

The Marshall Plan

The post-WWII Marshall Plan, long touted as the aid plan that reinvigorated Europe, didn't have as its first priority actually helping the citizens of Europe.



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Bread and building: Wage and price controls installed by the Nazis remained in force after the war, resulting in continuing shortages of essentials such as bread. The German economic miracle began only when those controls were lifted, long before the arrival of any Marshall Plan “aid.”

by Bob Adelman

When establishment historians consider the Marshall Plan, its intents and purposes and alleged successes, they typically make at least two errors — one in logic and the other in history. First, they assume that since Europe began to revive at about the time the Marshall Plan was implemented, then that revival must have been because of the plan, not in spite of it.

Second, they fail to make any mention of the forces in the background that had a much different purpose in mind: specifically, how to use the Marshall Plan to further their internationalist agenda.

One example of a “court historian” providing his readers with the accepted view of the Marshall Plan is Robert V. Remini, professor emeritus at the University of Chicago, and author of numerous books

on the American Republic’s early figures, such as Andrew Jackson, Henry Clay, John Quincy Adams, and Daniel Webster. In 2005, Remini was appointed the historian of the U.S. House of Representatives. Remini thus serves as the perfect example of someone who knows his history but fails to tell all he knows, especially when it comes to the Marshall Plan.

In his “A Short History of the United States,” this is what Remini had to say about the Marshall Plan:

Secretary of State, George C. Marshall, ... devised a plan, which he outlined in a speech at Harvard University on June 5, 1947, by which the United States would assist European nations to rebuild their shattered economies....

Between April 1948 and December 1951, the United States contributed a little over \$12 billion to Europe....

By 1951 Europe had not only achieved its prewar level of production but its level of industrial production rose to virtually guarantee prosperity for the future.

There it is: The United States, out of the goodness of its heart, gave five percent of its gross national product with no strings attached to European nations to help them get back on their feet. And it worked! Look! By 1951, Europe had fully recovered!

On the surface, Remini appears to be correct, but that does not preclude asking some questions and pointing out some errors of commission and omission in his establishment view. For instance, who wrote Marshall’s speech? What were that ghost writer’s intentions? Did he have connections to others behind the scenes who had differing purposes? And did Europe begin to recover because of Marshall Plan aid, or had that recovery begun long before any aid arrived? And what about the miracle of Germany — known as *Wirtschaftswunder*, or “economic miracle” — that began on Sunday, June 20, 1948? (This was the day that Germany’s economic director, Ludwig Erhard, eliminated all price controls, which unleashed Germany’s economy, entirely independent of any Marshall Plan aid.) And what about the Marshall Plan’s alleged success as creating the justification for decades of additional foreign aid because it had been so successful in reviving Europe?

Let’s get some perspective. VE (Victory in Europe) Day was May 7, 1945. VJ (Victory over Japan) Day was August 14, 1945. President Franklin Roosevelt had died on April 12, 1945 and the new president, Harry Truman, was sworn into office that same day. The national elections in November 1946 shifted control of the House of Representatives to the Republicans, gaining 55 seats compared to the previous Congress. The nation was weary of war; 418,000 Americans had died in that conflict, and the war had cost the nation \$288 billion. In today’s money, that’s nearly \$5 trillion! The very last thing Americans wanted was any further involvement in world affairs. They just wanted to get back to whatever “normal” used to be.

It was not to be. The Soviet Union began to flex its muscles when, ignoring the terms of the Potsdam agreement,

it refused to withdraw its troops from Iran. Truman had sent his Secretary of State, James Byrnes, to the Moscow Conference in December of 1945, asking him to confront Soviet Premier Josef Stalin on the matter, and when Byrnes returned he told Truman of his “success.” It turned out that there had been no discussion about Iran after all, and Truman blew up. In a letter to Byrnes, Truman wrote:

Without these supplies furnished by the United States, Russia would have been ignominiously defeated. Yet now Russia stirs up rebellion and keeps troops on the soil of her friend and ally — Iran....

Unless Russia is faced with an iron fist and strong language another war is in the making. Only one language do they understand: “how many divisions do you have?”

I do not think we should play compromise any longer.... I am tired of babying the Soviets.

Postwar Policymakers

James Byrnes is the first in a long list of characters who were heavily involved in setting post-war foreign policy under the new president. Byrnes had deep ties to the Progressive movement dating back to the Wilson administration. In fact, Byrnes had become so close to Wilson that the president would often entrust important political tasks to him rather than to older, more experienced individuals. Years later Byrnes supported President Roosevelt in his efforts to pack the Supreme Court in 1937, and Roosevelt returned the favor by appointing Byrnes to that court in 1941.

The next on that list of individuals involved in influencing American foreign policy was George Kennan, deputy chief of the mission of the United States to the USSR. It was his mission to confirm Truman’s suspicions that the Soviets weren’t to be trusted, and that only a policy of “containment” would serve American interests best. In a long telegram to the U.S. Treasury Department in February 1946, he noted that relations with the Soviets



The Bohlen Plan? George C. Marshall was the front man for players behind the scenes who wanted to redesign Europe. Marshall’s speech that announced his plan was actually written by Charles “Chip” Bohlen.

involve questions so intricate, so delicate, so strange to our form of thought, and so important to analysis of our international environment that I cannot compress answers into [a] single brief message without yielding to what I feel would be a dangerous degree of oversimplification.

I hope, therefore, [that you] will bear with me if I submit an answer [in] five parts.

Among those “five parts” were Kennan’s perceptions that the USSR “perceived itself [to be] at perpetual war with capitalism,” that the USSR would use friendly Marxists residing in the West as allies in that war, that Soviet aggression was rooted in “historic Russian nationalism and neurosis,” and that its governmental structure “prohibited objective or accurate pictures of internal and external reality.” In other words, it was going to be impossible to deal rationally with the Soviets, so the United States would have to “contain” their aggressions by building up nation-

states around them as a protective shield.

Not surprisingly, Kennan’s long telegram was published in the July 1947 issue of *Foreign Affairs* magazine, the print mouthpiece for the now well-known internationalist Council on Foreign Relations. Kennan’s influence in cementing America’s acceptance of interventionism was noted by historian John Lewis Gaddis, who said that Kennan supported the notion that “only the prospect of an undifferentiated global threat could *shake Americans out of their isolationist tendencies that remained latent among them.*” (Emphasis added.)

Kennan was certainly up to the task of removing those latent isolationist tendencies. Near the end of his life (he died in March 2005 at age 101), the establishment journal *Foreign Policy* (part of the liberal *Washington Post* empire) called Kennan “the most influential diplomat of the 20th century,” while internationalist Henry Kissinger said that Kennan “came as close to authoring the diplomatic doctrine of his era as any diplomat in our history.” Kennan was one of six insiders exposed in the 1986 book *The Wise Men: Six Friends and the World They Made*, which included Truman’s Secretary of State Dean Acheson, FDR’s “special envoy” W. Averill Harriman, Truman’s Secretary of Defense Robert Lovett, U.S. High Commissioner to Germany John J. McCloy, and Soviet Ambassador Charles “Chip” Bohlen. Authors Walter Isaacson and Evan Thomas described them as the hidden architects behind the Truman Doctrine, the Marshall Plan, and the entire concept of Soviet power “containment” that ruled America’s foreign policy for 40 years. The authors’ favorable treatment of these “hidden architects” earned high praise from the Council on Foreign Relations, which called it

a sober and straight-forward account of what actually happened and why....

In this context the book does a great service. It restores balance to our recent history, and some sheen to

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its heroes. It may generate a much-needed movement to correct revisionist history. It should be read.

The first step toward containing the Russians and instituting the yet-to-be-formalized Marshall Plan was the Truman Doctrine, officially announced to Congress by the president in March 1947. At that moment in time, both Greece and Turkey were allegedly being threatened by communist insurgents supported directly and indirectly by Stalin. The Greek Civil War of 1946 was raging, and Truman was told that if Greece went communist, then Turkey would be next. These two countries controlled both the Bosphorus and Dardanelles straits, gateways from the Black Sea to the Mediterranean. Truman saw this as a “pincer” movement that could threaten the West’s access to the Middle East’s oil; therefore, it was deemed in the national interest of the United States to intervene. In a speech to Congress, Truman echoed the sentiments of Kennan and said that it was now “the policy of the United States to support free people who are resisting attempted subjugation by armed minorities or by outside pressures.” American aid on the side of the Greek government was enough to rout the communist insurgents, and as a result it was, from that point on, considered to be in America’s interests to intervene in other countries’ affairs in the name of fighting Soviet communism.

Some \$400 million in technical and military aid was approved by Congress to Greece and Turkey, which was enough to neutralize the com-

munist threat, and the Greek Civil War ended in 1949. But to build up a border of states that would successfully “contain” the Soviet threat would take huge amounts of money, and none of the war-devastated economies of France, Germany, Italy, or England were in a position to help. That left the United States as

the funding mechanism. With the help of two of the “Wise Men,” George Kennan and Charles Bohlen, George C. Marshall designed and then formally announced his plan to “aid” Europe in a speech (written by Bohlen) at Harvard University on June 5, 1947.

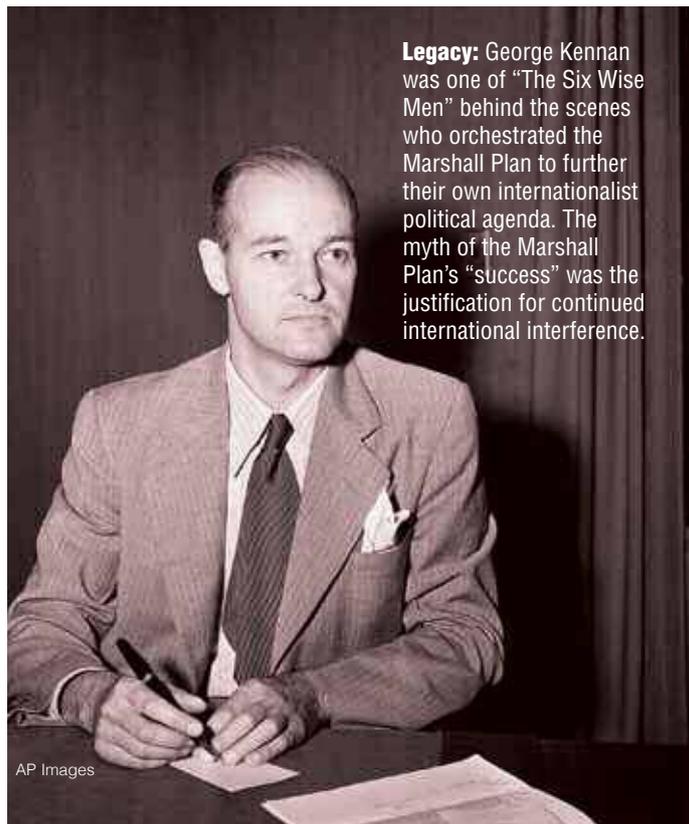
Bohlen was an insider and a “specialist” in Soviet affairs almost from the moment he graduated from Harvard in 1927. He joined the State Department in 1929, learning Russian and joining the staff of the American embassy in Moscow in 1934. He worked on Soviet “issues” in the State Department, accompanying Roosevelt’s special envoy to the USSR, Harry Hopkins, who was a Soviet spy, on numerous trips to visit Josef Stalin. Bohlen was the focus of unfavorable attention by Senator Joseph McCarthy in 1953 when President Eisenhower

named him as ambassador to the Soviet Union. Once Bohlen’s speech was given by General Marshall, formally launching the plan to aid Europe, representatives from 16 countries lined up at the feeding trough, creating budgets for reconstruction that would require between \$16 billion and \$22 billion of American money to accomplish. Initially called the Economic Cooperation Act (ECA), but later renamed the European Recovery Program (ERP), the plan ran into stiff resistance in Congress, which debated the matter for 10 months. This was enough time for the “Wise Men” and the heads of major corporate and union interests to persuade the newly elected and firmly non-interventionist Congress to change their minds. President Truman enlisted the help of Hiland Vatcheller (president of Allegheny-Ludlum Steel), W. Randolph Burgess (vice-chairman of National City Bank of New York), Paul G. Hoffman (president of Studebaker Corporation), and Will Clayton (partner in Anderson, Clayton and Company, the world’s largest cotton trading company).

Business Backers

When the idea of the Marshall Plan began to develop in the minds of Kennan and Bohlen, Clayton and his business cohorts saw an opportunity. With potentially billions of dollars of taxpayer monies in the offing, Clayton said: “Let us admit right off, we need markets — big markets — in which to buy and sell.” And so, hoping to be one of the beneficiaries of a large cash infusion into Europe, Clayton led the charge to change Congress’ mind, support the budding Marshall Plan, and, in so doing, also implement the “Wise Men’s” plan to institute the new internationalist American foreign policy. As Jeffrey Tucker noted in the Mises Institute’s *Free Market* newsletter for September 1997:

Nothing was left to chance. Acheson worked with the established corporate elites and the State Department to create a supposed grass-



Legacy: George Kennan was one of “The Six Wise Men” behind the scenes who orchestrated the Marshall Plan to further their own internationalist political agenda. The myth of the Marshall Plan’s “success” was the justification for continued international interference.



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New currency, new life: Business owners wait to exchange their old reichsmark for the new deutsche marks installed as part of the currency reform that included the lifting of wage and price controls. The changes sparked the German economic miracle, known as *Wirtschaftswunder*.

roots organization called “Citizens’ Committee for the Marshall Plan.” As many as one thousand speakers representing the group toured the country to whip up support. It also ghost-wrote Congressional testimony from other organizations on behalf of the aid package. As Averill Harriman told several European ambassadors during a visit to the British embassy, they haven’t seen anything compared with the “flood of organized propaganda which the Administration is about to unloose.”

It was left to Will Clayton to make the economic case. Perversely, he touted the Marshall Plan as the triumph of “free enterprise.” Moreover, he said, if communism comes to Europe, “I think the situation which we would face in this country would be a very grave one.” We would “have to reorder and readjust our whole economy in this country if we lost the European market.”

In the days before the vote, the claims became more extreme and, with the media-corporate-banking-government elite on board, the propaganda became ever more hysterical. We were told that a depression would come. The U.S. would be bombed. We’d be in another war if the aid package failed. The situation is as

bleak as it was for France in 1938. American life as we know it would end forthwith.

In what stands as one of the most convenient “accidents” of history, Czechoslovakia was seized by the communists in February of 1948 — thus “proving” the need for American intervention through the Marshall Plan — and Congress caved in, passing the ERP overwhelmingly, on March 31. President Truman signed it into law three days later, committing the U.S. government to “invest” \$13 billion of taxpayer monies in “rebuilding” Europe as part of Kennan’s plan to defend the United States against Soviet aggression. In effect, the Marshall Plan, as Tucker put it, “was a political maneuver to loot American taxpayers to keep influential American corporations on the government dole. The plan’s legacy was the egregious and perpetual use of foreign aid for domestic [political] and economic purposes.”

Seen then in the light of the “revisionist history” decried by *Foreign Affairs*, it is clear what the Marshall Plan was really all about. The plan’s ostensible intentions included: 1) meeting the immediate needs of citizens of those countries ravaged by the recent war for food, medicine, and housing; 2) rebuilding infrastructure such as factories, railroads, and bridges; and 3) establishing financial stability in

the ravaged economies. But buried in the language was its primary purpose: “create a common market free of national trade barriers,” the birth of the now increasingly discredited and devolving European Union.

Marshaling Facts

Modern historians have not only failed to see the real purposes behind the Marshall Plan but have also lauded its perceived successes. In his highly entertaining book *The Politically Incorrect Guide to American History*, noted revisionist historian Thomas Woods explained what really happened:

The fact is that this program worked no better than any other government giveaway program. France, Germany and Italy began their economic recoveries before any Marshall Plan aid was disbursed. Austria and Greece, which received sizeable amounts of Marshall Plan aid ... began to recover *only as it was being phased out*. [Emphasis added.]

Some economists saw through the sham. Henry Hazlitt, writing in his weekly column for *Newsweek* magazine in November 1947, warned that what Europe needed was not foreign aid dumped onto governments to be dispersed according to some grand central plan developed by government “experts.” The problem Europe faced in rebuilding its economies was that the governments were themselves strangling the economy with controls, limits, regulations, and price controls left over from Hitler’s domination of those countries. Said Hazlitt:

Europe, in brief, has destroyed the price mechanism. It does not permit free enterprise to function. Such a condition, as long as it continues, must nullify any further help that we can pour in. As Wilhelm Röpke has pointed out in the English magazine *Time and Tide*: “Without a drastic internal reform of the national economy, to put an end to inflation and socialist controls, foreign credits can have no lasting effects, just as a man cannot be kept alive indefinitely by perpetual blood transfusions if the

Prior to the war, half of Greece's export earnings came from tobacco. But as Cowen pointed out, during the first year "The Marshall Plan funded the export of 40,000 tons of American tobacco to Europe [and] Greek exports fell to 2,500 tons a year and never recovered."

cause of his hemorrhage is not removed."

Hazlitt was exonerated in his views by Tyler Cowen in his study *The Marshall Plan: Myths and Realities*, published in 1985. Cowen concluded that there were at least five myths, promoted even today, about the Marshall Plan, which he noted was "but a limited success at most":

The first myth: The Marshall Plan was a significant factor in West European recovery

In nearly every country occupied by Germany during the war, the stringent system of Nazi economic controls was continued even after the country was liberated.

And in each case, rapid economic growth occurred *only after* the controls were lifted and sound economic policy [was] established.

This happened irrespective of the timing [or the] extent of Marshall Plan aid. [Emphasis added.]

In fact, the German economic recovery had nothing to do with any such aid. It had to do with a radical and abrupt return to sound economic principles, and sanity. That return took place on Sunday, June 20, 1948, when Germany's economic director, Ludwig Erhard (following the advice of his mentor, Wilhelm Röpke), replaced the reichsmark with the deutsche mark, which effectively reduced the money supply by 93 percent, and eliminated the deadly price controls that had inflicted inevitable shortages on the German people. When American advisor U.S. General Lucius Clay learned about Erhard's unilateral decision, the following conversation took place:

Clay: Herr Erhard, my advisers tell me what you have done is a terrible mistake. What do you say to that?

Erhard: Herr General, pay no attention to them! My advisers tell me the same thing!

A few days later Erhard was confronted by U.S. Army Colonel Oberst:

Oberst: How dare you relax our rationing system, when there is a widespread food shortage?

Erhard: But, Herr Oberst, I have relaxed nothing. I have abolished it! Henceforth, the only rationing ticket people will need will be the [new] Deutschemark. And they will work hard to get those Deutschemarks, just wait and see.

Within days the German economy began to revive. Within the first month production increased by an estimated 50 percent, and monthly gains exceeded many later yearly gains, according to Cowen.

The second myth: The Marshall Plan

encouraged the development of free enterprise and sound economic policy.

The truth is that those directing postwar U.S. foreign economic policy had strong interventionist sympathies: when faced with any problem, their instinct was to see a governmental solution....

Example: for every dollar that the ECA [Economic Cooperation Administration] gave a foreign government, that government had to set aside an equivalent amount ... to be used for public works, public investments, and similar state projects. As a result, every US dollar sent to a foreign government [forced] that government to take another from its own private sector.

The Marshall Plan disrupted and sometimes severely damaged local economies. For instance, prior to the war, half of Greece's export earnings came from tobacco. But as Cowen pointed out, during the first year "The Marshall Plan funded the export of 40,000 tons of American tobacco to Europe [and] Greek exports fell to 2,500 tons a year and never recovered."

And as far as "sound economic policy" was concerned, the Marshall Plan funds



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Manufacturing success: The continuing success of Germany's economic miracle, which began after WWII, includes Volkswagen. Started under Hitler as the "people's car," it is now the second-largest motor vehicle manufacturer in the world, with revenues of \$200 billion annually.



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Reaching through time and space: The Marshall Plan's impact on U.S. foreign policy continues to be felt today in the country's never-ending involvement in other countries' affairs. At present there are still 68,000 U.S. troops stationed in Germany, long after the ending of hostilities in 1945.

were simply government-to-government transfers that encouraged political chicanery. Noted Cowen: "As more American aid was funneled through the Greek government, graft and corruption increased. Major scandals were being uncovered monthly. It was only in 1953 that Greece began to recover — the year when U.S. aid was cut to \$25 million."

The third myth: The Marshall Plan boosted the American economy.

The \$13 billion given to the Marshall Plan resulted in the loss of \$13 billion worth of goods and services to the U.S. domestic economy.

Actually the losses to the American taxpayer were much greater due to slippage, overcharging, fraud, and the failure to account for aid given prior to the enactment of the Marshall Plan. Current estimates show that American aid to Europe approached \$44 billion, or about \$420 billion in today's money. Cowen further noted that "a year after the Marshall Plan began sucking private capital out of the economy, the U.S. fell into recession, precisely the opposite of what its proponents predicted."

The fourth myth: The operation of the Marshall Plan was not strongly influenced by domestic U.S. special interests.

The very conception of the Marshall Plan implied that it was partially designed to serve special business interests....

All of the aid channeled through the ECA was linked to purchases of particular U.S. goods and services.

In this regard, the Marshall Plan subsidized some U.S. businesses at the expense of the U.S. taxpayer.

The original Marshall Plan legislation, for instance, required that at least half of all U.S.-financed ECA goods be shipped in vessels of American registry with American insurance.

Even Paul Hoffman, head of the ECA, admitted that this stipulation cost "millions of dollars" because American vessels were not always the cheapest available....

This period also saw the shipment of 65,000 trucks to Europe, despite the dreadful condition of Western Europe's roads and the serious gas shortage.

Even American oil companies got in on the act. Said Cowen: "When U.S. companies started selling Mideast oil through the ECA, it was sold at the higher price of Texas Gulf oil plus the transport price of shipping the oil from the Texas Gulf across the Atlantic.... If the Europeans tried to buy their oil elsewhere ... they would lose the ECA subsidy."

The fifth myth: American postwar foreign economic policy was one of free trade and the "Open Door."

During this time, only 55 percent of U.S. imports [from Europe] were duty-free, and most of the tariffs were not trivial....

On manufactured items, the tariff ranged as high as 30 to 40 percent [while] tariffs on minerals and raw materials were [only] slightly lower....

Contrary to popular belief, U.S.

trade policy was dominated by restrictive, bilateral trading agreements, not "Open Door" multilateralism.

The Marshall Plan failed, then, to bring the publicly stated relief that was used to sell the plan to the U.S. Congress, but succeeded greatly in furthering the goals of the "Wise Men" and their crony capitalist accomplices. In sum, the Marshall Plan worked against the interests of those who needed help the most, the citizens of the war-torn European continent, as well as against the U.S. taxpayer. But through their close ties to the "Wise Men," people like Vatcheller, Burgess, Hoffman, and Clayton turned the Marshall Plan aid into their own private "chocolate waterfall" of government aid, and leaving, as Tucker noted:

the actual legacy of the Marshall Plan [as] a vast expansion of government at home, the beginnings of the Cold War rhetoric that would sustain the welfare-warfare state for 40 years, a permanent global troop presence, and an entire business class on the take from Washington. It also created a belief on the part of the ruling elite in D.C. that it could trick the public into backing anything, including the idea that government and its connected interest groups should run the world at taxpayer expense.

Now that the Marshall Plan can be seen for what it was, it can accurately be claimed to have been a success — for the crony capitalists and their enablers, the internationalists. ■