy Burk has [pointed out](#) 'the Marshall Plan was a defining episode in the Cold War'. In less than a year after

the Harvard speech, the world divided into two camps, with America, the hegemon of the West, assuming the high moral ground and the Soviet Union, the master of the East, the blame for the split.

Marshall's speech came at a moment when socio-economic and political conditions in Europe bred international instability and the two superpowers were reaching the conclusion that the postwar status quo was intrinsically unstable and that 'the failure of peace' was imminent. Each decided that emphatically proactive action was needed to prevent the balance of power tipping against them. America judged its best option to be a policy that would contain Soviet Communism within its 1945 boundaries. George Marshall's speech and subsequent plan together with the Truman Doctrine, the National Security Act and the creation of NATO would be the landmarks in what George Kennan [called](#) a new 'topography'.

For a myriad of reasons ranging from cost to political feasibility and hostility to communism, an American financed plan 'with no strings attached' for the whole of Europe was impossible. Therefore, the speech set an elaborate trap for the Soviet Union which it willingly walked into. The Soviets read in between Marshall's emollient words: 'Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos'. From the Kremlin's point of view, American aid dispensed directly to Soviet satellites was an unwelcome prospect. It had the potential to upset the balance of relations in the Soviet buffer zone in Eastern Europe to their detriment.

They decided to meet Marshall's challenge contained in: 'Any government which maneuvers (sic) to block the recovery of other countries cannot expect help from us. ..., 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'. His offer [was rejected](#). The Soviets dubbed it an American ruse 'for interference in the domestic affairs of other countries'. They warned Eastern European countries not to be tempted and they established the COMINFORM to enhance discipline in their sphere of influence. By early 1948, Czechoslovakia's fate and Jan Masaryk's death made it clear that there was to be no scope for defiance.

The speech was not the product of just one man. As Marshall later recalled in 1956, the speech was the product of three drafts, his own, George Kennan's (head of the Planning Policy Staff) and Charles (Chip) Bohlen's (diplomat/Soviet expert). According to [Michael Hogan](#), it was the distillation of the thinking of a whole generation of the American policy-making elite and its analysis of the economic, defence and foreign policy problems facing the US and its European allies. The problems facing the US in Europe, in 1947, were not dissimilar to those of the interwar years. This time though, with the challenge of 'Soviet Communism' looming, the US was determined not to repeat the mistakes of the interwar years. It would not allow a vicious circle of war loans and reparations chasing each other to emerge again and it would cease letting economic foreign policy being carried out by private business.

American officials and politicians recognised that American loans to Europe from 1945-1947 offered only breathing space to European states since the dollar gap and low confidence affected investment, morale, and consequently, sustainable growth, economic rehabilitation and political stability. They realised that the European problem was not just economic, or psychological or political, it was all three together. The conclusion was that only a coordinated approach could boost growth in Western Europe, buttress it against indigenous communist parties and from succumbing to the USSR through inertia and demoralisation, and most of all, help it to overcome its troubled past and bring hope. 'Assistance... 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'.

The diagnosis of Europe's problems became even more critical for the US when it had become clear to Americans that the 'new deal' of the 1930s may have set the US on the path to recovery after the Great Depression but the driver of America's growth was due to the war. Such levels of economic growth could only be sustained through exports which meant that the US needed to ensure that its most sophisticated markets would remain accessible – not dominated by the USSR – and also able to buy US consumer products – not perennially handicapped by 'dollar famine'. Marshall put it blandly. '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’.

There was also the realisation that for this type aid to achieve its strategic objectives with such a diverse tapestry of countries it would have to be the product of collaboration. Aid would have to be tailor-made to match the needs of each recipient country and that a top down and one size fits all approach would not work. ‘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’. Marshall’s speech was also about promoting multilateralism, conciliation and collaboration among the victors and the vanquished of the old continent. He referred to them as an interconnected entity.

The distinguishing feature of Marshall’s words was their ‘chutzpah’. They were self-assuredly audacious and the speech entwined seamlessly altruism and self-interest. As Joseph Nye put it: ‘It was like a poker game in which we had lots of chips. It was farsighted to realise that the re-distribution of chips was in our interest’. It advanced, also, the thinking that European economic reconstruction after WWII was inextricably linked to American security and it elaborated the merits of coordination and collaboration.

This visionary speech and many of its principles gave birth to the Marshall Plan and Public Law 472. Prominent among its aims were investment through economic and technical aid, debt forgiveness, trade barrier elimination and expansion of intra-regional trade among Western European countries. All these, Marshall insisted, ought to take place in an environment of reasonable living standards. By the end of the ERP, in 1952, the volume of trade among Western European countries had almost doubled in relation to that of 1947; three-quarters of the intra-European import quota restrictions had been eliminated; spiraling unemployment, inflation and escalating national debts were avoided. Without the Marshall Plan, social suffering in West Germany, France, the Netherlands would have increased and this would have affected adversely both their national growth as well as political stability.

Some analysts have seen the Marshall plan as an example of ‘soft-power’. If it was ‘soft power’, it was iron fisted and stealthy ‘soft-power’. The plan included secret clauses that extended not just economic and technical aid for Western European countries but also military funds for bolstering the Italian and Greek armed forces against communism.

How important was the Marshall Plan to Western Europe’s recovery?

Was the Marshall Plan solely responsible for European reconstruction and setting Europe on the road to the *trente glorieuses*? This a point that has been hotly debated. According to the late [Alan Milward](#) and other economic historians, the sums involved were just too small to achieve this. Some European ordoliberals [criticised](#) its reliance on state planning which they interpreted as underpinning failed structures and delaying the transition to a market economy. The revisionist school of Cold War history reduced it to a mere manifestation of American economic imperialism. However, if one approaches the numbers without prejudice and ideological bias one would have to agree with Paul G. Hoffman, (head of the European Co-operation Administration) that the ERP offered European economies the ‘critical margin’ they needed not just to keep going on but also, to keep going on faster.

After all, the plan was designed to encourage the economic conditions necessary for political stability and nation-building in devastated Europe. It was not about just numbers and sums. It was to prove the bedrock in the construction of a Cold War liberal democratic Western Europe inextricably allied to the US. In 1947, Western Europe left to its own devices would have continued to grow, but alone. Without this level and this intensity of aid it would have been unable to achieve similar levels of growth without the already dire living standards of many Europeans plummeting still further – a prospect hardly conducive to encouraging social cohesion and enabling people to look to the future rather than dwell on the past.

In a world full of uncertainty, the plan that took Marshall’s name was one of the necessary ingredients for the

'topography' of *pax americana*. The ERP created a confidence-building environment conducive to the evolution of Western values and 'Atlanticism', in which former enemies could learn to work together. It was in this landscape that NATO was established in April 1949 to defend Europe. It was in the environment the Marshall plan created that Western Europe was able to heal and think boldly about its future. In 1950, France, Germany, Italy and the Benelux countries elaborated their own integrative plans for the future as represented in the Schuman Plan and in 1953 the participants of the London Conference, the majority of them countries that had experienced Nazi occupation, would forgive the German debt that had been accumulated as the result of two world wars.

Lessons for today's challenges

It is remarkable that despite broad consensus that the Marshall Plan was successful, its lessons and principles have not informed the post-Cold War economic thinking. In the post-Cold War world, such bold approaches to economic management and institution building have been seen as outmoded or effective only in the unique post WWII environment where the donor and the recipients shared common political philosophies and existential goals.

A systematic approach to design a new post-Cold War 'topography' has yet to be successfully and sustainably elaborated. The excitement during the autumn of 1989 lay in the promise that a new and better world was dawning. However, the world that 'the end of history' averred has not come about. 'The universalization of Western liberal democracy as the final form of human government', [has not occurred](#). Instead, the Cold War has been succeeded by an era of disorder, acute uncertainty, nebulous enemies and ideologies that are hell-bent on destroying liberal democracy and its values.

With the 70th anniversary of the Harvard speech and the thirtieth anniversary of the end of the Cold War just two years away, some re-thinking of how the West has approached post-Cold War economic development and aid is necessary. Eastern Europe and Russia after the collapse of communism, post-war economic rehabilitations in the Middle East after the end of two Gulf wars, structural adjustments in Southern Europe in the wake of the Eurozone sovereign debt crisis, and aid to the MENA area after the collapse of the so called 'Arab Spring' all need to be examined critically and lessons need to be learned. Could the approach Marshall outlined in his speech be successful outside a Cold War environment? Could a different post-Cold War order have emerged had the principles outlined in Marshall's speech been implemented?

This is not to suggest that a Marshall Plan approach would have worked, for sure, in all these regions and countries. At the same time, the IMF designed 'shock therapy', austerity, 'bean-counting' and aid to post conflict zones without clear and comprehensive strategic aims have failed to live up to the hopes of the autumn of 1989. And yet, the basic threats besetting the West today emanate from causes that share a degree of similarity with the immediate post-war era – disorder, poverty, hunger, unemployment, scarcity of natural resources, uncertainty over nationhood and refugee crises. On this last point, the refugee crisis, one just needs to recall that a solution to the masses of desperate European 'displaced persons' was not found until the Marshall Plan had been implemented.

Conclusion

The post WWII conditions in Europe were unique. Plans for structural adjustment and aid such as Marshall's speech gave birth to are only possible in a world undergoing a spurt of international institution building and where the need for international cooperation is palpable.

Yet, the principles Marshall expounded at Harvard in June 1947 ought not to be considered obsolete and irrelevant as solutions to current problems facing the international political economy. What [it meant](#) was that by 'investing to protect prosperity at home' the plan 'generated peace and prosperity abroad, which in turn led to still greater prosperity for the donor'. Such big thinking still has a place, otherwise, instability, demagoguery, introversion, fragmentation and even conflict may become a permanent feature of an unstable and dystopian future devoid of hope for many parts of the world.

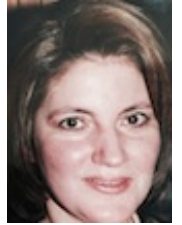
[Please read our comments policy before commenting.](#)

Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

About the author

Effie G. H. Pedaliu – LSE

Effie G. H. Pedaliu is a Visiting Fellow at LSE IDEAS having previously held posts at LSE, KCL and UWE. She is a co-editor of the Palgrave book series, *Security Conflict and Cooperation in the Contemporary World* and a member of the AHRC peer review college. Her latest publication is: John Fisher, Effie G. H. Pedaliu, Richard Smith, *The Foreign Office, Commerce and British Foreign Policy in the 20th Century*, (Palgrave, 2017).



•