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The Marshall Plan: A Critique of the European Recovery Program

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THE MARSHALL PLAN

A Critique of The European Recovery Program

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INTRODUCTION

"The time has come to remake Europe." This was Britain's Ernest Bevin's challenge to the representatives of sixteen European countries, as they met in Paris on July 12, 1947.[1] The purpose of the meeting was just as portentous as the statement.

In order to stop the alarming economic deterioration of their continent, the Europeans were being pushed face to face with the task ahead: they must pool their resources and work out a plan which would convince the United States that any more dollars appropriated for Europe would not be thrown down the rathole.

This meeting was the result of the now famous Marshall speech of June 5 (1947), when the then Secretary of State said that " * * * Before the United States government can proceed much further . . . there must be some agreement among the countries of Europe as to the requirements . . . The initiative . . . must come from Europe. . ."[2]

Russia and her satellites behind the iron curtain were conspicuously absent from this conference. The Communists refused to accept even the limited amount of unity that seemed required to respond to the Marshall plea. Some of the satellites, notably Czechoslovakia, wanted very much to join, but Moscow said no. As a result of this attitude, for the first time since the war the line

1 "Europe Responds to Marshall Plan," Life, July 21, 1947 p. 21.
2 Ibid., p.23

between the Russian sphere and the Western world was sharply drawn. For a Europe historically dependent upon trade between its agricultural southeast and its industrial northwest, this posed quite a problem.

The problem facing the subcommittees of the Paris conference was this: to take their rump Europe and make the most of it, submitting a net balance sheet of their deficit.[3]

The realization that this was the most important conference since the end of the war was felt everywhere. The feeling was universal that at long last a fateful turn had been reached in the affairs of man, and that Europe would pull back from the brink and carry forward the torch of Western civilization.

The problems to be encountered first were those concerned with reconstruction from the war. Everywhere, bridges, highways, railroad stations, and factories, lay in a state of utter ruin. Progress had been painfully slow up to 1947, two years after the war. Women were rebuilding homes and bridges; mile after mile of crushed brick was being shoveled laboriously away by hand; due to the lack of farm machinery and fertilizer, crops were notoriously poor; the pangs of hunger were felt virtually everywhere on the continent. In short, the entire European economy had become distorted. The price of corn in France was twice that of wheat, so

3 Loc. cit.

farmers were feeding their wheat to the chickens, while ravenous French children scooped up spilled wheat kernels from the ground.[4]

Here, then, is where the Paris conference was to come in. It was up to the conferees to outline their needs for postwar reconstruction, in line with the Marshall proposal. To rebuild their cities, and to plant and harvest their crops, their first requests would be for more machinery to scrape away the rubble and begin anew. Few though they might be, if the facilities in Europe could be pooled logically, the burden upon the United States should grow progressively less as European recovery got under way.

4 Loc.cit.

THE PROBLEM

Europe's Place in World Trade

In January of this year, Mr. Paul G. Hoffman, ECA administrator, writing in the UN World, claimed that there is nothing fundamentally complicated about world trade; it all boils down to the simple transaction of exchanging "goods for goods."[5] In the world today, however, that simple transaction has become complicated through a legion of artificially created barriers which have thrown world trade completely out of balance.

One of the first problems confronting the United States in its efforts to aid Europe via the Marshall Plan, was that of working with the Europeans in an effort to put their economies on a sound basis. It is one of the major problems to be solved if the goal of the Marshall Plan is to be attained...."The return of normal economic health to the world without which there can be no political stability and no assured peace."[6]

Until the turn of the century, Europe was the undisputed center of world trade and commerce. The conditions in which Europe's modern economy grew great were a substantially free trade throughout Europe, a free movement of labor, and a substantially free movement of capital. Because Europe was, in effect, a single market, within the limits of the then-existing

5 Paul G. Hoffman, "A New Turn in Foreign Aid," UN World, January 1950, p.44
6 Ibid., p.45.

knowledge and techniques, full use was made of Europe's resources. Competition exercised a relentless pressure on costs, and stimulated a continuous search for new and more efficient methods of production.[7]

As a consequence of these benign conditions, trade among the countries of Europe and between Europe and the world increased geometrically. Wealth grew so rapidly that European capital flowed out in a great stream to high-yield productive enterprises throughout the world, stimulating still further demand for European manufactures.[8]

About the turn of the century, however, Europe began destroying, piece at a time, these conditions of its economic greatness. With the breakdown of the European security system that accompanied the rise of German power late in the nineteenth century, the nations of Europe turned more and more to increasing political and economic nationalism. After the first World War, as each nation sought to solve the problems of economic reconstruction along lines of national self-sufficiency, this nationalism was intensified, and tariff barriers were raised to heights heretofore unknown.

When the world depression came, the nations of Europe, instead of attacking the problem of growing poverty by cooperative measures, tried to solve it by

7 Loc.cit.
8 Ibid.

beggaring their neighbors. Tariffs proving no longer sufficient, the absolute trade restriction came into being in the form of import quotas and exchange controls. These rigidly determined the amounts of goods that could move in international trade, and sharply reduced the influence of the competitive process on the flow of trade.

These tools of peacetime nationalism were converted to instruments of economic warfare during the recent war, and, unfortunately, the nations of Europe found it a simple matter indeed to retain them after the war as instruments of economic warfare in the service of nationalism.[8]

The consequences of this policy of trade restrictions in Europe are being made manifest today in what is popularly called Europe's "dollar shortage." This inability to sell enough of its products in the United States and elsewhere to pay for what it must buy from those countries in order to maintain a decent standard of living, is due in large part to the fact that increasingly for the past fifty years European producers have had to meet less and less competition. The pressure of foreign competition has been eased more and more by trade restrictions of increasing severity. What little competition did remain in the basic industries was all but smothered by the

8 Loc.cit., p.47.

formation of international cartels.

Not only was competition <u>between</u> European countries suffocated, but competition <u>within</u> them was softened as well. Though it is true that internal competition might prevail within a country even though competition from without were barred, actually, the maintenance of effective competition in any one unit of the highly compartmentalized European economy is almost out of the question because of their small size. Moreover, there is a dearth of anti-trust legislation in Europe, a fact which many business managements have taken advantage of, by fixing prices and dividing markets.

Although it is impossible to say exactly what effect unrestrained competition might have had in the European economy of the past five decades, we can assume that had there been freer trade and livelier competition, European productivity today would not be as low as it is: less than half that of either the United States or Canada![9]

The building of high tariff walls around small economic compartments has served to deprive Europe of the most efficient use of its resources; not only raw materials, but skills and labor supply as well. Rather than use cheap raw materials obtainable across a border, the nations of Europe, in great degree, would utilize high cost materials available within their own country. Rather than utilize production capacity in already

9 <u>Ibid</u>.

existing highly efficient plants in other countries, many nations for reasons of "national pride" or self-sufficiency, embarked upon certain lines of industrial production ill-suited to their economic position. Italy and Western Germany have a surplus of population. France has a deficiency. And yet immigration barriers have prevented a flow of labor from a surplus to a deficit area.

Along with the rise of national economic barriers, has come an attendant decrease in the advantages of mass production and a mass market. Ever mounting costs have been the result of the inefficient use of Europe's resources. Little wonder that Europe's ability to compete in dollar markets has declined.

The recent war brought this entire competitive problem to a head, by destroying a large part of Europe's productive plant and wiping out most of its foreign investments. Economic nationalism had contributed directly to the planning and waging of the war. Hitler, behind absolute trade barriers, was able to develop a synthetic gasoline industry, and a synthetic rubber industry. Had the European economy been integrated, with its resources deployed in the most efficient manner, with trade flowing freely from one nation to another, Germany would have been unable to put itself into a position to sustain an effective attack on its neighbors.

One of the obvious problems facing the framers of the Marshall Plan was to attempt to thoroughly integrate the economy of western Europe, for unless such a step is taken to remove the possibility of any nation organizing its resources for war, Europe may well again slip into the familiar pattern of being subject to a relentless pressure to warp its economy to the requirements of military security.

It seems clear, that until Europe is able to divest herself of the trade barriers which have devastated her economy for the past fifty years, the dream of military and economic security and well-being is an idle one.

In the summer of 1948, the ECA attempted - and succeeded to some degree - to revive intra-European trade by providing dollars to some countries to buy the surpluses of others. That this solution is only temporary is obvious, for when the dollars stop, a great deal of intra-European trade stops also.

Mr. Paul Hoffman, at the meeting of the OEEC (Organization for European Economic Cooperation) in Paris last year, suggested "1) that the participating countries take really effective action by early 1950 to remove quantitative restrictions on trade;" . . . . "2) that effective action be taken by early 1950 to eliminate the unsound practice of dual pricing, that is, maintaining export prices for fuel and basic materials at higher levels than domestic prices."[10]

Mr. Hoffman also placed a long-range goal before the OEEC: ". . . the effective integration of the economy of western Europe - the building of a single market of 270 million consumers, in which quantitative restrictions on the movement of goods, monetary barriers to the flow of payments, and eventually all tariffs should be permanently swept away."[11]

Mr. Hoffman warned that we in America must not frustrate the Europeans by failing to recognize the fundamental truth that "trade is really a two-way street."

When we consider the high tariff walls erected by the United States after World War I, it is obvious that Europe has a bona fide fear that we will fail to play our rôle of the world's principal creditor nation. Fortunately, the State Department's announcement of United States' tariff reductions came at an opportune moment, and should serve to quell many of Europe's doubts on the matter. Whether or not our multi-billion dollar investment in European recovery is going to pay off, depends, in the final analysis, on Europe's ability to earn dollars in the United States. If she is going to do so, then she must be allowed to produce and sell

10 Loc.cit., p.49.
11 <u>Ibid</u>.

competitively to us enough of the things we want so she can pay for the things she must have from us.

The Dollar Dilemma

The use of American dollars to restore world stability was first suggested by then-Under Secretary of State Dean Acheson at Cleveland, Mississippi, on May 8, 1947.[12] On June 5 of that year, Secretary Marshall presented the proposal at Harvard as a combined American-European reconstruction plan. This plan was the result of lessons learned painfully by President Truman and Secretary of the Treasury John Snyder and the State Department, when Alcide de Gasperi, the Italian Prime Minister, came to Washington looking for money in January 1947, and was sent home with a promise of $100 million dollars in Export-Import Bank credits.[13] The credits did not solve his problem. He needed to reconstruct his country, and he was given a chance to buy some goods in America. During the next six months the Administration came to understand that it could not revive Europe by offering individual countries limited commercial opportunities. The economic problem of Europe is how to become productive itself, not how to enjoy the fruits of American production.

The Administration has learned that the Continent

12 Blair Bolles, "Can Our Dollars Save Europe?", The Nation, June 28, 1947, p.759.
13 Ibid.

does not welcome American dollars forced upon it in the determination to save Europe according to a made-in-America financial formula.[14] It has called upon Europe, therefore, to reach an agreement "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 taken by the American government."

The Administration apparently profited from the indications that the American public was repelled by the suggestion of a crusade in the Truman Doctrine, and by the disclosure that America intended to keep the "free" peoples of Greece and Turkey under the native tyrants then haphazardly oppressing them in order to save them from Russia or from native Communists. The new program was to win over public opinion at home by proposals that seem to offer the hope of a lasting peace.

Europe's attitude toward the Marshall proposal must be judged by the slowly gathering public reaction which has manifested itself. The United States does not appear to all people abroad, even in neighboring Canada, as the gentle lamb described by our statesmen. The proposal to arm Péron, the use of Canada as our Arctic shield, the backing we extended the reactionary group in Rome - these things are all puzzling to the foreigner who has heard that we believe in full

14 Loc.cit.

freedom for all nations to deal with others, and with ourselves, as they will, provided it is honorably.[15]

The dollar dilemma made itself felt in the supply as well as the demand area. From the outset of the Marshall Plan, it became obvious that a new isolationism was arising to combat the Administration on this issue. The cry "we are throwing away our substance" was raised here during the war in an effort to hold to a minimum the movement of lend-lease goods abroad, especially to Russia. Even in 1946, Bernard Baruch made the same protest in opposing the $3,750,000,000. loan to Britain, claiming that the United States should take an inventory of its resources before it sent any more out of the country. Herbert Hoover in 1947 claimed that we were exporting more than we could afford, and Senator Byrd, the perennial economizer from Virginia, joined the group who favored slowing down exports.[16]

The Aldrich Plan

In October 1947, at the annual meeting of the American Bankers Association in Atlantic City, Winthrop W. Aldrich, chairman of the world trading Chase National Bank, tried applying banker's sense to the Marshall Plan. The great need, said he, was to make sure that the plan was carried out "in a businesslike manner."[17]

15 Loc.cit.
16 Ibid.
17 Time, October 13, 1947, p.91.

To make sure that this was done, he suggested the creation of a "United States Corporation for European Reconstruction," run by a board of directors composed of five "completely non-partisan" experts, appointed by the President with the advice and consent of the Senate.

Under the watchful eye of Congress, these five would exercise "reasonably liberal authority" to 1) determine the type and amount of aid to be allocated to various nations; 2) extend aid in kind as well as in money, and buy needed goods in the world's cheapest markets; 3) decide how much European nations shall contribute to their own reconstruction. Above all the corporation would check up continuously to make sure that United States' aid was not being misused.[18] In short, he wanted a sort of super-WPB to run the whole thing. With such a businesslike approach, Aldrich thought that his corporation would also attract direct investment in Western Europe by private U. S. corporations, thus speeding the job of reconstruction.

18 Ibid.

OUR CAPACITY TO HELP

Effect of ERP on American Business

In November 1947, Business Week attempted to set up a balance sheet for American businessmen, listing the Pros and Cons of the Marshall Plan.[19] It listed as liabilities:

1) The program will be costly - perhaps as much as $15 billion. Through their tax bills, businessmen will bear a good share themselves.

2) A number of troublesome bottlenecks will be continued and even magnified. As a result some producers won't realize the expansion they plan.

3) The high cost of living, the peg on which many labor troubles hang, will move down very little, if at all. And it may move up.

4) In helping Europe to re-equip itself, American industry is arming a potential competitor. Moreover, the arms it offers are of the most up-to-date variety.

5) There is no guarantee the program will succeed; as a matter of fact certain con-

19 "The Marshall Program: What It Means to American Business." <u>Business Week</u>, November 22, 1947, ps.67-78.

ditions essential to its success make it look like a risky bet indeed.

The assets, however, as follow, were adjudged to outbalance the liabilities:

1) Without U.S. aid people in a number of Western European countries will be placed in dire straits. At best they will lack adequate food for a healthy life. At worst they will starve.

2) The economic situation in Western Europe has a profound political and military meaning for the United States. This is a matter of direct interest to the businessman. If Western Europe ever loses its political independence to another foreign power, the ultimate cost to America will make the Marshall Plan expense a mere pittance.

3) Finally, the Marshall program offers the only hope of realizing some measure of economic stability in a world that today appears permanently upset. In this regard the program can do no harm. Even if it falls short of its stated objectives, Western Europe will have taken a long stride forward.

The Krug Report

Business Week attacked the Krug report, issued in the fall of 1947, which attempted to give an over-all figure for European aid, for the years 1947-1951.[20]

In gauging the detailed impact of European requirements upon our economy, the framers of the Krug report made assumptions about the requirements which have since been proved to be mistaken. They assumed that the flow of exports prevailing during the early months of 1947, when the report was being prepared, could be used "both as an indication of the levels and the character of the requirements." On the basis of this assumption they concluded that "the number of specific supply problems likely to result from a program of foreign aid is relatively small, and that still fewer are likely to be quantitatively important."

Later, when European returns on requirements were received, they upset the assumption that, if fulfilled, our 1947 export pattern would be carried forward. Thus, they also upset the Krug committee conclusion about the specific supply problems presented. It turned out that what Europe needed most was often what was most scarce here.

For example, to meet the European requirements as

20 "America's Capacity to Help Europe," Business Week, October 25, 1947, p.116.

transmitted from Paris, it would have been necessary to ship to Europe mining equipment equal to one-and-a-half times that sent to the whole world in 1947. Again, it would have been necessary to raise our export of rail equipment to around 130 per cent of its 1947 level, and the export of petroleum equipment would have had to be increased to about 115 per cent, all of it for Europe.[21] In every instance this equipment was sorely needed in the United States, and producers had huge order backlogs.

Thus, although the Krug report did indicate that the business of meeting Europe's needs was a highly selective operation, it laid too much stress on aggregates of exports and dollars.[22]

21 Loc.cit.
22 Ibid.

AT THE HALFWAY MARK

A Recapitulation

Now that the Marshall Plan is approaching its halfway mark - it began in 1948 and is to end in 1952 - this would be an appropriate time to review its history, and to compare its promise with its fulfillment. A short summary of terms and agencies which have perhaps proved confusing to a good many people are here set down and explained, in question-and-answer form, following which is a summary of progress to date. The questions are taken from the Senior Scholastic.[23]

1) What is the correct name of this program?

The terms "Marshall Plan" and European Recovery Program (ERP) are interchangeable; however, the terms ERP and ECA are not. The ECA is the U.S. administering agency of the recovery program, while the ERP is the program itself. ECA authorizes the goods and services which are sent to the Marshall Plan countries, and also directs our economic aid program for certain nations in Asia.

The Organization of European Economic Cooperation (OEEC) is the planning board of the Marshall Plan nations. It apportions ECA funds among the participating countries, and sees to it that the program is faithfully carried out by them.

23 "ERP's Halfway Mark," Senior Scholastic, February 22, 1950, ps. 5-7.

2) What is the origin of the Marshall Plan?

On June 5, 1947, the then-Secretary of State George C. Marshall delivered an address at Harvard University, in which he announced that the United States would aid Europe in recovering her economic balance, provided the nations of Europe would work out a joint recovery program together. If the European nations would get together and decide on their economic needs, the United States would offer its aid to save the whole of Europe, rather than trying to save it country by country.

Russia turned down the proposal flatly, and exerted pressure on Czechoslovakia, Poland, and her other satellites, as well as Finland, to refuse the offer.

However, sixteen Western European nations did attend a Conference for European Economic Cooperation held in Paris a few weeks later. These nations drew up "a program to cover Europe's resources and Europe's needs," and submitted the deficit to Uncle Sam.

The European Recovery Program was launched on April 3, 1948, when the ECA, with Paul G. Hoffman at its head, was established by the United States government. Late in April, the first ERP goods were on their way to Europe.

3) What is the purpose of the ERP?

By promoting agricultural and industrial production, and by stimulating international trade, the program is designed to help the nations of Europe attain an economic balance in the world.

4) What countries are participating in the program?

Austria, Belgium, Britain, Denmark, France, Western Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, the territory of Trieste, and Turkey - eighteen national units in all - have grouped themselves into the Organization of European Economic Cooperation (OEEC).

5) How much is the program costing the American people?

By the time the ERP ends on June 30, 1952, it will have cost the American people about $14 billion. Congress appropriated $5,055,000,000. for the first year, and $3,778,000,000. for the second year of the program. President Truman has asked Congress for $3,100,000,000. for the third year of the program, which begins on June 30, 1950. $2 billion more will probably be required for the final year.

6) How does the program benefit the American people?

The United States, by putting Western Europe back on its feet, and making it an effective business partner in world trade, is aiming towards keeping its own wheels of industry running. We need the Western European market for our goods and for the goods of other countries which in turn buy from us.

7) What has the ERP accomplished thus far?

7) cont.

Most observers agree that on the political front the ERP has succeeded in turning back the tide of communism which earlier threatened to engulf Western Europe. By showing the people in Western Europe that the United States is backing them up in their attempts at recovery, it has stiffened their ability and will to resist the communistic movements within their own borders. Communist strength is today on the decline throughout Western Europe, and much of the credit for this must be laid at the feet of the ERP.

On the social front, the ERP has improved the living standards of much of Western Europe. These standards still are lagging about ten percent below pre-war levels, but thanks to ERP they are steadily rising.

Since 1947, the economic achievements of the ERP have been tremendous. There has been a thirty per-cent increase in industrial production as a whole, a fifty per-cent rise in trade, and increases of from twenty-four to thirty-seven per-cent in farm production.

8) What has the ERP failed to achieve?

The problem of integrating the economy of Western Europe has not been squarely met. Double pricing, import quotas, tariffs, etc., are again taking hold. To overcome these difficulties, Belgium, the Netherlands, and Luxembourg have formed the Benelux customs union (an arrangement whereby two or more nations agree to a common tariff wall around them and none between them), and France and Italy will soon join them. Britain and the three Scandinavian countries are also considering an economic union.

9) What happens after 1952?

The ERP countries claim that Western Europe will be able to get along after 1952 without the program, provided it receives the original estimate of $5 billion during the remaining two years of the program, and provided that it increases by one half its exports to the United States.

The Optimists

There is a sharp contrast of opinion as to whether or not the Marshall Plan is succeeding. One of the more optimistic appraisals is to be found in the American Federation of Labor monthly for July 1949, in which the following heartening statistics are presented:[24]

Austria: Industrial production in 1948 up to seventy-five per-cent of 1938 level. Food increased four-hundred calories a day since start of Marshall Plan.

Belgium-Luxembourg: Industrial production fifteen per-cent above prewar levels. Consumption approximately prewar standard.

24 Bert M. Jewell, "The Marshall Plan is Succeeding," American Federationist, July 1949, ps.14-15

Denmark: Industrial output twenty-nine per-cent above 1938 prewar peak. Food production one-hundred and thirty-five per-cent of 1938 level; textiles one-hundred and nineteen per-cent; wood products one-hundred and fifty-five per-cent.

France: Industrial output one-hundred and nine per-cent of 1938 level (despite Communist attempts to sabotage ERP).

Western Germany: Industrial production fifty-one per-cent of 1938.

Greece: Industrial output seventy-eight per-cent of 1938.

Italy: Power-generating capacity restored to 1942 peak level. Steel production just under 1938 level.

Netherlands: Industrial production up to one-hundred and thirteen per-cent of 1938 norm. National diet raised to an adequate, though still austere, point.

Norway: Merchant marine now ninety per-cent of prewar tonnage (fifty per-cent of it had been destroyed by war). Construction industry is operating at one-hundred and fifty-eight per-cent of the 1938 rate. Total national production is twenty-five per-cent higher than in 1938.

United Kingdom: Industrial production is one-hundred and twenty-three per-cent of the 1938 totals. Agriculture is one-hundred and thirty per-cent above the 1938 crops. Exports have climbed to one-hundred and thirty-seven per-cent, while imports have been held at eighty-five per-cent of the 1938 par. The deficit in the balance of payment with the Western Hemisphere has been slashed in half.

The Pessimists

Although it is true that those inclined to look at the "sunny side" of things may point to the above figures as an indication of the imminent success of the Marshall Plan; nevertheless, it seems obvious that even with the $30 billion boost in Western Europe's annual output of goods and services since 1947,[25] she won't be able to get along after 1952 without continued U.S. aid. The dollar gap is way down from the $8.5 billion total of 1947, but it seems hardly possible that it can be closed by 1952. Also, Western Europe hasn't done much to put trade on a competitive basis or make currencies convertible. The only apparent way to narrow the dollar gap is to cut imports from the United States. This was hardly an objective of the Marshall Plan, and will be a bitter pill for U.S. export manufacturers to swallow, but the only alternative seems to be the continued financing of exports with tax-payers' money.

Paul Hoffman stated[26] that he wanted Europe to work

25 "ECA at Midpoint: Not Going as Hoped," Business Week, February 18, 1950, p.22.
26 Hoffman, UN World, p.49.

in the following directions toward "integration:"

1) A commitment to do away with import quotas altogether;

2) A plan to do away with dual pricing;

3) A currency union scheme that would lead to convertibility of currencies within western Europe.

Hoffman did get the Europeans to scrap import quotas on about half the trade they do among themselves, but he has been hamstrung - notably by the British - in the second and third fields.

To push his ideas, Mr. Hoffman is asking Congress for $500 million from this year's ECA appropriation in free dollars - that is, money not tied to specific commodity purchases - to use as a dollar reserve for his currency union scheme, if the Europeans will finally agree to set it up. Many on Capitol Hill, however, feel it is time to turn our backs on Europe and start spending money in Asia, and still others feel that foreign aid should mean getting rid of surplus potatoes and dried eggs, so Mr. Hoffman has his hands full.

One thing is obvious: we are no longer sticking to our original purpose of curing Europe of the war; "we're trying to cure her of . . . Europe."[27]

In analyzing some of the implications of Mr. Hoffman's

27 Ernest O. Hauser, "We'll Never Make Them Do It Our Way," Saturday Evening Post, March 4, 1950, p.30.

objective, it is plain that to follow them through, Western Europe would have to undergo a technological, psychological, and social revolution. So far, the United States has attempted only to "persuade" Europeans that certain changes are in order. "Soviet policy" said Ambassador W. Averell Harriman, "is to dominate others," American policy is to help others." To many of the "pessimists" it seems that mere persuasion from here on in just won't work.

The ECA has been bringing groups of European managers and workers to the United States, in an attempt to impress them with American production methods, but it's a hard job to change their ideas. Europeans, unlike the average American who firmly believes in change as a sign of progress, are predominantly security-minded. In attempting to change this attitude, our planners are faced with the perplexing problem of completely revamping the traditional European personality.

As for integration, the key work in Mr. Hoffman's Paris speech on October 31, 1949, we are again faced with effecting a complete metamorphosis of the European attitude. Wherever one travels in Europe, he is confronted by the monuments of a militant nationalism: Nelson atop a column in Trafalgar Square; Napoleon atop a column in the Place Vendôme; Victory atop a column in Berlin; half the street names in every capital, and soldiers' graves lining the highways - echoes, everywhere, of Neighbor A's victory over Neighbor B in the not-forgotten past.[28]

The economic structure of Europe was geared by necessity to fit the map. Everyone just tried to get along in between wars, waiting to fight a neighbor every few years. We're taking a huge swallow in trying to change this system by mere persuasion; but that's exactly what we've been attempting to do.

Take Italy's Po Valley, one of Europe's great nerve centers; the moment Europe became one freely trading area, its entire industrial structure, founded upon the idea of protecting the inefficient, high-cost producer against the efficient low-cost producer across the border, would collapse.

In Italy today, a standard typewriter costs two-hundred dollars, and a four-door sedan sets you back twenty-three-hundred-and-fifty.[29] Both are Italian-made and poor compared to the American equivalent, which would cost you one-hundred and fifty, and fifteen-hundred and sixty-seven dollars, respectively, and which the law keeps you from bringing in. This condition is true of Europe in general, where trust and monopoly concerns are everywhere sitting tight on articles whose production they've been able to corner, refusing either to improve the product or lower its price.

28 Hauser, Saturday Evening Post, p.30.
29 Ibid.

Added to this resistance of protected groups, is the recalcitrance of Great Britain in assuming a position or attitude of leadership in Europe's proposed economic transformation.[30]

Once again, it is tradition which is slowing the wheels of progress. The British have always feared a united continent facing them across the channel, and have fought a couple of wars to maintain the "balance of power" in Europe. Even today, Britain is reluctant to submerge part of their individuality in any European union.

We do have one instrument of coercion with which we might enforce our demands in Europe. In our bi-lateral agreements with the recipient governments of ERP, each government agreed to place the proceeds from the sales of coal, tractors, etc., in a special fund, known as the counterpart fund. Uncle Sam has to O.K. any proposals to spend part of this fund, and in their anxiety to invest the money in new bridges or power plants, these governments might extend themselves to get the go-ahead.

ECA has employed this technique in effecting a French tax-reform measure, which went into effect on January 1, 1949. This was only a beginning, but ECA men hope it may open a new path of persuasion which will prove more effective than some used previously.

30 Loc.cit.

This "second Marshall Plan" is a tall order. We're no longer content with merely administering aid to Europe; rather, our planners are sponsoring a complete transformation of her social and economic structure. What we are actually asking Europe to do is: to scrap a large part of their present industry, and find some new use for the equipment and labor employed in them; to develop new managerial and working attitudes and habits, comparable to those prevailing in the United States; adopt a new social consciousness and adapt their tax laws to that new mentality; forget old grievances and become one great homogeneous body with people, goods, and money, moving freely back and forth. Little wonder at the sinking hearts who have only gradually come to comprehend the magnitude of the task we have assumed.

Changing Conditions

When the European Recovery Bill was introduced two years ago, a pressing incentive for its passage was the Communist coup in Czechoslovakia, which highlighted the Soviet threat.

The heartening statistics which Mr. Hoffman produced a year ago to support his case for the second installment of aid, served to arouse optimism in this country as to the ERP's effectiveness.

Things this year, however, are quite different. Soviet pressure is not felt so much in Berlin or Czechoslovakia, as on the other side of the world, in Formosa. Also, the graphic and easily compassed restoration of war damage is no longer the phase of the European economic problem which is claiming attention; rather, it is the far more subtle economic necessity of accommodating old patterns of Western European supply, production, and sales to a post-war world.[31]

There has been much disappointment expressed by Americans over the minor progress made by the European nations participating in ERP, along the lines of integrating their economies along with the restoration of their productive power. European small-scale production must naturally mean high-cost production. It follows that such production limits sales in a competitive world market, and forces European domestic populations to go without goods. The economic and political satisfaction of these groups is the foundation of the free world's stability.

European production is, in general, nineteenth-century production;[32] in many instances, the machines are nineteenth-century machines. If improvements have been made, most likely they have been in the way of

31 "Aid to Europe," The Atlantic, March 1950, p.14
32 Ibid.,p.15.

additions to old facilities, rather than as unified new layouts. It is true that in practically all lines there are certain plants comparable to those in America. But these are usually the cream of the crop, and provide only a small fraction of that type of machine employed in an industry as a whole. The tendency has been to keep prices at levels which permit the antiquated producers to stay in the running; yet they must compete in a world which includes our own United States.

The average British manufacturer is not set up to produce an enormous number of units; he views with misgiving his government's exhortations to get into the dollar market. He knows that there is a tried and true customer ready and waiting in the sterling area for every item he is currently set up to produce.[33] In addition, there exists a tremendous sense of pride - with the British worker as well as the British manufacturer - in the craftsmanship which has traditionally marked British products, and the British are reluctant to sacrifice this on the threshold of mass production. Unfortunately, however, the prémium prices which this craftsmanship commands in a limited field of specialty goods, such as tweeds, socks, leather goods, and whiskey, are not by themselves going to be sufficient to close the dollar gap.

In France, along with the story of nineteenth-

33 Loc.cit.

century production in this twentieth-century world of rapidly changing conditions, must be added the unfavorable labor-management relationship which has existed for over a decade. There is no such thing as collective bargaining in France. The joint labor-management approach to the installation of machinery and new methods is lacking, and as a result labor resists changes which it feels are attempts at "stretch-outs," while management steadfastly maintains that such changes, and the division of the resulting gains, are exclusively its affair.

Here, then, is another stumbling-block facing the European Recovery Program: the loathness of European labor and management to voluntarily adjust their working environment to the complexities of our changing world. Until they do so, it is obvious that they must continue to fall behind those nations who recognize the situation and provide for it, and those virgin countries who are developing within this atmosphere of change and growth.

REACTIONS TO THE MARSHALL PLAN

The Man In The Street

The European Recovery Program is known by various names in Europe: The Marshall Plan; Il Piano Marshall; Le Plan Marshall; or the M-Plan. Following are some of the "man in the street's" opinions about it, as reported by the New York Times.[34]

England

A London Postal Clerk:

"The plan helped us get away from communism and supported us as we went into our own kind of socialism. But if England had had to face the crisis alone we would have worked a bit harder and wanted a bit less. With Marshall aid we're relaxing. It's human nature, isn't it?"

An Officeworker in Plymouth:

"I hope you Americans who are giving us this aid know more about it than we who are receiving it. I do feel the M-Plan offers a bulwark against communism. It is meant to keep this old country and Europe going - as a possible competitor with the United States. It sounds a bit cockeyed to me, somehow."

A London Dock Worker:

"The Communists in Hyde Park shout that the M-Plan

34 Sidney Feldman, "Il Piano Marshall," _New York Times Magazine_, January 8, 1950, p.16.

is 'Yank Imperialism.' I disagree. I do not like how the United States has tied our hands, for all that. It has lent us money, but it makes us buy goods only from them or other Marshall aid countries. England wanted to trade its machinery for Russian wheat, but the United States would not allow that. Why?"

A British Embassy Clerk:

"Frankly, I don't see why you Americans pour so much money into Europe. You are much too generous. Many of us dislike you for it. Some of us appreciate it. If I were an American I should most likely be an isolationist."

A Conservative Business Executive in London:

"Europe is not recovering because it is bound and gagged by too much government interference. Instead of aiding our country to recover, your help simply has been used to keep a Socialist Government in power."

A U.S. Air Force Soldier on Furlough in London:

"I know little about the Marshall Plan, but I almost got into a fight over it with my barber. He told me he was going to ask the Marshall Plan for five quid so he could go out and get drunk. I told him to go to hell. Then the fight was begun. We're supposed to be allies, too."

A U.S. Government Official in London, Speaking Un-Officially:

"We have a surplus in the United States and they have a deficit in England. We want to help them get into a position where they can trade and compete with us."

Holland

A Travel Agent at the Hook of Holland:

"Marshall aid will be over by about 1952. We still may need dollars for imports. The Plan has been opposed by Communists, and it has kept them down. But after 1952, then what?"

A Schoolgirl at Utrecht:

"We like your Marshall aid. We hope we can get along after your help stops. We did get along before the war. We shall try to get along again."

Denmark

An Architect in Copenhagen:

"I do not know much about politics. I know we are sending bacon and eggs to England. Most likely this is part of European countries trading among themselves. We Danish people like Marshall help."

Norway

A Norwegian Business Man Aboard the Scandinavian Express:

"Do not let anybody in the United States think your country can fool us. Your United States is repentant. It is giving us Marshall help for the blood and gold we Europeans spent for wars from which we still have not recovered."

Sweden

A Newspaper Editor in Stockholm:

"The help we received was small - about $25 million. I believe we could have managed in the long run. But it would have been harder and taken longer. Your help to other countries also enabled them to buy from Sweden."

A Civil Engineer in Stockholm:

"All your money, all your loans, all your grants. These will keep the United States going in the export business. But the United States will never see this money again. You will never be repaid."

Switzerland

A Machinery Manufacturer in Zurich:

"There is a great tendency to import too much from America. Many Europeans are suffering from the psychosis that the United States makes the best goods. This often discourages both production and purchases of all European goods among European countries."

A Farmer at Trogen:

"I know almost nothing about this United States help program. I have not studied it. I know it is helping us. I do not know exactly how. I am too busy working to pay attention to this!"

France

A Telegrapher in Paris:

"Do not be amazed that some of us do not consider 'Le Plan Marshall' as a generous gesture toward France. We consider it as a small payment on what America should have paid for the last war. Instead of watching from the sidelines, the United States should have given Hitler a fair and friendly warning after his armies marched into Prague."

A Business Executive in Paris:

"Unquestionably your Marshall aid has helped French recovery. But the common people do not appreciate the help because they know little about it directly. They only know about big statistics and big machinery shipments. They do not see the butter or meat - and at cheaper prices. They would rather have these than more machines."

Italy

A Government Employe from Bologna:

"Your Marshall dollars have brought a new economic renaissance to Italy. We welcome it; the Communists don't. But we still have overpopulation and underemployment."

An Accountant in Florence:

"Sure, is Piano Marshall is a good thing - but good for the United States. Your country sent us finished goods, jeeps and milled flour. We can make Fiat motor vehicles, and we can mill grain. Why didn't you send us raw materials? Why did you send us soap? We've got olive oil. We can make soap."

It would seem that ignorance of the aims and objectives of the Marshall Plan constitutes one of the greatest dangers threatening its success. Sending Europe goods without explaining why they are being sent, so that the "little man" may have some insight into the machinations of the plan, only accomplishes part of the job. After all, it's this "man on the street" we've got to sell, and the above opinions should serve to indicate that we're falling down on the job. The one attitude, above all others, that we should not engender in the minds of the people of Europe, is that the Marshall Plan constitutes a form of dole; yet, obviously, that impression is the strongest of the misconceptions prevailing abroad.

One conclusion, then, is obvious: not only are we falling down on the job of informing the population of Europe as to the theory behind the mechanical aspects of the Marshall Plan, what is worse, we have not even been able to convince them of our good intentions.

The Man In The Capital

Now that we have considered the disheartening reactions of the "man in the street" towards the Marshall Plan, let us see what response has been evoked from the man at the top of the ladder.

Following is a summation of the views of M. Willem Drees, Prime Minister of the Netherlands,[35] written in response to Mr. Paul Hoffman's article concerning the economic integration of Europe.[36]

The Netherlands, which has a long tradition of free trade, is at present eager to cooperate in reducing the economic restrictions to that kind of trade as rapidly and as effectively as possible. Yet, it must be said in all justice, that many of the restrictive measures which now prevail in Europe had to be undertaken, and that without them the fate of Western Europe's peoples, in the postwar period, would have been infinitely worse than it already was.

Immediately after World War II, for example, in the Netherlands production had nearly ceased as a result of five years of looting and destruction during the nazi occupation. Foreign exchange was extremely scarce. Hence, we had to invoke whatever moderate means were left to carry out relief and repair jobs to save

35 Willem Drees, "A Dutch View of the Marshall Plan," UN World, February 1950, p.53
36 Hoffman, UN World, ps.44-49.

our people from starvation and to put roofs over their heads. If an unlimited free trade had existed at that time, the wealthy might have been able to have managed but a very grievous inflation would have been the result, and the majority of the population would have suffered poverty and distress..

But what has been essential for an emergency condition cannot be continued for any length of time without having an effect contrary to the goal originally sought. At the moment, we must concentrate on free trade, develop it, expand it, make it work. To achieve that purpose, we must aim at fusing the components of Western Europe into a new economic organism. Perhaps Americans do not sufficiently realize that this objective cannot be gained as swiftly as many of us would like. They tend to forget that Europe lacks that political unity which in the United States creates also economic unity. And yet, even the United States, despite its pivotal and powerful economic position in the world, has for generations thought it necessary to protect its industry and agriculture against the free competition of other countries. Surely the American farmer is being protected against the invigorating, but sometimes rather raw, wind of free competition. Subsidy and parity programs guarantee him a good firm price for his products. By analogy, the American should be able to understand that, for instance, France and Belgium hesitate to import agricultural products from the Netherlands which that country could sell at a lower price than their own farmers. Yet it has become increasingly clear that if Western Europe is to move toward any genuine economic unity, all vested and fixed interests cannot be preserved against the demands of a new economic day. To attain practical results of unification, Europe must accept the fact that some concessions will be unavoidable whether they are temporary or permanent in nature. Over the long run, the different nations of Western Europe must be prepared gradually to yield a part of their own sovereignty in particular fields and from time to time accept international decisions serving the common good.

The American Outlook

Although reactions to the Marshall Plan have been as diverse in the United States as they have in Europe, it would seem that there is one point of agreement which must unite even the most diverse factions. "No one can say that the American people have been either niggardly or laggard in their humane responsibilities. At no other time in world history has a victor assumed the responsibility for reconstruction of war's ravages in such generous portion."[37]

37 N.R. Danielian, "Can We Aid Europe?" Atlantic Monthly, August 1947, p.22.

WHAT NEXT

Continuing Aid

Last month, President Truman acted to create dollars abroad to keep international trade alive when Marshall Plan aid ends in 1952.

He directed Gordon Gray, retiring Secretary of the Army, to formulate a plan to help foreign countries find the hard currency necessary to maintain the trade balance which is now being carried by annual United States grants totaling $5 billion.[38]

A memorandum released by Presidential Secretary Charles G. Ross stated that we are now exporting annually about $16 billion of goods and services, while our imports come to only about $10 billion.

The five fields which Gray is to investigate cover: 1) Exports to the United States; 2) Shipping; 3) Insurance; 4) Services to tourists; 5) Increased U.S. investments abroad under Point Four.

The President stated: "Our basic purpose has been, and must continue to be, to help build a structure of international economic relationships which will permit each country, through the free flow of goods and capital, to achieve sound economic growth without the necessity of special financial aid."

He ordered Gray, who takes over the presidency

38 "Truman Seeks to Spur Trade At ECA's End," The Philadelphia Inquirer, April 3, 1950.

Of the University of North Carolina in September, to co-ordinate the work of all Government agencies looking into the problem and develop "the broad lines of policy" for submission to the people and Congress.

Thus, President Truman has committed the United States to a policy of continued aid abroad. Whether under the name "Marshall Plan" or no, it is obvious that we are going to carry the ball for the long run. As to what lies at the end of the field, only time will tell.

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