The Marshall Plan

Secretary of State, George C. Marshall, “Speech at Harvard University”, 5 June 1947

- “Our policy is directed not against any country or doctrine but against hunger, poverty, desperation, and chaos. **Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist.**”

- “Any assistance that this Government may render in the future should provide a cure rather than a mere palliative. Any government that is willing to assist in the task of recovery will find full cooperation on the part of the United States Government. Any government which manoeuvres 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 therefore politically or otherwise will encounter the opposition of the United States.”

- “It is already evident that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, **there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government.”**

- “It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a programme designed to place Europe on its feet economically. **This is the business of the Europeans**.”

- “The initiative must come from Europe. The role of this country should consist of friendly aid in the drafting of a European programme and of later support of such a programme so far as it may be practical for us to do so. The programme should be a joint one, agreed to by a number, if not all, European nations.”

- Officially titled the European Recovery Program (ERP), the Marshall plan was launched in the spring of 1948 after Congress had approved the enabling legislation on 2 April. It involved the provision of some $13 billion over a period of four years.

- Nine-tenths of the total was in the form of outright gifts and the remainder was in the form of loans at low interest (2.5 per cent repayable over 35 years from 1956). Funds arrived in Europe in large quantities from the summer of 1948.

- The ERP was directed by an American administration in Washington, the Economic Cooperation Administration (ECA), with a European office in each country.

- Marshall Plan funds were not mainly directed toward feeding individuals or building individual houses, schools, or factories, but at strengthening the economic superstructure (particularly the iron-steel and power industries).

- The program--whose official title was "European Recovery Program"--aimed at:
  - increasing production;
  - expanding European foreign trade;
  - facilitating European economic cooperation and integration;
  - controlling inflation, which was the program's chief failure.

- The plan was revolutionary in that it required the recipients to organize to produce a rational, multilateral approach to their common economic problems.
- Another innovative feature was its limited duration: four years maximum, thereby assuring American taxpayers and their representatives that the program would not be an indefinite commitment.

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

- Americans were reluctant to invest in Europe because their profits were available only in local currencies that were little desired by U.S. businesses and investors.
- The Marshall Plan guaranteed that these investors would be able to convert their profits earned in European currencies into U.S. dollars. Grants and loans in U.S. dollars enabled managers in Europe to purchase in America specialty tools for their new industries.

- Marshall Plan money also paid for industrial technicians and farmers to visit U.S. industries and farms to study American techniques. Plan funds even paid the postage on privately contributed relief packages.

- The main recipients were:

Britain	$ 3,176 million
France	$ 2,706 million
Italy	$ 1,474 million
West Germany	$ 1,389 million
Netherlands	$ 1,079 million
Greece	$ 700 million
Austria	$ 700 million

Economic Assistance, April 3, 1948 to June 30, 1952 (in millions of dollars)

Country	total	grants	loans
Austria	677.8	677.8	0
Belgium - Luxembourg	559.3	491.3	(a) 68.0
Denmark	273.0	239.7	33.3
France	2,713.8	2,488.0	225.6
Federal Republic of Germany	1,390.6	1,173.7	(b) 216.9
Greece	706.7	706.7	0
Iceland	29.3	24.0	5.3
Ireland	147.5	19.3	128.2
Italy (including Trieste)	1,508.8	1,413.2	95.6
Netherlands (East Indies) c	1,083.5	916.8	166.7
Norway	255.3	216.1	39.2
Portugal	51.2	15.1	36.1
Sweden	107.3	86.9	20.4
Turkey	225.1	140.1	85.0
UK	3,189.8	2,805.0	384.8
Regional (d)	407.0	407.0	0
Total	13,325.8	11,820.7	1,505.1

- Source : Statistics & Reports Division Agency for International Development, November 17, 1975

Economic Cooperation Administration (ECA)

- The implementation of the Marshall Plan must be viewed against the background of these changes in the basic philosophy of the European Recovery Program. The administration of the Economic Cooperation Act was by two sets of agencies-One American and the other European. The American agency was the Economic Cooperation Administration (ECA). It had an office in Washington, a special representative in Paris.

- On January 1, 1952, the ECA was dissolved, and its functions were transferred to the newly established Mutual Security Agency (MSA).

- A Committee on European Economic Recovery was set up and this prepared the Paris Convention, which was signed on April 1948 by the sixteen countries plus West Germany. The Organization for European Economic Co-operation (OEEC) came into being as a result.

Organization for European Economic Cooperation

- In 1948 the CEEC was transformed into a permanent European agency, successor to the CEEC, is the Organization for European Economic Cooperation (OEEC), which was established by a convention of April 1948.
- The convention was signed by the sixteen countries represented at the Paris conference of July 1947 and by the commanding officer of the Western zone of occupation in Germany.

- The OEEC formulated recommendations on allocating Marshall Aid to the countries involved. Finally it prepared the establishment of institutions which would help to liberalize intra-European payments and make them more multilateral in nature.

- As important as the Marshall Plan was for the immediate recovery of the Western European economy, its effects were much more far-reaching than that. The recovery permitted significant progress towards the attainment of a welfare state.

- In addition, the Marshall Plan consolidated the new world system of two dominant spheres of influence, East and West. Western Europe definitively chose the United States camp. Finally, the Marshall Plan and the Cold War were vital factors in the eventual recovery of West Germany and its rapid integration into the Western European economy.

European Payments Union

- Alongside this liberalization of trade, the OEEC achieved a rapid improvement in flexibility in intra-European payments.

- In July 1950 the **European Payments Union** was established, and it organized the monetary system of Western Europe on the basis of mutual co-operation.

- The European Payments Union (EPU) was officially established by a convention of September 19, 1950. It comprises all countries which are members of the OEEC.

- The objective of the EPU is to establish among the participating countries "a multilateral system of payments in order that trade, both visible and invisible, may proceed on a multilateral basis between them and the monetary areas associated with them."

- EPU members shall strive to achieve "liberalization, on non-discriminatory basis, of trade and invisible transactions"; independence "from extraordinary outside assistance"; maintenance of "a high and stable level of trade and employment, bearing in mind the need for internal financial stability";

- and agreement on financial arrangements that will facilitate the transition from the existing situation "to that which will succeed the termination of the European Recovery Program." The above policies shall facilitate "a return to full multilateral trade" and "to general convertibility of currency."