

The Marshall Plan and the Reconstruction of Europe

Time Frame: 2 Class Periods

Maryland Voluntary State Curriculum (VSC)

United States History:

History Standard: Students will examine significant ideas, beliefs, and themes; organize patterns and events; and analyze how individuals and societies have changed over time in Maryland, and the United States.

5.3.2.g Analyze the long-term consequences of the United States' involvement in WWII and the emergence of American as a powerful economic and military force

5.4.1.a Describe the U.S. response to communist expansion in Europe including the Truman Doctrine, the Marshall Plan, the Berlin Airlift (1948), and the formation of the North Atlantic Treaty Organization

Government:

People of the Nations and World Standard: Students will understand the diversity and commonality, human interdependence, and global cooperation of the people of Maryland, the United States and the World through both a multicultural and historic perspective.

2.1.B.1.d Explain how international issues and interest, such as terrorism, regionalism and human rights affect federal government policy

2.1.B.1.f Evaluate the role of the U.S. government in promoting the spread of democracy

Economics Standard: Students will develop economic reasoning to understand the historical development and current status of economic principles, institutions, and processes needed to be effective citizens, consumers, and workers participating in local communities, the nation, and the world.

4.1.A.1.g Analyze the effectiveness of government policies in achieving the nation's socio-economic goals using cost-benefit analysis

Objective:

- Students will analyze the impact of the Marshall Plan on Post World War II European Society.

Materials:

- Resource Sheets:
 - Resource Sheet #1 "Memorandum by Under Secretary for Economic Affairs Will Clayton"
 - Resource Sheet #2 "Marshall Plan Speech"
 - Resource Sheet #3 "Economic Assistance, April 3, 1948 to June 30, 1952"

- Resource Sheet #4 “Per Capita GNP of Marshall Plan Countries”

Resources:

Internet:

- <http://www.harvard-magazine.com/issues/mj97/marshall.plan.html> “From Plan to Practice: The Context and consequences of the Marshall Plan”
- <http://lcweb.loc.gov/exhibits/marshall/marsintr.html> Library of Congress’ 50th Anniversary of the Marshall Plan Site
- www.marshallfoundation.org George C. Marshall Foundation Site

Print:

- Donovan, Robert. The Second Victory- The Marshall Plan and the Postwar Revival of Europe. Lanham, MD: Madison Books, 1987.
- “The Marshall Plan: Origins and Implementation” United States Department of State, Bureau of Public Affairs Pamphlet

Lesson Development:

1. **Motivation:** Have students read the excerpt from Under Secretary for Economic Affairs Clayton’s memo to Secretary of State Marshall (Resource Sheet #1). Have them imagine that they are economic advisors to Secretary of State Marshall.

Ask: What would you recommend that President Truman do about the economic situation in Europe? Why?

2. **Procedure:**

- Explain to students that President Truman and his foreign policy advisors knew that they had to intervene in the European situation. An economic assistance plan was created and it was announced by Secretary of State George Marshall in a commencement speech at Harvard University. Distribute Marshall’s “Marshall Plan Speech” (Resource Sheet #2.) Have students read the speech and answer the following questions.
 - What did Marshall propose the United States do to help fix the situation in Europe?
 - How were the European nations expected to make this plan a reality?
- Debrief questions with students.
- Explain to students that the Marshall Plan, whose official title was the “European Recovery Program”, had four goals:
 - Increase production
 - Expand European foreign trade
 - Facilitate European economic cooperation and integration
 - Control inflation

In attempting to achieve those goals, the United States set up a four-year plan that distributed approximately \$13.3 billion in loans and grants.

Share Resource Sheet #3 “Economic Assistance, April 3, 1948 to June

- 30, 1952.” Have students hypothesize what projects the money may have financed.
- Share “Per Capita GNP of Marshall Plan Countries” (Resource Sheet # 4) chart with students.
 - Divide students into groups. Have each group examine the economic effects of the Marshall Plan in a specific European country or group of countries. They should create a short presentation that gives examples of how the Marshall Plan affected the economy of that country. Students should focus on the four goals of the plan (increasing production, expanding European foreign trade, facilitating European economic cooperation and integration, and controlling inflation.) Have students share their findings with the class.
 - *Enrichment Option- Students can look at their country’s economy industry by industry to determine specific areas of Marshall Plan success.*
 - After all groups have presented their findings, ask: Was the Marshall Plan successful? Why or why not?
 - Assessment: Students will assume the role of “ghost writer” for George Marshall’s autobiography. They will write the section of his memoirs on the Marshall Plan. They should address the following questions:
 - Impact of the plan on Europe
 - Was it a success? Give examples.
 - Would he change it if he had another chance?
3. **Conclusion:** Ask students: What lessons could United States economic policy makers learn from the Marshall Plan experience? Can those lessons be applied to contemporary events?

Memorandum by Under Secretary for Economic Affairs, Will Clayton

May 27, 1947

The European Crisis

It is now obvious that we grossly underestimated the destruction to the European economy by the war. We understood the physical destruction, but we failed to take fully into account the effects of economic dislocation on production- nationalization of industries, drastic land reform, severance of long-standing commercial ties, disappearance of private commercial firms through death or loss of capital, etc...

...Europe is steadily deteriorating. The political position reflects the economic. One political crisis after another merely denotes the existence of grave economic distress. Millions of people in the cities are slowly starving. More consumer goods and restored confidence in the local currency are absolutely essential if the peasant is again to sully food in normal quantities to the cities.

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

...It will be necessary for the President and Secretary of State to make a strong spiritual appeal to the American people to sacrifice a little for themselves, to draw in their own belts just a little in order to save Europe from starvation and chaos and, at the same time, to preserve for ourselves and our children the glorious heritage of a free America.

**The Marshall Plan Speech
Secretary of State George C. Marshall
Harvard University
June 5, 1947**

Mr. President, Dr. Conant, members of the board of overseers, ladies and gentlemen, I'm profoundly grateful and touched by the great distinction and honor and great compliment accorded me by the authorities of Harvard this morning. I'm overwhelmed, as a matter of fact, and I'm rather fearful of my inability to maintain such a high rating as you've been generous enough to accord to me. In these historic and lovely surroundings, this perfect day, and this very wonderful assembly, it is a tremendously impressive thing to an individual in my position.

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

In considering the requirements for the rehabilitation of Europe, the physical loss of life, the visible destruction of cities, factories, mines and railroads was correctly estimated, but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of the European economy. For the past ten years conditions have been abnormal. The feverish preparation for war and the more feverish maintenance of the war effort engulfed all aspects of national economies. Machinery has fallen into disrepair or it is entirely obsolete. Under the arbitrary and destructive Nazi rule, virtually every possible enterprise was geared into the German war machine. Long standing commercial ties, private institutions, banks, insurance companies, and shipping companies disappeared, through loss of capital, absorption through nationalization, or by simple destruction. In many countries, confidence in local currency has been severely shaken. The breakdown of the business structure of Europe during the war was complete. Recovery has been seriously retarded by the fact that two years after the close of hostilities a peace settlement with Germany and Austria has not been agreed upon. But even given a more prompt solution of these difficult problems, the rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than has been foreseen.

There is a phase of this matter which is both interesting and serious. The farmer has always produced the foodstuffs to exchange with the city dweller for the other necessities of life. This division of labor is the basis of modern civilization. At the present time it is threatened with breakdown. The town and city industries are not producing adequate

goods to exchange with the food producing farmer. Raw materials and fuel are in short supply. Machinery is lacking or worn out. The farmer or the peasant cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable transaction. He, therefore, has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and finds for himself and his family an ample supply of food, however short he may be on clothing and other ordinary gadgets of civilization. Meanwhile people in the cities are short of food and fuel, and in some places approaching the starvation levels. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction. Thus, a very serious situation is rapidly developing which bodes no good for the world. The modern system of the division of labor upon which the exchange of products is based is in danger of breaking down.

The truth of the matter is that Europe's requirements for the next three or four years of foreign food and other essential products-principally from America- are so much greater than her present ability to pay that she must have substantial additional help or face economic, social, and political deterioration of a very grave character.

The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole. The manufacturer and the farmer throughout wide areas must be able and willing to exchange their product for currencies the continuing value of which is not open to question.

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

It is already evident that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to

give proper effect to whatever action might be undertaken by this Government. It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of the European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all, European nations.

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

I am sorry that on each occasion I have said something publicly in regard to our international situation, I've been forced by the necessities of the case to enter into rather technical discussions. But to my mind, it is of vast importance that our people reach some general understanding of what the complications really are, rather than react from a passion or a prejudice or an emotion of the moment. As I said more formally a moment ago, we are remote from the scene of these troubles. It is virtually impossible at this distance merely by reading, or listening, or even seeing photographs or motion pictures, to grasp at all the real significance of the situation. And yet the whole world of the future hangs on a proper judgment. It hangs, I think, to a large extent on the realization of the American people, of just what are the various dominant factors. What are the reactions of the people? What are the justifications of those reactions? What are the sufferings? What is needed? What can best be done? What must be done? Thank you very much.

Resource Sheet #3

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

Country	Total	Grants	Loans
Austria	677.8	677.8	--
Belgium-Luxembourg	559.3	491.3	68.0^a
Denmark	273.0	239.7	33.3
France	2,713.6	2,488.0	225.6
Germany (Federal Republic)	1,390.6	1,173.7	216.9^b
Greece	706.7	706.7	--
Iceland	29.3	24.0	5.3
Ireland	147.5	19.3	128.2
Italy	1,508.8	1,413.2	95.6
Netherlands (and East Indies)^c	1083.5	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
United Kingdom	3,189.8	2,805.0	384.8
Regional	407.0^d	407.0^d	--
Totals for all countries	\$13,325.8	\$11,820.7	\$1,505.1

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

^a Loan total includes \$65.0 million for Belgium and \$3.0 million for Luxembourg; grant detail between the two countries cannot be identified

^b Includes an original loan figure of \$16.9 million, plus \$200.00 million representing a pro-rated share of grants converted to loans under an agreement signed February 1953

^c Marshall Plan aid to the Netherlands East Indies (now Indonesia) was extended through the Netherlands prior to transfer of sovereignty on December 30, 1949. The aid totals for the Netherlands East Indies are as follows: Total \$101.4, Grants \$84.2 million, Loans \$17.2 million

^d Includes U.S. contribution to the European Payments Union (EPU) capital fund, \$361.4 million; General Freight Account, \$33.5 million; and European Technical Assistance Authorizations, \$12.1 million

**Per Capita GNP of Marshall Plan Countries
(in 1981 dollars)**

Country	1938	1947	1951	1981
Austria	\$2,004	\$1,213	\$2,473	\$8,692
Belgium	3,394	3,145	3,951	9,679
Denmark	4,028	4,016	4,602	10,802
France	2,953	2,682	3,628	10,597
Germany (FRG)	2,184	1,847	3,507	11,022
Greece	1,178	731	954	4,108
Iceland	2,504	4,366	4,230	11,688
Ireland	1,879	1,876	2,144	4,733
Italy	2,078	1,540	1,955	6,112
Luxembourg	2,979	4,112	4,883	10,082
Netherlands	3,532	3,304	4,022	9,688
Norway	3,606	3,830	4,616	13, 222
Portugal	498	485	634	2,310
Sweden	4,663	5,321	6,157	13,408
Turkey	499	450	578	1,191
United Kingdom	4,345	4,515	5,016	8,921
European Average	\$2,648	\$2,426	\$3,238	\$7,919
United States	\$4,226	\$6,332	\$7,240	\$12,727

Source: United State Department of State, Bureau of Public Affairs