

AN ANALYSIS OF THE MARSHALL PLAN

by

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PREFACE

In preparing this thesis, attempt has been made to present the Marshall Plan as a pattern for a constructive American foreign policy which, if adopted throughout the world, would lay a sure foundation for peaceful living.

The economic and political conditions of Europe after World War II are examined in order to explain the aims of the Marshall Plan. The doubts of its success are answered in the light of the results in the first two years of the program, as reported by the Economic Cooperation Administration and recognized by outstanding European and American personalities.

Criticism of the Marshall Plan as an intervention in political affairs and as infringement of the sovereignty of other nations is discussed in relation to international law.

Trying to outline the trend of the Marshall Plan and considering the present economic and political situation in the world, opinion is expressed as to the importance of United States leadership and cooperation among the countries of the free world in order to face the danger of the Twentieth Century to human civilization.

I should like to express my sincere appreciation to Professor Glenn B. Hawkins, Head of the Political Science Department, Oklahoma Agricultural and Mechanical College, Professors Robert E. Powers, John D. Hall, E. Foster Dowell, under

whose teaching I was able to enlarge my knowledge in American political science.

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L. T.

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CHAPTER I

ENUNCIATION OF THE MARSHALL PLAN

On June 5, 1947, a group of confident and eager young American graduates assembled at Harvard to be addressed by the Secretary of State, George C. Marshall.

The Secretary then made his historical proposal: that the nations of Europe get together and plan for the economic recovery of all Europe; that the initiative should come from the European countries in a concerted program of self-help. "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."¹

This suggestion was received immediately with great enthusiasm, and, on June 19, the British and French Foreign Ministers issued invitations to the Russian Foreign Secretary to join them in the talks opened in Paris two days before. Eight days later, the three Foreign Ministers began their conference, but, on July 2, this ended with the withdrawal of Russia.

Twenty-two additional European nations were then invited to meet for further discussion of the Marshall proposal: ten

¹George C. Marshall, "European Initiative Essential to Economic Recovery," United States Department of State Bulletin, 16 (June 15, 1947), 1159.

accepted the invitation. Eastern Europe's countries behind the Iron Curtain declined to attend. The Conference of European Nations convened in Paris on July 12, to set up a permanent Committee of European Economic Cooperation (C. E. E. C.) and to study and coordinate the needs of the various regions of Europe, including Western Germany.

In attendance were representatives of Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxemburg, The Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom.

Working committees were set up to study: (a) food and agriculture, (b) fuel and power, (c) iron and steel, and (d) transport, and the committees were to complete reports for submission to the United States.²

Meanwhile, on June 22, President Truman had appointed three committees to study the extent to which the United States could and should make assistance available to foreign countries. One government committee, under the chairmanship of Secretary of the Interior Krug, was directed to study the relation of a program of foreign aid to the national resources. The second government committee, under the chairmanship of the Chairman of the Council of Economic Advisers, Dr. Nourse, was directed to

²Economic Cooperation Administration, First Report to Congress, (Washington: Government Printing Office, 1948), 95.

look into the impact of foreign aid on the American national economy. The third committee, made up of distinguished citizens under the chairmanship of Secretary of Commerce Harriman, was requested to determine the facts with respect to the character and quantities of United States resources available for economic assistance to foreign countries and to advise the President, in the light of these facts, of the limits within which the United States might safely and wisely extend such assistance.³

On July 21, Secretary Marshall met with House Foreign Affairs Committee in closed session to explain his plan, and, eight days later, the House of Representatives set up a new nineteen-member committee to study the Marshall Plan.⁴ This committee sailed for Europe in order to make extensive investigations on its political and economic conditions, and it returned in October to the United States. Reports by the Committees appointed by President Truman were also submitted to him in October and November.⁵

On September 22, the General Report of the Committee of European Economic Cooperation, signed by sixteen nations, was presented to the United States and, on October 7, conversations began in Washington between European and United States technicians on this Report.

³United States Department of State, Foreign Affairs Outlines No. 15 - Building the Peace, The United States and European Recovery, Publ. 2954, (Washington: Government Printing Office, Autumn, 1947), 4.

⁴Economic Cooperation Administration, First Report to Congress, (Washington: Government Printing Office, 1948), 95.

⁵Ibid., 96.

Meanwhile, on October 6, the Cominform, representing the Communist Parties of nine nations - Russia, Yugoslavia, France, Italy, Poland, Bulgaria, Czechoslovakia, Hungary, and Rumania - was organized to combat the Marshall Plan and "United States imperialism."⁶

On November 10, the Senate Foreign Relations Committee and the House Foreign Affairs Committee met in joint session to begin hearings on the European Recovery Program, and, on January 6, the Congress began to study it.⁷

On April 2, 1948, ten months after Secretary Marshall's historical proposal, the Congress of the United States passed the Foreign Assistance Act, thus demonstrating the determination of the American citizens to assist all free peoples in their efforts to achieve recovery and stability.

Congress called it an Act "to promote world peace and the general welfare, national interest, and foreign policy of the United States through economic, financial, and other measures necessary to the maintenance of conditions abroad in which free institutions may survive and consistent with the maintenance of the strength and stability of the United States."⁸

⁶Ibid.

⁷Ibid.

⁸United States Statutes at Large, Vol. 62, Part I, 137 (1949).

President Truman, who sponsored the legislation, in signing the measure on April 3, said: "This is the answer to the challenge facing the free world."⁹

The action on foreign aid was certainly hurried up by the Communist seizure of power in Czechoslovakia and immediate provisions were taken to enforce the legislation.

On April 6, Paul G. Hoffman, president of the Studebaker Corporation, and a Republican, was nominated by the President as Economic Cooperation Administrator with Cabinet rank.

On April 15, the first cargo financed by the Economic Cooperation Administration sailed from the United States bound for Europe.

The day after, the representatives of the sixteen participating nations and of the occupying Powers of Western Germany signed at Paris the multilateral agreement for economic cooperation and created a permanent body, the Organization for European Economic Cooperation (O. E. E. C.) to develop and carry through, with the assistance of the United States, the combined program for the economic rehabilitation of the European nations.

The proposal of Secretary Marshall thus marked a new approach to the problem of European recovery based on European initiative and self-help, and started a cooperative effort of unprecedented proportions by the representatives of sixteen European nations, and by the legislative and executive branches

⁹Economic Cooperation Administration, First Report to Congress, (Washington: Government Printing Office, 1948), iv.

of the Government of the United States, in order to provide a sound basis for the economic revival of Europe.

In his Harvard speech, Secretary Marshall said he thought the initiative must come from Europe. The role of the United States 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 it to do so. The program should be a joint one, agreed to by a number, if not all, European nations. He added, as a condition of American cooperation, that the European nations would have to increase their industrial production and give other evidence of being ready to aid themselves instead of placing their reliance solely on American aid.¹⁰

The European countries formulated a combined program expressing their resolution to achieve economic recovery by their own joint efforts, aided by the United States. In their report they stated that the difficulties by which they were beset were due to six primary causes: physical devastation and disruption in Western Europe; prolonged interruption of international trade; human strain and exhaustion resulting from six years of war or occupation; internal financial disequilibrium; a shortage of food and raw materials from Southeast Asia, which were vital to

¹⁰George C. Marshall, "European Initiative Essential to Economic Recovery," United States Department of State Bulletin, 16 (June 15, 1947), 1160.

European economy, and the abnormal increase of population in certain areas resulting from a war-time movement of peoples.¹¹

Under the leadership of the Department of State, representatives of virtually all departments of the Government participated in a review of the report of the European countries and in the preparation of the materials to be submitted to the Congress.¹² The President presented to the Congress recommendations for a long-range program of aid and the legislative branch undertook a thorough investigation, a searching examination of the projected plan, and heard extensive testimony.¹³

The President and the Congress were provided with a complete background on which to make the historic decisions involved in the European Recovery Program.

Secretary of State George C. Marshall declared:

After the Paris program was submitted to our Government, it was given an intensive and critical examination. No peace-time project in government history has received more careful attention and study from a large number of highly qualified individuals both in and out of Government. As a result, the measure recommended to the Congress represents the combined judgment of a large number of the nation's best talent. It is the plan, we believe, best adapted to serve the interests both of the United States and the European countries we wish to help. . .

¹¹United States Department of State, Committee of European Economic Cooperation General Report, Vol. I, (Washington: Government Printing Office, 1947), 14.

¹²Economic Cooperation Administration, First Report to Congress, (Washington: Government Printing Office, 1948), v.

¹³Ibid., vi.

Its principal features have been shaped with utmost care, to meet many vital considerations affecting the national interest.¹⁴

The President and Congress reached a consensus of opinion that:

to avoid economic collapse Western Europe must have long-range assistance on a comprehensive scale; that the material and spiritual resources of the countries of Western Europe gave promise that, with such aid, they would be able to achieve recovery; that with skillful management, the resources and productive capacity of the United States were equal to the extraordinary task; and that, if aid were not extended, free institutions everywhere, including our own in the United States, would be put in jeopardy.¹⁵

Congress outlined in the Act three major elements of the recovery program:

1. The promotion of industrial and agricultural production in the participating countries;
2. The furthering of the restoration or maintenance of the soundness of European currencies, budgets, and finances; and
3. The facilitation and stimulation of the growth of international trade of participating countries with one another and with other countries by appropriate measures, including reduction of barriers which might hamper such trade.¹⁶

Supplemental measures were directed also to: encourage the largest possible utilization of manpower within each participating

¹⁴George C. Marshall, The Stake of the Businessman in the European Recovery Program - Address delivered before the Pittsburgh Chamber of Commerce on January 15, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 4.

¹⁵Economic Cooperation Administration, First Report to Congress, (Washington: Government Printing Office, 1948), vi.

¹⁶United States Statutes at Large, Vol. 62, Part I, 138 (1949).

country; make available to European countries American technical experience and advice in management and production; encourage American investments in Europe through guaranties of convertibility of local currencies into dollars; develop programs by which counterpart funds are used to promote recovery in the countries which receive aid in the form of grants - (when a country receives a grant rather than a loan, it must deposit local currency, equivalent in value to the grant, in a fund to be used for recovery purposes in that country); see that assets and earnings belonging to citizens of participating countries, but situated in United States territory, are so far as possible located by the participating country and put to appropriate use in furtherance of the European Recovery Program.

In addition, in order not to impose an excessive burden on the resources of the United States or not to impair the fulfillment of the vital needs of the American people, Congress vested certain responsibilities in the Economic Cooperation Administration. In order to protect the American economy, the European Cooperation Administration was directed to: restrict the export of commodities in short supply; encourage the export of commodities in ample supply; encourage the use of normal private channels of trade; scrutinize carefully all prices paid particularly to see that bulk purchases made in countries outside the United States are not made at prices higher than those prevailing in the United States; route at least 50% of all shipments to Europe in ships flying the American flag. In order to promote the security of the United States, the Economic Cooperation Administration was

directed to: arrange for the purchase of strategic materials from the participating nations and their dependencies; utilize a portion of the counterpart funds for exploration and development to insure an increased supply of strategic materials; refuse delivery to participating countries of commodities for use in the production of other commodities for delivery to any non-participating European country which would be refused an export license for such commodities in the interest of national security.

Other activities of the Economic Cooperation Administration required by the Act were: reimbursement to certain voluntary foreign relief agencies for the ocean freight they spend in sending relief to Europe, and encouragement and facilitation of travel in Europe by American citizens, so that the European countries with dollars so earned could balance their trade accounts with the Western Hemisphere.¹⁷

With this program, the Marshall Plan entered into action in the Spring of 1948.

¹⁷Ibid.

CHAPTER II

ECONOMIC MOTIVES AND OBJECTIVES OF THE MARSHALL PLAN

1. Situation in Europe

The impact of World War II fell on Europe with the violence of a cyclone, disrupting its industry and the normal channels of trade. The homeless were scattered over the face of Europe; natural resources were badly depleted; the political situation in most countries became unsettled and poverty was the only item in abundance. In addition, the population of the Marshall Plan countries had increased over pre-war levels. Against an estimated average population of 206 million in 1934-38 (249 million with Western Germany) the 1947 estimates were 219 million (269 million with Western Germany).¹ This meant a greater population to support with decreased resources. Yet in spite of the numerical increase, most of the Marshall Plan countries were suffering from manpower difficulties, particularly decreased productivity of labor. This resulted from a variety of causes, including war damage to productive plant, obsolescence of equipment, irregularity in the flow of raw materials, lack of adequate occupational training over the war years, an older labor force, the physical deterioration of the population through the cumulative effects

¹Economic Cooperation Administration, The European Recovery Program: Country Studies, Vol. I, (Washington: E. C. A., 1949), 7.

of inadequate diets, and decreased incentive arising from the shortages of consumers' goods.²

National income on a per capita basis in Europe had fallen from one-half the United States level in 1939 to one-quarter in 1946. The distribution of losses was very uneven and further accentuated Europe's difficulties.³

Most of the Marshall Plan countries had been long dependent upon large imports of raw materials, particularly imports of fuels, fertilizers, fibers, ores, and metals. The most part of them were dependent, some of them entirely dependent, upon coal imports. In none of them was there any substantial production of petroleum or cotton. Their industrial activity was based primarily upon the processing and manufacturing industries and their exports were largely in the form of manufactured goods.⁴

Industrial disruption meant devastated factories and cities. It meant shortages of materials and lack of tools and machines. Insufficient production resulted and the most elementary civilian needs could not be satisfied.

Ruined trade and low production meant worthless currencies, which, in turn, meant that the means did not exist to import a minimum of essential supplies. High prices and black markets flourished.

²Ibid.

³Seymour E. Harris, The European Recovery Program, (Cambridge, Mass.: Harvard University Press, 1948), 93.

⁴Economic Cooperation Administration, The European Recovery Program: Country Studies, Vol. I, (Washington: E. C. A., 1949), 3.

The war effort in Western Europe had been financed in large part by government borrowing, with the result that strong inflationary forces were generated by the greatly expanded money supply. As long as inflationary forces were dominant, economic recovery on a sound basis was not possible. In all countries widespread economic controls became necessary, but there nevertheless developed strains which, in some cases, resulted in difficult internal political situations.

Inflation was a barrier to European recovery, for it brought maldistribution of income; distortions in the economic system, inclusive of mal-allocations; impaired the strength of government, reduced the incentive to produce, and aggravated the deficit in the balance of payments.

In the words of the Committee of European Economic Cooperation Report, "in 1945, Europe was perhaps more denuded of resources than at any time in modern history."⁵ What little existed could not be adequately distributed because of insufficient, ruined transportation.

Transportation difficulties, represented by bombed-out freight yards, bridges, tracks, and harbor facilities, had added immeasurably to the curtailment of economic activity. War-time losses of three million freight cars and 22 million tons of shipping created an urgent need of steel for replacement.⁶

⁵United States Department of State, Committee of European Economic Cooperation General Report, Vol. I, (Washington: Government Printing Office, 1947), 4.

⁶United States Department of State, Foreign Affairs Outlines No. 15 - Building the Peace, The United States and European Recovery, Publ. 2954, (Washington: Government Printing Office, Autumn, 1947), 2.

Disrupted agriculture meant drastic shortages of basic foods, seeds, machinery, and fertilizers. Droughts and floods in the two years after VE-Day further reduced minimum subsistence levels.

Most of the Marshall Plan countries had never met their food requirements from their own production. They were characteristically dependent upon the Western Hemisphere, the Far East, and Eastern Europe for large imports of grain, feeds, and fats and oils.

Even before the war the percentage of production to requirements was 32 for the United Kingdom, 47 for Switzerland and Norway, 62 for the Netherlands, 75 for Austria, and 83 for France. Those countries, therefore, were greatly injured by a reduction in cereal output by 14 per cent (1946-47 as compared to pre-war output) and in several important foods by even larger percentages. Besides, they were confronted with population increases of about 10 per cent over pre-war levels.⁷

Food-producing areas like France and Italy were hard hit. French grain production in 1938 was almost 9 million tons. In 1947, it was less than 4 million tons. Short supplies of livestock products meant a very small weekly ration of meat. Fats were rarer still, and vegetables were scarce. Milk was hard to get. Most of the coffee was made from roasted grains and acorns.⁸

⁷United Nations - Department of Economic Affairs, A Survey of the Economic Situation and Prospects of Europe, (Geneva: United Nations, 1948), 16.

⁸United States Department of State, Foreign Affairs Outlines No. 15 - Building the Peace, The United States and European Recovery, Publ. 2954, (Washington: Government Printing Office, Autumn, 1947), 2.

The problems of Europe were complicated by the unavailability of natural resources in the Far East. Europe, heavily dependent upon her access to raw materials in this area, was handicapped by the unsettled and war-devastated conditions there. Restrictions on trade in many areas, heretofore markets for European goods, meant a bleak outlook in the cities of Western Europe for the thousands of people dependent upon Europe's once thriving export trade.

In his statement before the Senate Committee on Foreign Relations on January 8, 1948, Secretary Marshall said:

The war disrupted the flow of vital raw materials from Southeast Asia, thereby breaking the pattern of multilateral trade which formerly provided, directly or indirectly, large dollar earnings for Western Europe. In the postwar period artificial and forcible reorientation to the Soviet Union of eastern European trade has deprived Western Europe of sources of foodstuff and raw material from that area.⁹

The industrial structure of Western Europe was based upon coal, steel, and chemicals and none of the Western European countries was in a position to organize its industry effectively without the support of the others. This structure was highly developed and depended for its efficient working upon the smooth working of international trade and the uninterrupted flow of goods and services. The war destroyed this process and this breakdown altered the whole basis of the economy of Europe.

⁹George C. Marshall, "Assistance to European Economic Recovery," United States Department of State Bulletin, 18 (January 18, 1948), 71-77.

The continued shortage of coal, the increased cost of primary products and the prolonged world shortage of food and other essential commodities in the winter 1946-1947, stopped the improvement which had already been proceeding well since the end of the World War II.

Coal and steel are dependent upon each other. Shortages in these basic resources had dealt the hardest blow to European economy. The greatest source of coal supply, the Ruhr, was barely above 50 per cent of pre-war production, and even to restore output to pre-war levels would have required nearly two million tons of steel for repairs and maintenance. Coal for domestic heating was virtually non-existent. During most of the 1946-47 winter in Britain there was not sufficient coal-produced electricity to provide electric lighting for industry, government, and homes.¹⁰

The balance between the productive power and the resources of the Western Hemisphere and those of the rest of the world was upset: the European countries had to maintain the volume of their imports from the American continent at increasing cost. This process inevitably led to a rapid depletion of gold and dollars reserves and the effects of this process reached far beyond Europe and threatened the foundations of the world economy.

In his address before the Pittsburgh Chamber of Commerce, Secretary Marshall said:

¹⁰United States Department of State, Foreign Affairs Outlines No. 15 - Building the Peace, The United States and European Recovery, Publ. 2954, (Washington: Government Printing Office, Autumn, 1947), 2.

. . . I have been talking about Europe, but the situation is even more serious than that. Europe was at the heart of a great world trading and financial organization. Her failure to recover would have disastrous effects in many other areas. The economies of Latin America and Canada, for example, are organized on the basis of having markets in Europe. If Europe fails to recover, and she certainly cannot do so without our aid, the repercussions will be felt throughout the entire world.¹¹

Europe suffered more acutely and urgently because her financial and physical resources were dissipated during the war. All the improvements Europe could make following the winter crisis was maintained only at the cost of depletion of financial reserves. When these were exhausted, the peoples of Europe would be threatened with an indefinite prolongation of insecurity and lower standards of living unless drastic steps were taken to arrest the process, European production could never play a proper part in redressing the growing unbalance of the world economy.¹²

In 1947, the annual United States exports to the Marshall Plan countries were approximately \$5,300,000,000 and imports \$700,000,000. The deficit of \$4,600,000,000 was made up largely by gifts and loans to the European nations by the American people.¹³

¹¹George C. Marshall, The Stake of the Businessman in the European Recovery Program - Address delivered before the Pittsburgh Chamber of Commerce on January 15, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 6.

¹²United States Department of State, Committee of European Economic Cooperation General Report, Vol. I, (Washington: Government Printing Office, 1947), 17.

¹³Paul G. Hoffman, Address delivered before the Philadelphia Chamber of Commerce on February 21, 1949, (Washington: E. C. A., 1949), 2.

The breakdown of trade with Eastern Europe, Eastern Germany, and Asia, the crop failures, and especially higher prices for imports and losses of invisible credits, were special factors intensifying the crisis of dollar shortage.

The task of bringing exports and imports into rough balance by June 30, 1952 was obviously quite an undertaking, but this task had to be accomplished if European recovery was to have substance.

German occupation had drastically upset the economic life of many of the Marshall Plan countries. The Germans made every effort to integrate the economies of the occupied countries into the German war machine, a policy which meant the breaking of existing economic ties with neighboring countries and the focusing of the economies of the occupied countries on Berlin.

With the collapse of Germany in defeat, it was necessary to start almost at the beginning to recreate economic intercourse between the European countries. The virtual disappearance of Germany as a major factor in the post-war European economy had drastic repercussions on the Marshall Plan countries.¹⁴

Divided into a western economy and an eastern economy, and without Germany, Europe was heavily dependent on overseas supplies. It was not functioning as a single trade community and the division of Europe presented an unhappy prospect.

¹⁴Economic Cooperation Administration, European Recovery Program: Country Studies, Vol. I, (Washington: E. C. A., 1949), 2-4.

Western Europe was then facing catastrophe. The Committee of European Economic Cooperation Report expressed it clearly:

If the flow of goods from the American Continent to Europe should cease, the results would be calamitous. Europe's dollar resources are running low. One country after another is already being forced by lack of dollars to cut down vital imports of food and raw materials from the American Continent. If nothing is done a catastrophe will develop as stocks become exhausted. If too little is done, and if it is done too late, it will be impossible to provide the momentum needed to get the programme under way. Life in Europe will become increasingly unstable and uncertain; industries will grind to a gradual halt for lack of materials and fuel, and the food supply of Europe will diminish and begin to disappear.¹⁵

Besides, Europe had (and still has) to overcome obstacles of ancient habits, national borders, limited trade areas and land monopolies and systems of government; had to break through these restrictions to save her individuality, achieve a customs union, and an economic partnership.

2. Repercussions in the United States

The situation in Europe led the United States to take action, not only in order to re-establish the economic order, but also to defend its own interests.

The United States had a vital interest - humanitarian, economic, strategic, and political - in helping the participating countries to achieve the economic recovery.

"An objective analysis of the situation," the Harriman Committee reported, "points conclusively to the need for courageous

¹⁵United States Department of State, Committee of European Economic Cooperation General Report, Vol. I, (Washington: Government Printing Office, 1947), 6-7.

constructive action to aid Western Europe, both for its sake and for our own enlightened self-interest."¹⁶

In his address at a dinner at Palmer House, in Chicago, on November 18, 1947, Secretary Marshall said:

It seems evident that as regards European recovery, the enlightened self-interest of the United States coincides with the best interest of Europe itself and of all those who desire to seek conflicts of whatever nature resolved, so that the world can devote its full attention and energy to the progressive improvement of the well-being of mankind. The place to begin that process is Europe.¹⁷

In his message to Congress on December 19, 1947, President Truman declared:

Considered in terms of our own economy, European recovery is essential. The last two decades have taught us the bitter lesson that no economy, not even one so strong as our own, can remain healthy and prosperous in a world of poverty and want.

Europe is an essential part of a world trading network. The failure to revive fully this vast trading system, which has begun to function again since the end of the war, would result in economic deterioration throughout the world. The United States, in common with other nations, would suffer.¹⁸

In passing the Economic Cooperation Act of April 2, 1948, the Congress stated:

Recognizing the intimate economic and other relationships between the United States and the nations

¹⁶European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 21.

¹⁷George C. Marshall, "The Problems of European Revival," United States Department of State Bulletin, 17 (November 30, 1947), 1025.

¹⁸Harry S. Truman, A Program for United States Aid to European Recovery, Message to the Congress on December 19, 1947, U. S. Dept. of State, Publ. 3022 (Washington: Government Printing Office, February, 1948), 4.

of Europe, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations.¹⁹

The United States could not permit the collapse of Europe, because getting along without Europe would in an economic sense almost mean getting along without the rest of the world. One-fifth of the imports that came in 1938 to the United States from the sixteen Marshall Plan countries included many manufactured articles the United States could not easily do without. In the event of collapse of the mother countries, the exports from the colonies of Europe, source of many of United States essential raw material imports, would have been disrupted.²⁰

Also getting along without Europe would mean pretty much getting along without exports. In the period 1921-25 about 22 per cent of United States exports went to the United Kingdom; approximately 20 per cent went to Germany, France, and Italy. During the worldwide depression of the 1930's the United States' exports to Europe were reduced, but from 1936 to 1938 the United Kingdom took 17 per cent and, in 1938, the Marshall Plan countries together took 35 per cent of the United States' total exports.²¹

¹⁹United States Statutes at Large, Vol. 62, Part I, 137 (1949).

²⁰Alger Hiss, "Basic Questions in the Great Debate," New York Times Magazine, (November 16, 1947), 7.

²¹Ibid.

The economic dislocation of Europe would have also heavily cut United States exports to non-European countries, whose ability to buy United States products would have been sharply reduced by the inability to acquire dollar exchange from the sale of commodities to Europe. An area normally responsible for more than half the world's trade could have not been eliminated without a major disruption in world economy - a disruption from which the United States would have suffered. With the greatly expanded productive capacity of today, loss of export markets would have had still greater impact on the United States' economy.²²

The European countries had been by tradition the best customers of the United States and were vital to the functioning of world commerce. If conditions in Europe had continued to deteriorate, all American business would have suffered. The United States' export trade has been an important part of its national economy; therefore it was distinctly to its advantage to recreate a strong and healthy Europe, which, in turn, would mean a larger market for American goods.²³

The situation of Europe would have also had serious repercussions on the internal setup of the American economy.

"The failure of Europe to recover," said President Truman

²²Ibid.

²³Economic Cooperation Administration, The Marshall Plan, (Washington: E. C. A., 1950), 10.

in his message to Congress, "her surrender to totalitarian control, might well compel us to modify our own economic system."²⁴

"The freedom that we cherish in our own economy and the freedom that we enjoy in the world today are both at stake," he declared.²⁵

Addressing the Chamber of Commerce of Pittsburgh, Secretary Marshall said: "The cumulative loss of foreign markets and sources of supply would unquestionably have a depressing influence on our domestic economy and would drive us to increased measures of government control."²⁶

This danger was also expressed in the Report of the Harriman Committee:

Our economic self-interest is closely related to the fate of Europe. The deterioration of European Economy for lack of means to obtain essential imports would force European countries to resort to trade by government monopoly, - not only for economic but for political ends. The United States would almost inevitably have to follow suit. The resulting system of state controls, at first relating to foreign trade, would soon have to be extended into

²⁴Harry S. Truman, A Program for United States Aid to European Recovery, Message to the Congress on December 19, 1947, U. S. Dept. of State, (Washington: Government Printing Office, February, 1948), 10.

²⁵Harry S. Truman, "The Future of the Free Nations of Europe Hangs in the Balance," United States Department of State Bulletin, 17 (November 30, 1947), 1023.

²⁶George C. Marshall, The Stake of the Businessman in the European Recovery Program - Address delivered on January 15, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 6.

the domestic economy to an extent that would endanger the survival of the American system of free enterprise.²⁷

The United States was vitally concerned over living standards and general conditions in Western Europe and other areas. A lowering of living standards in Europe as a whole would have had a depressing effect on living standards in the United States.

Serious concern over the effects of the European situation on the American taxpayers and businessmen was clearly expressed by Secretary of State Marshall:

The fatal deterioration and collapse of Europe economically and therefore politically would result in consequences of a most serious nature for this country. The situation we then would face would necessarily impose on us such burdens in the way of taxes, discomforts, sacrifices, and impairments of the rights and privileges we now enjoy as to make those that now confront us seem trivial by comparison.

. . . If the businessmen of this country are again to enjoy the former facilities for residing, traveling, and doing business among the European peoples, then it is essential that the Europeans retain their confidence in this country and in the soundness of liberal institutions in general. It is idle to think that a Europe left to its own efforts in these serious problems of recovery would remain open to American business in the same way that we have known it in the past.

We are, (he continued), all stockholders in the same company - the United States of America. The paramount question before us, I think, can be stated in business terms.²⁸

²⁷European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 19.

²⁸George C. Marshall, The Stake of the Businessman in the European Recovery Program - Address delivered on January 15, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 6-7.

He explained, saying that the American people were required to make a decision as to which was the wiser course: whether to make a capital investment in European recovery involving a sum that though large was well within their means, with a good prospect of realizing long-term gains; or whether to spend their abundant capital for the satisfaction of their immediate wants, in the hope that the day of reckoning could be indefinitely deferred.

I consider, (he concluded), the prudent course in this situation is prompt and effective action to assure solvency and stability in Europe. I think that is our role as a leader in a distressed world.²⁹

Should, then, the United States have concerned itself with European recovery or not?

In his address delivered before the National Industrial Conference Board in New York City on January 22, 1948, Willard L. Thorp, Assistant Secretary of State for Economic Affairs, declared:

One can approach the question from the economic side. There can be no doubt that a collapse of Europe would have repercussions all around the world, and would disrupt all of our normal international economic relationships. First to suffer, of course, would be our exporters. But they cannot be segregated from our general economic life. If the cotton farmer loses his foreign market, all those who sell commodities to him will feel the blow. The starting point may be the exporting group, but prosperity as well as depression tends to be indivisible.

Actually, the new post-war economic world will have a somewhat different pattern from the pre-

²⁹Ibid.

war world. If we could make the incredible assumption that the only variables in the situation were economic, and then we should shut off our assistance, there would be a serious collapse in other countries. We would then have to make our own readjustments to an extremely low level of trade, which might gradually and slowly build up again over time. The alternative, under the recovery Program is to have a gradual readjustment without the intermediate collapse. From the point of view of economic waste and disorganization, there can be little choice between the two courses. When one adds the non-economic factors, the future trade pattern - if there were an immediate collapse in Europe - is most obscure, but we can be sure that we would not like it. Sudden major economic changes are always costly.

And finally, we must look at the alternative. Choices should never rest on seeing only one side of the coin. Secretary Marshall summarized it in eight words, "the program is an economy, not an expense."

Who can calculate to the full the cost for us of a disorganized and disturbed Europe? It is a risk without limit and the costs to all of us would be much more than those which would then appear in the Federal budget and more painfully in our communications to the Collector of Internal Revenue.³⁰

Speaking before the annual Convention of the Texas Cotton Association in Corpus Christi, Texas, on March 19, 1948, Mr. Winthrop G. Brown, Acting Director of the Office of International Trade Policy, Department of State, declared:

You may well ask how this recovery program will affect each of you and what role you will be called upon to play. Cotton, for example, is one of the raw materials most needed for

³⁰Willard L. Thorp, Elements in European Recovery, U. S. Dept. of State (Washington: Government Printing Office, 1948), 13-14.

European textile production. It is now estimated that Europe will need about 27 million bales of cotton during the next four and one half years. Of this total, 10.7 million bales will be shipped from the United States under the projected program. From April 1, 1948, to July 1, 1949, it is estimated that 3 million bales of cotton will be supplied to Europe from the United States. Shipments planned under the program will, therefore, provide an outlet for a considerable portion of the cotton we produce for export in the next several years.

Oscar Johnston, Chairman of the National Cotton Council's board of directors, recognizing the importance of the European Recovery Program for the American cotton producers and urging its support, said: "The Marshall Plan is the best possible insurance for the cotton farmer over the next several years." Stressing the political and economic repercussions should there not be such a program, he stated: "The odds are overwhelmingly against individuals in a free-enterprise system dealing successfully against totalitarian governments. If we are to remain free and prosperous, we must have some company. If we act with courage, intelligence, and dispatch we can assist the countries of Western Europe to restore their economies. Certainly this is in our national interest." Mr. Johnston's words are well chosen.³¹

The Harriman Committee, despite occasional disagreement respecting details, came to the over-all conclusion that the recovery program not only was well within the American capacity but also that it was essential to the best welfare of the United States:

The Committee is convinced that a sound program for Western European recovery should be formulated and adopted by the United States with the same boldness

³¹Winthrop G. Brown, United States Economic Foreign Policy, U. S. Dept. of State (Washington: Government Printing Office, 1948), 3.

and determination, and the same confidence in the worthiness of the democratic cause, which characterized our action in World War II.³²

In his address delivered before the Convention of the American Legion, in Philadelphia, Penn., on August 29, 1949, President Truman reasserted the reasons for the United States to undertake the recovery of Europe.

We in the United States depend upon foreign countries for many vital minerals and other raw materials. Without foreign trade, many of our industries would suffer. Moreover, we need to sell many things abroad. Our cotton, our wheat, and our tobacco, for example, must have foreign markets. Our prosperity would be seriously damaged if the export of our products were cut off.

We cannot, therefore, fall back into economic isolationism.

One of the most serious difficulties we face is the fact that, at present, foreign nations need to buy more things from us than we need to buy from them. They have called upon us for food and raw materials in unprecedented amounts. Furthermore, many countries need equipment and machinery, which only we can supply, if they are to develop their own resources and raise their own standards of living.

The urgent demand which foreign countries have for these things far exceeds their present capacity to pay for them.

We will continue the European Recovery Program as our principal means of meeting emergency needs for the next three years.³³

³²European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 22.

³³Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State, (Washington: Government Printing Office, 1949), 54-55.

3. Objectives in Europe

The economic aims of the Marshall Plan were broadly expressed in the message of President Truman to Congress and the American people, on December 19, 1947.

The first essential for a successful European Recovery Program is that each nation separately and all the nations together should take vigorous action to help themselves. The second essential is that sufficient outside aid should be made available to provide the margin of victory for the recovery program.

The necessary imports which the sixteen countries cannot finance without assistance constitute only a small proportion of their total national production - some 5 per cent over the four years of the program, but these imports are of crucial importance in generating recovery. They represent the difference between ever-deepening stagnation and progressive improvement.

Only the United States can provide the bulk of the aid needed by Europe over the next four years.

Our funds will enable the countries of Europe to purchase goods which will achieve two purposes - to lift the standard of living in Europe closer to a decent level, and at the same time to enlarge European capacity for production.

They will enable them to import grain for current consumption, and fertilizer and agricultural machinery to increase their food production. They will import fuel for current use, and mining machinery to increase their coal output. In addition, they will obtain raw materials, such as cotton, for current production, and some manufacturing and transportation equipment to increase their productive capacity.

Recovery for Europe will not be achieved until its people are able to pay for their necessary imports with foreign exchange obtained through the exports of goods and services.³⁴

³⁴Harry S. Truman, A Program for United States Aid to European Recovery - The Message to the Congress on December 19, 1947, U. S. Dept. of State (Washington: Government Printing Office, February, 1948), 4.

In passing the Economic Cooperation Act on April 2, 1948, the Congress stated:

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 achievements by the countries of Europe of a healthy economy independent of extraordinary outside assistance. The accomplishment of these objectives calls for a plan of European recovery, open to all such nations which cooperate in such plan, based upon 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 exchange and to bring about the progressive elimination of trade barriers.³⁵

European reconstruction was the battle against hunger, poverty and chaos, and an effort to avert Communism.

The objective of the European Recovery Program, (said Secretary Marshall), is to achieve lasting economic recovery for Western Europe: recovery in the sense that after our aid has terminated, the European countries will be able to maintain themselves by their own efforts on a sound economic basis.

So long as hunger, poverty, desperation and resulting chaos threaten the great concentrations of people in Western Europe, there will steadily develop social unease and political confusion on every side.

. . . The foundation of political vitality is economic recovery. Durable peace requires the restoration of Western European vitality.³⁶

³⁵United States Statutes at Large, Vol. 62, Part I, 137 (1949).

³⁶George C. Marshall, "Assistance to European Economic Recovery," United States Department of State Bulletin, 18 (January 18, 1948), 71-77.

Speaking about the functions of the Economic Cooperation Administration, the Administrator Paul G. Hoffman said:

The Economic Cooperation Administration had been established to make effective a wholly new foreign economic policy designed to build a solid base for peace. This policy recognizes the interdependence of United States economy and economy of Western Europe and seeks to protect and promote freedom and prosperity at home by protecting and promoting it abroad. This new policy is based upon the hard-earned conclusion that the most effective way to stop Communism is to help remedy the economic conditions that cause people in despair to turn to Communism.

The Marshall Plan is the official expression of the new foreign economic policy of the United States.³⁷

Should the United States have not decided to give assistance to Europe, the grim downward spiral, in which each critical shortage beget other shortages, might have moved faster. Spots of starvation would undoubtedly have appeared and spread as panic would have driven the remaining food supplies into hiding. Shortages of coal and raw materials could have progressively shut down the powerhouses and factories. Disorder, riots, and chaos then would have followed.

If more food could have been furnished the Ruhr, more coal would have been produced. If more coal could have been supplied to nitrate plants, the additional fertilizer would have augmented the European food supply, which would have greatly increased the productivity of labor in industry and coal mining. More coal would have likewise made more steel available,

³⁷Paul G. Hoffman, The Role of E. C. A. in National Administration, (Washington: E. C. A., December 29, 1948), 2.

which could have been used in the production of mining equipment to produce more coal and to make freight cars to break the transport bottleneck.

The Marshall Plan countries, in their Conference for European Economic Cooperation, held in Paris on September 22, 1947, agreed on coordination of their economies and on the aims of the Marshall Plan.

Their Report assumed a high degree of self-help by the countries concerned and mutual help between them. This recovery program was based on four lines of action:

1. An all-out effort toward increasing production, especially in agriculture, fuel and power, transport, and modernization of equipment.

(a) Restoration of pre-war bread grain and other cereal production, with large increase above pre-war in sugar and potatoes, some increase in oils and fats, and as fast an expansion in livestock products as supplies of feeding stuffs will allow.

(b) Increase of coal output to 584 million tons, i. e. 145 million tons above the 1947 level (an increase of one-third), and 30 million tons above the 1938 level.

(c) Expansion of electricity output by nearly 70,000 million kwh or 40 per cent above 1947 and a growth of generating capacity by over 25 million kw or two-thirds above pre-war.

(d) Development of oil refining capacity in terms of crude oil throughput by 17 million tons to two and a half times the pre-war level.

(e) Increase of crude steel production by 80 per cent above 1947 to a level of 55 million tons or 10 million tons (20%) above 1938.

(f) Expansion of inland transport facilities to carry a 25 per cent greater load than in 1938 at the end of the program.

(g) Restoration of pre-war merchant fleets of the participating countries by the end of the European Recovery Program.³⁸

2. The creation and maintenance of internal financial stability as an essential condition for securing the full utilization of Europe's productive and financial resources.

3. Development of maximum economic cooperation between the participating countries. Thirteen countries constituted themselves as a group to study the creation of a European customs union. The French Government stated that it was ready to commence negotiations with all European nations who wished to enter a customs union with France and whose national economies were capable of being combined with the French economy in such a way as to make a viable unit. The Italian Government associated itself with the French statement.

4. A solution of the problem of the participating countries' trading deficit with the American continent, particularly by increased exports. The problem before the partici-

³⁸United States Department of State, Committee of European Economic Cooperation General Report, Vol. I, (Washington: Government Printing Office, 1947), 14.

pating countries, as well as the basic aim of the recovery program, was thus to revive and expand their production so as to eliminate abnormal demand on the outside world and produce for export the increased volume of goods required to pay for the imports the participating countries would continue to need.³⁹

In relation to the 1947 levels of trade (expressed in 1938 prices) the gap was about \$3.3 billion and would have involved a 114 per cent increase in export or a 53 per cent contraction in imports.

Europe's adverse balance of trade with the United States was 70 per cent of her total deficit.⁴⁰

Agreement was achieved on collective action on the following special problems: common planning of the exploitation of new sources of electric power; encouragement of the standardization of mining and electric supplies and freight cars; examination of speed-up methods for transportation; and arrangements for the interchange of knowledge about programs of modernization and extension by steel-producing countries.

The Report showed that, even after taking full account of the supplies which they could hope to obtain from the rest of the world, the participating countries would require large quantities of food, fuel, raw materials, and capital equipment from the

³⁹Ibid., 4-7.

⁴⁰United Nations - Department of Economic Affairs, A Survey of the Economic Situation and Prospects of Europe, (Geneva: United Nations, 1948), 40.

American continent. Without this flow of goods the whole recovery program would be in jeopardy.⁴¹

Even United States experts, more conservative than those of the Committee of European Economic Cooperation, anticipated the following percentage rise in output from 1947 to 1952: coal, 33; finished steel, 71; hydroelectric power, 36; grains, 39; meat, 31 per cent. These rises and particularly those for coal, steel, and power, were compatible with a rise of income of at least 25 per cent from 1947 to 1952.⁴²

In his address before the joint meeting of Chicago Association of Commerce and Industry and Executives Club of Chicago, on November 5, 1948, Paul Hoffman declared:

In the year of 1947 the total income produced in the Western European nations was approximately \$100 billion. If by the terminal date of June 30, 1952, the European annual income is at a level of approximately \$135 billion, we will feel that our operation has been a success.⁴³

4. European Cooperation

The United States sought, above all, the mutual cooperation of the European nations to the end of genuine economic self-support on their part. The United States wanted to help them to help themselves, recognizing that American resources could be

⁴¹United States Department of State, Committee of European Economic Cooperation General Report, Vol. I, (Washington: Government Printing Office, 1947), 4-7.

⁴²United Nations - Department of Economic Affairs, A Survey of the Economic Situation and Prospects of Europe, (Geneva: United Nations, 1948), 26-29.

⁴³Economic Cooperation Administration, Report on the European Recovery Program, (Washington: E. C. A., November, 1948), 1.

of little real help unless Europe's own resources were well and fully used. The objective was expressed by the United States Special Representative, W. Averell Harriman, on his arrival in Paris, when he said, "The United States wants to make Europe self-sustaining and then get out and tend to our own business at home. The sooner we can push this program through and get out, the happier the American people will be."⁴⁴

In passing the Economic Cooperation Act on April 2, 1948, Congress asserted:

Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is declared to be the policy of the people of the United States to encourage these countries through a joint organization to exert sustained common efforts as set forth in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, which will speedily achieve that economic cooperation in Europe which is essential for lasting peace and prosperity.

It is further declared to be the policy of the people of the United States to sustain and strengthen principles of individual liberty, free institutions, and genuine independence in Europe through assistance to those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation.⁴⁵

In his address (The Requirements for a Lasting Peace) delivered at the dedication of World War Memorial Park in

⁴⁴Economic Cooperation Administration, American Business and European Recovery Program, (Washington: E. C. A., August II, 1948), 4-5.

⁴⁵United States Statutes at Large, Vol. 62, Part I, 137 (1949).

Little Rock, Arkansas, on June 11, 1949, President Truman declared:

One condition essential to peace is that other nations, as well as our own, must be strong and prosperous.

We need other nations as our allies in the cause of human freedom. We have seen free nations lost to the democratic way of life because of economic disaster. We know that despair over economic conditions will turn men away from freedom and into the hands of dictators. It is to our interest, therefore, to aid other nations to restore and maintain their economic health. Our aim is not only to help other nations to help themselves, but also to encourage economic cooperation among them.

This cooperative principle has been applied in our great undertaking to restore the economies of the Western European nations to a self-sustaining basis.⁴⁶

A major field in which the European countries were expected to act was in the reduction of tariff and other barriers to trade among themselves and with other countries. Barriers which stifle the exchange of goods prevent maximum production and employment.

In his address (New Problems in World Prosperity) delivered before the Convention of the American Legion in Philadelphia, President Truman declared:

We are encouraging closer regional ties among nations in order to lower trade barriers and increase production.

The nations of Europe, under the stimulus of our aid, are working toward closer ties of

⁴⁶Harry S. Truman, A New Era in World Affairs, Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 19-20.

economic union. Already, through the Organization for European Economic Cooperation, they have begun to make joint decisions that affect their basic economic policies. In the Council of Europe, now meeting at Strasbourg, more far-reaching measures of European union are being considered.

Closer economic union means a difficult period of transition for the countries that enter into it, but it is essential for a better world. The United States will do what it can to aid the European nations to achieve greater unity.⁴⁷

5. Interest of the United States and of the World

For the United States, furthermore, the aim of the European Recovery Program was one of enlightened self-interest - shared by Europe - in the rebuilding of a free, prosperous and secure world.

The economic effects of the Marshall Plan would extend far beyond the boundaries of the sixteen countries involved. It was in one important sense a world recovery program, a key part in the greater objective of improved economic conditions throughout the world.

The European Recovery Program, (said President Truman in his message to Congress on December 19, 1947), is also the means by which we can make the quickest and most effective contribution to the general improvement of economic conditions throughout the world. The workshops of Europe, with their great reservoir of skilled workers must produce the goods to support peoples of many other nations.⁴⁸

⁴⁷Ibid., 56.

⁴⁸Harry S. Truman, A Program for United States Aid to European Recovery, The Message to the Congress, U. S. Dept. of State (Washington: Government Printing Office, February, 1948), 4.

Then, self-help of each nation, mutual help of all the sixteen nations, and American aid were intended to integrate the single unit of Western Europe into the world economic pattern.

With the sixteen nations of Western Europe restored to health, production and cooperative trade, the world would achieve a new stability which nothing could attempt to upset.

In his address before the National Industrial Conference Board, Assistant Secretary of State for Economic Affairs, Willard L. Thorp, declared:

There is no way in which Europe can be separated from the rest of the world. Recovery there is certain to mean economic improvement elsewhere.

Many countries have traditionally supplied the European market with raw materials and other commodities. Western Europe used to account for nearly one-half of the world's imports and 40 per cent of the exports. Its failure to act in its pre-war capacity has upset trade channels everywhere.

So far as the Western Hemisphere is concerned, the effect of the European Recovery Program will be direct, through the purchase of commodities there for shipment to Europe. The immediate economic problem of our northern and southern neighbors is that of finding a market. But procurement under the plan will create the same condition as though the market were re-established; and the recovery of Europe will provide them once again with a permanent market for their raw materials.

It is true that many parts of the world today are eager to raise their standard of living. There is a great demand in the underdeveloped areas for industrialization and diversification. These are long-run objectives. They will require equipment and technical assistance. The recovery of

Europe, the second greatest workshop in the world, (after the United States), will in turn make it possible for the underdeveloped areas to move upward towards their great objectives.⁴⁹

By taking part in a program for European recovery, the American people were not only making a significant contribution toward the preservation of European civilization, but would themselves benefit directly through increased European trade, political stability, and social progress. These were the objectives. They were the principal weapons in the struggle for peace. They are the reasons which underlie the Marshall Plan.

The economic objectives for the United States were clearly established by the Congress. The Economic Cooperation Act of 1948 said that:

(a) participating countries would develop and make available for American stockpiling essential materials needed in the United States;

(b) goods financed under the Marshall Plan must go, at least to the extent of 50 per cent, in American ships;

(c) by raising the living standards and increasing consumer capacity in the participating countries the United States was enlarging its foreign market;

(d) the restoration of confidence and the stimulation of free enterprise in Europe would provide a strong economic as well as political bulwark for America.⁵⁰

⁴⁹Willard L. Thorp, Elements in European Recovery - Address delivered on January 22, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 12-13.

⁵⁰United States Statutes at Large, Vol. 62, Part I, 146 (1949).

The European Recovery Program was in line with, and an integral part of, American foreign trade policy. Only when foreign countries regained their capacity to produce goods and services for their own use and for exchange with other countries could American investors expect repayment of their foreign loans and American exporters hope for remunerative foreign markets for their goods.

Payment of loans begins in 1956. Interest at $2\frac{1}{2}$ per cent per annum will become effective in 1952.⁵¹ "The true return to the American taxpayer, however," said Economic Cooperation Administrator Paul G. Hoffman, "will be in other savings made possible by the success of the Marshall Plan."⁵²

Why must the United States carry so great a load in helping Europe? Can the United States afford the European Recovery Program? "The answer is simple," said Secretary Marshall. "The United States is the only country in the world today which has the economic power and productivity to furnish the needed assistance."⁵³

In addition, in order to protect the American economy, the Congress established in the Economic Cooperation Act of 1948 that "no assistance to the participating countries may be given

⁵¹Economic Cooperation Administration, E. C. A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 4.

⁵²Ibid.

⁵³George C. Marshall, "Assistance to European Economic Recovery," United States Department of State Bulletin, 18 (January 18, 1948), 71-77.

which would seriously impair the economic stability of the United States. Procurement must be effected in such a way as to minimize the drain upon the resources of the United States. No commodity that is in short supply here will be shipped abroad under the Marshall Plan."⁵⁴

On this subject, Secretary of State Marshall said:

In developing the program of American assistance, no question has been more closely examined than the ability of the United States to provide assistance in the magnitudes proposed. Both in terms of physical resources and in terms of financial capacity, our ability to support such a program seems clear.

Considerations of the cost must be related to the momentous objective on the one hand and to the probable price of the alternatives. The 6.8 billion dollars proposed for the first 15 months is less than a single month's charge of the war. A world of continuing uneasy half-peace will create demands for constantly mounting expenditures for defense. This program should be viewed as an investment in peace. In those terms, the cost is low.⁵⁵

"The Secretary of Defense and the Army Secretary," declared Senator Arthur A. Vandenberg on March 1, 1948, "testified to the Senate Foreign Relations Committee that in the absence of some reasonable prospect for the stabilization of Western Europe they would find it necessary to urgently demand billions more for national military defense."⁵⁶

⁵⁴United States Statutes at Large, Vol. 62, Part I, 146 (1949).

⁵⁵George C. Marshall, "Assistance to European Economic Recovery," United States Department of State Bulletin, 18 (January 18, 1948), 71-77.

⁵⁶Arthur H. Vandenberg, "The E.C.A.: A Plan for Peace, Stability and Freedom" - Address delivered in the U.S. Senate, Vital Speeches, 14 (March 15, 1948), 325.

However, the burden on the American people was not a light one:

"The aid which the United States gives will impose definite sacrifice on this country," declared the Harriman's Committee in its Report to the President.⁵⁷

But, notwithstanding this prospect of the heavy task the American people were going to undertake, they accepted in great majority the support of European Aid:

I have been heartened, (declared President Truman in his message to Congress on December 19, 1947), by the widespread support which the citizens of the United States have given to the concept underlying the proposed aid to European recovery.

Workers, farmers, businessmen and other major groups have all given evidence of their confidence in its noble purpose and have shown their willingness to give it full support.⁵⁸

At the Convention of the American Federation of Labor, held in San Francisco in 1947, the representatives of over 7 million American wage-earners, after carefully weighing all the pros and all the cons, decided unanimously that the Marshall Plan merited the unequivocal support of every loyal American.

The Convention said: "It is to the self-interest of every American worker that the rehabilitation of war-torn Western Europe be successfully accomplished."⁵⁹

⁵⁷European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 11.

⁵⁸Harry S. Truman, A Program for United States Aid to European Recovery, The Message to the Congress on December 19, 1947, U. S. Dept. of State (Washington: Government Printing Office, February, 1948), 17.

⁵⁹George Meany, "Why Labor Supports the Marshall Plan," American Federationist, 55 (January, 1948), 5.

In the labor's platform presented by the American Federation of Labor in Philadelphia in June, 1948, this proposal was submitted: "We urge vigorous prosecution of the European Recovery Program throughout its full contemplated period of operation in a manner that will assure the rehabilitation of the Western European nations. Nothing less than the full program will do the job."⁶⁰

In embarking on this program, the United States recognized that it cannot be an island of prosperity and security in an unstable and impoverished world. The United States foreign economic policy is a policy of cooperation with other nations for the benefit of all, including the United States, which has the most at stake.

⁶⁰"Labor's Platform," American Federationist, 55 (July, 1948), 7.

CHAPTER III

POLITICAL REASONS AND AIMS OF THE MARSHALL PLAN

1. Situation in Europe

The reasons, however, which compelled the United States to take control of the situation and strive for the reconstruction of the Old World lay far beyond the contingent situation of Europe after the World War II.

The economic situation of Europe brought along political disorganization and disorder. Bread riots and general strikes put in jeopardy already staggering governments. Lack of confidence among whole populations was proving the principal handicap to Europe's industrial recovery, and feelings of frustration and hopelessness were stifling progress. Young people, seeing no future, wanted to emigrate. Businessmen feared government rules that prevented long-term investments. Disregard of property rights was driving capital into hiding; black markets were flourishing everywhere and government authority was weakening.

In opposition to the basic principles of democracy stood a philosophy dedicated to the regimentation of peoples and world-wide aggression. This philosophy has expressed itself as being unmistakably antagonistic to the aims of the United States and the sixteen nations participating in the European Recovery Program. Its subversive elements were hampering recovery and

engineering social chaos, further aggravating the economic difficulties which faced Europe.

The economic plight in which Europe now finds itself, (said President Truman in his message to Congress on December 19, 1947), has intensified a political struggle between those who wish to remain free men living under the rule of law and those who would use economic distress as a pretext for the establishment of a totalitarian state.

. . . If Europe fails to recover, the peoples of these countries might be driven to the philosophy of despair - the philosophy which contends that their basic wants can be met only by the surrender of their basic rights to totalitarian control.

It is for these reasons that the United States has so vital an interest in strengthening the belief of the people of Europe that freedom from fear and want will be achieved under free and democratic governments.¹

In this way the United States recognized that the economic situation of Europe was endangering its integrity and independence. Who was threatening its independence?

Notwithstanding its repeated declarations of having abandoned the idea of world conquest and the intention of spreading the Communist ideology, Russia had acted, since the end of the war, in the very opposite direction. Her support of the Communist governments in Eastern European countries, which took over power in opposition to the freely expressed will of the majority at the polls, and the Communist coup d'etat for seizure of power

¹Harry S. Truman, A Program for United States Aid to European Recovery, The Message to the Congress on December 19, 1947, U. S. Dept. of State (Washington: Government Printing Office, February, 1948), 10.

in Czechoslovakia, left no doubt on her intentions toward the other nations of Western Europe. The activities and the statements of the Communist parties in Italy, France, and other countries clearly showed the preordained program directed from Moscow.

Since the close of hostilities, (said President Truman in his message to Congress on March 17, 1948), the Soviet Union and its agents have destroyed the independence and democratic character of a whole series of nations in Eastern and Central Europe.

It is this ruthless course of action, and the clear design to extend it to the remaining free nations of Europe, that have brought about the critical situation in Europe today.

The tragic death of the Republic of Czechoslovakia has sent a shock throughout the civilized world. Now pressure is being brought to bear on Finland, to the hazard of the entire Scandinavian peninsula. Greece is under direct military attack from rebels actively supported by her Communist-dominated neighbors. In Italy, a determined and aggressive effort is being made by a communist minority to take control of that country.²

Through the seizure of political power in various nations and the establishment of the Communist economic system, Russia, in her determined, mortal struggle against capitalism and democracy, was showing her stubborn willingness to dominate all Europe in order to have her foothold well established to make the last, definitive step against the United States.

It was very clear that, if she were able to keep the economic situation of Europe in the lowest degree, she would

²Harry S. Truman, Toward Securing Peace and Preventing War - Address delivered to the Congress on March 17, 1948, U. S. Dept. of State (Washington: Government Printing Office, March, 1948), 2.

not fail to succeed. Her continuous refusal to join the other nations in the agreements for the reconstruction of the world and her constant use of the power of veto in the decisions of the United Nations point out her distrust of the other nations and her lack of willingness to collaborate.

The Soviet foreign policy is a combination of the old Russian imperialism combined with international communism.

The Russian leaders hope to achieve their aims by organizing and supporting communist parties all over the world. A Communist party in any country is not an independent political party. It acts as a fifth column for the Soviet Union.

In their struggle, (said the Harriman Committee in its Report to the President), the police states have effective allies in every country beyond the Iron Curtain. Their allies are the indigenous Communist parties which have loyalty, not to the nations in which they live, but to the Kremlin. These well-disciplined forces have been stripped for action by the open acknowledgment that the Comintern is revived.³

"The Soviet Government," said President Truman, "has intervened in the internal affairs of many countries by means of Communist parties directed from Moscow."⁴

The Russian leaders hope to achieve their aims by utilizing and exploiting any economic injustices for the purpose of overthrowing the existing regimes, (as in China).

³European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 20.

⁴Harry S. Truman, American Peace Policy - Address delivered on June 12, 1948, U. S. Dept. of State (Washington: Government Printing Office, June, 1948), 6.

In Europe the various communist parties were capitalizing on economic maladjustments in the hope of dislodging middle-of-the-road governments led by Socialists, ranging from Marxism to Catholicism in inspiration.

The Russian leaders hope to achieve their aims by establishing a communistic regime through political pressure or the threat of force. (This was the case in Rumania, Poland, Hungary, and Czechoslovakia.) They endeavor wherever possible to create revolutionary conditions which will help them and their fifth column to take over the power.

"The Soviet Government," said President Truman, "has used indirect aggression against a number of nations in Eastern Europe and extreme pressure against others in the Middle East."⁵

The disorganization of Europe was the ideal seed bed for the growth of the strength of the Communist parties. The only work they had to do, in order to become stronger and in a position to push over the weak governments and seize the power, was the increasing of such disorganization. The continuous riots and strikes in Western European countries were only details of a bigger plan accurately mapped by Russia in her long-range battle for the destruction of the enemy.

The intensity of communist activities, however, was in itself an indication that, in spite of grave economic dislocations and profound post-war fatigue, the peoples of Europe were re-

⁵Ibid., 5.

luctant to consider political totalitarianism as the way out of problems which sometimes seemed insoluble.

It is an historical fact, (said the Harriman's Committee in its Report to the President), that the sixteen European Western nations participating in the Marshall Plan are nations which, like our own, have fostered and developed the concept that individual liberty and fundamental human rights are essential to domestic society and hold out the hope for peaceful world relationships.⁶

But, by the laws of self-preservation, the masses might have turned to the more strictly disciplined Russian system rather than starve in ruin and disorder. The insistent economic pressures compelled governments to ration, to control, to regulate. Individual energies and individual initiative had to be fostered if any type of economy is to be vigorous and healthy.

In an address delivered on December 8, 1947, William L. Clayton, former Undersecretary of State for Economic Affairs, declared:

Western Europe is made up of our kind of people. Many of our forefathers came from there. Those people hate Communism, but if they must resist it under conditions of economic frustration, cold, and hunger, they will lose the fight.

Let there be no mistake about it. If we should say that we will not supply the necessary help without which there can be no European recovery within the foreseeable future, it is almost certain that every country in continental Europe would lose the battle to maintain its integrity and independence.⁷

⁶European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 20.

⁷William L. Clayton, "Aid Essential to European Integrity and Independence," United States Department of State Bulletin, 17 (December 21, 1947), 1213.

In an address delivered on January 22, 1948, Willard L. Thorp, Assistant Secretary of State for Economic Affairs, declared:

From the social and political point of view, the degree of economic health will have a major bearing on the extent to which the traditional patterns of democratic life and parliamentary procedure will be maintained in the European community. It is a community with roots like our own. It is under tremendous strain and attack. Hungry people and masses of unemployed cannot be expected to maintain social discipline and order. If we care for these things - freedom of speech, individual opportunity and initiative, respect for property, and above all the dignity and rights of the individual - we must help those people and their institutions to survive who understand and appreciate them. We owe our own heritage in this area in large part to Western Europe. It is a tremendous debt which we now have the opportunity to repay at least in part.⁸

There is no doubt that today there is an increasing restlessness of the masses all over the world, a worldwide revolution, a pressure of population on means of sustenance. If an objective observer really wants to recognize and admit the truth he cannot deny that in the world still there is not an equitable distribution of the wealth, a fair share of the opportunities offered by the earth.

In his address (New Problems in World Prosperity) delivered before the Convention of the American Legion in Philadelphia, on August 29, 1949, President Truman declared: "There is the rising

⁸Willard L. Thorp, Elements in European Recovery - Address delivered before the National Industrial Conference Board, U. S. Dept. of State (Washington: Government Printing Office, 1948), 14.

demand of men all over the world for independence, and for a greater share of the good things of life which only a restored and expanding economic system can bring."⁹ As a logical consequence the peoples strive for better economic and social justice, and they employ every means at their disposal.

Many Europeans irrevocably opposed to the political aspects of Communism shared some of the Communists' ideas on the need for thorough overhauling of production and distribution.

We know that if this struggle is fought with democratic means, progress will be made without violent, destructive blows to the peaceful development of the economy and to the democratic political institutions, but peoples who are under the level of normal economic conditions are not bound to think first of freedom or democracy: they fight first to keep themselves alive.

Here is where Communism enters into action trying to bring on its side those hopeless peoples.

"The seeds of totalitarian regimes are nurtured by misery and want. They spread and grow in the evil soil of poverty and strife. They reach their full growth when the hope of a people for a better life has died," said President Truman in his message to Congress, on March 12, 1947.¹⁰

⁹Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 51-52.

¹⁰Harry S. Truman, "Message to the Congress on March 12, 1947," U. S. Department of State Bulletin Supplement, 16 (May 4, 1947), 832.

The role of the countries of Western Europe in world affairs, (said the Harriman's Committee in its Report to the President), has been so great as to represent one of the foundation stones of United States security. But these countries cannot continue unaided to play this role. Their people are sorely dissatisfied with their present plight. If by democratic means they do not soon obtain an improvement in their affairs, they may be driven to turn in the opposite direction. Therein lies the strength of the Communist tactic: it wins by default when misery and chaos are great enough.¹¹

A policy that is simply opposed to Communism, regardless of what the needs of the people may be, is scarcely likely to prove effective.

It is essential to realize that economic and social conditions which offer fertile soil for Communist propaganda can be corrected only by fundamental reforms, not by mere opposition to Communism.

Then, the only way to win against Communism is to win against it in the economic field. The real threat to peace is not the Communist idea, but conditions of intolerable want and oppression which make men turn to any radical remedy promising relief. The Communist idea cannot be stopped by physical force, but by stopping the reasons which generate it.

This was also recognized in the American foreign policy when it shifted emphasis from the conception of the Truman doctrine to that of the Marshall Plan.

¹¹European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 19.

The principle of the Truman doctrine was that the United States would aid free peoples everywhere who desired to live in peace with their neighbors. The principle of the Marshall Plan was that there would be no lasting peace or prosperity until the various nations get on their feet again. The Truman doctrine was said to involve a world-wide ideological crusade against the Soviet Union and to implicate that the United States should, in disregard of the United Nations, appoint itself the world's judge and the world's policeman. Congress voted for the aid to Greece and Turkey, but both Congress and the people argued the basic doctrine.

The principle involved in the Marshall Plan, on the contrary, is more nearly recognized and accepted, not only by the responsible statesmen, but also by the people.

2. Repercussions in the United States and in the World

The interest of the United States in Europe cannot be measured simply in economic terms. The United States had a threefold interest in European recovery: humanitarian, economic, and political.

"But," said the Harriman's Committee in its Report to the President, "there is an interest of the United States in European recovery which overshadows the others, and with which any plan for the economic recovery of Western Europe is most directly concerned: the political interest."¹²

¹²Ibid.

This interest was clear. American security has traditionally been based on the kind of democratic Europe which was then in jeopardy.

The United States position in the world has been based for at least a century on the existence in Europe of a number of strong states committed by tradition and inclination to the democratic concept.

The foreign policy of the United States, in its support of the United Nations and other agencies designed to promote international peace, has rested on the assumption of the continuance in Europe of free states subservient to no single power and determined to preserve their common heritage of civil liberties.

The overthrow of European democracy would have necessitated a complete re-evaluation of the international position of the United States. Such a situation might have in time reduced the United States to cultural, political, and economic isolation.

This country, (declared Secretary of State Marshall on July 14, 1947), now stands at a turning point in its relations to its traditional friends among the nations of the Old World. Either it must finish the task of assisting these countries to adjust themselves to the changed demands of a new age, or it must reconcile itself to seeing them move in directions which are consistent neither with their own traditions nor with those of this country. In this latter case, the United States would be faced with a radical alteration of its own position in the world. I ask you to consider most carefully the implication of such a development for the future prosperity and security of our country.¹³

¹³United States Department of State, Foreign Affairs Outlines No. 15 - Building the Peace, - The United States and European Recovery, (Washington: Government Printing Office, Autumn, 1947), 1.

On January 12, 1948, Secretary Marshall stated:

I turn to the inevitable questions: What does the United States get out of this recovery program? Why should the people of the United States accept European burdens in this manner?

European economic recovery, we feel sure, is essential to the preservation of basic freedom in the most critical area in the world today.

European economic recovery is essential to a return of normal trade and commerce throughout the world.

The United States is the only nation today with the strength to lend vital support to such a movement. Do we meet the situation with action or do we step aside and allow other forces to settle the pattern of future European civilization?¹⁴

Three days later he declared:

We are dealing with a matter which may largely determine the course of history - certainly the character of Western civilization - in our time and for many years to come.¹⁵

In his address delivered at the Lincoln Day Dinner in Boston, Massachusetts, Thomas E. Dewey, Governor of New York, said: "The stakes are too great. The difference between success and failure this time may well mean the difference between survival and total destruction."¹⁶

The Harriman Committee, in its Report to the President, said the total consequences in a Communist-dominated world

¹⁴George C. Marshall, "Relation of European Recovery Program to American Foreign Policy," United States Department of State Bulletin, 18 (January 25, 1948), 113.

¹⁵George C. Marshall, The Stake of the Businessman in the European Recovery Program - Address delivered before the Pittsburgh Chamber of Commerce on January 15, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 4.

¹⁶Thomas E. Dewey, "Foreign Policy: Steps to Permanent Peace," Vital Speeches, 14 (March 1, 1948), 295.

could include "the immediate and sweeping limitation of our economic and political life, perhaps extending even to our very form of government."¹⁷

In his address to the Congress on March 17, 1948, President Truman declared:

Rapid changes are taking place in Europe which affect our foreign policy and our national security. There is an increasing threat to nations which are striving to maintain a form of government which grants freedom to its citizens. The United States is deeply concerned with the survival of freedom in those nations. It is of vital importance that we act now, in order to preserve the conditions under which we can achieve lasting peace based on freedom and justice.¹⁸

On June 6, 1948, in his address (Free Peoples Unite), delivered at the University of Notre-Dame, South Bend, Indiana, Economic Cooperation Administrator Paul G. Hoffman said:

Our concern about free institutions and the liberty of peoples must extend beyond our shores. We must remember that there are in Western Europe some 270 million people with whom most of us share a common ancestry. If totalitarianism should be imposed upon those people, our own free society would be put in jeopardy. Surely two terrible wars have taught us that we cannot exist as a free, prosperous island in a world of slavery and misery.¹⁹

Secretary Marshall said:

If Europe was to recover, rather than suffer a perhaps fatal relapse, vigorous action would be required.

¹⁷European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 22.

¹⁸Harry S. Truman, Toward Securing Peace and Preventing War - Address delivered to the Congress on March 17, 1948, U. S. Dept. of State (Washington: Government Printing Office, March, 1948), 1.

¹⁹Economic Cooperation Administration, The European Recovery Program - Information for Americans Going Abroad, (Washington: Government Printing Office, August 11, 1948), 9.

The United States was the only nation in the position of economic power and leadership to take the initiative in the matter. The alternatives to such action were so repugnant that for our own self-interest, if for no other reason, we could make only one choice.²⁰

This was clearly explained in the report of the House Committee on Foreign Affairs:

It is unnecessary to paint the picture of the alternative with which this country would be faced, should the few great critical barriers to the march of Communism disappear. Past and present sacrifices of an economic character would be small indeed compared to the burden which this Nation would have to assume in such a world.

The very survival of the United States would be more seriously at stake than at any other time in its history. Faced with this prospect, there can be but one choice: to extend the aid necessary in both economic and military spheres. A calculated risk, it has been called. But such a risk is no risk, compared to the grim certainty of the alternative.²¹

The consequences of continued economic deterioration in Europe would have had a grave effect upon the United States and the world. Benjamin V. Cohen, Counselor of the Department of State, in a speech before the National Convention of the United States Junior Chamber of Commerce at Long Beach, California, on June 17, 1947, declared:

²⁰George C. Marshall, The Stake of the Businessman in the European Recovery Program - Address delivered before the Pittsburgh Chamber of Commerce on January 15, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 3.

²¹U. S. Congress, House, Committee on Foreign Affairs, European Recovery Program - Foreign Assistance Act of 1948, House Report 1585, on S. 2202, 80th Cong., 2nd Sess. (Washington: Government Printing Office, March, 1948), 2.

If we want peace, we must deal with the causes of unrest in the world and not merely their symptoms . . .

To cut Europe adrift and to compel her in her misery to shift for herself during the next few years would be a body blow to security, political stability and economic progress the world over. The loss of European markets would not only cause serious and painful readjustments in our own country, but would have repercussions all over the world.

Economic help to revive war-shattered Europe will be costly. But the withholding of economic help would also be costly - not only in economic consequences but in social and political consequences.²²

In his speech before the Congress of Industrial Organizations, in Boston, Massachusetts, on October 15, 1947, Secretary Marshall said:

When I made a public statement at Harvard on June 5 last, it was plainly evident that a situation had developed where we must immediately choose between two lines of action - either to concern ourselves solely with our internal affairs while Europe suffered a complete political and economic demoralization; or we must take action to assist Europe in avoiding a disastrous disintegration with tragic consequences for the world.

. . . We have great admiration for the fortitude displayed by the people of these countries under prolonged conditions of want and extreme hardship; but the present situation requires more than stoical, even heroic endurance.

. . . The situation involves dangers which affect every American alike. It would be a great folly to assume that we can stand aloof or that we can straddle the issue. A very distinguished American recently stated that "no private program

²²United States Department of State, The Development of the Foreign Reconstruction Policy of the United States, March - July, 1947, Publ. 3912, (Washington: Government Printing Office, September, 1947), 6.

and no public policy, in any sector of our national life, can now escape from the compelling fact that if it is not framed with reference to the world it is framed with perfect futility." What endangers the United States endangers all of us - labor, industry and agriculture alike. Because the economic stability of Europe is essential to the political stability of Europe, it is of tremendous importance to us, to our peace and security, and it is equally important to the entire world. We are faced with the danger of the actual disappearance of the characteristics of Western civilization on which our Government and our manner of living are based. We are proceeding in a determined campaign which has for its purpose world stability, a condition absolutely necessary to world peace.²³

3. Objectives in Europe

The political situation of Europe, then, was a serious concern for the United States, determining the most important course of its foreign policy.

In a speech delivered before the Michigan Municipal League, in Battle Creek, Michigan, Paul G. Hoffman said:

I put it to you in all candor, and at the risk of being undiplomatic, that our problem is not only to get Europe on its feet, but off our backs.

Why should we be concerned about getting Europe back on its feet? Why did Congress, after a year of study - the most intensive study ever given to any peacetime governmental project - conclude that a four-year program of foreign assistance was worth the billions it would cost? The answer, to quote a phrase from the Foreign Assistance Act itself, is that the then "existing situation in Europe endangered lasting peace. . ."²⁴

²³George C. Marshall, "American Labor's Part in Determining Foreign Policy," - Address delivered before the National Convention of the C.I.O. in Boston, United States Department of State Bulletin, 17 (October 26, 1947), 827.

²⁴Economic Cooperation Administration, A Current Report on the Marshall Plan Prepared for the E.C.A. Public Advisory Board, No. 3, (Washington: E. C. A., November, 1949), 26-27.

The Harriman's Committee, in its Report to the President, said:

Whatever we do for the Western European nations, their own qualities will some day regain for them the measure of influence which they have always been able to exert in the modern world. But until that is done there can be no real balance in world affairs, and no real peace.²⁵

Economic Cooperation Administrator Paul G. Hoffman declared:

The European Recovery Program is an investment in the continued survival of a world economically stabilized and peacefully conducted - a world in which governments based on fundamental democratic principles and in which religious freedom, economic opportunity, and individual liberties are maintained and respected.²⁵

In his message to Congress on December 19, 1947, President Truman said:

Our deepest concern with European recovery, is that it is essential to the maintenance of the civilization in which the American way of life is rooted. It is the only assurance of the continued independence and integrity of a group of nations to constitute a bulwark for the principles of freedom, justice and the dignity of the individual.²⁷

In speaking about the functions of the Economic Cooperation Administration, Paul G. Hoffman said:

The Economic Cooperation Administration is the Government's principal agency in putting American

²⁵European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 21.

²⁶Economic Cooperation Administration, The European Recovery Program - Information for Americans Going Abroad, (Washington: Government Printing Office, August 11, 1948), 2.

²⁷Harry S. Truman, A Program for United States Aid to European Recovery - The Message to the Congress on December 19, 1947, U. S. Dept. of State (Washington: Government Printing Office, February, 1948), 10.

money and goods and know-how to work in the most effective ways to rebuild in foreign countries the economic basis for freedom. The political concept behind this program is that a unified and stable Europe will automatically constitute a barrier to Soviet expansion and Communist infiltration, and in doing so will provide a vital structural support for peace in the world. . . . The policy we carry out is the policy of the United States Government as a whole.²⁸

Our faith, (he declared in Cincinnati on January 10, 1950), is in man as an individual. Our objective is that kind of society in which men as individuals can live in decency and dignity, a society in which free inquiry and free institutions can flourish.²⁹

The Marshall Plan, then, was aimed to strengthen faith in democracy.

In his inaugural address, President Truman said:

Democracy alone can supply the vitalizing force to stir the peoples of the world into triumphant action, not only against their human oppressors, but also against their ancient enemies - hunger, misery and despair.³⁰

Fear tends to paralyze recovery and to increase political instability. It weighs on the mind and spirit of the peoples upon whose productive output recovery depends. Considerations of security and self-defense make it difficult for governments

²⁸Paul G. Hoffman, The Role of E. C. A. in National Administration, (Washington: E. C. A., December 29, 1948), 2.

²⁹Economic Cooperation Administration, Marshall Plan News, (Washington: E. C. A., April, 1950), 1.

³⁰Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 8.

to undertake the kind of bold constructive action necessary for effective mutual aid and self-help. It was therefore essential to the interests of recovery that the fear which pervaded Europe be dispelled.

4. Russian Opposition

Thus the purposes of the Marshall Plan were aimed at removing the basic causes which allowed Communism to spread, and this was the major reason why Soviet Russia was so opposed to the adoption of the Marshall Plan.

In his Harvard address of June 5, 1947, Secretary Marshall offered help to all of Europe, but he was dubious of Russia's willingness to cooperate:

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.³¹

Dean Acheson, at that time Undersecretary of State, sounded a bitter note on Russian interference with recovery in Europe in his June 15, 1947, address at Wesleyan University:

In Eastern Europe, the Soviet Union, over American and British protests, has used its dominant military position to carry on a unilateral policy, contrary to the Yalta Agreements, by which free choice of their destiny has been denied these peoples. Even more important, the minority

³¹U. S. Congress, Senate, The European Recovery Program, Sen. Document 111, Basic documents and background information prepared by Staffs of Senate Foreign Relations Committee and House Foreign Affairs Committee, 80th Cong., 1st Sess. (Washington: Government Printing Office, 1947), 79.

Communist regimes fastened upon these peoples have acted to cut them off economically from the community of Europe, curtail their productivity, and bind them to exclusive economic relations with the Soviet Union. . .

As a result, the recovery of Europe has long been delayed - tragically long.³²

Yet, in reporting out the bill on Foreign Assistance (S.2202) the Senate Committee on Foreign Relations still left the door open to the U.S.S.R.:

In view of the cooperative nature of the recovery program, the Committee believed the door should be left open for other countries if they choose to enter . . . Such countries must, however, adhere to a joint program for European recovery.³³

Although the Foreign Assistance Act does not specifically mention Russia, it might be interpreted as leaving the door open to Russia:

The European Recovery Program is open to all such nations which cooperate in such plan.

It is declared to be the policy of the people of the United States to sustain and strengthen principles of individual liberty, free institutions and genuine independence in Europe through assistance to those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation.³⁴

³²United States Department of State, The Development of the Foreign Reconstruction Policy of the United States, March - July, 1947, (Washington: Government Printing Office, September, 1947), 8-9.

³³U. S. Congress, Senate, Committee on Foreign Relations, European Recovery Program, Sen. Report 935, on S.2202, 80th Cong., 2nd Sess. (Washington: Government Printing Office, February, 1948), 13.

³⁴United States Statutes at Large, Vol. 62, Part I, 137 (1949).

Instead, in an effort to bring about widespread economic and political collapse before the recovery program could be put under way, the Cominform promoted disruptive actions in many of the participating countries, using all the known Communist techniques of infiltration, political strikes, sabotage, and intimidation. Every weapon of Soviet propaganda was turned to the purpose of discrediting the United States and the European Recovery Program. The satellite states were drawn tighter into the Soviet economic and political orbit. One country, Czechoslovakia, which had been openly reluctant to stay out of the European Recovery Program, had its democratic government abruptly supplanted by one more amenable to Soviet objectives.³⁵

The House Committee was less diplomatic than the Senate Committee. After castigating the Russians for draining resources away from European countries which at the same time were being aided by the United States, and generally for holding back recovery in Europe, the House Committee made clear the main reason for espousal of the European Recovery Program:

The Committee has concluded that the program is necessary to prevent the United States from being confronted with a world so unbalanced and hostile as to present almost insuperable burdens to the people of the United States in the future, if Europe is not once more rendered free and adequately strong, both in its political

³⁵United States Department of State, Foreign Affairs Outlines - Building the Peace, Progress in European Recovery and the Road Ahead, (Washington: Government Printing Office, Spring, 1949), 4.

and economic life. The same conclusion has led the Committee to include China as a barrier in the Far East against the further encroachment of Communism and the domination of the world by Moscow.³⁶

"It is within our power to lead the world to peace and plenty," declared President Truman in calling Congress to meet in special session on November 17, 1947, for the discussion of the Marshall Plan.³⁷

"The U. S. S. R. will put all effort into seeing that the Marshall Plan is not realized," answered Andrei A. Zhdanov, member of the Politburo and creator of the nine-nation "Cominform."³⁸

President Truman meant that the American administration was ready to go all out to accomplish the aim of the Marshall Plan and to stop the spread of Communism in Europe through economic aid.

Mr. Zhdanov's words meant that the governmental machinery of Soviet Russia and the Communist parties of Europe would be thrown into the struggle to bring about the Marshall Plan's defeat.

The Soviet Government, (said Secretary Marshall), evidently directed the Eastern European countries subject to its influence or control to refrain

³⁶U. S. Congress, House, Committee on Foreign Affairs, European Recovery Program - Foreign Assistance Act of 1948, House Report 1585, On S.2202, 80th Cong., 2nd Sess. (Washington: Government Printing Office, March, 1948), 12.

³⁷New York Times, "Summons," 97 (October 26, 1947), E 1.

³⁸Ibid.

from attending (the Paris Conference for the European Recovery Program), even after some of these had indicated a desire to participate and one had actually accepted. Subsequently, a high Soviet official, a member of the ruling Politburo, made a public statement that it would be the policy of his Government to oppose and attempt to defeat the European Recovery Program by every possible means. That statement has been confirmed by the actions of the Communist Parties in several European countries, notably France and Italy.³⁹

In his call to the Communists of Russia and Europe to rally against "world domination by American imperialism," the Russian Politburo member made clear the chief purpose of the Cominform; unless Russia can block the American-backed recovery of Western Europe, there seems to be little chance that Russian influence can spread west of the Stettin-Trieste line.

Far from cooperating, (declared Secretary Marshall), the Soviet Union and the Communist Parties have proclaimed their determined opposition to a plan for European economic recovery. Economic distress is to be employed to further political ends . . .

It should, I think, be constantly kept in mind that this great project, which would be difficult enough in a normal international political climate, must be carried to success against the avowed determination of the Soviet Union and the Communist Party to oppose and sabotage it at every turn.⁴⁰

In his address to the Congress on March 17, 1948, President Truman said:

³⁹George C. Marshall, The Stake of the Businessman in the European Recovery Program - Address delivered before the Pittsburgh Chamber of Commerce on January 15, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 3.

⁴⁰George C. Marshall, "Assistance to European Economic Recovery," United States Department of State Bulletin, 18 (January 18, 1948), 71-77.

The Soviet Union and its satellites were invited to cooperate in the European Recovery Program. They rejected the invitation. More than that, they have declared their violent hostility to the program and are aggressively attempting to wreck it.

They see it a major obstacle to their designs to subjugate the free community of Europe. They do not want the United States to help Europe. They do not even want the sixteen cooperating countries to help themselves.⁴¹

In his address (New Problems in World Prosperity), delivered before the ^{National} Convention of the American Legion in Philadelphia, on August 29, 1949, President Truman declared:

Shortly after the war ended it became apparent that the economic life of the world was more badly disrupted than anyone had expected. Still further difficulties were created when it became clear that the Soviet Union would not join in working for world economic recovery. The Soviet Union was hostile to European economic cooperation. It refused to join in the European Recovery Program, and prevented its satellites from joining. Its aggressive foreign policy created alarms and fears that hampered recovery. On every hand, there was evidence that the policy of the Soviet Union was aimed at prolonging the distress and suffering of the free nations.

If we had been discouraged by these difficulties and had abandoned our efforts, the results would have been disastrous. Once again the streets of Europe would have been filled with crowds of hungry and hopeless men and women. Once again, unscrupulous agitators would have used these angry millions to create tyranny and slavery.

⁴¹Harry S. Truman, Toward Securing Peace and Preventing War - Address delivered to the Congress on March 17, 1948, U. S. Dept. of State (Washington: Government Printing Office, March, 1948), 1-2.

But the free nations did not let this happen. We went ahead with our recovery programs.⁴²

In his speech delivered at the celebration of the half-way mark of the European Recovery Program, General Marshall declared:

The nature of this struggle should be clearly understood. It seemed to me that at each meeting of the Foreign Ministers, assaults against the enactment or progress of the recovery program were timed to confuse the understanding of the negotiations in the minds of the public. They were directed at weakening the program by forcing expenditure of funds beyond our calculations and appropriations.⁴³

It is symptomatic how Soviet Russia counterattacked the proposal of the Marshall Plan. The fairer and better way for the Russians to vindicate their principles of Marxist economics would have been for them to prove by their constructive activities in their own and their satellite countries the superiority of their system over the American system. Instead of proposing a better way for the economic recovery of Europe, she charged the United States with the desire to interfere in the internal affairs of the European states and with the violation of the United Nations' principles. She also charged the United States with the intention of making the economy of the European countries dependent on its interests, of openly giving up the principles

⁴²Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 53-54.

⁴³Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E. C. A., April, 1950), 3.

of international cooperation and concerted actions of the Great Powers, and of passing to attempts to dictate its will to other independent nations.

"Such policy," said Vishinsky, Russian Deputy Foreign Minister, in his speech at a plenary session of United Nations General Assembly, New York, on September 18, 1947, "is in a deep contradiction with the principle proclaimed by the General Assembly in its resolution of December 11, 1946," that the assistance to other countries "should never be used as a political weapon."⁴⁴

Soviet Foreign Minister Molotov, in his speech over the Moscow radio on November 6, 1947, declared:

Today, the ruling circles of the United States of America and Great Britain head one international grouping, which has as its aim the consolidation of capitalism and the achievement of the domination of these countries over other peoples. These countries are headed by imperialist and anti-democratic forces in international affairs, with the active participation of certain Socialist leaders in several European states.⁴⁵

Secretary of State Marshall declared:

I do not have to tell you that this foreign economic program of the United States seeks no special advantage and pursues no sinister purpose. It is a program of construction, production, and recovery. It menaces no one. It is designed specifically to bring to an end in the shortest possible time the

⁴⁴"Relief and Reconstruction Debated," United Nations Weekly Bulletin, 13 (September 30, 1947), 429.

⁴⁵PM, "Molotov's Speech," 5 (November 7, 1947), 8-9.

dependence of these countries upon aid from the United States. We wish to see them self-supporting.⁴⁶

Senator Vandenberg, in his speech before the Senate on March 1, 1948, said;

There is nothing in this plan which threatens the Soviet police empire. It is not a plan against Eastern Europe. It is a plan for Western Europe. It is not external conquest. It is not dictation. Eastern Europe was invited in. It was her own decision that keeps her out. It seems obvious that at least three of these countries behind the curtain would have joined if left to their own free wills. But there are no free wills in police states.⁴⁷

In his address delivered on June 12, 1948, President Truman declared: "The only expansion we are interested in is the expansion of human freedom and the wider enjoyment of the good things of the earth in all countries."⁴⁸

The Russian charges sound quite strange, especially when brought by a nation like Soviet Russia which has never paid any attention to the elementary rights of the other nations, whether she wanted them to have her same political regime or to put at her disposal their economic resources and organization.⁴⁹

It can also be pointed out that, in the past, the United States has granted aid to Russia amounting to more than ten

⁴⁶George C. Marshall, "Foreign Aid and Reconstruction: Effects on Long-Range World Economy," United States Department of State Bulletin, 17 (November 23, 1947), 970.

⁴⁷Arthur H. Vandenberg, "The E.C.A.: A Plan for Peace, Stability and Freedom," Vital Speeches, 14 (March 15, 1948), 323.

⁴⁸Harry S. Truman, American Peace Policy, U. S. Dept. of State (Washington: Government Printing Office, June, 1948), 11.

⁴⁹"Weak Spots in Russia's Trade Web," World Report, 3 (November 18, 1947), 7-9.

billion dollars without ever having been accused of threatening Russia's independence.⁵⁰

The Communists said the Marshall Plan was a scheme to start a war.

The Marshall Plan, in boosting production in industry and agriculture in Western Europe, intended to build toward a better standard of living, to strengthen hope and faith in democratic governments, and to fortify ability and will to resist aggressors from within and without.

They said the Marshall Plan was aimed at "colonizing" or enslaving Europe.

The United States intended to help Europe build up its own production - in many instances building up ultimate competitors to American business - and thus end its dependence on special help from the United States. The goal of the program was to make Europe self-supporting.

They said the Marshall Plan was launched to prevent an American economic collapse.

Of course, economic chaos in Western Europe would have damaged the American economic prosperity, just as the restoration of healthy economic conditions in Western Europe would have strengthened America's own economy and increased American welfare. But the primary purpose of the program was to build the foundations of peace.

⁵⁰Economic Cooperation Administration, Summary and Notes, Vol. I, No. 1, (Washington: E. C. A., November 15, 1948), 13.

They said the Marshall Plan was a means of imposing the American economic system on Europe.

It was the policy of the American government that planning and action for an economically stable Europe was the responsibility and concern of the Europeans themselves. Any change in the economic institutions within the participating nations was a matter to be decided by the free peoples of those nations.

They said the Marshall Plan was a device for dumping American surpluses on Europe. Much of the material the United States sent to Europe was in scarce supply at home and was exported at some sacrifice to the American people. The rest was goods which the European nations themselves requested, to further their goals of economic recovery. The United States did not dictate to Europe what it should have imported. It sent, if it had it, what the Europeans themselves asked for.⁵¹

They said the Marshall Plan was a device of the United States for looting and stockpiling Western Europe's strategic materials.

In aiding Western Europe, the United States was drawing heavily on its own resources of strategic materials - such as lead, aluminum, copper, steel and coal - in spite of the fact that such materials were in great demand in the United States.

⁵¹Economic Cooperation Administration, Information on the Marshall Plan for Americans Going Abroad, (Washington: E. C. A., June 1, 1949), 9.

In order to build up its diminished stocks, the United States negotiated agreements to obtain a fair share, on reasonable terms and in reasonable quantities, of scarce raw materials which might exist within the boundaries of the nations of Western Europe and in their dependent overseas territories.⁵²

In a broadcast to Europe (E. C. A. Gets Under Way) for Worldwide Broadcasting Foundation, on July 20, 1948, Paul G. Hoffman declared:

The Communists say that we are attempting to dominate Europe and to impose our economic system upon each participating country. We in the United States believe our economic system to be the best the world has ever known - and we think that Communism is one of the worst, but we have no intention of dictating internal economic programs to our partner countries. We are seeking merely to help make each of them strong, prosperous, politically independent, and free of all need for outside economic assistance.

No communist claim has been more ridiculous than the charge that we are dumping surpluses on Europe. The Economic Cooperation Administration is doing everything possible to protect the American economy, but every American knows that the goods sent to Europe represent real sacrifices by our people. How great this sacrifice is may be indicated by these facts: 52 million Americans pay Federal income taxes of 1/6 to over 3/4 of their incomes. Such payments totaled about 20 billion dollars in 1947. Foreign aid is costing the United States 6 billion dollars this year. This 6 billion dollars for foreign aid is more than the amount spent by all the cities, towns, and villages in the United States for fire protection, police, schools, sanitation, and parks.⁵³

⁵²Ibid., 10.

⁵³Economic Cooperation Administration, The European Recovery Program - Information for Americans Going Abroad, (Washington: Government Printing Office, August 11, 1948), 11.

The purpose of Russia was already too clear if her lack of willingness of collaboration and her determined refusal to discuss any problem submitted by the Western nations is considered. Her preconceived mistrust of the Western world rendered extremely problematic the possibility of any final settlement of the problems of the world.

If the Communists got control of Europe the United States would not have much time to prepare for the catastrophe. The five hundred million non-Russian Europeans include thousands of scientists, millions of skilled workers, millions of trained soldiers. In a few years, Russia, plus Europe, might be stronger than the United States. The Communists could not then be stopped, and safety for the United States would be put in danger, and, with it, the safety of the world.

The Marshall Plan can, then, be considered a main weapon in the struggle against Soviet Communism. The alternative for the United States, instead of adopting the Marshall Plan, was to stand by idly while the Russians took over the entire European continent in the name of Communism.

The first requirement of United States policy, then, was to keep Europe from going Communist and that is what the Marshall Plan is all about.

5. Political Integration of Europe

Besides the internal reconstruction of the individual European countries, the Marshall Plan aimed toward the reduction of political barriers to commerce, toward the political

and economic integration of Europe, first step toward a federated Europe.

In his address delivered before a meeting sponsored jointly by the Chicago Council on Foreign Relations and the Chicago Chamber of Commerce, in Chicago, on November 18, 1947, Secretary Marshall said: "The logic of history would appear to dictate the necessity of the European community drawing closer together not only for its own survival but for the stability, prosperity, and peace of the entire world."⁵⁴

A great emphasis on European union was created in October, 1948, by Governor Thomas E. Dewey in his major campaign address on foreign policy at Salt Lake City. In that address Mr. Dewey indicated his intention to use United States aid and influence to build a United States of Europe into a world bulwark for peace:

What is needed for Europe is unity. Joined in a great federation, a free Europe can become a great bulwark for peace.

In our magnificent Union we have achieved both spiritual and material blessings such as the world has never seen. We hold in our hands today the chance to spread those blessings to much of the world and to achieve world peace.

Moving toward unity the peoples of Europe can in the same way become spiritually and materially strong enough to assure their own freedom and prosperity. They can provide a new force in the world great enough to assure its peace

⁵⁴George C. Marshall, "The Problems of European Revival," United States Department of State Bulletin, 17 (November 30, 1947), 1024.

for generations to come. The European Recovery Program must be used creatively for this great, permanent good. American foreign policy can and it must be directed to that goal.⁵⁵

In his statement before the Senate Committee on Foreign Relations on February 8, 1949, Dean Acheson declared:

The peoples of the European democracies saw in the suggestion of a constructive program of international cooperation the possibility of demonstrating that economic recovery could be achieved without sacrifice of the freedom which formed part of their traditional civilization and ours. Their response to Secretary Marshall's suggestion, in itself, was an impressive demonstration of their will to reconstruct their national lives on a basis of free institutions.⁵⁶

These broad political purposes were reinforced by cultural and social ties with the traditional partners of the United States in the development of Western civilization, and by its commitment to the United Nations to support the freedom and independence of its fellow-members in the world organization.

The Western European nations, (said Harriman's Committee in its Report to the President), are among the nations which have joined in a genuine effort to make the ideals enumerated in the United Nations charter a reality. Economic recovery in Western Europe is an objective consistent with and essential to the attainment of these ideals.⁵⁷

⁵⁵"Dewey Links European Recovery Program to United States of Europe," Congressional Digest, 27 (November, 1948), 259.

⁵⁶Dean Acheson, "European Recovery Program Gives New Faith in Vitality of Democratic System," United States Department of State Bulletin, 20 (February 20, 1949), 233.

⁵⁷European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 20.

There was, also, a widespread opinion among the European partisans of world government that one of the prerequisites of a sound world federation was the re-establishment of a strong Western Europe as its third solid support (the other two being the United States and U.S.S.R.).

6. Interest of the United States

With the Marshall Plan, the American people would promote the economic and political security of the United States and defend their own way of life.

A nation in which the voice of its people directs the conduct of its affairs, (said Secretary of State Marshall), cannot embark on an undertaking of such magnitude and significance for light or purely sentimental reasons. Decisions of this importance are dictated by the highest considerations of national interest. There are none higher, I am sure, than the establishment of enduring peace and the maintenance of true freedom for the individual.

. . . This unprecedented endeavor of the new world to help the old is neither sure nor easy. It is a calculated risk. But there can be no doubts as to the alternatives. The way of life that we have known is literally in balance.

Our country is now faced with a momentous decision. If we decide that the United States is unable or unwilling effectively to assist in the reconstruction of Western Europe, we must accept the consequences of its collapse into the dictatorship of police states.⁵⁸

It is in the direct line of American policy from the earliest days of the republic to give support and aid, commensurate with

⁵⁸George C. Marshall, "Assistance to European Economic Recovery," United States Department of State Bulletin, 18 (January 18, 1948), 71-77.

the Nation's ability and strength, to those foreign peoples, national groups and countries which are endeavoring to maintain their independence, internal sovereignty, free institutions and human freedoms against repressive and aggressive forces.

Today's expression of that policy is the extension of that economic and financial assistance - and where requested, technical and administrative assistance and advice - which foreign countries need in order to maintain conditions in which individual liberty and free institutions can grow and national independence be preserved.

In his statement made before a Joint Session of the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs on November 10, 1947, Secretary Marshall said: "The operation of this program will in many ways define and express the foreign policy of the United States in the eyes of the European countries and the world."⁵⁹

In his statement (Relation of the European Recovery Program to American Foreign Policy) made before the House Committee on Foreign Affairs on January 12, 1948, Secretary of State Marshall said:

The European Recovery Program is intimately related to the foreign policy of the United States and to our relationship with the participating countries. It will become the most important single expression of American foreign relationships

⁵⁹George C. Marshall, "Foreign Aid and Reconstruction: Effects on Long-Range World Economy," United States Department of State Bulletin, 17 (November 23, 1947), 968.

in this part of the world. Its efficient administration will have far-reaching influence on our foreign policy, which in its simplest form is concerned with those conditions abroad which affect or could later affect the future security and the well-being of our nation.⁶⁰

The Marshall Plan can rightly be called America's design for peace.

In his address to the Senate on March 1, 1948, Senator Arthur H. Vandenberg noted:

This legislation seeks peace and stability for free men in a free world. It seeks them by economic rather than by military means. It proposes to help our friends to help themselves in the pursuit of sound and successful liberty in the democratic pattern. The quest can mean as much to us as it does to them. It aims to preserve the victory against aggression and dictatorship which we thought we won in World War II. It strives to help stop World War III before it starts. It fights the economic chaos which would precipitate far-flung disintegration. It sustains Western civilization. It means to take Western Europe completely off the American dole at the end of the adventure. It recognizes the grim truth - whether we like it or not - that American self-interest, national economy, and national security are inseverably linked with these objectives. It stops if changed conditions are no longer consistent with the national interest of the United States. It faces the naked facts of life.⁶¹

The Marshall Plan was aimed to demonstrate the American belief in the free economic system in opposition to the totalitarian conception.

⁶⁰George C. Marshall, "Relation of European Recovery Program to American Foreign Policy," United States Department of State Bulletin, 18 (January 25, 1948), 112.

⁶¹Arthur H. Vandenberg, "The E. C. A.: A Plan for Peace, Stability and Freedom," Vital Speeches, 14 (March 15, 1948), 322.

In his address (New Problems in World Prosperity) delivered before the Convention of the American Legion in Philadelphia, on August 29, 1949, President Truman declared:

In working for prosperity in the post-war world, the nations of the world face new problems - and greater ones than they have ever faced before. They are suffering from the terrible aftereffects of the war, which caused an almost complete breakdown of European industry and of world trade. Added to this problem there is a second. That is the attempt of organized Communism to achieve economic and political domination of the world through the misuse of the desires and aspirations of mankind. These problems require the combined efforts of the free nations. Together, we must repair the damage of war, complete the restoration of the economy of Europe, and revive world trade. We must go forward to establish an expanding world economy in which men everywhere can work to satisfy their desire for freedom and a better life. We must demonstrate that the economic system of the free nations is better than the system of Communism.⁶²

American foreign policy recognized the close interdependence between economics and politics and realized that it is no longer possible for the United States to remain isolated in either field from the rest of the world.

James Reston of the New York Times has well said that "the economic peace is inseparable from the political peace;" that the economic peace is "the immediate test of our leadership in world affairs;" and that this country "cannot be politically international and economically nationalistic."⁶³

⁶²Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 51-52.

⁶³New York Times, "Aid for Europe: The Problem and the Issues Before the United States," 97 (September 28, 1947), E 5.

The European Recovery Program, (said the Harri-
man's Committee in its Report to the President),
is an investment in the continued survival of
a world economically stabilized and peacefully
conducted, in which governments based on funda-
mental democratic principles can prosper, in
which right, not might, prevails, and in which
religious freedom, economic opportunity, and
individual liberties are maintained and res-
pected.⁶⁴

On November 18, 1947, Secretary Marshall stated:

Today Europe is devastated and dispirited, but
once it regains strength and confidence it will
draw on its store of resources, energies, skills,
and spiritual qualities and again make major con-
tributions to world progress. This is the goal
of those who are genuinely devoted to the cause
of European recovery.⁶⁵

In his speech delivered on the occasion of the half-way
mark of the Marshall Plan, he declared:

Frankly, in those days I thought of the rehabili-
tation of Europe more in terms of material
reconstruction - harbors, buildings, communications
and similar matters. But slowly I learned that
the most serious phase of rehabilitation was re-
lated to other considerations - political, moral,
spiritual. It is in the meeting of these problems
that I feel the European Recovery Program is making
its greatest contribution to the world.⁶⁶

Besides, to help Europe in her recovery, the United States
was moved by motives of ordinary human decency - the old tradi-
tion of helping friends in distress.

⁶⁴European Recovery and American Aid - A Report by the
President's Committee on Foreign Aid, (Washington: Government
Printing Office, November 7, 1947), 19.

⁶⁵George C. Marshall, "The Problems of European Revival,"
United States Department of State Bulletin, 17 (November 30,
1947), 1025.

⁶⁶Economic Cooperation Administration, The Marshall Plan
at Mid-Point, (Washington: E.C.A., April, 1950), 3.

One can approach this issue from the humanitarian side, (said Willard L. Thorp, Assistant Secretary of State for Economic Affairs). After all, we grew stronger during the war, our production is at record levels, our standard of living is unequalled. Western Europe was devastated. Its social, economic and political institutions were shaken. It is trying hard to recover, but needs help. Americans have a reputation for generosity. After giving so much aid since the end of the war, it would hardly be in keeping with our traditions and beliefs to withdraw the helping hand at this time. Secretary Marshall spoke of "friendly aid" and I hope we have not lost that virtue from our composite national character.⁶⁷

Among supporters of the legislation were those frightened of Russia and Communism and desirous of bolstering capitalism; those who viewed European recovery as an essential condition of prosperity in the United States; those who wanted markets for surpluses; and those who would help Europe out of humanitarian motives. The resulting legislation necessarily reflected the views of these groups as well as those of the numerous Americans who, though recognizing the need of legislation, were determined that the costs should be kept down to a minimum and that the project be run on business principles.⁶⁸

Other groups also supported the European Recovery Program, fearful of large surpluses in the years to come and aware of the

⁶⁷Willard L. Thorp, Elements in European Recovery - Address delivered before the National Industrial Conference Board in New York City on January 22, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 13.

⁶⁸Seymour E. Harris, European Recovery Program, (Cambridge, Mass.: Harvard University Press, 1948), viii.

outlets offered by the European Recovery Program to improve their own markets.

Many American people thought the Marshall Plan would pay off in the long run in a flourishing of the economy of their country.

"Americans must be convinced that they will get new markets for their products and vital raw materials which they need and a real chance for peace for their children as a result of these expenses," said Senator Henry Cabot Lodge, Jr., of Massachusetts, in his speech "Quid pro quo" before the Senate on May, 1947.⁶⁹

At the Convention of the American Federation of Labor, held in San Francisco in 1947, the representatives of over seven million American wage-earners, after carefully weighing all the pros and all the cons, decided unanimously that the Marshall Plan merited the unequivocal support of every loyal American.

The Convention said:

To win the peace, to avert a more terrible war than the one so recently ended, we of labor are giving our wholehearted backing to the Marshall Plan. After all, who suffers most in a war? The answer is - the workers.⁷⁰

Pointing at the isolationist fallacy, Assistant Secretary of State for Economic Affairs Willard L. Thorp, said:

⁶⁹Time, 49 (May 26, 1947), 25.

⁷⁰George Meany, "Why Labor Supports the Marshall Plan," American Federationist, 55 (January, 1948), 6.

Why should we bother? Here is the heart of the basic policy issue. The latest poll of business executive opinion, taken by Fortune, included the question, "Are you for or against the Marshall Plan as you understand it?" Seventy per cent were for, 19 per cent against, and 11 per cent with no opinion. This is a significantly high percentage of agreement for the top man in the business community.⁷¹

In his address (A People's Foreign Policy) delivered at Soldiers Field before the Imperial Council Session of the Shrine of North America, in Chicago, Illinois, on July 19, 1949, President Truman declared:

The major decisions in our foreign policy since the war have been made on the basis of an informal public opinion and overwhelming public support.

In 1948, after almost a year of discussion and debate, it was clear that a substantial majority of the people of this Nation approved our participation in the European Recovery Program. The Congress translated that approval into legislative action by a vote of approximately four to one.⁷²

An alternative for the United States to spending more billions for the Marshall Plan would have been to start war against Russia, but a principle of democracy is that a democratic nation has no right to go to war unless driven to it. And, even if the United States would be willing to start a preventive war with Russia, it would be held back by a highly practical reason: at the end of that war the world might well

⁷¹Willard L. Thorp, Elements in European Recovery, U. S. Dept. of State (Washington: Government Printing Office, 1948), 13.

⁷²Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 37.

be in such a mess that the post-war chaos again would create more Communists than the atomic bombs had killed.

The American Federation of Labor Convention, held in San Francisco in 1947, said:

The cost of the Marshall Plan to the American people will be small as compared to the alternative of an unaided Europe falling under totalitarian domination, with the ultimate possibility of war.⁷³

For this reason the cost of the Marshall Plan to the American people is far below the terrific expense of a shooting war fought against Communism. The last war cost the United States three hundred and forty-one billion dollars.⁷⁴

In his address delivered in the United States Senate on March 1, 1948, Senator Arthur H. Vandenberg said:

This peace investment might cost one-third as much in four and one-fourth years as we appropriated for war in just one bill that passed the Senate in five minutes and without a roll call one June afternoon in 1944. War has no bargains. I think peace has. I believe I am talking about one now.⁷⁵

In a statement before a Joint Session of the Senate Foreign Relations Committee and the House Foreign Affairs Committee, on February 8, 1949, Paul G. Hoffman declared: "If this program

⁷³George Meany, "Why Labor Supports the Marshall Plan," American Federationist, 55 (January, 1948), 6.

⁷⁴Harry S. Truman, "Message to the Congress on March 12, 1947," United States Department of State Bulletin Supplement, 16 (May 4, 1947), 832.

⁷⁵Arthur H. Vandenberg, "The E.C.A.: A Plan for Peace, Stability and Freedom," Vital Speeches, 14 (March 15, 1948), 324.

brings us peace and stability - and I fervently believe it can - it will turn out to be the greatest bargain that the American people ever had."⁷⁶

⁷⁶Paul G. Hoffman, Statement Before a Joint Session of the Senate Foreign Relations Committee and the House Foreign Affairs Committee, (Washington: E.C.A., February, 1949), 10.

CHAPTER IV

ECONOMIC ACHIEVEMENTS AND TREND OF THE MARSHALL PLAN

1. Effects on European Economy

Notwithstanding a great deal of talk that the Marshall Plan was a failure, we can point out that this is politically incorrect and economically premature.

Answering to those who were casting doubts and criticisms of the European Recovery Program, Marshall Plan Administrator Paul G. Hoffman, in an address delivered before the Michigan Municipal League in Battle Creek, Michigan, on September 15, 1949, declared:

In my opinion they are wrong. European recovery is far from impossible; in fact, it is definitely possible, but is going to take a lot of doing on the part of both Europeans and Americans.

If Europe will be self-supporting by June 30, 1952, it will be the most significant event of this century.

It will mean that, with our help, the free nations of Europe can re-create those conditions under which democratic institutions flourish and under which men can live, with decency and dignity. It will mean that an enduring peace is at last within our reach, because no aggressor will dare march against the free nations of Europe and the Atlantic community if we continue to work together and stick together.

This unity between the free nations is our one best hope for a world without war.¹

¹Paul G. Hoffman, "The Marshall Plan: Its Progress and Problems," Commercial and Financial Chronicle, 170 (September 22, 1949), 1170.

In his speech delivered on the occasion of the half-way mark of the European Recovery Program, General Marshall said:

Despite determined efforts to prevent the rehabilitation of Western Europe on a basis which would permit a healthy revival of democratic processes, the plan has succeeded.

. . . Looking at the conditions prevalent in the spring of 1947, and considering the situation at this moment, I can only feel that one near miracle has been accomplished. We² must work for, and expect, another miracle.

In his Survey of Marshall Plan in Europe, Senator Pat McCarran, Chairman of the Joint Committee on Foreign Economic Cooperation, declared: "European recovery, measured by all standards, has been more successful than even the most optimistic had hoped for."³

"It can be said immediately the Marshall Plan has proved an almost fantastic success, beyond the expectations of even its warmest advocates," said the London Economist.⁴

A rapid recovery has taken place throughout the whole economy of Western Europe. United States aid, concentrated on vital foodstuffs, raw materials and equipment, has made possible an increase in production many times greater in value. It has also made possible a rapid rate of reconstruction, a

²Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E. C. A., April, 1950), 4.

³U. S. Congress, Senate, Survey of E.C.A. in Europe by Senator Pat McCarran, Sen. Document 141, Report to the Joint Committee on Foreign Economic Cooperation, 81st Cong., 2nd Sess. (Washington: Government Printing Office, 1950), 12.

⁴"Half-way Mark," (Review of Two Years of the Marshall Plan), The Economist, 158 (February 11, 1950), 297.

high level of investment, a large increase in exports and, above all, hope and confidence in the future of Western Europe.

The program so far has cost the United States nearly nine billions, but Europe seems to be in better shape today than when the Marshall Plan began.

With the Foreign Aid Appropriation Act, approved on June 28, 1948, the Congress appropriated the Economic Cooperation Administration four billions for the year April 3, 1948 - April 2, 1949.⁵

With the Foreign Aid Appropriation Act, approved on September 29, 1949, and signed by President Truman on October 6, 1949, the Congress appropriated for the Economic Cooperation Administration \$1,074,000,000 to cover Marshall Plan operations during the final quarter of the preceding fiscal year ended June 30, 1949; \$3,628,380,000 for the fiscal year July 1, 1949 - June 30, 1950; and granted \$150 millions of additional loan authorizations for Marshall Plan countries from the Export-Import Bank.⁶

This aid and the work of these two years have removed the immediate threat of bankruptcy and economic dissolution, with the political threats which would have followed, and has laid the groundwork for its lasting suppression. The first two years of the European Recovery Program have been unreservedly successful.

⁵United States Statutes at Large, Vol. 62, Part I, 1055 (1949).

⁶United States Code - Congressional Service, 81st Cong. 1st Sess. Vol. I, (St. Paul, Minn.: West Publishing Co., 1950), 726.

Both in industry and in agriculture, recovery has gone much faster and farther than in the four years after the 1914-1918 war.⁷

The production records of industry and agriculture up to the present time testify that great progress toward reconstruction has been made in Europe.

In industry, the progress has been spectacular. Of all the Marshall Plan countries, only Germany and Greece are producing less than pre-war; all the others are producing more, and many are producing substantially more.

Industrial production has risen 25 per cent since Economic Recovery Program was started. Combined output in 1949 was within 13 per cent of the 1952-53 goal.⁸

Coal output is still slightly below pre-war, but an indication of the progress made in the fuel balance sheet is the reduction in imports from the United States from 35 million tons in 1947 to 10 million tons in 1949. It is now hoped nearly to eliminate the need for dollar coal imports in 1950-51.⁹

The production of steel rose by 56 per cent, electricity by 16 per cent in the two years of the Marshall Plan. The total

⁷Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 14.

⁸Economic Cooperation Administration, Where European Recovery Stands, Seven Charts on Recovery Progress and Problems at the Mid-Point of the European Recovery Program, (Washington: E.C.A., February 21, 1950), 1.

⁹Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 14.

output of the engineering industries increased by about 30 per cent, chemical products by 25 per cent, textile manufactures by 35-40 per cent.¹⁰

Apart possibly from electric power, there are now generally no critical bottlenecks in European industry; there is no single commodity which is so scarce that the lack of it disrupts the whole industrial effort. This is the central achievement of the last two years' work.¹¹

The agricultural output as a whole is 95-100 per cent of pre-war, but this is not nearly enough, for Western Europe has over 20 million more mouths to feed, and the Marshall Plan countries hope to get production up to about 115 per cent of pre-war by the middle fifties. Of the principal food products only meat output is still substantially below pre-war; all products are below 1952-53 goals. But an increase of about 25 per cent in two years is a good start.¹²

Most countries foresee a continued increase in industrial production. Plans of the participating countries include a 15 per cent increase in agricultural production. Total production of commodities and services should show a growth of 10 per cent by 1952. Investment to enlarge and improve production facilities is to continue in most of the countries - both in continental and overseas areas.¹³

¹⁰Ibid., 77.

¹¹Ibid., 15.

¹²Ibid., 14.

¹³Robert Marjolin, Secretary General of the O.E.E.C., "The European Recovery Program Half-Way to Victory," United Nations World, 4 (April, 1950), 60.

Considerable progress has been made since 1947 in the improvement of national finances and the creation and maintenance of internal financial stability. The countries which were facing runaway inflation three years ago have brought it under control; in other countries where overt inflation was suppressed by controls, the inflationary pressure has been relieved. In only three of the Marshall Plan countries were wholesale prices more than 10 per cent higher in 1949 than in 1948; in four countries wholesale prices were lower, despite the widespread removal of controls.¹⁴

The confidence of European people in their national currencies has been greatly restored. Budgets are balanced or in surplus in the majority of participating countries.

But inflationary pressure is likely to continue in 1950 and later, and unless this pressure can be overcome, the Marshall Plan countries will be unable to right their balances of payments. Improvement must be relentlessly pressed on, and this is work of high priority during the next two years.¹⁵

In most participating countries there has been very little unemployment in post-war years. Except in Italy, Germany and Belgium, it has only been about a quarter as high as before the war. In 1949, it rose slightly but remains a low percentage of the total unemployment. In Belgium, Germany and Italy,

¹⁴Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 17.

¹⁵Ibid.

however, unemployment has been markedly higher than before the war, and still remains a serious problem despite the efforts being made by their governments.¹⁶

Time lost through industrial disputes has been very low. Social unrest has diminished. Over-all production is high and man-hour productivity has either reached or exceeded pre-war levels. In 1949, the average factory worker produced 25 per cent more than in 1947.¹⁷

Through the exchange of technical information in industrial, agricultural and other fields, much has been done to increase productivity in Europe. A number of "technical teams" have visited the United States. Some of these teams consist of men from specific industries who visit United States plants and study methods. Others consist of farmers who work on United States farms. In some cases United States technologists go to Europe to give instruction.¹⁸

The health of young and old alike was endangered by shortages of medicine and drugs in the immediate post-war period. While the need for drugs has not been fully met, great progress has been made through the shipment of essential items from America. Hazards to health have been multiplied due to congested living quarters, inadequate food supplies and other disruptions

¹⁶Ibid., 49.

¹⁷Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 6.

¹⁸Economic Cooperation Administration, E. C. A. at Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 1.

of the war. Drugs and medicine supplied by the Economic Cooperation Administration have done much to enable health services to function.¹⁹

In the three basic needs of food, clothing and housing, the average standard in Western Europe is very much better than it was two years ago. In a few sectors of private consumption the pre-war standards have been restored or improved; this is also true of medical and other services provided by the state. But, on the average, the standard of living of the people of Western Europe is still lower than before the war, and an unprecedentedly high proportion of Western Europe's resources has been devoted to investment.²⁰

In the 12-month period concluded June 30, 1949, out of a total gross income of about \$140 billion, Europe invested more than \$30 billion in capital assets.²¹

Up to March 31, 1950, the local currency equivalent of \$5,660 million had been deposited in counterpart funds. These local currency counterpart funds are divided into two portions: five per cent is allocated to the use of the United States within the country and the remaining 95 per cent is to be used in a

¹⁹Ibid.

²⁰Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 57.

²¹Paul G. Hoffman, "The Marshall Plan: Its Progress and Problems," Commercial and Financial Chronicle, 170 (September 22, 1949), 1170.

manner proposed by national governments and agreed by the Economic Cooperation Administration.²²

The approved withdrawal for use by recipient countries amounted to \$3,708 millions. About 60 per cent of the counterpart funds utilized thus far have been used for the promotion of production. The largest amounts have been channeled into electric power projects, railroads, coal mining, agriculture, and various manufacturing industries. About 30 per cent has been used to aid in the maintenance of financial stability through debt retirement. The remaining 13 per cent has been earmarked for other purposes such as housing, care of refugees, health and sanitation projects, and transportation of relief packages.²³

France has both deposited and utilized the largest amount of counterpart - in terms of dollar equivalents withdrawals have been almost double those of the United Kingdom and four times those of Germany. As of the end of February, France had withdrawn 98 per cent of the counterpart funds deposited. Other major countries have utilized from 27 to 83 per cent of their deposits.²⁴

²²Economic Cooperation Administration, Statistics and Reports Division, Twenty-second Report for the Public Advisory Board of E. C. A., (Washington: E.C.A., April 26, 1950), 22.

²³Economic Cooperation Administration, Statistics and Reports Division, Local Currency Counterpart Funds - Mid-Point Review, (Washington: E.C.A., April, 1950), 1-20.

²⁴Ibid.

Prior to the Marshall Plan, hundreds of industrial plants lay idle for lack of electrical energy. Today factory workers have fuller employment and new jobs have been created because of the power projects financed with the help of counterpart funds. After two years of the Marshall Plan, power for industry, heat for cooking and electricity in general is no longer severely rationed in Western European countries. Counterpart funds equivalent to \$646 millions have helped to increase electrical output to levels above pre-war, and have materially aided the industrial recovery of Western Europe.²⁵

Transportation is back on a more normal basis. Railroads are running, motor trucks are operating over rebuilt roads, ships and docks are again in operation, and airports are usable. To bring about this revival the equivalent of \$466 millions in counterpart funds, 26 per cent of the total counterpart allocated for promotion of production, were used to rehabilitate the railroads.²⁶

The equivalent of \$147 millions in counterpart was channelled into the repair and improvement of roads and highway bridges, waterways and harbors, merchant and fishing fleets, and airports.²⁷

²⁵Ibid.

²⁶Ibid.

²⁷Ibid.

The industries of Western Europe have benefitted from the use of the equivalent of \$371 millions in counterpart to finance expansion or modernization of manufacturing and other production facilities.²⁸

Coal production is up to a point where most grades of coal and coke are adequate to meet the requirements of the participating countries. The equivalent of \$322 millions in counterpart funds have been used to finance mining projects, all but \$3.5 millions for coal mining.²⁹

Western European countries have rehabilitated war-damaged farms and through reclamation projects have brought into production thousands of acres of land which never before produced crops of value. Since the inception of the Marshall Plan, local currency counterpart funds equivalent to \$225 millions have been used in agricultural programs designed to increase food production and make the participating countries less dependent upon imports.³⁰

In the European Recovery Program countries, the combined efforts of men and machines are re-channelling rivers, consolidating farms, draining swamps, and making available thousands of acres of new farm land. Millions of dollars worth of food is being saved through campaigns to destroy and control farm

²⁸Ibid.

²⁹Ibid.

³⁰Ibid.

pests, and crop yields are being increased by the introduction of better seed, more machinery and new production methods.³¹

The need for providing shelter for the thousands of homeless families has been one of the major reconstruction tasks in Western Europe. Lack of adequate housing for workers has seriously hindered industrial production. War-shattered dwellings throughout Western Europe are being replaced with new housing units. The Economic Cooperation Administration has approved the withdrawal of the equivalent of \$150 millions for housing programs.³²

Local currencies equivalent to 1.1 billion dollars have been used by the participating countries for debt retirement since the beginning of the Marshall Plan, contributing to the financial stabilization. Local currency counterpart has been used for the repayment of debt owed by the government to the central banks and has resulted in the cancellation of part of the excess money supply. No payments have been made to individuals who could have used the funds involved to purchase goods and services and thus add to inflationary pressures.³³

The expansion of production in Western Europe has been made possible only by United States assistance; \$4 - 5 billion a year of aid has permitted an expansion of annual output of

³¹Ibid.

³²Ibid., 3-8.

³³Ibid.

about \$30 billion. The entire structure still depends upon imports of food, fuel and raw materials from North America. Now that the main general limitations upon production have been cleared away, the problem is to develop the production of those goods and services which can close the dollar gap by earning dollars or by saving them. This means intensive action in several fields - particularly agriculture, petroleum, tourism, and the range of industries which can supply the North American market. But it also means concentrating on the reduction of costs, the increase of productivity, and the improvement of marketing technique, for the dollar gap hardly can be closed unless Western European products can compete effectively with American, both in North America itself and in the rest of the world.³⁴

A major source of dollars for the countries of Europe is the travel industry. Tourism has long been ranked among Europe's greatest industries. Under the Marshall Plan, great facilities were granted by the European countries to American travelers, among which were the abolition of visas for short-term visits, special steps to free visitors from export and rationing controls, and more liberal allowances for motor fuel, certain foods, and merchandise. Many countries are developing their travel plants and formulating their travel programs, simplifying or

³⁴Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 15.

eliminating their frontier controls, and increasing low-cost travel facilities. This "invisible" export of the European countries constitutes a great source of dollars and it is expected to reach between \$2 and \$2.5 billion during the four years 1948-1952.³⁵

2. The Dollar Problem

Increased earnings from shipping, tourists, and other services have converted deficits on invisible account to surpluses. While helping to shrink the dollar gap, this income is small relative to trade deficit.

Western Europe's earnings through exports, shipping revenues, services to tourists, and other international services constitute only about a quarter of the dollars she must have to buy in the United States, Canada, and other dollar markets needed food, raw materials, machinery, and the like.³⁶

Progress has been made toward the reduction of the dollar deficit. In 1947, this was more than \$8 billion. In 1948, it was reduced to about \$5.5 billion. For the year ending July 1, 1950, the gold and dollar deficit of the Marshall Plan countries with the United States and Canada is estimated at

³⁵Economic Cooperation Administration, A Report on Recovery Progress and United States Aid, (Washington: E.C.A., February, 1949), 172.

³⁶Economic Cooperation Administration, The Marshall Plan - Where We Are and Where We Are Going, (Washington: E.C.A., March 31, 1950), 1.

\$4.4 billion; and the principal changes, compared with 1947, are a contraction of about \$2.5 billion in imports from this area and an expansion of only \$204 million in Western Europe's exports to the area.³⁷

This is, however, the weak spot in the recovery of Europe.

Trade among the participating countries of Western Europe has remained below the 1938 level until the last quarter of 1949. Moreover, trade among participants has not recovered as much as exports to areas outside Western Europe. Also, trade volume has not kept pace with the expansion of production.³⁸

Throughout 1948 and to the Spring of 1949, the reduction of the dollar deficit was rapid; in the Summer of 1949 there was a serious deterioration which lost much of the ground which had been won in the previous twelve months; in the last few months, following the devaluations, there has been a recovery again. The experience of 1949 has shown how vulnerable Western Europe's dollar earnings are to even a small shock coming from outside.³⁹

³⁷J. H. Williams, "Marshall Plan Half-Way," Foreign Affairs, 28 (April, 1950), 472.

³⁸Economic Cooperation Administration, Where European Recovery Stands, (Washington: E.C.A., February 21, 1950), 2.

³⁹Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 21.

Western Europe's exports to North America are small in relation to imports and this is not merely a result of the war, but a long-standing characteristic of the trade between the two areas. Western Europe's share of United States market has been declining steadily over the past fifty years.

In his address delivered before the Boston Conference on Distribution, Norman Armour, Assistant Secretary of State for Political Affairs, declared:

In pre-war days Europe accounted for more than half of the world's total trade. Much of this was among the European countries themselves. But in 1938 the sixteen Marshall Plan countries took 35 per cent of total United States exports. In 1946 United States exports to those countries had tripled in dollar volume, from just over \$1 billion in 1938 to more than \$3 billion in 1946. The proportion to United States total exports was about the same - 33 per cent. During the first six months of 1947, the dollar rate of exports to the sixteen countries rose still higher, but the 33 per cent ratio remained constant.

The value of imports from the same group of countries has been much smaller than United States exports to them. United States imports from these countries, worth \$415 million in 1938, constituted 21 per cent of United States total imports. In 1946 the dollar value rose to \$676 million, but this higher figure amounted to only 14 per cent of United States total imports, and for the first half of 1947 the comparable figure was 12 per cent.⁴⁰

In their trade with the United States, as distinct from their total trade, the participating countries had deficits of

⁴⁰Norman Armour, "America's Stake in Europe," United States Department of State Bulletin, 17 (November 2, 1947), 864 - 65.

\$4.2 billion in 1946, \$5.4 billion in 1947, and \$3.5 billion in 1948. If their overseas dependencies - formerly dollar earners - are included, the corresponding deficits were actually somewhat larger (\$4.5 billion in 1946, \$5.7 billion in 1947, and slightly more than \$3.5 billion in 1948). Because of sharp increase in first half, the 1949 deficit was about same in previous year.⁴¹

In 1938, Western Europe's exports to North America were only 1/7 of her total overseas exports, while her imports from that area were about 1/4 of total imports from overseas. In 1947, the Marshall Plan countries' exports to North America were 14 per cent of their imports from North America; in 1948, the proportion went up to 22 per cent; in 1949-50, it is estimated at 24 per cent; and the countries are thinking that it will increase to 35 per cent in 1950-51 and nearly 50 per cent in 1951-52. These changing proportions reflect both a decline in imports and an increase in exports.⁴²

The programs for 1950-52 show for the whole period 1947 to July 1, 1952, an estimated decrease of imports from the United States and Canada of \$3.6 billion, and a rise in exports of \$665 million. When these changes have been achieved, Western Europe's imports from this area will be \$3.2 billion, nearly as large an amount of imports as in 1938, but representing 1/6

⁴¹Economic Cooperation Administration, The European Recovery Program - Report of the E.C.A.-Commerce Mission to Investigate Possibilities of Increasing Western Europe's Dollar Earnings, (Washington: Government Printing Office, October, 1949), 3-4.

⁴²Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 22.

of its total imports and a contraction of 54 per cent compared with 1947. Western Europe's exports to this area will be \$1.5 billion, less than 10 per cent of total Western European exports, but an increase of 80 per cent compared with 1947.⁴³

The Marshall Plan countries have pointed out that they will be able to continue their recovery if they receive aid in the years 1950-51 and 1951-52 at the rate of 75 per cent and 50 per cent of the 1949-50 level respectively. If this is not realized, the plans for continued recovery set out in the programs cannot be fully implemented. There would have to be reductions in essential imports, with cumulative effect upon production.

On favorable assumptions about the future course of the world economy - and in particular on the assumption that the United States business activity does not fall below the level of the middle quarters of 1949 - and about the amount of aid available, it is calculated a reduction in the total dollar deficit from \$4.4 billion in 1949-50 to \$3 1/4 billion in 1950-51 and \$2 1/4 billion in 1951-52.⁴⁴

It is clear that a serious problem will exist after 1952. There is no single effective solution of the dollar problem.

⁴³J. H. Williams, "Marshall Plan Half-Way," Foreign Affairs, 28 (April, 1950), 472-73.

⁴⁴Organization for European Economic Cooperation, European Recovery Programme-Second Report of the O.E.E.C. (Paris: Imprimerie Administrative Centrale, February, 1950), 22.

It must be attacked from many sides. One essential element is a much better balance in the trade between Western Europe and North America.

Even in 1951-52, European Recovery Program aid would amount to about 2/3 of the Marshall Plan countries' imports from North America, and for an ultimate stable balance a much larger proportion of imports must be covered by the sale of exports. Much would help if a dollar surplus can be earned on invisibles or if dollars can be earned net from the rest of the world.

In 1951-52, a deficit is still foreseen in both of these; only in later years this should become a surplus. Substantial United States investment in, and assistance to, countries outside Europe, in conditions which would permit Western European countries to earn these dollars themselves, would, also, greatly contribute to ease the dollar deficit. In any event, it is thought that hardly the Marshall Plan countries' dollar deficit could be eliminated with exports to North America less than 75 per cent of imports from North America.

In order to have a dollar balance, Marshall Plan countries' imports from North America would have to be cut to about 1/3 of their current level, but this would bring unemployment in American industries now selling to Europe, and a sharp set-back to European unity and recovery. Or Marshall Plan countries' exports to North America would have to be tripled, but this is seen certainly out of the question by 1953.⁴⁵

⁴⁵Ibid., 23.

In the next two years, the Marshall Plan countries programs show an increase in their exports to North America by 1/2, and a reduction in their imports by 1/4 - and after 1951-52, further expansion of exports and reduction of imports will be needed to eliminate the remaining deficit. Success depends upon how well and quickly the necessary adjustments can be made, on both sides of the Atlantic.⁴⁶

In 1951-52, with American aid in the amount of \$2 billion, Europe can only allow herself \$3 billion of imports from North America. After 1951-52 the European countries will have to meet their needs with their resources alone. A new reduction in imports from North America is possible, but only in a limited way.⁴⁷

Even if Europe succeeds in increasing her exports to North America by 50 per cent in 1951-52, these exports will still pay only half of her imports from North America. That is to say that the effort must be continued after 1951-52, and must also be increased if possible. Taking into account invisible exports, as well as the possibility of earning dollars on other markets, the objective set for themselves by member states for the period immediately following 1951-52 is a 75 per cent coverage of their imports from North America by their exports.⁴⁸

⁴⁶Ibid.

⁴⁷Robert Marjolin, "The European Recovery Program Half-Way to Victory," United Nations World, 4 (April, 1950), 61.

⁴⁸Ibid., 62.

If certain conditions are met, with everyone cooperating, Europe should be able to reach, in 1952, its first goal - independence from all special foreign assistance. The deficit at that time, although it may not have disappeared completely, will have been reduced to modest and manageable proportions which would make it subject to normal financing.

The final objective, as well as the intermediary goals, can only be reached if the domestic stability of Europe is maintained and consolidated.

3. Necessity of United States Imports from Europe.

The United States will have to make it possible for Europe to buy in North America the goods and services they need, and to pay for them with their exports of goods and services to North America.

Europe can do much to bring about a better balance in her trade, but the solution of the problem rests largely with the United States. It is basic to the United States security and prosperity that it does what is necessary to bring about a balance in international trade.

Determined effort must be made to maintain a high level of employment and production in the United States, for even a small reduction in the rate of its production and consumption affects imports sharply.

As the free world's major creditor and supplier, the United States has an inescapable duty and responsibility to lead the way toward a fundamental solution of the dollar shortage that will provide a solid economic foundation for the free world.

The indirect benefits of increased American imports from Western Europe would be considerable. They would reduce the general dollar shortage and so make it much easier to earn dollars through export surpluses to third countries. As long as there is a world shortage of dollars, such multilateral trade is bound to be severely limited.

On the part of the United States, good will toward increasing imports from Europe, and the recognition of the role that should be played in international trade by a creditor nation, is demonstrated in recent speeches by leading statesmen, and also industrialists and businessmen. Secretary of State Acheson recently made it clear that the United States must start trading with other nations along a two-way street. Referring to the United States balance of payments, he said in an address to the National Foreign Trade Council in November, 1949:

The bald fact is, though many people do not seem to realize it, that we are in real balance-of-payments difficulties . . . We have an unfavorable balance of trade, unfavorable to the taxpayer, and unfavorable to the consumer. . . . We must become really import-minded. We must want to devote our time and energy to discovering and bringing in imports. It is common sense for us to want them and go after them.⁴⁹

He pointed out that the United States exports goods that might otherwise be available to consumers in this country, and that American taxpayers give and lend money to foreign countries

⁴⁹"Acheson's Import Plan," New Republic, 122 (March 6, 1950), 36.

to pay for these excess exports. More imports will tend to balance the trade and relieve the American taxpayer.

In a message to Congress, President Truman stressed recently the need to accept greater competition from European suppliers. He pointed out that even a doubling of Western European exports to the United States would only "scratch the surface" of American markets.⁵⁰

Outlining the foreign policy of the United States and citing the European Recovery Program, Dean Acheson declared:

Our policy line must be to create those economic, political, social and psychological conditions that strengthen and create confidence in the democratic way of life.

One of the things that we must do is to enable other countries to buy with their own products the raw material that they need to feed and clothe and employ their own people. This means that we must buy their goods and their services to a greater extent than at present.

We must take that kind of action even though it requires adjustments here at home - and it will require some adjustments. Make no mistake about it, if we want to have strong allies in Europe we have got to work out some kind of pattern of this kind.⁵¹

It has been emphasized by Mr. Hoffman that:

Imports do not hurt us but enrich us, both as individuals and as a nation. They bring us goods that we could not otherwise have or afford. They enable us to export an equal value of things we produce best at lower cost. The acceptance of larger imports which our national and international

⁵⁰Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 164.

⁵¹"Acheson's Import Plan," New Republic, 122 (March 6, 1950), 36.

interests require may in certain cases seriously affect particular interests in the United States. But dare we in our new role continue to subject the whole American people to several billions of dollars of taxes each year in order to protect these special groups?⁵²

Previously he had declared:

A self-sufficient and prosperous Europe can well buy \$5 billion of goods from America instead of \$600 million, provided, of course, we in America import from Europe goods of about equal value. This greatly expanded interchange between Europe and America should be our goal because both continents will be enriched by such a trade.⁵³

"World trade is essential to American prosperity, and world trade can exist only on a two-way street," said Mr. Hoffman.⁵⁴

In a special report to him, the joint E.C.A.-Department of Commerce Mission, sent to Europe in May, 1949, to study trade problems, said that the trade of the United States with Western Europe and the rest of the world was so badly unbalanced that the United States in its own interest, as well as that of Europe, must seek a fundamental solution based primarily upon greatly expanded imports to the United States.

Pointing out that the United States was not importing enough from European Recovery Program countries for them to

⁵²Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 164.

⁵³Paul G. Hoffman, Address before the Pittsburgh Chamber of Commerce on February 21, 1949, (Washington: E.C.A., 1949), 4.

⁵⁴Paul G. Hoffman, "The Marshall Plan: Its Progress and Problems," Commercial and Financial Chronicle, 170 (September 22, 1949), 1170.

earn sufficient dollars to pay for what they must buy from the United States, the report said expanded sales in the United States were necessary to bridge the dollar gap, which acted as a break on European recovery and a drain on American taxpayers. The report said that, because of the European dollar shortage, United States exports have been maintained by subsidies at taxpayers' expense, the United States Government having provided \$49 billion in grants and \$19 billion in loans to foreign countries from July, 1914, through 1948. "Foreign aid programs," it continued, "have been necessary to prevent chaos and keep free institutions alive."⁵⁵

Speaking about this special report, Mr. Hoffman said:

It is believed that many items produced in Europe could be imported into the United States with little or no effect upon our own industrial economy. A number of items produced in Europe are not produced here. In the case of other commodities and products, competition would not be involved to a great degree. The American capacity to consume is so large that it can absorb European imports in a volume important to European recovery, but only fractional in comparison to our productive resources.⁵⁶

He added that expansion in United States purchases from Europe and its dependencies is most likely in the fields of tourism, raw materials, and manufactured goods designed for specialized purposes or requiring special skills or unique raw materials for their production.

⁵⁵Economic Cooperation Administration, The European Recovery Program - Report of the E.C.A.-Commerce Mission, (Washington: Government Printing Office, October, 1949), 17.

⁵⁶Economic Cooperation Administration, A Current Report on the Marshall Plan Prepared for the E.C.A. Public Advisory Board, No. 3, (Washington: E.C.A., November, 1949), 2.

Any development in the European economic position, (said Prof. Lincoln Gordon of Harvard University), has its counterpart in American foreign trade; indirectly it also affects the level and composition of domestic American activity. On the political side, it need hardly be pointed out so soon after two world wars with their principal origins in Europe that developments across the Atlantic may be the most potent determinants of our well-being.⁵⁷

"Europe must earn - and United States must help to allow Europe to earn - more dollars in order to meet its dollar deficit," said Mr. Hoffman. "This is not just a fiscal nor a budgetary necessity. It is one of the necessities of healthy, peaceful and prosperous economic relations between Europe and America."⁵⁸

In a talk delivered recently at the meeting of the Dayton Council on World Affairs, he noted that:

Before we can claim a lasting victory for Western Europe and ourselves, a great adjustment must take place on this side of the Atlantic. We must condition ourselves to import about \$2 1/2 billion more a year from Europe. That increase cannot possibly affect adversely our economy as a whole.⁵⁹

Answering questions asked about the Marshall Plan at the Dayton meeting, Mr. Hoffman stated that these imports would enrich the lives of the American people and strengthen their economy. Of the increase, about \$1 billion would be in non-

⁵⁷Harvard Business Review, (February, 1949), 3.

⁵⁸Paul G. Hoffman, "The Marshall Plan: Its Progress and Problems," Commercial and Financial Chronicle, 170 (September 22, 1949), 1170.

⁵⁹Economic Cooperation Administration, E.C.A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 1.

competitive items - such as American tourist trade in Europe and imports of many essential items, many vital to national defense. The remaining \$1 1/2 billion might be competitive. This would represent 6/10 of one per cent of the total national production.

This amount of additional imports, (continued Mr. Hoffman), cannot possibly harm our total national economy, but for Europe it means economic life or death. It can mean additional competition for some American producers - but America has grown strong through competition. And each dollar spent for an additional import means another dollar spent abroad for American products.⁶⁰

In indorsing another year of European aid, the Congress of Industrial Organizations, one of the two largest American labor organizations, touched on the question of admitting additional foreign imports that would compete with domestic goods. A statement by Philip Murray, President of the C.I.O., presented to the Senate Foreign Relations Committee by Michael Ross, Director of the C.I.O. department for international affairs, pointed out:

Our official C.I.O. policy is for economic expansion and growth which will help maintain full employment and high prosperity, of which international trade is a fundamental part.

In the long run, if Europe is to be self-supporting, we must allow her to repay us for our aid. There is no way for Europe to do this, except by sending us her goods and providing us with services.⁶¹

⁶⁰Ibid., 4.

⁶¹Oklahoma City Times, "C.I.O. Indorses More European Imports," (February 28, 1950), 8.

On the surface this looks as if the United States is getting the worst end of the bargain. The United States is assisting other nations in order to have stronger competitors, but, in reality, this is not so. In 1949, in spite of the decrease in exports and the increase in imports to the United States, the excess of exports of this country still amounted to \$5,376 million.⁶² Hence, either it buys more abroad and ships less abroad, or the American taxpayers pay for the excess of exports over imports from this country. In 1946, the United States export surplus for the rest of the world was \$7.8 billion; in 1947, it ran to \$11.3 billion; in 1948, it was \$6.3 billion.⁶³ Is it any wonder, then, that payments cannot be made or are restricted? American taxpayers and consumers will continue to pay indefinitely, unless foreign nations are enabled to help themselves.

A decisive condition for the solution of the dollar problem is the maintenance of a high level of business activity in the United States and in all countries. If United States demand is strong, primary producers earn large amounts of dollars and there is an expanding market for participating countries' products; if United States demand weakens, the primary producers' dollar

⁶²Marcus Nadler, "Impact of International Situation on United States Economy," Commercial and Financial Chronicle, 171 (March 9, 1950), 1030.

⁶³Economic Cooperation Administration, The European Recovery Program - Report of the E.C.A.-Commerce Mission, (Washington: Government Printing Office, October, 1949), 3.

earnings rapidly fall away, and it becomes impossible to develop sales of quality products. The sort of expansion of dollar earnings which the Marshall Plan countries contemplate is inconceivable in conditions of declining business activity in the United States. Even a small adjustment in the United States business activity can have altogether disproportionate effects upon the Marshall Plan countries, whose financial and physical reserves are not large enough to take the strain of a sudden loss of earnings; the losses of war and the crises of the post-war period have sorely weakened the Marshall Plan countries' external capital position, and this renders them much more vulnerable to sudden change.

It is hoped that it will be possible to correct this to some extent during the next two years; without such a strengthening, an effective world-wide multilateral trading and financial system will still be far away.

The problem confronting the Western European countries, (said Marcus Nadler, Prof. of Banking and Finance at New York University), will be alleviated if the economy of the United States is kept strong, sound, and growing, thereby creating a greater demand for imports of raw materials and giving the Russians the lie about the weakness of Capitalism.⁶⁴

Mr. Hoffman declared:

European production has been mounting in volume, and European exports have been mounting in volume,

⁶⁴Marcus Nadler, loc. cit.

but the catch is that they have gone mostly to soft-currency markets. Unless European manufacturers can sell to the dollar markets and unless, by vigorous and imaginative merchandising, they succeed in selling to the dollar market, Europe cannot obtain adequate food and raw materials essential to a rising standard of living.⁶⁵

Most of the Marshall Plan countries governments have introduced special schemes to encourage their producers and merchants to go for the North American market. This implies forcing the way into new markets, developing new techniques of merchandising and assuming additional costs and risks. But the dollar-earning drive cannot make its full contribution if the efforts of manufacturers and traders are impeded by high tariffs and arbitrary customs procedures.

4. United States Tariff Walls.

Prominent among the obstacles whose elimination would foster soundly expanded import trade, were listed in the special report of the E.C.A.-Department of Commerce Mission: oppressive controls imposed by the governments of exporting nations; the high American tariff; United States customs procedures; "buy American" restrictions on federal, state and local government procurement, and the high prices at which a number of products are offered to the United States market.

Suggestions were made to the United States and foreign governments as to what could be done to expand imports to the

⁶⁵Paul G. Hoffman, "The Marshall Plan: Its Progress and Problems," Commercial and Financial Chronicle, 170 (September 22, 1949), 1170.

United States and recommendation was stressed that the Organization for European Economic Cooperation direct its greatest effort toward promoting the elimination of trade barriers in European countries.⁶⁶

The antiquated tariff laws of the United States, restricting imports, discourage efforts to repay. In 1921 and 1922 American tariffs were raised, finally reaching record levels in the Hawley-Smoot Tariff Act of 1930. Since these high import duties made it difficult to sell foreign goods and services in the United States, many foreign borrowers were unable to earn American dollars in order to repay their debts to the United States or to buy United States export goods.⁶⁷

The United States tariff still remains a considerable obstacle to imports. Rates of over 50 per cent are common.⁶⁸

In 1930, the depression convinced the Congress that the best way to bring back prosperity was to keep foreign goods out of the United States, and high duties and complicated regulations were applied in order that foreigners could not compete very successfully in American markets. Today, economic

⁶⁶Economic Cooperation Administration, The European Recovery Program - Report of the E.C.A.-Commerce Mission, (Washington: Government Printing Office, October, 1949), 17.

⁶⁷United States Department of State, Background Summary Expanding World Trade - United States Policy and Program, (Washington: Government Printing Office, March, 1949), 2.

⁶⁸Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, 1950), 161.

conditions are completely reversed. The United States has high employment, enormous production; the manufacturers no longer need a high protective tariff wall - they need markets abroad. The farmers, overproducing, must sell in foreign lands, and still the antiquated tariff laws and regulations remain in force, serving to shut off these foreign markets, because the United States cannot sell, unless it buys.

In the Report of the E.C.A.-Commerce Mission (headed by Mr. Wayne Taylor) to investigate possibilities of increasing Western Europe's dollar earnings, there are many striking illustrations of the high rates of duty on manufactured imports, or potential imports, from Western Europe.⁶⁹

With so many difficulties and uncertainties, it is hardly surprising that European manufacturers, especially the small ones on whom so many speciality exports depend, should be reluctant to embark on trade with the United States.

These obstacles are costing American taxpayers about \$1 billion a year. This is what Harry S. Radcliffe, executive secretary of the National Council of Importers, one of the top authorities on imports, says: "If Congress will revise adequately the customs regulations, imports will increase at least a billion a year."⁷⁰ In other words, foreign nations could sell the United States \$1 billion more of their goods, and,

⁶⁹Ibid., 69, 161, 167, 193, 201.

⁷⁰Jerome Beatty, "We Can Save a Billion Dollars," The American Magazine, CXLIX, 1 (January, 1950), 30.

consequently, they would have \$1 billion more with which to pay the United States for the goods it now gives them free under the Marshall Plan.

Mr. Hoffman has pointed out that "many American tariff rates still remain high and, in some cases, prohibitory on a wide range of products, many of which are non-competitive with United States goods."⁷¹

We need to keep our tariffs reasonably low, (he declared), simplify our customs regulations, and above all turn a deaf ear to the groups which call for "protection" as soon as imports begin to come. Provisions may be advisable to cushion the localized shock for certain workers and producers, but we cannot any longer allow the special interests to over-ride the national welfare.⁷²

When Paul G. Hoffman urged the United States to relax its trade restrictions slightly and admit a billion dollars worth of European goods into the American market, it was observed that, if the American people purchased a billion dollars worth of European goods, they are not likely to purchase a billion dollars worth of American goods. That might mean a letdown in the American domestic business and might lead to a considerable measure of unemployment and a consequent measure of privation. So, in order to heal the hurt of an enlarged importation of European goods, Mr. Hoffman suggested that Congress make an

⁷¹Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 161.

⁷²Economic Cooperation Administration, E.C.A. At Work! (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 4.

enlarged provision for unemployment compensation. This would seem a vicious circle, but it should be the only way to permit a vastly expanding purchasing power of the European countries - more than is promised by the business outlook - and to compensate the decrease in the home market for American production.

The joint communique issued by the United States, United Kingdom and Canadian Governments, on September 12, 1949, included the following declarations:

The United States and Canada should reduce obstacles to the entry of goods and services from debtor countries in order to provide as wide an opportunity as possible for those countries to earn dollars.

High tariffs are clearly inconsistent with the position of creditor countries.⁷³

These declarations are an encouragement to the participating countries. If they can put more drive into their efforts to find markets in the United States and can count on a more liberal import policy there, a large increase in dollar earnings can be won.

5. European Economic Integration

The results of the Marshall Plan at the half-way mark, besides American aid, are due in great part to the efforts of the European countries to join closer together and to integrate their economies.

At the Marshall Plan half-way mark celebration, Secretary of State Acheson declared:

⁷³Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 165.

All over the Continent people were longing to rebuild a useful and orderly existence after the long misery and the violence of war. They wanted to restore their homes and farms and workshops. They wanted to plan for the futures of themselves and their families; they wanted to move toward a more promising day, toward a world in which peace might endure.

. . . Without aid, we hoped that the weak and war-wracked organism of Europe could regain strength and health . . .

The progress that has been made is a triumph of man's ingenuity, of man's will, of man's confidence in the power of free institutions. It is not a triumph for any one nation, or for any one class, but triumph of cooperation.⁷⁴

The capital importance of the economic integration of Europe was clearly recognized by the Congress of the United States. In amending the Economic Cooperation Act of 1948, on April 19, 1949, it declared:

Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal barriers, and believing that similar advantages can accrue to the countries of Europe, it is declared to be the policy of the people of the United States to encourage these countries through their joint organization to exert sustained common efforts to achieve speedily that economic cooperation in Europe which is essential for lasting peace and prosperity.

It is further declared to be the policy of the people of the United States to encourage the unification of Europe, and to sustain and strengthen principles of individual liberty, free institutions, and genuine independence in Europe through assistance to those countries of Europe which participate

⁷⁴Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 4.

in a joint recovery program based upon self-help and mutual cooperation.⁷⁵

In his speech at mid-point celebration, General Marshall said:

It is true that for Western Europe to get its economic house in such order that it can survive and prosper in this competitive modern world requires a tremendous final effort over the next two years. The erasing of old trade barriers and the construction of new channels, such as a clearing union for Europe's varied moneys, may require a miracle of cooperation.⁷⁶

An economically strong world outside the Iron Curtain in the long-run is bound to have a favorable effect on the United States economically and militarily. A strong Western Europe whose economies are coordinated, no matter how great the cost may be, will be cheaper than a weak Europe constantly threatened by the aggression of the Soviet Union.

"A prosperous, stable Europe and a wisely cooperating America," said Mr. Hoffman, "are indispensable partners in building the peace of the world. We are living in a moment of great crisis, but we are also living in a moment of great opportunity."⁷⁷

The Economic Cooperation Administrator thought the moment had come to move faster toward the long-range goals of the Marshall

⁷⁵United States Code - Congressional Service, 81st Congress - 1st Sess., Vol. I, (St. Paul, Minn.: West Publishing Co., 1950), 53-54.

⁷⁶Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 4.

⁷⁷Paul G. Hoffman, "The Marshall Plan: Its Progress and Problems," Commercial and Financial Chronicle, 170 (September 22, 1949), 1170.

Plan, as he demanded that the Europeans do something serious about the economic integration of Western Europe. He called for Europe to establish, without delay, an economic unification which would create a single market of 270 million consumers, saying that only within such a framework Europe can begin to become truly self-supporting and achieve a rising standard of living. Speaking before the Organization for European Economic Cooperation, in Paris, on October 31, 1949, he warned that "integration is a practical necessity in Western Europe today."

We must now devote our fullest energies to the building of an expanding economy in Western Europe through economic integration. This would make it possible for Europe to improve its competitive position in the world and thus more nearly satisfy the expectations and needs of its people.

The people and the Congress of the United States, and, I am sure, a great majority of the people of Europe have instinctively felt that economic integration is essential if there is to be an end to Europe's recurring economic crises. A European program to this end - one which showed real promise of taking this great forward step successfully, would, I strongly believe, give new impetus to American support for carrying through into 1952 our joint effort toward lasting European recovery.

This is a vital objective. It was to this that Secretary Marshall pointed in the speech which sparked Europe to new hope and new endeavor. It was on this promise that the Congress of the United States enacted the Economic Cooperation Act. This goal is embedded in the Convention of the Organization for European Economic Cooperation. This is the goal which President Truman reaffirmed to me just before I left Washington.⁷⁸

⁷⁸Paul G. Hoffman, E.C.A. Asks O.E.E.C. for 1950 Program, (Washington: E.C.A., 1949), 3-8.

He defined "integration" as the formation in Western Europe of a single economic market where all restrictions on movement of goods and eventually all tariffs are "permanently swept aside." He explained that if trade among the nations of Western Europe was permitted without restriction, there would be a greater interchange of goods and, as a result, more production. It would create, moreover, mass-markets for low-cost, mass-produced goods.⁷⁹

One such restriction is "dual pricing." This practice limits the volume of intra-European trade and hampers recovery. It is essentially a form of price discrimination that is fairly widespread in Western Europe, and involves setting higher prices for foreign buyers than are charged domestic purchasers of the same commodity. The reasons for dual pricing are, first, a desire to obtain higher returns from export sales; second, governments wish to restrain inflation at home by keeping certain commodities at artificially low price levels, or below world market prices; and third, the competitive ability of domestic industries is improved by the assurance that certain raw materials produced in the country will be cheaper than those obtainable by foreign competitors.

But, since each country adversely affected by the higher import prices seeks to retaliate to the limit of its bargaining power by raising its own prices, the end results are higher costs

⁷⁹Ibid., 8.

throughout Western Europe. If this trend is continued, Europe may be permanently saddled with many high-cost industries.

"It cannot be squared with your pledges of mutual aid," warned the Administrator.⁸⁰

Another restriction is "import quotas" - limitations on the amount of goods one country will import from another. Such restrictive trade leads to development of uneconomic substitute industries to supply normally imported goods for which the specific foreign currency is not available.

I can assure, (declared Mr. Hoffman), that throughout Europe there is an awareness of the urgent necessity of coming quickly to grips with the problems of economic unification and increased dollar earnings.⁸¹

During 1949, the participating countries agreed to take an important step toward the removal of quantitative restrictions. They undertook to remove such restrictions on at least 50 per cent of their trade on private account with other participants by December 15, 1949, both in relation to total trade and to each of the three principal groups of imports: food and feeding stuffs, raw materials and manufactured goods. These undertakings have, on the whole, been fulfilled. The trend in commercial policy in Western Europe over the past twenty years has thus been reversed.⁸²

⁸⁰Ibid.

⁸¹Paul G. Hoffman, "The Marshall Plan: Its Progress and Problems," Commercial and Financial Chronicle, 170 (September 22, 1949), 1170.

⁸²Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 19.

Before the American Federation of Labor, in St. Paul, Minnesota, Paul G. Hoffman declared last November:

. . . I am glad that I can bring you an item of good news. It is tidings of what shall surely be a better day for Europe, and if a better day for Europe, a better day for the world.

For three European nations have just taken an historic step. Italy, Great Britain and France are lifting quantitative restrictions and import quotas as much as 55 per cent of their total imports from other Marshall Plan countries. This is a practical move towards creating within Western Europe the same sort of free intercourse that has proven so fruitful among the forty-eight states in our own country . . .⁸³

Member countries have now decided to make it their aim to remove, as soon as a satisfactory payments scheme comes into force, quantitative restrictions on at least 60 per cent of their imports on private account from other Member countries. As soon as possible after June 30, 1950, they will decide what further progress during 1950 they should undertake with a view to attaining a liberalization of 75 per cent of their imports on private account from other participating countries. The participating countries have decided that in any event quotas still existing after December 31, 1950, would have to be justified. To give effect to this, the participating countries are considering methods by which a European Payments Union might be established to make possible the transferability of European currencies.⁸⁴

⁸³Economic Cooperation Administration, A Current Report on the Marshall Plan Prepared for the E.C.A. Public Advisory Board, No. 3, (Washington: E.C.A., November, 1949), 15.

⁸⁴Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 20.

6. European Payments Union and Regional Agreements.

To achieve complete freedom of intra-European trade would require free transferability of currencies. There has been effective collective action toward this goal, particularly in intra-European trade and payments. Intra-European trade in 1947 was only about 2/3 of pre-war volume, and the lack of dollars and scarcity of key commodities were forcing countries increasingly to resort to bilateral bargaining, and even to barter. In 1948 was adopted the first Intra-European Payments Scheme and, in 1949, this was followed by the second, which sought to remedy defects in the first scheme and introduce a greater element of flexibility. These schemes, which were temporary devices designed to enable the Marshall Plan countries to obtain essential imports from each other, were instrumental in enabling the recovery of production and the overcoming of inflation in individual countries to be strengthened and fostered by a recovery of intra-European trade, which is now equivalent in value to \$9 billion a year - about the pre-war volume. In the past two years, trade between the participating countries has increased by 50 per cent, exports to non-participating countries by 1/3. The deficit with the rest of the world was reduced from \$7 1/2 billion in 1947 to little more than \$4 billion in 1949.⁸⁵

⁸⁵ Ibid., 77.

The Marshall Plan countries are now negotiating a new European Payments Union which will act as a clearing-house for the nations of Western Europe in settling their debts with each other and also, to some extent, as a bank to finance a deficit country.

The Economic Cooperation Administration planned to withhold not less than \$600 million from the total 1950-51 appropriation, which could be made available to the new European Payments Union to encourage economic unity.⁸⁶

On May 5, 1950, the Congress authorized the Economic Cooperation Administration to use that amount of money "in order to facilitate the development of transferability of European currencies, or to promote the liberalization of trade by participating countries with one another and with other countries."⁸⁷

On November 2, 1949, it was agreed by the Organization for European Economic Cooperation that it might be

desirable to provide for a closer economic and monetary association on a regional basis between some of the Member countries, where the requisite conditions already exist, such arrangements to be compatible with the wider possibilities that may be offered by the collective action of all Member countries.⁸⁸

⁸⁶Economic Cooperation Administration, E.C.A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 4.

⁸⁷U. S. Congress, House, Economic Cooperation Act of 1950, H. R. 7797, 81st Cong., 2nd Sess. (Washington: Government Printing Office, May 5, 1950), 31.

⁸⁸Organization for European Economic Cooperation, European Recovery Programme - Second Report of the O.E.E.C., (Paris: Imprimerie Administrative Centrale, February, 1950), 241.

Since the end of the war, a number of regional agreements have been concluded. The first of these was that between Belgium, the Netherlands and Luxemburg, generally known as "Benelux." The Franco-Italian Customs Union was agreed upon in principle in March, 1948. More recently, negotiations were begun between France, Italy and Benelux; and an agreement has been reached between the United Kingdom and the Scandinavian countries: Denmark, Norway and Sweden.⁸⁹

The regional agreements are all directed toward a more liberal pattern of trade and payments. They constitute a real and practical advance toward the objectives of the Marshall Plan. The last three arrangements are still at an early stage, but that of Benelux has already yielded positive results of importance.

7. Difficulties to Overcome for European Economic Integration.

But, in the opinion of the Economic Cooperation Administration, the European Recovery Program countries have not done enough to "integrate" the economy of Western Europe, and admittedly a great deal more remains to be done before this integration can be fully achieved.

On the European side, (said Mr. Hoffman), complex and deep-seated attitudes must be changed. Western Europe's present inability to pay its own way stems not only from wars but from indulgences in economic practices that are basically unsound. Those practices have a long history.⁹⁰

⁸⁹Ibid.

⁹⁰Economic Cooperation Administration, E.C.A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 1.

He continued, saying that wherever producers are inefficient, pressure for the erection of trade barriers against foreign competition sets in, and that is what happened in Europe. It is this economic nationalism which must be up-rooted if Europe is to produce the quantity of goods and the kind of goods at competitive prices, which will not only put her in a position to earn the dollars she requires for grains, cotton and other items from the Western Hemisphere, but also to raise the standard of living of her people, and free her from dependence on extraordinary outside aid at the earliest possible date.

Economic Cooperation Administration's position, (Hoffman said), that Europe must move boldly in the reduction of trade barriers, has been attacked as an impractical dream. Our reply is that there are moments in history when the impractical becomes a practical necessity. It is, in our view, quite impossible for Europe to become enduringly self-supporting with a reasonably high standard of living for its people, unless Western Europe's 270 million consumers are welded into a single great market.⁹¹

This is the objective toward which the Marshall Plan is striving. But why is it so difficult to reach this objective which looks so reasonable?

In Western Europe, during the past 40 to 50 years economic initiative and enterprise have been stifled by narrow and non-competitive national markets. The stagnation of enterprise and initiative was encouraged by trade barriers and restrictive trade practices which producers relied upon to maintain sales

⁹¹Ibid.

and protect high cost and inefficient operations. There was little inclination by governments or producers to tackle the problem of increased productivity. Protected by tariffs, cartels and other restrictive practices, uneconomic industries persisted, catering to the limited and protected home markets, or able to sell their goods abroad only because of export subsidies and bilateral agreements.

Besides, this integration involves economic as well as social and political changes. Many barriers will have to be torn down, barriers of false national pride, tariffs, social injustices, ancient prejudices. Many a day-dream will have to end, economic and political isolation will have to give way to cooperation and coordination.

While efforts have been made to integrate the European economies, the goal has not yet been completely attained because of the conflicting economic interests of the individual countries. These often are deep-rooted. Integration of the European economy involves a great many difficulties and obstructions. The economies are not entirely complementary and there are individual groups which fear that they may be adversely affected by competition. Also, there is the great fear, (particularly in Great Britain), that integration may lead to an increase of unemployment.

In removing restrictions, governments must pay regard to the fact that the reappearance of competition will adversely affect some sections of the population and may call for social and economic adjustments that will be difficult to carry out,

especially in countries already faced with heavy unemployment. If widespread dislocation of production and employment were to follow from freer trade, one of the main objects of the European Recovery Program would be frustrated.

The most serious difficulties, however, have yet to be faced. The current levels of economic activity and living standards depend on large-scale American aid that will diminish rapidly over the next two years. The next stage in freeing intra-European trade and payments will be more difficult than the first. Nevertheless it is right to record the very striking progress that has been made, and to draw from it encouragement in the tasks that lie ahead.

The period of the Marshall Plan has also been that of the Brussels Treaty, the Council of Europe, and the Atlantic Pact. At any time before 1947 so much progress would have seemed little short of miraculous. It may not be union, but it is a degree of unity never achieved in the Atlantic world before.

"Western Europe has made more progress towards economic union under the Marshall Plan than in the last 600 years," said Mr. Hoffman.⁹²

With the experience of the past two years to draw upon, the participating countries can now make further progress toward a closer economic integration in Western Europe. This is a step toward the creation of a world-wide multilateral trade and

⁹²Ibid., 4.

payments system. The objective is clear - it is to secure to the fullest extent possible the advantage of a large competitive market with increased specialization of production. To gain this objective, Western Europe has embarked on the progressive removal of restrictions that hamper the flow of goods and services between the participating countries, and on the creation of a multilateral payments system.

The task for Europe will be to encourage maximum practical investment in productive enterprise, and to encourage European Recovery Program countries to adopt financial and economic policies that will enable them to move as fast as possible toward a balance in dollar accounts.

This will be done through more intensive development of the resources of the dependent overseas territories, and through integration of the economy of Western Europe, the creation of a freely trading area of 270 million workers and consumers in which quantitative restrictions on trade, monetary barriers, and eventually all tariffs would be permanently swept away. This would bring to Europe the stimulus of intensified competition and the economies of mass production for a mass market.

Of course, other things should be done by the European countries, too, before the Marshall Plan ends, to give it optimum effectiveness, for instance, tax reforms and land reforms in France and Italy. The Economic Cooperation Administration favors such reforms and insists upon them.

Europe can also bring an intensive and a concerted attack on the problem of increasing productivity, and of lowering costs.

Most important of all will be the direct promotion of exports in the dollar area and the encouragement of dollar earning by the establishment of adequate credit facilities for export trade, and the maximum stimulation of American tourist trade.

It is the job of the Economic Cooperation Administration in the next two years to help bring about those fundamental adjustments in European and United States economic policies and practices that will allow Europe's trade, the trade of the United States, and the trade of the world to continue at a livable level without Marshall Plan subsidy.

Also, in order to maintain gains already achieved and to make further progress, the Economic Cooperation Administration is encouraging and helping the participating countries over the next two years to devise effective ways and means for: coordinating national fiscal and monetary policies and adjusting exchange rates; harmonizing commercial policies and practices; and cushioning the shocks of adjustments to removal of barriers.

"The E.C.A. is asking Europe to force in 25 months a process of economic integration which might normally take 25 years," said Mr. Hoffman.⁹³

It should be possible to lay in the next two or three years the foundation of the new political structure in Europe without which economic integration - in the full sense of the word - can never be achieved. The means do not yet exist for

⁹³Ibid.

persuading governments, business interests and the ordinary voters that the sacrifices which such integration would involve are tolerable in the short and beneficial in the long run. There is no form for European debate save the infant Council of Europe; there is no agreed democratic procedure by which national policies can be coordinated.

America has the power, if it will be patient, to impel Europe along the road to real integration; but it must recognize the fact that it may take a generation of planning and adaptation to reach the stage at which it brings real economic benefits to the Continent. It has also the power to persuade Europe to take all the risks involved in quickly creating a free market - if it will underwrite the venture. What is not possible, what might indeed shatter the Marshall Plan and frustrate the whole purpose of American policy, is a spectacular attempt to combine short-term recovery with a long-term reorganization of Europe, to telescope into one great act of policy a process which took over three generations to complete in the pre-industrial United States.⁹⁴

In the future, efforts to coordinate new investments and to liberalize trade and payments will be combined as part of a general attack on the problem of making the best use of European resources. Positive measures for the coordination of investment must be designed to promote a pattern of production

⁹⁴"Congress Expects," The Economist, 157 (November 5, 1949), 987.

that, by earning or saving dollars, will contribute to the final solution of the dollar problem.

The habit of working together is being formed in all the Marshall Plan countries, different though they are in their political, economic and social structures. A strong working organization has been built up (Organization for European Economic Cooperation); it has been tested and has proved its worth in the delicate operation of recommending division of aid and formulating the payments schemes, in carrying out the freeing of trade and in dealing with the mass of day-to-day business of cooperation. In the course of this work, a mutual understanding is being built up in Western Europe. In the future, as in the past, the frank discussion of difficulties which inevitably appear will be the foundation of European cooperation. This cooperation is indispensable: in it lies the best hope for the future.

8. Future Developments of the Marshall Plan.

The balance of judgment on the Marshall Plan at the half-way mark must be that in those directions in which it was best fitted to produce an effect, it has been a complete success.

The first aim, to stave off complete economic collapse and to make good the dislocation of war, restoring and raising Western Europe's productive capacity, has been largely achieved.

The second aim, to restore balance in world trade and thus make possible a return to freely convertible currencies and multilateral trading, can be accomplished only if soft European currencies can be hardened into dollars.

The second aim and the third, to make the Marshall Plan into an instrument for bringing about the political and economic integration of Europe, have not been completely accomplished because they raised issues beyond the power of the Marshall Plan to settle. Even so, a part of the ground has been covered and the nature of the problems still to be solved is now much clearer than was the case two years ago. The specific economic problem that worried Western Europe in 1947 is almost solved. The general economic relationship between Europe, the dollar area and the sterling area, between manufacturing nations and primary producers, between competitive economies and complementary economies is not yet solved, and it is this wider problem that the Marshall Plan is aiming to solve in the future. 94a

The authors of the Marshall Plan hope that, if their aims are achieved, it will lead to: (1) the ultimate convertibility of the Western European currencies; (2) making it possible for Western Europe to be economically and militarily strong enough to stand on its own feet if backed by the might of the United States; (3) elimination of all danger of a third world war.

The full objectives of the European Recovery Program can be reached by the middle of 1952, but the Marshall Plan countries cannot do this alone, either by their own national efforts, or by collective action. The closer integration of their economies will be a source of strength in the long-run, but this does not itself contribute decisively to the immediate dollar problem. The balancing of trade between Western Europe and North America, and of both with the rest of the world, is a joint problem, which can be solved only by joint action.

^{94a}"Halfway Mark," The Economist, 158 (February 11, 1950), 297-9.

If this action is taken, the problem can become manageable by 1952. To achieve and maintain a stable equilibrium within a world-wide multilateral trading and financial system, and contribute to further economic progress in Western Europe, will remain the continuing task of the Organization for European Economic Cooperation.

An extension of the Marshall Plan is President Truman's "Point Four Program," providing technical assistance to underdeveloped areas and, consequently, new markets for American goods while the United States buys from abroad, and encouraging American investors to send dollars abroad.

In his message to the Congress transmitting the proposed legislation (The Point Four Program: Aid to Underdeveloped Areas), on June 24, 1949, President Truman declared:

The development of these areas is of utmost importance to our efforts to restore the economies of the free European nations. As the economies of the underdeveloped areas expand, they will provide needed products for Europe and will offer a better market for European goods. Such expansion is an essential part of the growing system of world trade which is necessary for European recovery.⁹⁵

Cooperation for economic recovery has led to cooperation for military defense (Atlantic Pact, Military Assistance Program, etc.). Institutions of European cooperation have been started

⁹⁵Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 27.

and are growing in strength: (a) Organization for European Economic Cooperation; (b) Council of Europe; (c) Integrated military defense.

In his address (Collective Security and Freedom from Aggression) delivered before the Convention of the Veterans of Foreign Wars, in Miami, Florida, on August 22, 1949, President Truman declared:

The purpose of the Military Assistance Program is to prevent aggression. Our European partners in the North Atlantic Treaty are not strong enough today to defend themselves effectively. Since the end of the war they have been concentrating on rebuilding their war-torn economies. We can strengthen them, and ourselves, by transferring some military means to them, and by joining with them in a common defense plan. The Military Assistance Program is based on the same principle of self-help and mutual aid that is the cornerstone of the European Recovery Program and the North Atlantic Treaty.

We are not arming ourselves and our friends to start a fight with anybody. We are building defenses so that we won't have to fight.⁹⁶

He added:

The Military Assistance Program and the European Recovery Program are part and parcel of the same policy. There is the closest relationship between economic recovery and military defense. On the one hand, economic recovery will lag if the haunting fear of military aggression is widespread. Such fear will prevent new investments from being made and new industries from being established. On the other hand, if protection against aggression is assured, economic recovery and adequate military defense must be carried forward together in balance. That is exactly what we propose to do.

⁹⁶Ibid., 47.

Great progress has been made in economic recovery in Europe. The production of the Western nations of Europe has been rising steadily. To continue the momentum of this economic advance it is necessary now to remove the obstacles created by the fear of military aggression.⁹⁷

Together with the Military Aid Program, designed to help Western Europe build up her military defenses, the Marshall Plan is working now at full power toward the economic reconstruction of Western Europe, and there are many signs that, notwithstanding some difficulties of political and economic nature, it will succeed in creating a better Europe, first step toward a better world.

9. Effects on the United States Economy.

The European Recovery Program, in contributing to the financing of exports, has had a stabilizing effect on the American economy. The Economic Cooperation Administration provided \$4.2 billion in 1949 toward the financing of these exports. This amount was equivalent to 27 per cent of the dollars that all foreign countries used during the year to finance purchases of goods and services in the United States and pay interest and dividends on American loans and investments.⁹⁸

The dollars supplied by the Economic Cooperation Administration to the European countries for procurement outside the United States also helped to sustain American exports by enabling

⁹⁷ Ibid, 48.

⁹⁸ Economic Cooperation Administration, Seventh Report to Congress, (Washington: Government Printing Office, May 8, 1950), 58.

the participating countries to make dollar expenditures in foreign countries, which were then permitted to purchase more goods in the United States than they could otherwise have done. Payments of E.C.A. dollars to Canada and the Latin American countries for goods purchased from them by the participating nations was the source of funds for a significant portion of their 1949 expenditures in the United States - 16 per cent for Canada and 9 per cent for Latin America.⁹⁹

By putting Western Europe on its feet and making it an effective business partner in world trade, the United States is helping to keep its own wheels of industry running and is contributing to the prosperity of its own workers, farmers, and businessmen.

American tobacco, cotton and wheat farmers have enlarged their bank accounts by selling produce to the United States government for shipment to Europe under the Marshall Plan, which has been a source of sizable profits to hundreds of companies and millions of stockholders in the United States itself.

Some indication of the impact of the European Recovery Program on the American economy can be obtained by examining the commodities slated for procurement in the United States. Of the \$2.7 billion worth of goods authorized during 1949 for procurement in the United States, about \$1.4 billion comprised food and agricultural items and \$1.3 billion industrial commodities. About half of the total authorization were for

⁹⁹Ibid., 59.

cotton, machinery and equipment, and wheat and other bread grains. About 90 per cent of E.C.A.-financed requirements of the participating countries for food and agricultural commodities, except wheat and sugar, was purchased in the United States.¹⁰⁰

E.C.A. financing accounted for more than half the United States total exports of cotton, tobacco, and coarse grains to the participating countries and the world as a whole. Twenty to twenty-five per cent of the wheat, cotton, and tobacco produced in the United States in the year ending June, 1949, was purchased by the participating countries, with E.C.A. and other funds. Without E.C.A.-financed procurement, Government price support operations for these commodities would have been substantially larger.¹⁰¹

In its amendment to the Foreign Assistance Act, Congress took into consideration the special interest of small business by declaring:

Insofar as practicable and to the maximum extent consistent with the accomplishment of the purposes of this title, the Administrator shall assist American small business to participate equitably in the furnishing of commodities and services financed with funds authorized under this title . . .¹⁰²

¹⁰⁰Ibid., 60.

¹⁰¹Ibid.

¹⁰²U. S. Congress, Senate, Committee on Foreign Relations, European Recovery Program, Sen. Report 935, on S. 2202, 80th Cong., 2nd Sess. (Washington: Government Printing Office, February, 1948), 3.

During the period November 10 to December 10, 1949, an opportunity was offered American firms - through extensive nationwide publicity - to register for inclusion in a directory of American small suppliers which the Economic Cooperation Administration planned to distribute to importers in the participating countries. Approximately 15,250 companies submitted applications, indicating the products or services they sell, for listing in this directory. Also completed was the publication of the directory of European importers of E.C.A.-financed commodities.¹⁰³

An analysis of E.C.A. transactions during a representative four-month period - May, June and November, December, 1949 - indicates that small American firms have had a substantial share of the business involved in the Marshall Plan.¹⁰⁴

This is an example of the interests from the Marshall Plan for individuals or corporations in the country, but the national interest, besides, is reinforced by the Marshall Plan. Critically needed materials are being supplied to the United States by Western European nations in partial return for Marshall Plan aid.

Since the beginning of the Marshall Plan, the equivalent of \$217 million (5 per cent of deposits) has been set aside in counterpart funds for use by the United States. The United States portion has been devoted principally to the acquisition of

¹⁰³Economic Cooperation Administration, Statistics and Reports Division, Twenty-first Report for the Public Advisory Board of the E.C.A., (Washington: E.C.A., March 24, 1950), 5.

¹⁰⁴Ibid., 7.

strategic materials in the United Kingdom, Italy, Netherlands, France, Denmark and Norway - commitments for this purpose amounting to more than half of the total funds obligated.¹⁰⁵

Expenditures of 5 per cent counterpart funds to purchase strategic materials has added over 38 million dollars worth to the United States supply, which otherwise would have required the use of direct dollar appropriations for stockpiling. Additional counterpart has been obligated for this purpose but not yet expended. The first procurement of stockpile commodities was for supplies of rubber, sisal and industrial diamonds from the United Kingdom. Other purchase contracts with the United Kingdom cover platinum, sperm oil for high grade lubricants, and tantalite for the manufacture of high temperature resisting alloys. Purchases from other countries include bauxite, palm oil, quinidine, graphite, cryolite, and beryl.¹⁰⁶

It is estimated that the whole European Recovery Program will cost Americans, in taxes, about \$100 per head, or an average of \$25 a year for the four years. It has made jobs for many thousands of Americans in factories and on farms which have produced the goods for shipment overseas under the Marshall Plan. As Europe recovers and can pay cash for what she buys - provided the United States takes a reasonable amount of imports

¹⁰⁵Economic Cooperation Administration, Statistics and Reports Division, Local Currency Counterpart Funds - Mid-Point Review, (Washington: E.C.A., April, 1950), 1.

¹⁰⁶Ibid., 2.

in return - those jobs will be permanent and the E.C.A. tax-funds will cease after 1952.¹⁰⁷

A prosperous Europe means more jobs for Americans because the United States already sells one-tenth of all its "moveable goods" - anything which can be exported to foreign countries, and its trade is always best with the more prosperous, industrialized nations. Both the American Federation of Labor and the Congress of Industrial Organizations have warmly endorsed the Marshall Plan.¹⁰⁸

¹⁰⁷ Economic Cooperation Administration, E.C.A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 4.

¹⁰⁸ Ibid.

CHAPTER V

SOCIAL AND POLITICAL GAINS OF THE MARSHALL PLAN AND NECESSITY OF ITS CONTINUATION

1. Results in Europe.

To the truly stupendous economic achievements of the Marshall Plan are directly attributable the recent social and political gains in Western Europe.

Socially, the European Recovery Program has meant improved standards of living in Western Europe, more jobs, more food, better clothing, better housing. A sustaining diet has been restored. Real wages and living conditions have improved materially. These are the visible results of the program, notwithstanding living standards still lag some 10 per cent below the pre-war levels. Western Europe now has an adequate diet. Europeans still are not well-fed by American standards, but the threat of starvation, which existed when the Marshall Plan started, is no more.¹

The European Recovery Program has succeeded in turning back the tide of Communism in Western Europe. It has stiffened the ability and the will of the peoples in Western Europe to resist Communist movements within their own borders and to strengthen their democratic governments. Individual freedom has been strengthened.

¹Economic Cooperation Administration, The Marshall Plan - Where We Are and Where We Are Going, (Washington: E.C.A., March 31, 1950), 1.

Before the E.C.A. went into operation, (declared Mr. Hoffman), the Marshall Plan was already paying dividends. The hope engendered by the proposal proved enough to offset the frenzied efforts of the Cominform to make Russian police states of Italy and France. What might have happened to the nations of Western Europe if those two countries had been drawn into the Russian orbit, is too grim to think about.

Once the plan was in action, American dollars did more than just augment scanty rations and bring up production figures. They have given heart to the workers, restored the confidence of the people, brought new vigor into communities that a year ago were listless and inert. The tide of Communism in Western Europe is ebbing wherever the Marshall Plan has gone. The Kremlin has been altogether too successful in carrying out its plan for world conquest since V-J Day, but it has been stopped cold in this cold war it declared in Western Europe.²

In his talk delivered recently at the meeting of the Dayton Council on World Affairs, Paul Hoffman stated:

The Europeans, with our help, are winning the "cold war." The men, women, and children of Western Europe today have enough food so that they can work hard and grow. The mood of Europe is wholly different from what it was in 1947. Then there was despair. Today there is hope.³

In his inaugural address (The Faith of the American People) on January 20, 1949, President Truman declared:

Almost a year ago, in company with sixteen free nations of Europe, we launched the greatest cooperative economic program in history.

²Paul G. Hoffman, Address Delivered Before the Philadelphia Chamber of Commerce on February 21, 1949, (Washington: E.C.A., 1949), 4.

³Economic Cooperation Administration, E.C.A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 1.

Our efforts have brought new hope to all mankind. We have beaten back despair and defeatism. We have saved a number of countries from losing their liberty.

The initiative is ours. We are moving on with other nations to build an even stronger structure of international order and justice.⁴

In his address (The Requirements for a Lasting Peace) delivered at the dedication of World War Memorial Park in Little Rock, Arkansas, on June 11, 1949, he declared: "It is fair to say that the European Recovery Program has halted the social and economic disintegration which threatened the countries of Western Europe with Communism and civil strife."⁵

The result of the elections in Italy on April 18, 1948, was a clear example of the willingness of the people to live under democratic institutions, as they rejected the danger of being ruled by a totalitarianism so far from their nature.

There has been no advance in totalitarianism on the continent of Europe, (declared Secretary of State Dean Acheson). Within the participating countries there has been a rebirth of faith in the vitality of the democratic system and its ability to deal with their post-war problems.

In every important election held in these countries since the inception of this program of recovery, the people have more vigorously reaffirmed their adherence to the principles of individual freedom and governments based on constitutional restraints. Those elements within the countries who, by deliberate

⁴Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State, (Washington: Government Printing Office, 1949), 4-5.

⁵Ibid., 21.

choice or foreign inspiration, sought - in the words of Secretary Marshall - "to perpetuate human misery in order to profit therefrom politically," have been checked and forced into retreat.

In both France and Italy, Communist inspired attempts to defeat recovery and sabotage domestic production have been met with energy and courage by the Governments of those countries with the full support of the great majority of their people.⁶

In his address to the Veterans of Foreign Wars, President Truman declared: "The European Recovery Program has prevented general collapse in Europe, and has given hope to all countries who want to see the world resume the course of economic progress."⁷

In his address delivered at a meeting of the Council of the Organization for European Economic Cooperation in Paris, on October 31, 1949, Paul Hoffman stated:

Since 1947, we have confounded both the Communists and the other cynics by proving, first, that together we could successfully start economic recovery in Western Europe, and, second, that we could join in laying the foundation for security against attack upon our Atlantic community. We have seen anxiety give way to hope. Today I am asking you to turn hope into confidence.⁸

In his cablegram of congratulations to the E.C.A. Administrator, on the occasion of the Marshall Plan half-way mark,

⁶Dean Acheson, "European Recovery Program Gives New Faith in Vitality of Democratic System," United States Department of State Bulletin, 20 (February 20, 1949), 233.

⁷Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 46.

⁸Paul G. Hoffman, E.C.A. Asks O.E.E.C. for 1950 Program, (Washington: E.C.A., 1949), 1.

Ambassador W. Averell Harriman, United States Special Representative in Europe, said:

The free world has come a long way since the beginning of E.C.A. two years ago, a longer way, in fact, than most of us initially dared hope. In increasing measure, the free peoples of Europe and America have come to understand the issues and the objectives, and the need to go forward together in the defense of freedom. Here in Europe in the last two years, the will to push back Communist aggression and the will to build a decent future for free men and women have been reborn.⁹

The success of the program in meeting the critical problems of Europe is that the Marshall Plan is giving to the free peoples of Europe a continuing determination to resist totalitarianism and remain free. It is the new spirit of cooperation that has come to Europe as a direct result of the Marshall Plan that offers the best hope for peace.

2. Effects on Public Opinion in Europe.

Public opinion polls indicate that a majority of Europeans in most countries fully approve of the European Recovery Program, and only a small minority is opposed. The number of persons favorable to the program has risen steadily over the past year.¹⁰

The second year of the European Recovery Program witnessed a profound psychological ferment in Europe and significant shifts in public opinion. There was a manifest growth of hope

⁹Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 5.

¹⁰Economic Cooperation Administration, Seventh Report to Congress, (Washington: Government Printing Office, May 8, 1950), x.

and confidence among the people of Western Europe. Democratic governments were strengthened and free institutions gained in vitality.¹¹

The unmistakable evidence of economic improvement, which has convinced the European peoples that democratic governments could solve economic problems effectively, has been the factor primarily responsible for these changes in Europe's outlook.¹²

The European press, which reaches about 150 million readers and is the most influential single source of opinion, has roughly doubled its coverage and discussion of the Marshall Plan. With the exception of the Communist organs, the dailies and weeklies are predominantly favorable to the Marshall Plan.¹³

In general, there is a small, hard core of Communist opposition in each country which is often reinforced by a small group representing special interests. There is gratifying evidence that the youth of Europe are enthusiastic supporters of the Marshall Plan. Support for the Plan is also strong among professional and intellectual groups.¹⁴

The Marshall Plan is now interpreted as a major element in the political and economic life of Western Europe, and has thus become part of the thought and intellectual fabric of the continent.¹⁵

¹¹Ibid., 74.

¹²Ibid., 75.

¹³Ibid., 76.

¹⁴Ibid.

¹⁵Ibid., 79.

3. Effects on European Labor.

"The most gratifying response to the Marshall Plan has been the strengthening of democratic institutions in the Western European countries and the decline of Communist influence in politics, labor unions and all areas of public life," said Mr. Hoffman.¹⁶

In the free countries of Europe, (declared Secretary of State Acheson in his statement before the Senate Committee on Foreign Relations), labor, on whom so much depends for the success of this program, has not permitted itself to be misled by foreign dictation into the sabotage of its own well-being. It has become increasingly aware of the aims of those who have, for political ends, seized upon grievances - in many instances legitimate grievances - for the purpose of disrupting progress in recovery.¹⁷

Mr. Hoffman declared:

The spread of Communism has not only been checked, but the Communists have been put on the defensive throughout the free nations of Western Europe. The Communists have been driven out of many unions as a result of courageous action on the part of trade union leaders. Communist-inspired strikes have collapsed. Communist propaganda is being forced to shift its tactics. The Communists are having to drop the line that the Marshall Plan is not promoting recovery, and to substitute the weak thesis that its benefits cannot last because of a depression which they are constantly predicting for the United States.

From my own observation and from all the facts available to our E.C.A. missions abroad, I report to you that the advocates of Communist dictatorship are

¹⁶Economic Cooperation Administration, E.C.A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 4.

¹⁷Dean Acheson, "European Recovery Program Gives New Faith in Vitality of Democratic System," United States Department of State Bulletin, 20 (February 20, 1949), 234.

weaker in Europe today than at any time since the end of the war.¹⁸

Labor groups have been primary targets of Communist propaganda in Europe against the Marshall Plan. In the European Recovery Program nations there are about 35 million organized trade union members. About 6 million of these are under Communist domination, the bulk being in France and Italy. There are also many non-union workers in Europe who are exposed continuously to Communist propaganda directed at all labor groups.¹⁹

Communist-dominated unions, taking their cues from Russia, are in complete opposition to the European Recovery Program. In some countries their attacks on the Program have been more difficult to overcome because of persistent unemployment, inadequate housing, or other economic dislocations not yet remedied.²⁰

There are signs, however, of the results attained by the E.C.A. general information program in explaining to the workers of Europe the meaning of the European Recovery Program. In every participating country, trade union support of the government has been maintained or increased over the past year.

In election after election since the E.C.A. program was launched, notably in Norway, Austria, Germany, Sweden, and

¹⁸Paul G. Hoffman, "The Marshall Plan: Its Progress and Problems," Commercial and Financial Chronicle, 170 (September 22, 1949), 1138.

¹⁹Economic Cooperation Administration, Seventh Report to Congress, (Washington: Government Printing Office, May 8, 1950), 76.

²⁰Ibid.

Belgium, Communist strength has steadily declined. Communist control of large segments of the labor movement has been broken, particularly in Italy and France, where Communist propaganda has been most intense, and the free trade unions of Western Europe have recently established their own international organization to replace the Communist-corrupted World Federation of Trade Unions.²¹

In his telegram of congratulation to E.C. Administrator Paul Hoffman, on the occasion of the half-way mark of the Marshall Plan, William Green, President of the American Federation of Labor, said:

The American Federation of Labor is proud of your achievements and happy that it has been privileged to work with you in the great and humanitarian effort to which this country has dedicated itself. Great strides have been made in Europe both economically and politically. And we of the American labor movement are particularly gratified that this new feeling of well being and hope abroad has provided a favorable climate for the establishment of a new and democratic international organization of trade unions.²²

These achievements can best be evaluated in the light of the Communist effort to stir up working class opposition, and also in the light of continuing economic difficulties in several countries.

The Soviet strategy to counteract the rehabilitation of Western Europe under the Marshall Plan is obvious: Russia does

²¹Ibid., 77.

²²Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 7.

not want Western Europe to get on its feet, because an economically sound Europe, adequately fed and housed, would never go Communist.

"Russia is not likely to march against a strong, prosperous and unified Western Europe," said Mr. Hoffman.²³

In his talk delivered recently at the meeting of the Dayton Council on World Affairs, Paul Hoffman declared:

By their deliberate choice and action, the Russians made the Marshall Plan and the survival of freedom in Western Europe their major target in their "cold war" against freedom everywhere. So it is that the Marshall Plan finds itself in the front line of defense for Western civilization and playing a very active part in a relentless "cold war."²⁴

And so the Marshall Plan has become the United States foreign policy "big stick" to stop the westward thrust of Communism.

In his telegram of congratulation to the E.C. Administrator Paul Hoffman, on the occasion of the half-way mark of the Marshall Plan, President Truman said:

The threat of Communist aggression has been averted in many countries and great strides have been made toward those conditions of world stability and progress which are necessary if we are to achieve a peaceful and prosperous world.²⁵

²³Economic Cooperation Administration, E.C.A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 4.

²⁴Ibid., 1.

²⁵Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 5.

4. Need of Europe for Continuation of the Marshall Plan.

The Marshall Plan will cost the United States as much as it cost it to fight ninety days of the late war, but the final result will certainly accomplish more in world peace than the last war did in trying to uproot and destroy a series of brutal regimes. The Marshall Plan demonstrated itself as an effective force in the peaceful preventive economic war against Communism and cannot be abandoned in the middle of the struggle.

If Marshall Plan aid to Europe were to be halted now, this would be the inevitable consequences in Europe: (1) production, employment, and diet levels would immediately and sharply decline for want of needed food, raw materials, machinery, etc.; (2) each European country, in an effort to protect its reserves, would be compelled to reimpose stringent rationing and national trade controls, freeze up intra-European trade again; (3) European cooperation - economic, political, and military - would be weakened; (4) Russian imperialism under its communistic banner would resume its forward march amid conditions of want and loss of hope.²⁶

In his address (A People's Foreign Policy) delivered at Soldiers Field before the Imperial Council Session of the Shrine of North America, in Chicago, President Truman declared:

We must take action to insure that the hard-won economic recovery of other free nations does not

²⁶Economic Cooperation Administration, The Marshall Plan - Where We Are and Where We Are Going, (Washington: E.C.A., March 31, 1950), 1-2.

revert to stagnation and despair. One of the most foolish things we could do right now would be to slash our appropriation for European recovery. If we did that, we would be deliberately throwing away gains for peace and freedom that we have painfully made. Only the Communists would profit if we took such a short-sighted course.

We have been making progress in working toward peace and freedom because we have been willing to make the investment that was necessary. It would be disastrous now to change our policy and settle for half-way measures. It would be disastrous to lose or impair the understanding and support we have gained among the other democratic peoples. These are priceless assets in the great task of constructing a peaceful and orderly world.²⁷

There are now many attempts to cut down Marshall Plan spending, not only for the purpose of reducing the expenses of the budget which must be paid by the American taxpayer, but because, it is argued, the original goals of the Marshall Plan - halting Communism and encouraging economic recovery in Europe - already have been accomplished.

The Economic Cooperation Administration has asked that Europe should not be penalized "just because she is doing so well." An abrupt stoppage of aid would be a severe economic shock and could well cause the loss of everything Americans have invested so far.²⁸

At the Dayton meeting Mr. Hoffman said:

²⁷Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 42.

²⁸Economic Cooperation Administration, E.C.A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 4.

We must not exaggerate the extent of our gains. Europe was a very sick patient. She is convalescent but is not yet well enough to stand alone. If American aid were suddenly withdrawn or if American aid were reduced too sharply, we might witness another collapse. This would bring a victory for Communism. It could mean loss of the cold war.²⁹

Furthermore, while Europe has made excellent progress, the standard of living of her people has not gone up in proportion. This is partly because Europeans themselves are investing a big portion of their incomes in tools for production so that they can be independent of American help in the future.

They are tightening their belts and matching our own contribution many times over, (said Mr. Hoffman), but living conditions are still bleak for average citizens. A premature stoppage of American aid would be an economic disaster and could cause the loss of the billions of dollars of aid the American people have so far invested.³⁰

In his speech at mid-point celebration, General Marshall said: "The job is only half done. I must emphasize the tremendous importance of carrying through on the scale planned. We must avoid proposals to emasculate and reduce the Economic Cooperation Administration to a mere relief affair."³¹

In his telegram of congratulations President Truman declared:

Though much has been done, a major portion of the task and many difficulties and perplexing problems lie ahead. We must attack these problems with

²⁹Ibid.

³⁰Ibid.

³¹Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 3.

all our energies and with fully adequate resources if we are to solve them. Imbued with that spirit and determination, we will carry this momentous program - a program unprecedented in world history - to a successful completion.³²

"As we look forward . . .," said Secretary Acheson, "we must remind ourselves that the real test of stamina is how we do in the long middle stretch of the race."³³

A program of foreign economic assistance will be continued, (said Senator Pat MacCarran). This appears to be justified not only by the commitments already made to the participating countries by the United States, but also by the fact that most of the major maladjustments which have handicapped Europe since the war still remain.

It is in the interest of the United States temporarily to keep the countries of Europe which cooperate with the United States from bearing the full impact of their predicament.³⁴

In his Survey of the Economic Cooperation Administration in Europe, Senator MacCarran declared:

. . . No one maintains that the present economic level of activity could long be maintained if the United States aid were withdrawn. This presents the danger of causing too rapid a reduction in these present standards which could, of course, undo most of the good that we have done.

. . . The governments of the countries can maintain a stable position only so long as the economic activities within those countries continue and do not deteriorate appreciably.³⁵

³²Ibid., 5.

³³Ibid., 4.

³⁴U. S. Congress, Senate, An Analysis of the E.C.A. Program, Sen. Document 142, Report presented by Mr. MacCarran, 81st Cong., 2nd Sess. (Washington: Government Printing Office, 1950), 2.

³⁵U. S. Congress, Senate, Survey of E.C.A. in Europe by Senator Pat MacCarran, Sen. Document 141, Report to the Joint Committee on Foreign Economic Cooperation, 81st Cong., 2nd Sess. (Washington: Government Printing Office, 1950), 12.

In his telegram of congratulations to Mr. Hoffman, Arlon E. Lyon, Executive Secretary of the Railway Labor Executives' Association, said: "Organized railway workers in this country are with you for the duration of the Marshall Plan. We send you our best wishes and assurances of continuing endeavor in behalf of free workers throughout the world."³⁶

5. Necessity of the United States Continuing the Marshall Plan.

If Marshall Plan aid were to be halted now, these would be the consequences to the United States: (1) United States efforts to unify the Western world in military, political, and economic defense against Communism would be undermined; (2) United States expenditures on military defense would probably increase sharply; (3) United States exports would decrease by at least \$3 billions and probably much more. This would have depressing effects on United States economic activity, employment, and prices.³⁷

In his address made at the Golden Jubilee National Convention of Veterans of Foreign Wars, in Miami, Florida, Ambassador Phillip C. Jessup, declared:

At this moment in history we must continue the process of helping Western Europe to rebuild

³⁶Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 7.

³⁷Economic Cooperation Administration, The Marshall Plan - Where We Are and Where We Are Going, (Washington: E.C.A., March 31, 1950), 2.

itself in economic stability and in the sense of safety which comes from a well-planned common defense if any state should again be misled into contemplating the fatal step of committing aggression against the democratic forces of the world.³⁸

In his Survey of the Economic Cooperation Administration in Europe, Senator MacCarran said:

If the self-interest and security of the United States is the more important objective, then it is inevitable that we must maintain the stability of our political allies in the ever-continuing struggle to wipe out Communism.

Success in this objective has been immeasurable, but it has not been complete and it does not appear that it will be complete in 1952.³⁹

Unless Western Europe, with United States help, becomes economically healthy, politically stable, and militarily strong, and thus avoids falling into the Soviet orbit, the United States, even though it may avoid war, will have to become a garrison state.

That means it goes on a war footing, (declared Mr. Hoffman). That means larger deficits, because instead of the \$13 billion it now contemplates spending annually on defense, its budget for that purpose would be possibly doubled. Secretary of the Army Gordon Gray has said that the cost to the United States of World War III will eventually reach one trillion dollars. The \$15 billion total cost of the Marshall Plan may prove to be the best bargain the American people ever bought.⁴⁰

³⁸Phillip C. Jessup, "The Foreign Policy of a Free Democracy," U. S. Department of State Bulletin, (September 5, 1949), 349.

³⁹U. S. Congress, Senate, Survey of E.C.A. in Europe by Senator Pat MacCarran, Sen. Document 141, Report to the Joint Committee on Foreign Economic Cooperation, 81st Cong., 2nd Sess. (Washington: Government Printing Office, 1950), 13.

⁴⁰Economic Cooperation Administration, E.C.A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 4.

In his speech delivered on the occasion of the mid-point celebration, General Marshall said:

We are now engaged in a great struggle. We here may not be in the same sort of physical danger as troops on the battlefield, but we are engaged in a contest with a foe who has designs no less deadly than those we have ever faced. Make no mistake about it, the chips are down. Winning this struggle is as vital to the peace and prosperity of the world as any military campaign in history. Indeed, unless we achieve victory our great military and financial sacrifices may have been largely in vain, I fear.⁴¹

On May 5, 1950, the Congress of the United States authorized the appropriation of \$2,700,000,000 for the fiscal year July 1, 1950 - June 30, 1951, thus recognizing the necessity and the interest of the United States and the world in continuing the aid for the progress of the European Recovery Program.⁴²

⁴¹Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 3.

⁴²U. S. Congress, House, Economic Cooperation Act of 1950, H. R. 7797, 81st Cong., 2nd Sess. (Washington: Government Printing Office, May 5, 1950), 33.

CHAPTER VI

EFFECTS OF THE MARSHALL PLAN UPON INTERNATIONAL RELATIONS

1. The Question of Infringement of Sovereignty.

Shortly after Secretary Marshall's Harvard speech, France and Great Britain invited Russia to meet with them to consider whether a joint program for the economic recovery of Europe might be devised. Russia refused to cooperate on the ground that such a program "would lead to interference in the internal affairs of European countries."¹

Following this refusal, Russia, on July 8, 1947, sent a note to fourteen European nations, which were going to meet in Conference to discuss the Marshall Plan, charging that the United States desired to force on them its own program to make it more difficult for them to direct surplus production to markets of their own choosing, and in this way to make the economy of these countries dependent on the interests of the United States.²

The international debates on the question of national sovereignty raised by the Marshall Plan were climaxed by strong charges of United States imperialism on the part of Russia and her satellites.

¹Ernest A. Gross, "International Law and the European Recovery Program," United States Department of State Bulletin, 18 (May 2, 1948), 564-7.

²Robert E. Summers, Economic Aid to Europe: The Marshall Plan, (New York: H. W. Wilson Co., 1948), 113.

At the debate on the Marshall Plan, held by the United Nations General Assembly on September 18, 1947, Soviet Deputy Foreign Minister Vishinsky declared:

It is getting more and more clear to everybody that the Marshall Plan . . . will mean a subjugation of the European countries to the economic and political control exercised by the United States and direct interference on its part with the internal affairs of those countries . . .³

The plan would force the countries in need of relief to "give up their inalienable right to dispose of their own economic resources, to plan their own national economy as they see fit."⁴

The Yugoslav representative agreed with the Soviet interpretation of the aim of the Marshall Plan; to create a Western bloc in Europe subservient to the United States and directed against the Soviet Union and the new democracies.⁵

The Russian delegate, Professor Arutiunian, declared that the motive underlying the Marshall Plan represented a change-over from a policy of international cooperation on the basis of the principles of the United Nations to one of direct exploitation of financial assistance for the economic and political enslavement of countries to which financial aid was given.⁶

³"Relief and Reconstruction Debated," United Nations Weekly Bulletin, 3 (September 30, 1947), 429.

⁴Ibid.

⁵Ibid.

⁶"Call to Implement Economic, Social Decisions," United Nations Weekly Bulletin, 3 (October 21, 1947), 538.

According to the Russian view, the United States had made the largest gains from the war, and therefore was in a position to render aid; and besides fearing an impending crisis, the United States wanted to extend credits for the purpose of expanding markets. The U.S.S.R. did approve plans to assess the needs of individual countries, and to discover the contribution which the United States might make; but they would not tolerate any infringements of sovereignty involved in an integrated European plan which, moreover, would determine the lines of economic development of each country.⁷

The head of the British delegation to the United Nations Assembly, Hector MacNeil, answering these charges, said that the nations that participated in the Paris conference on the Marshall Plan "did so of their own free will."

He denied that they had compromised their national sovereignty in doing so.

Speaking of the concept of "absolute sovereignty," he pointed out that the Charter of the United Nations does not insist on it, but on the sovereign equality of states. Any state entering into an agreement, bilateral or international, gives up some part of its sovereignty by doing so.

There was a tactical reason, Mr. MacNeil believed, for the Soviet insistence on absolute sovereignty. He quoted in this

⁷U. S. Congress, Senate, The European Recovery Program, Sen. Document 111, Basic documents and background information prepared by staffs of Senate Foreign Relations Committee and House Foreign Affairs Committee, 80th Cong., 1st Sess. (Washington: Government Printing Office, 1947), 155-158.

connection from a lecture by a Soviet official, given earlier that year, to show that in the Soviet Union sovereignty was considered "a tool in the struggle of the progressive democratic forces against reactionary-imperialistic forces."⁸

Warren Austin, United States delegate, pointed out, in a speech, October 5, 1947, that if it were the aim of the United States to dominate other nations, "it would pursue policies and tactics to keep those countries weak," rather than to build up their strength.⁹

French Foreign Minister Bidault denied that the Marshall Plan was an effort to enslave or divide Europe, or to infringe upon the sovereignty of the European states. British Foreign Minister Bevin stated: "It is a fundamental principle by which we work not to interfere in the internal affairs of other countries and we hope the national sovereignty of European powers will be recognized and respected equally by everyone, while this attempt is being made to achieve economic cooperation."¹⁰

America's answer was economic recovery, not economic chaos. Acting Secretary of State Robert A. Lovett, on October 8, declared that the United States wanted only to insure peace by helping

⁸"Relief and Reconstruction Debated," United Nations Weekly Bulletin, 3 (September 30, 1947), 430.

⁹F. L. Van Schaick, "Condition for the Marshall Plan Questions on Infringement on Sovereignty," Editorial Research Report, (October 17, 1947), 759.

¹⁰"Relief and Reconstruction Debated," United Nations Weekly Bulletin, 3 (September 30, 1947), 430.

Europe to revive economically. This was reaffirmed the next day by President Truman, when he declared that "America sought peace, not land."¹¹

"This is certainly not the program of a country seeking to exercise domination or to influence unduly any foreign country," said Secretary Marshall. "The nations and political groups which have now declared their opposition to the program apparently wish to block for their own reasons the revival of Western Europe."¹²

If the United States entertained any idea of extending American influence or domination over Europe, (he explained later), our policy would not be directed toward ending European dependency upon this country but toward perpetuating the relationship.¹³

The American proposal for assistance to Europe is directed toward production, construction, and recovery. It is a genuinely cooperative undertaking, which is being worked out in an atmosphere of mutual trust and with careful regard for the sovereignty of nations. Indeed, this joint endeavor by the United States and sixteen European states is a clear and convincing demonstration of cooperation freely given to achieve the common goal. As such, it perfectly reflects one of the basic precepts of democracy.¹⁴

¹¹"Reply to the Reds," Newsweek, 30 (October 20, 1947), 25.

¹²George C. Marshall, "Foreign Aid and Reconstruction: Effects on Long-Range World Economy," United States Department of State Bulletin, 17 (November 23, 1947), 970.

¹³George C. Marshall, "The Problems of European Revival," Address delivered at a dinner sponsored jointly by the Chicago Council of Foreign Relations and the Chicago Chamber of Commerce on November 18, 1947, United States Department of State Bulletin, 17 (November 30, 1947), 1026.

¹⁴Ibid.

2. Answers to Russian Criticism.

Russia had refused to permit Poland and Czechoslovakia to participate in the Paris Conference, and yet, Soviet Foreign Minister Molotov, in a speech broadcast by the Moscow radio on November 6, 1947, said:

The policy of the Soviet Union is based on opposite principles, on the principle of respect for the sovereignty of all states, big and small, on the principle of non-intervention in the internal affairs of other states.

The Soviet Union, in common with other democratic states, stands for peace and international collaboration on democratic principles.

The democratic forces cannot be possessed by imperialism, which denies the democratic rights of the people, infringing on the sovereignty of the nations and basing its plans on threats and adventures.¹⁵

What is the record? (asked Secretary Marshall). We have annexed no territory. We have not used the greatest military power and military resources ever assembled to acquire for the United States a special privileged position, either political or economic. Furthermore, since the close of hostilities the United States and Great Britain have voluntarily reduced the area of their sovereignty in the world. . . . While the Western Democracies have been reducing the area of their sovereignty, one country has taken the opposite road. The Soviet Union has, in effect, considerably expanded her frontiers. Since 1939, she has "de facto" annexed territory comprising an area of more than 280,000 square miles, with a population of some 22,000,000 people.¹⁶

At the Paris Conference, Soviet Foreign Minister Molotov had declared:

¹⁵PM, "Molotov's Speech," 5 (November 7, 1947), 8-9.

¹⁶George C. Marshall, "The Problems of European Revival," United States Department of State Bulletin, 17 (November 30, 1947), 1026.

The question of American economic aid . . . provided an occasion for the British and French governments to seek the creation of a new organization standing over and above the countries of Europe and interfering in their internal affairs down to determining the line of development to be followed by the main branches of industry.¹⁷

"It clearly followed," he continued, "that the European countries would find themselves placed under control and would lose their former economic and national independence because it so pleases certain strong powers."¹⁸

The allusion to the United States was clear, but Secretary Marshall, in addressing the Pittsburgh Chamber of Commerce, stated:

Far from interfering with the sovereign rights of the countries involved, as hostile propagandists have alleged, the United States refrained from any suggestion or advice to the European representatives, despite the fact that repeated and urgent appeals for such counsel were made. We were determined that the initiative should be confined entirely to the European countries involved.¹⁹

Yet, the House Committee on Foreign Aid, expressing itself strongly against Socialism nevertheless urged controls which are an important part of Socialism, and would not allow petty consideration of sovereignty to exclude the imposed elements of Socialism:

In working toward European unity and the improvement of productive efficiency of Europe, the Administrator

¹⁷"Economic Commission for Europe Convenes," United Nations Weekly Bulletin, 3 (July 15, 1947), 85.

¹⁸Ibid.

¹⁹George C. Marshall, The Stake of the Businessman in the European Recovery Program - Address delivered on January 15, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 3.

will find himself faced with the old cry of interference with national sovereignty . . .

Our concern must be with the maintenance of the basic human freedoms - with individual rather than with national sovereignty: for if absolute sovereignty blocks the economic integration which is essential to European recovery, human freedom itself will be lost.²⁰

Private enterprise undoubtedly received favored treatment under the Foreign Assistance Act of 1948.

In his address (New Problems in World Prosperity) delivered before the Convention of the American Legion in Philadelphia, President Truman declared:

In our approach to problems with other nations, we must keep clearly in mind the basic underlying principles upon which the economic policy of the free nations must be based.

. . . (One) principle is that the democratic nations are not proposing to interfere with one another's internal politics. We know very well how we would feel if some foreign nation tried to tell us how to vote. We recognize that each nation has its own political problems and different slogans from those we use at home. In the same way, nations have different business practices and different governmental devices for achieving the same economic ends.

A community of democratic nations cannot insist on uniformity in matters of politics or business. The only uniformity on which they can insist - and this is what binds them together as free nations - is a firm adherence to democracy, coupled with a common desire to improve the standard of living of all their citizens.²¹

²⁰U. S. Congress, House, House Select Committee on Foreign Aid, The Place of the United States in European Industrial Development, Supplement to Preliminary Report Fourteen, 80th Cong., 2nd Sess. (Washington: Government Printing Office, April, 1948), 8.

²¹Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 57-58.

In his speech delivered before the American Bankers Association, in San Francisco, William C. Foster, E.C.A. Deputy Administrator, said:

I would not wish to give you the impression, however, that the Economic Cooperation Administration uses its financial power to direct the European enterprise. We are not doing so. We do not wish to do so. And, we could not do so if we wished. I give you that straight out of my experience with the European end of E.C.A.'s operations. Europeans are running their own show. The United States is only putting up three per cent of the funds going into capital improvement and expansion in Europe, as compared with Europe's 97%. As bankers, we advise, suggest, and in certain instances withhold money for materials that appear to be unneeded for the recovery program. But as good bankers, we do not try to run the business. . .²²

The Congress had to refrain from imposing conditions for American aid which would have seemed to support Russian charges that the United States was infringing the sovereignty of other nations.

In his statement before the Senate Committee on Foreign Relations, in January, 1948, Secretary Marshall said:

The . . . main consideration which, I feel, should be borne in mind in connection with this measure is that relating to conditions or terms upon which American assistance will be extended. This aspect of the program is perhaps the most delicate and difficult and one which will require the exercise of a mature judgment and intelligent understanding of the nature of the problem faced by the European governments and of our particular position of leadership in this matter. We must always have in mind that we are dealing with democratic governments of sovereign nations.

²²Economic Cooperation Administration, A Current Report on the Marshall Plan prepared for the E.C.A. Public Advisory Board, No. 3, (Washington: E.C.A., November, 1949), 27-28.

. . . We have stated in many ways that American aid will not be used to interfere with the sovereign rights of these nations and their own responsibility to work out their own salvation. I cannot emphasize too much my profound conviction that the aid we furnish must not be tied to conditions which would, in effect, destroy the whole moral justification for our cooperative assistance toward European partnership.

. . . We cannot expect any democratic government to take upon itself obligations or accept conditions which run counter to the basic national sentiment of its people. This program calls for free cooperation among nations mutually respecting one another's sincerity of purpose in the common endeavor.²³

Indeed, conditions of a certain degree were laid down to the participating nations, but they could not be considered an infringement of their sovereignty.

In the discussions of the Foreign Assistance Act of 1948, both the House and Senate Committees made it clear that they would hold European countries to their promises of cooperation. Secretary Marshall indeed pointed out that the United States has to respect the sovereignty of these nations, while others suggested that there was no issue of sovereignty; for the countries had promised to cooperate.

In the view of the administration, periodic appraisals would be made and the penalty for not adhering to agreements would be loss or reduction of aid.²⁴

²³George C. Marshall, "Assistance to European Economic Recovery," United States Department of State Bulletin, 18 (January 18, 1948), 71-77.

²⁴U. S. Congress, House, Committee on Foreign Affairs, European Recovery Program - Foreign Assistance Act of 1948, House Report 1585, on S. 2202, 80th Cong., 2nd Sess. (Washington: Government Printing Office, March, 1948), 11, 25.

In fact, in passing the Economic Cooperation Act on April 2, 1948, the Congress asserted:

It is further declared to be the policy of the United States that continuity of assistance provided by the United States should, at all times, be dependent upon the continuity of cooperation among the countries participating in the program.²⁵

Coordination of vital national policies, (explained Mr. Hoffman), need not result in identity of policy. Coordination need only go so far as to insure that policies will not diverge so drastically as to break down the whole structure of European unity; but it must go at least that far.²⁶

The European nations and the United States had at stake vital economic and political reciprocal interests when the Marshall Plan was proposed and accepted. Consequently, the participating countries agreed on a pact binding them to certain conditions in order to attain the common goal.

In his address to the Congress on March 17, 1948, President Truman said:

This agreement was not imposed by the decree of a more powerful neighbor. It was the free choice of independent governments representing the will of their people, and acting within the terms of the Charter of the United Nations.²⁷

There can be no conflict, then, with established concepts of sovereignty if the Charter of the Economic Cooperation

²⁵United States Statutes at Large, Vol. 62, Part I, 1 (1949).

²⁶Paul G. Hoffman, E.C.A. Asks O.E.E.C. for 1950 Program - Address delivered before the O.E.E.C. on October 31, 1949, (Washington: E.C.A., 1949), 5.

²⁷Harry S. Truman, Toward Securing Peace and Preventing War, Message delivered on March 17, 1948, U. S. Dept. of State (Washington: Government Printing Office, March, 1948), 3.

organization is ratified by the members, and the provision of assistance to the members is made possible by agreements to be negotiated between the United States and the other cooperating states.

The legislative consideration of this subject is, also, revealed by the report on the Marshall Plan of the Senate Foreign Relations Committee:

In stressing the importance of these obligations (i.e., those embodied in the multilateral undertakings), the Committee was sensitive to the fact that the countries of Western Europe are highly developed sovereign nations and would be properly resentful of any interference from the outside in their internal affairs. There can be no possible criticism on this score inasmuch as the undertakings were voluntarily assumed by the Committee of European Economic Cooperation countries upon their own initiative and in no sense represent an attempt on the part of the United States to impose restrictions on the sovereign rights of the participating countries.²⁸

As long as decisions are reached among nations based on their own choice and will, it cannot be spoken of as an infringement of sovereignty, even if conditions are made in order to gain concessions.

At the basis of the Marshall Plan, lies the principle of cooperation, and, if any limitation to the sphere of activity of an individual nation exists, this is no more giving up the

²⁸U. S. Congress, Senate, Committee on Foreign Relations, European Recovery Program, Sen. Report 935, on S. 2202, 80th Cong., 2nd Sess. (Washington: Government Printing Office, February, 1948), 44.

sovereignty than it is in the case of the individual who, freely, binds himself in a contract signed for the reciprocal benefit of the contracting parties and in which he engaged himself to do or not to do certain actions.

Measures of economic development and the conditions of the use of capital in developing natural resources are matters which call for specific programs of cooperation among participating countries and between each participating country and the United States. Each one of these elements of a program of economic cooperation involves some regulatory aspects comparable in many respects to domestic national laws and the regulations affecting trade, industry and commerce. The essential difference, of course, is that on the international level the program turns upon agreements and undertakings voluntarily assumed by equals.

Domestic legislation and regulations are not merely compatible with the rights of individual liberty and enterprise which we cherish, but they are essential to assure those conditions which permit maximum freedom to all. They are consistent with - indeed, they recognize and protect - the genuine "sovereignty" of the individual. In the same sense, the cooperation envisaged by the European Recovery Program is consistent with and protective of the true sovereignty of the participating countries.²⁹

²⁹Ernest A. Gross, Legal Adviser of the Department of State, "The European Recovery Program: Outline of Agreements in the Common Effort," American Bar Association Journal, 34 (December, 1948), 1103-1104.

The Marshall Plan cannot, then, be considered intervention in the political affairs of other countries, but a weapon with which the United States participates together with peaceloving and democratic nations in the struggle against Communism. The main issue of United States foreign policy is to fight this ideology which is in open conflict with its traditional economic and political conceptions. As the Communist doctrine finds its major source and soil in poverty and misery and yet its policy is to create political and economic chaos, the dynamics and the self-interest of the United States brought it to fight economic distress of the European countries when it was recognized that their freedom was jeopardized by Communism.

Then, leadership, and not domination, is the role of the United States in helping European recovery; collaboration, and not intervention; participation in the common active defense and preservation of the human civilization against economic and political ideologies which would again put the world under a barbarian domination, which would draw an end to the freedom of the individual and to all the conquests of the human spirit.

3. Relation to International Law.

If we consider the facts of history which have necessitated the formulation of the European Recovery Program, we can put it in perspective and we can see the problem as a whole, rather than as a fragment, in relation to the dynamics of international law.

The report on the Marshall Plan of the Senate Committee on Foreign Relations, describing the political and economic situation

in Europe at the end of World War II, pointed out the political tensions and uncertainty, the war devastation, the economic nationalism, the prolonged interruption of international trade, the internal financial disequilibrium, the rampant inflation and the subversive elements hampering recovery and engineering social chaos.³⁰

Practically every nation in the world maintained or intensified its use of war-time governmental controls of trade in order to make sure that its inadequate foreign purchasing power would be used only for the most essential imports. Thus, import quotas, controls of foreign exchange, import and export licensing systems, clearing and barter arrangements, were resorted to in order to insure not only that those countries would receive products in exchange for their scarce exports and credits, but also that the products which they obtained were those most urgently needed. All these trade restrictions and limitations had blocked many normal channels of trade and had nullified the effects of economic factors.

At the time when increased international trade was an obvious necessity, restrictionism, bilateralism, and "special dealism" threatened effectively to strangle such trade.

The Congress of the United States, in passing the Economic Cooperation Act of 1948, "recognizing the intimate economic and

³⁰U. S. Congress, Senate, Committee on Foreign Relations, European Recovery Program, Sen. Report 935, on S. 2202, 80th Cong., 2nd Sess. (Washington: Government Printing Office, February, 1948), 1.

other relations between the United States and the nations of Europe, and recognizing that disruption following in the wake of war is not contained by national frontiers," found that "the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations."³¹

The report of the Committee of European Economic Cooperation on the necessity of Europe for the Marshall Plan is a monumental tribute to the ability of like-minded nations working together to achieve agreement and important results in fields previously marked by controversy and dissension.

The network of mutual pledges, coupled with bilateral undertakings, reflects in an almost dramatic manner the scheme of self-help and mutual aid which underlies the entire concept of the Marshall Plan. It is an epochal achievement in the history of international dealings. Never before have sovereign states in solemn covenant with other members of the international community, pledged their best efforts to insure the attainment of their goals.³²

In the light of the situation in Europe, the consequent danger threatening the United States and the world, the willing-

³¹United States Statutes at Large, Vol. 62, Part I, 137, (1949).

³²Ernest A. Gross, "European Recovery Program: Outline of Agreements in the Common Effort," American Bar Association Journal, 34 (December, 1948), 1105.

ness of European nations to work together, the United States enacted the Marshall Plan for the establishment of sound economic conditions, with progressive elimination of trade barriers, stable international relationships, and a stable world with free political institutions and the rule of law. These aims indicate the faith of the United States in the necessity for closer economic cooperation among nations and the sure knowledge of the interdependence of the economies of the world, one on the other.

Fundamentally, then, the problem is that of international law not so much in relation to the European Recovery Program, but in relation to the changing economic - and therefore political - interaction and interrelation of the nations of the world. These relations are changing and will change, and, as change in the relations of man to man reflects itself, sometimes tardily, in the internal law of nations, so this change in international relations - this weaving together of economies - will affect international law. The international law is, and must be, a ready tool, not for change for the sake of change, but for the real interest of nations and peoples. To a certain extent, the Marshall Plan is, on the part of the United States, a measure of self-defense, which is completely justified by the law of nations.

Can the European Recovery Program be considered to have modified or violated what are established principles of international law and does it conflict with the concept of territorial sovereignty? According to the Soviet Union, yes, when she

declared that the Marshall Plan is only a constituent part, the European subsection, of a general plan for the policy of global expansion pursued by the United States in all parts of the world. But Russia forgot the dogma of the Chief of the Soviet State, announced more than fifteen years before the Marshall Plan, that the premises of the proletarian revolution must start "from the point of view of the state of world economy, inasmuch as the individual countries and individual national economies are no longer independent economic units . . . and inasmuch as the old "civilizing" capitalism has grown into imperialism, and imperialism is a world system of financial bondage . . ."33

It remains true that fundamental changes in economic relations among nations may well develop new international law and it is clear that other new and important problems of international law are raised by the Marshall Plan. As economic cooperation between nations increases and as nations bind themselves to take joint action or to be governed by the decision of a jointly established organization or body, familiar problems will arise of freedom of administrative decision, deference to the expert judgment of the administrator, with adequate judicial guaranties of the fundamental rights and of adherence to the rules of fair play.

New problems in international law are posed by the procedures by which the provisions of the multilateral reciprocal

³³Joseph Stalin, Foundations of Leninism, (New York: International Publishers, 1939), 35.

undertakings of the participating countries are carried out, like the agreement to cooperate with "one another and like minded countries" to reduce tariffs and other barriers to the expansion of trade; to remove progressively obstacles to the free movement of persons in Europe; and to organize together the means whereby common resources can be developed in partnership.

Also the relationship with each of the participating countries to the United States is of considerable interest to international law and numerous questions of interpretation may arise, but all these are details of little concern in comparison with the great interests at stake in the European Recovery Program.

The vitality of international law, as of domestic law, lies in its adaptability to new circumstances, and its strength is its ability to perform the basic task of supporting the economic and political institutions which preserve human dignity, the best of economic individualism, and the virtues of nationalism.

4. Relation to the United Nations Organization.

Another criticism of the Marshall Plan was that the economic policies of the United States were in conflict with the Charter of the United Nations. In his speech at plenary session of United Nations General Assembly, on September 18, 1947, Russian Deputy Foreign Minister Vishinsky charged that the Marshall Plan and the Truman doctrine were particularly striking instances of the violation of the United Nations organization principles and of ignoring the organization. He added that the Marshall Plan

was undertaken outside of the framework of the United Nations organization and in evasion of it and that such a policy was in a deep contradiction with the principle proclaimed by the General Assembly in its resolution of December 11, 1946, that the assistance to other countries "should never be used as a political weapon."³⁴

At the general debate on the Marshall Plan held at the United Nations on September 27, 1947, the British delegate, Christopher P. Mayhew, pointed out that the Paris Conference was not contrary to the principles of the United Nations Charter; that the economic problems of Europe were of the utmost urgency, and that the General Assembly's resolution on post-U.N.R.R.A. relief needs envisaged grants of aid by one state to another. "Therefore," he argued, "the Marshall Plan was a direct contribution to the implementation of that resolution."³⁵

President Truman, in his message to Congress on the Marshall Plan, on December 19, 1947, emphasized the relationship between the European Recovery Program and the United Nations, because of the central importance in the United States foreign policy of support of the United Nations.

³⁴"Relief and Reconstruction Debated," United Nations Weekly Bulletin, 3 (September 30, 1947), 429.

³⁵"European Reconstruction Problems - Marshall Plan and Paris Conference Discussed," United Nations Weekly Bulletin, 3 (October 14, 1947), 503.

The program is designed to be consistent with other international relationships and responsibilities of the United States.

Our support of European recovery is in full accord with our support of the United Nations. The success of the United Nations depends upon the independent strength of its members and their determination and ability to adhere to the ideals and principles embodied in the Charter. The purposes of the European Recovery Program are in complete harmony with the purposes of the Charter - to insure a peaceful world through the joint efforts of free nations. Attempts by any nation to prevent or sabotage European recovery for selfish ends are clearly contrary to these purposes.³⁶

Robert P. Patterson, former United States Secretary of War, declared:

On June 5, 1947, when it was apparent that the United Nations would not be able to aid European recovery in time, Secretary of State, George C. Marshall, made his celebrated speech at Harvard University.³⁷

In his address to the Congress on March 17, 1948, President Truman said:

The principles and purposes expressed in the Charter of the United Nations continue to represent our hope for the eventual establishment of the rule of law in international affairs. The charter constitutes the basic expression of the code of international ethics to which this country is dedicated. We cannot, however, close our eyes to the harsh facts that through obstruction and even defiance on the part of one nation, this great dream has not yet become a full reality.

³⁶ Harry S. Truman, A Program for United States Aid to European Recovery - The Message to the Congress on December 19, 1947, U. S. Dept. of State (Washington: Government Printing Office, February, 1948), 4.

³⁷ Robert P. Patterson, "The Marshall Plan, America's Historic Opportunity," United Nations World, (January, 1948), 17.

It is necessary, therefore, that we take additional measures to supplement the work of the United Nations and to support its aims.

. . . I regard it as my duty, therefore, to recommend to the Congress those measures which, in my judgment, are best calculated to give support to the free and democratic nations of Europe and to improve the solid foundation of our own national strength.³⁸

In his statement made before the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs, on February 8, 1949, Secretary Acheson said:

A strong United Nations, composed of free member nations, in turn composed of free men, depended upon the avoidance of disintegration both in the international and in the national lives of its member countries. This the Congress rightly believed could only be achieved by the nations with which we are here concerned joining in a great group effort and by the United States adding its aid to their efforts. It was for this purpose that the European Recovery Program was devised and enacted.³⁹

One of the features of the European Recovery Program which interested the Russians was the failure to use the United Nations organization for any aid offered. In his defense of the United States policy, Warren Austin, before the United Nations, stressed the fact that the United Nations did not have the necessary resources, nor were the other international agencies; and the fifty-five nations in common harness had much pulling power, but they were not easy to handle.⁴⁰

³⁸Harry S. Truman, Toward Securing Peace and Preventing War - Address delivered on March 17, 1948, U. S. Dept. of State (Washington: Government Printing Office, March, 1948), 3.

³⁹Dean Acheson, "European Recovery Program Gives New Faith in Vitality of Democratic System," United States Department of State Bulletin, 20 (February 20, 1949), 232.

⁴⁰United States Department of State, The Development of the Foreign Reconstruction Policy of the United States, March - July, 1947, (Washington: Government Printing Office, September, 1947), 6-7.

In his message to Congress on the Marshall Plan, on December 19, 1947, President Truman stated that it was not feasible to carry out the recovery program exclusively through the United Nations, as five of the participating countries were not yet members, and furthermore, some European members were not participating in the program. He expected, however, that the greatest practicable use would be made of the facilities of the United Nations and its related agencies in the execution of the program, and stated that this view was shared by all the participating countries.⁴¹

Indeed, the European Recovery Program accords with the procedures and the objective of the Charter of the United Nations and explicitly contemplates coordination with the specialized agencies of the United Nations.

In passing the Foreign Aid Act of 1948, the Congress asserted:

The President is authorized to request the cooperation of all the use of the services and facilities of the United Nations, its organs and specialized agencies, or other international organizations, in carrying out the purposes of the Economic Cooperation Administration.

The President shall cause to be transmitted to the Secretary General of the United Nations copies of reports to Congress on the operations conducted under the Economic Cooperation Act.

Any agreements concluded between the United States and participating countries, or groups of such countries, shall be registered with the United

⁴¹Harry S. Truman, A Program for United States Aid to European Recovery - The Message to the Congress on December 19, 1947, U. S. Dept. of State (Washington: Government Printing Office, February, 1948), 4.

Nations if such registration is required by the Charter of the United Nations.⁴²

The Committee of European Economic Cooperation was careful to point out in its general report that, wherever suitable international machinery existed, it was the desire of the participating countries that their collective tasks be undertaken within the framework of the United Nations.

In Article 20 of its Charter, (Relations With Other International Organizations), the Committee asserted:

(a) The Organization shall establish such formal or informal relationships with the United Nations, its principal organs and subsidiary bodies and with the Specialized Agencies, as may best facilitate collaboration in the achievement of their respective aims.

(b) The Organization may also maintain relationships with other international bodies.⁴³

From all this, it can be seen how all existing institutions and established concepts have been respected in enacting the European Recovery Program and how all the opposition to it comes from the conviction that its effects in all fields of human activities simply upset the plans and designs of unscrupulous men devoted to generate economic and political chaos in the world, in order to establish on it their complete domination.

⁴²United States Statutes at Large, Vol. 62, Part I, 155 (1949).

⁴³United States Department of State, Convention for European Economic Cooperation, (Washington: Government Printing Office, May, 1948), 20.

CHAPTER VII

RELATION OF THE MARSHALL PLAN TO THE AMERICAN FOREIGN POLICY

1. Alternatives for the World.

From what has been said previously, one thing becomes clear: the world stands at the crossroads, the world must choose between communism or democracy; there are no other choices.

In his enunciation of the Truman doctrine, in the message to Congress, on March 12, 1947, the President said:

At the present moment in world history nearly every nation must choose alternative ways of life. The choice is too often not a free one.

One way of life is based upon the will of the majority, and is distinguished by free institutions, representative government, free elections, guaranties of individual liberty, freedom of speech and religion, and freedom from political oppression.

The second way of life is based upon the will of a minority forcibly imposed upon the majority. It relies upon terror and oppression, a controlled press and radio, fixed elections, and the suppression of personal freedoms.¹

As the President's Committee on Foreign Aid, the Harriman Committee, wrote in its Report:

¹Harry S. Truman, "Message to the Congress on March 12, 1947," United States Department of State Bulletin Supplement, 16 (May 4, 1947), 831.

The interest of the United States in Europe cannot be measured simply in economic terms. It is also strategic and political. We all know that we are faced in the world today with two conflicting ideologies. One is a system in which individual rights and liberties are maintained. The opposing system is one where iron discipline by the state ruthlessly stamps out individual liberties and obliterates all opposition.²

In order to avoid allowing the European countries only the second of these alternatives, the United States decided that it must be its policy to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures and to assist them to work out their own destinies in their own way.

Even in countries with a high degree of civilization and a long tradition in free democratic institutions, the economic instability has brought, today, the threat of Communism. Larger and larger parts of the populations, belonging to all walks of life, losing their faith in democracy, turn their hopes toward the Communist doctrine.

2. Political Stability Through Economic Prosperity by Peaceful Means.

The United States wants to avoid a shooting war.

. . . We know what World War II cost, (said Mr. Hoffman). We do not know what World War III would cost, but its cost, both in dollars and human suffering, would be so great that we do know there must not be a third World War.³

²European Recovery and American Aid - A Report by the President's Committee on Foreign Aid, (Washington: Government Printing Office, November 7, 1947), 19.

³Paul G. Hoffman, Address delivered Before the Philadelphia Chamber of Commerce on February 21, 1949, (Washington: E.C.A., 1949), 5.

Then the United States decided to fight a peaceful preventative war in the economic battlefield; with the ousting of hunger, idleness, and desperation, Communism loses its strength and its breeding ground.

We are engaged in a perilous struggle with an implacable foe, (said General George Marshall). We must carry this battle to the finish; we must avoid the temptation to imperil the whole investment - and it is just that, an investment in saving all those precious articles of faith and ways of life we call democracy. It is an investment in preserving the freedoms of man in a clean and decent world.⁴

The Marshall Plan was the instrument of the American foreign policy which the United States decided to use for attaining these purposes.

In his address delivered in Los Angeles on March 7, 1949, Wilfred Malenbaum, Chief of the Division of Investment and Economic Development, of the United States Department of State, declared:

The foreign policy of our Government is directed toward the creation of a world of enduring peace, a world of nations rich in the four freedoms. As an integral part of that policy, it is the United States policy to favor and foster economic development in foreign areas.

. . . Economic development is the process of expanding and using more effectively the means of production available to the people of the world. It is a simultaneous process of creation of new productive facilities and of better use of resources. Its object is a constantly increasing total product from the world's manpower and resources so that the people of the world may enjoy an increased real income. Hunger and poverty, despair and hopelessness are the allies of anti-democratic forces.

⁴Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 4.

As Secretary Acheson recently said, "It is not that material objects in and of themselves make a better or fuller life; but they are the means by which people can obtain freedom - from the pressure of those other human beings who would restrict their freedom . . ."

Economic development thus appears as an essential for the creation of material means to a non-material end. As such, it is a potent tool for molding a world dedicated to democratic and peaceful ideals. In this way, the fostering of economic development indeed becomes a most important element of a positive and constructive U. S. foreign policy.⁵

The shrinkage of time and space, through developments in communications and transportation, have brought peoples closer together, yet the failure of many nations to enjoy the progress produced by modern invention is the cause for the restlessness existing in the world today.

In his address broadcast on December 8, 1947, former Under-Secretary of State for Economic Affairs, William L. Clayton, declared:

Some people seriously question our responsibility and interest in the European Recovery Program; they argue that Europe's difficulties are not of our making and that we should let Europe work out of her troubles as best she can.

This view fails to take into account the vast change which has come over our world in the last few years. Many of us can remember when there were no airplanes, or radios, or even automobiles. In less than fifty years the world has been transformed into one great big neighborhood.

⁵Wilfred Malenbaum, "America's Role in Economic Development Abroad," United States Department of State Bulletin, 20 (March 27, 1949), 371.

Not for long can we have a happy and prosperous America if other large and important sections of the world lie prostrate, cold, and hungry as a result of the war.⁶

In his address made before the General Federation of Women's Clubs in Portland, Oregon, on May 28, 1948, Secretary Marshall said:

It is very important to realize that the world today is in a ferment of profound unrest. The great mass of the ill-favored people of the world have come to realize all that they lack in comparison with the advantages enjoyed by others.

The tremendous development of communications and of the motion picture has brought to these masses at least a partial understanding of the unfairness of their situation.⁷

For this reason, in order to preserve the peace, the United States decided to have as its policy the establishment of economic stability and orderly political processes in all countries.

3! The Fallacy of Isolationism.

In his address (The Requirements for a Lasting Peace) delivered at the dedication of World War Memorial Park in Little Rock, Arkansas, on June 11, 1949, President Truman declared:

We have taken the lead in cooperating with other nations to restore a mutually beneficial system of world trade. No nation today can achieve prosperity in isolation. Only through participation in the trade of the world can a country raise

⁶William L. Clayton, "Aid Essential to European Integrity and Independence," United States Department of State Bulletin, 17 (December 21, 1947), 1213.

⁷George C. Marshall, "Firm and Determined Course for the Democracies," United States Department of State Bulletin, 18 (June 6, 1948), 745.

its own standards of living and contribute to the welfare of other nations.⁸

The world has become a whole thing; it cannot remain indifferent to any event taking place anywhere and its stability depends upon the stability of each individual nation. A diseased nation would soon spread its virus to the world.

In his message to the Congress on November 17, 1947, President Truman said:

We have learned by the costly lesson of two world wars, that what happens beyond our shores determines how we live our own lives. We have learned that, if we want to live in freedom and security, we must work with all the world for freedom and security.⁹

In his address delivered at the commencement exercises of the University of California, Berkeley, on June 12, 1948, the President said:

The American people know from experience that our own daily lives are affected not only by what happens in this country but also by events abroad.¹⁰

The nations have become interdependent and the narrow interpretation of nationalism must give place to the concept of broad international cooperation.

In his address delivered before the National Conference of American Foreign Policy in Washington on March 17, 1949, Ambassador Philip C. Jessup noted:

⁸Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 20.

⁹Harry S. Truman, "The Future of the Free Nations of Europe Hangs in the Balance," United States Department of State Bulletin, 17 (November 30, 1947), 1023.

¹⁰Harry S. Truman, American Peace Policy - Address delivered on June 12, 1948, U. S. Dept. of State (Washington: Government Printing Office, June, 1948), 2.

We have not had in the history of the United States a large number of what might be referred to as basic foreign policies of a long-term character and of supreme importance. Traditionally, we have always referred to the Monroe Doctrine and the policy of neutrality.

I think that in retrospect, as the historians write the history of this modern period, the present policy of international cooperation (which certainly has taken the place of the essence of our traditional policy of neutrality from the beginning of our period up through the nineteenth century and the earlier part of this century), certainly the principle of international cooperation needs to be listed in the long-range history of the United States as something of great consequence and of lasting validity.¹¹

In his address delivered at the dinner given in honor of General George C. Marshall by the Chiefs of Mission of the Marshall Plan Countries in Washington, on June 5, 1949, President Truman asserted:

Our great hope for peace and prosperity lies in the developing sense of unity among the free nations of the world. We have learned full well that no nation can live to itself alone. And we have also learned that when the free peoples of the world stand united they are unconquerable.

The United States will continue to dedicate its strength and resources to the building of a peaceful and prosperous world.¹²

Addressing the Philadelphia Chamber of Commerce on February 21, 1949, Mr. Hoffman declared:

¹¹Philip C. Jessup, "Bases of United States Foreign Policy," United States Department of State Bulletin, 20 (March 27, 1949), 393-394.

¹²Harry S. Truman, A New Era in World Affairs, Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 1.

If the free nations of Europe and this free nation of ours work together and stick together, we can flourish in prosperity - and in peace.

No aggressor will dare march against the united free people because with the free people lie all the material and spiritual advantages.¹³

4. Policy of Cooperation in Europe as Opposed to Nationalism.

The policy of the United States in Europe was directed toward economic and, consequently, political recovery and stability which, while breaking the strangling bonds of little nationalities, retains the individual freedom and the hard-won rights of man on which alone a secure and peaceful society can ultimately be founded.

Before the war, the countries of Europe had tended toward economic nationalism, resulting from political factors that in turn gave them the power singly to wage war. This lack of unity in Europe, the rivalries among her nations, the barriers in the economic relations weakened her in respect to other nations and continents, and the strong ideas of nationalism opened the way to imperialisms, dictatorships, and, consequently, wars.

The United States wanted to revive Europe economically on a continental basis, rather than a nationalistic basis.

In the countries where freedom of opinion and action still prevailed, (said Secretary Marshall), the idea of the Marshall Plan quickly caught hold and served as a strong stimulus to morale as well as a spur to action in a material way. It focused attention on

¹³Paul G. Hoffman, Address Delivered Before the Philadelphia Chamber of Commerce on February 21, 1949, (Washington: E.C.A., 1949), 5.

the necessity of treating economic recovery as a continental and cooperative matter, rather than a problem confined to the narrow purview of each nation.¹⁴

If successful, the Marshall Plan will rebuild a new and changed Europe and will reknit her into a workable economic system based on a wider and franker measure of cooperation than ever before has been achieved. This would be practical cooperation. If the nations build a new order on that basis, it ought to be a new order of tremendous potentialities for the future of mankind.

The success of the Marshall Plan will be a cornerstone of a brighter, freer, prosperous world and, through the political and economic unification of Europe, it will be the first step toward the realization of the dream of the world's political cooperation and unity, and a world Federation. The United States have recognized, as have the leaders of European nations, the need to break down the narrow barriers of nationalism, first step toward the realization of the wider goal of a federated world government.

Two world wars have taught the United States that it cannot live alone, nor isolate from reality and insulate itself from the inevitable consequences of momentous happenings abroad. It cannot be prosperous when the countries of Europe, with which it is intimately tied by race, are threatened with violence.

¹⁴George C. Marshall, The Stake of the Businessman in the European Recovery Program - Address delivered before the Pittsburgh Chamber of Commerce on January 15, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 3.

I believe, (said President Truman), that in years to come, we shall look back upon this undertaking as the dividing line between the old era of world affairs and the new - the dividing line between the old era of national suspicion, economic hostility, and isolationism, and the new era of mutual cooperation to increase the prosperity of people throughout the world.¹⁵

The relation of the Marshall Plan to the policy of isolationism was clearly expressed in the words of Artur Syran, Director of the Economic Cooperation Administration Transportation Division, pronounced before the Hagerstown Traffic Club in Hagerstown, Maryland, on June, 1949:

. . . Through Economic Cooperation Administration you are investing in an opportunity to go on living peacefully. . . . You are investing in the hope of sending that boy of yours off to college some day instead, perhaps, to war. You are investing in the right to live your own lives as you see fit, of saying what you please, of working at a job of your own choosing. . . . You are investing in the survival of a free world.

It took two world wars to prove to the American people that they had a stake in the political stability of Europe. We learned the lesson the hard way, but most of us, I think, have learned it.

The myth of isolationism blew up with a great part of the American fleet at Pearl Harbor.¹⁶

In his address (Collective Security and Freedom From Aggression) delivered before the convention of the Veterans of Foreign

¹⁵Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 1.

¹⁶Economic Cooperation Administration, A Report to the Public Advisory Board on the E.C.A.: The Marshall Plan, No. 1, (Washington: E.C.A., June, 1949), 22.

Wars, in Miami, Florida, on August 22, 1949, President Truman declared:

We must face the fact that we have forever put behind us the false security of isolationism. We have done so because we have learned - learned the hard way - that, in the world of today, isolationism is a futile and a vulnerable shield. We have learned that the defense of the United States and the defense of other freedom-loving nations are indivisible. We have learned that we can serve our country best by joining in the common defense of the rights of all mankind . . .¹⁷

5. Leadership of the United States Among the Free Nations.

In the Marshall Plan lies a challenge to the ability of the United States to meet world responsibilities and, as all the free nations look at it for leadership, the United States cannot withdraw from the enormous task undertaken, if it does not want the world to crumble down in chaos and destruction, and if it does not want to be fatally involved in its complete ruin.

In his address delivered before the annual Convention of the Texas Cotton Association in Corpus Christi, Texas, on March 19, 1948, Mr. Winthrop G. Brown, acting director of the Office of International Trade Policy, Department of State, declared:

Almost exactly a year ago today the President spoke of the United States as the "giant of the economic world."

In a multitude of other countries, men and women are looking to this international economic "giant" for leadership. We have accepted this leadership, actively and concretely.

¹⁷Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 49.

The "giant of the economic world" can continue to accept the responsibility for leadership placed upon it by the course of events and work for a better, more prosperous, and more peaceful world. Or it can turn its back on that responsibility, in which case the future for the world is black indeed. I have no doubt as to which alternative the American people wish to adopt.¹⁸

In his address (A People's Foreign Policy) delivered at Soldier Field before the Imperial Council Session of the Shrine of North America, in Chicago, on July 19, 1949, President Truman asserted:

The peoples of the world look to the United States for the leadership of this great crusade for peace. We have not taken up this task lightly, and we will not lay it down.

We must go resolutely forward, step by step, toward the creation of a world in which we, and all people, can live and prosper in peace.¹⁹

Leadership means responsibility and the task is heavy, but, in this struggle, not only is at stake the future of other nations, but the very future of the United States.

The American people, (said Secretary Marshall), frequently hear assertions that events have thrust our nation into a position of world leadership which imposes on us unprecedented responsibilities. There is truth in these assertions.²⁰

¹⁸Winthrop G. Brown, United States Foreign Economic Policy, U. S. Dept. of State (Washington: Government Printing Office, 1948), 1-11.

¹⁹Harry S. Truman, A New Era in World Affairs - Selected Speeches and Statements, U. S. Dept. of State (Washington: Government Printing Office, 1949), 42.

²⁰George C. Marshall, The Stake of the Businessman in the European Recovery Program - Address delivered before the Pittsburgh Chamber of Commerce on January 15, 1948, U. S. Dept. of State (Washington: Government Printing Office, 1948), 4.

We are in a position of leadership by force of circumstance.²¹

There will always be in this generation of men a need for our moral and spiritual backing.²²

But still a part of the American people did not realize in full the meaning of this historical necessity.

In his address made before the General Federation of Women's Clubs in Portland, Oregon, on May 28, 1948, Secretary Marshall said:

It is of the utmost importance that all Americans realize the significance of our position in the world today. Our leadership is recognized the world over, but the obligations of such leadership are not completely recognized by us Americans ourselves.²³

The Marshall Plan, however, is the most striking example of the acceptance by the United States of the leadership of the free nations.

The United States at long last has accepted leadership of the free world, (said Economic Cooperation Administrator Paul G. Hoffman). As the leading nation of the free world, we can, with infinite profit to ourselves, help shape mankind in the full image of freedom.

If we do so, this atomic era upon which we are entering can become the Golden Age about which men have dreamed through the centuries.²⁴

²¹George C. Marshall, "Relation of European Recovery Program to American Foreign Policy," United States Department of State Bulletin, 18 (January 25, 1948), 114.

²²Economic Cooperation Administration, The Marshall Plan at Mid-Point, (Washington: E.C.A., April, 1950), 4.

²³George C. Marshall, "Firm and Determined Course for the Democracies," United States Department of State Bulletin, 18 (June 6, 1948), 744.

²⁴Economic Cooperation Administration, E.C.A. At Work!, (Dayton, Ohio: Dayton Council on World Affairs, March 20, 1950), 1.

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