

THE MARSHALL PLAN

CONSERVATIVE REFORM AS A WEAPON OF WAR

David Hein

If students recall anything about the European Recovery Program (the Marshall Plan's formal designation), they characterize it as a generous foreign-aid scheme undertaken by the United States government to rebuild Western Europe after the Second World War. And they might remember that this humanitarian initiative was named for Secretary of State George C. Marshall. Like many Americans, therefore, they are apt to associate the European Recovery Program (ERP) with humanitarian relief, with General Marshall, with peace, with idealism: America at its best.

Armin Grünbacher, lecturer in modern history at the University of Birmingham, presents an alternative reading, one that takes into account the harsh realities of the Cold War. He points out that "the originally propagated view that the Marshall Plan was an altruistic endeavor through which the U.S. saved Europe from collapse and starvation has long been dismissed and replaced with a more realistic approach to interna-

tional affairs." In the years immediately following the Second World War, "*Realpolitik*" and the perception of the evermore menacing Cold War made it inevitable that Marshall Plan aid... would become a weapon in the... conflict."¹

Postwar conservatives were leery of fighting the Cold War on these terms. Indeed, in this period, conservatism was on the cusp of an epochal transformation—away from isolationist Old Right nationalism and toward New Right internationalism, fused with free-market libertarianism and social traditionalism. The view of fervently anti-Communist, *National Review*-type conservatives like James Burnham was that mere containment of Communism was not only passive but also immoral. Containment doctrine too readily acceded to the Cold War standoff and to the permanent coexistence of both sides of the Iron Curtain. Leaders of fifties conservatism, therefore, spoke of rolling back both New Deal liberalism and Soviet gains in Eastern Europe.²

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And yet conservatives such as James Burnham and Joseph McCarthy should have appreciated containment in general, and George C. Marshall in particular, as representative of solid conservative principles. For the most part they did not. In 1950, on the floor of the United States Senate, William Jenner, a McCarthyite senator from Indiana, called General Marshall “a front man for traitors” and “a living lie,” apparently because Marshall, Jenner supposed, was in league with the administration’s Communist appeasers, who, guided and directed by Harry Truman and Dean Acheson, were “selling America down the river.”³

Understandably, by the early 1950s Marshall could feel more set upon by militant right-wingers than by Communists. When he received the Nobel Peace Prize in Oslo in 1953, three young reporters from the local Communist newspaper protested by shouting from the balcony and by dropping leaflets on the audience below. General Marshall told the Norwegian gentleman who had made his presentation speech, the Conservative politician C.J. Hambro, that at home he was used to being jeered at by *anti*-Communists, not by Communists.⁴

The historical irony is that, for the most part, conservatives today no longer deride the theory and practice of containment. Of course, they have the benefit of seeing how it all turned out—that is, through the presidencies of Ronald Reagan and George H. W. Bush.⁵ To twenty-first-century conservatives, Dean Acheson, George Kennan, Will Clayton, George C. Marshall, and the other wise men of Truman’s foreign policy team look pretty good: strong and prudent and correct.

The facts support this volte-face. Marshall was apolitical: he never voted, refused to run for office, and unequivocally declined even to be considered a candidate for election. But he was conservative in some obvious ways—

in temperament; in his own fiscal prudence; in his high regard for exemplars such as George Washington and Robert E. Lee; in his devotion to God and country; and in his commitment to the traditional virtues of a gentleman: duty and honor, personal modesty and chastity, humility and self-sacrifice. One of his chief biographers, Ed Cray, labels Marshall a “conservative Democrat.”⁶

In most important respects, even the massive spending program for which Marshall won the Nobel Peace Prize is recognizably conservative. This interpretation is borne out when the ERP is construed in the light of a classic text, *The Soldier and the State* (1957), by the Harvard University government professor Samuel P. Huntington (1927–2008).

In his understanding of conservatism, Huntington inclines toward Edmund Burke’s and Russell Kirk’s enthusiasm for traditional, organic societies, rather than toward libertarianism. In their foreign policy, he says, conservatives promote “conservative realism.” They recognize the presence of self-interest and the role of power in human relations, and they tend to cherish existing institutions. Anti-utopian, conservatives seek to achieve limited goals. They distrust big theories and grand designs. They honor variety: local answers for local problems. Thus they eschew monism and universalism: big, one-size-fits-all solutions, such as those offered by Marxism and fascism.

When Huntington discusses President Harry Truman’s containment doctrine, he proclaims it conservative. And when he looks at Truman’s Fair Deal, he calls it liberal. On the domestic side of Truman’s administration, the older, 1930s New Deal generation was replaced around 1946 by a group of ideologically oriented reformers who were not much different from their New Deal predecessors. These younger offi-

cials were government careerists committed to the Fair Deal's liberal programs: public housing, expanded social security, valley authorities, federal aid to education, higher minimum wages, and so forth. And virtually all of them were Democratic partisans, like Clark Clifford.

Making up this administration's personnel in foreign policy and defense were few New Dealers, fewer liberals, and not many representatives of the interests of the Democratic coalition. Rather, a fairly close-knit band of bankers and lawyers, soldiers and diplomats: Forrestal, Lovett, Acheson, Harriman, Nitze, McCloy (representative of the former—bankers and lawyers); Marshall, Bradley, Eisenhower, Bruce, Kennan (representative of the latter—soldiers and diplomats). In their policy orientation, these men favored what Huntington calls “a distinctly conservative course.”

Moreover, the foreign policy leaders and their assistants, unlike the domestic policy officials, were almost completely divorced from partisan politics. They were selected with little regard for party affiliation. Among them, some of the most influential men were Republicans: Robert Lovett, John J. McCloy, William C. Foster, Paul Nitze, and Allen Dulles. And the professional diplomats and soldiers, like George C. Marshall, tended to be nonpartisan.

Huntington identifies their parameters: “The principal characteristics of [foreign] policy [under Truman] became commitment, caution, firmness, patience, and realism.” These strong nouns represent bedrock conservative values. Huntington concludes that “there was nothing revolutionary about this policy and very little that was liberal. It was based on the limited national interests of the United States in self-preservation. Its goals were the creation of ‘situations of strength,’ armed alliances,

and the bolstering...of weak noncommunist governments.”

The State Department's policy planning staff embodied this outlook. Its members recognized the necessity of power, accepted the limitations of American power, and defended the morality of using power to further the national security and American interests. Thus Huntington's characterization of the Truman State Department's political outlook as “new conservative realism.”⁷

The published views of the founder of *Modern Age* parallel those of Truman's foreign-policy team. Russell Kirk regularly asserted that the conservative approach to government should be austere nonideological, realistically dedicated to politics as the art of the possible rather than to politics as a foolish quest for paradise on earth. For him the opposite of ideology was political prudence. To be “prudent,” he declared, “means to be judicious, cautious, sagacious.”

Kirk trumpeted prudence as “the first of the virtues.” A “prudent statesman” is the ideal: he “takes long views” and “looks before he leaps.” Logically, therefore, the prudent leader “is well aware that the primary purpose of the state is to keep the peace. This can be achieved by maintaining a tolerable balance among great interests.”⁸ If such a policy required reform of existing institutions, then Kirk would not have been programmatically opposed; in a sound republic, a prudent statesman preserves what is valuable in tradition and mends—reforms—what is bent or broken.

Naturally, too, the conservative statesman champions local and regional solutions, not worldwide nostrums. The Truman containment strategy incorporated a deliberate rejection of Wilsonian universalism in favor of—in the words of diplomatic historian John Lewis Gaddis—“independent centers

of power, in which nations subject to Soviet pressure would have both the means and the will to resist it themselves.” Gaddis notes that for George F. Kennan, director of the State Department’s policy planning staff, “what was required was not to remake the world in the image of the United States, but rather to preserve its diversity against attempts to remake it in the image of others.”⁹

For Kennan, containment meant cutting back, not expanding, America’s ambitions in the world and increasing allies’ strength, as well as balancing power within the existing international system. The ERP fit into this security plan. Its purpose, Gaddis notes, “was not to create American satellites” but “to encourage the Europeans to make maximum use of their resources, before drawing upon those of the United States.” The Marshall Plan would thus “promote self-reliance, distinguish Washington’s policy from Moscow’s, and respect the interests of American taxpayers.” Its goal was “independence, not dependence.”¹⁰

Similarly, Russell Kirk favored a foreign policy that accepted, in his words, “the diversity of economic and political institutions throughout the world. Soviet hegemony ought not to be succeeded by American hegemony.” He saluted the West’s victory in the Cold War, but he rejected U.S.-led crusades for democracy or capitalism as universal solutions to all the world’s problems. While conservatives should participate in “the defense of order and justice and freedom,” he wrote, they should do so by means of “a soundly conservative foreign policy” that will be neither interventionist nor isolationist but prudent.¹¹

The Marshall Plan would seem to meet Kirk’s admittedly rather loose criteria. He would have doubted the practical wisdom of a “Global Marshall Plan,” which liberal politicians in the past thirty years have

sometimes ventured to promote. In large measure, the ERP achieved what it did because of underlying affinities between the United States and much of Western Europe. Valuable prerequisites to success included hospitable political and economic conditions—functioning court systems to enforce contracts, respect for private property and free markets, democratic institutions, entrepreneurial talent—as well as skilled personnel and complementary goals.¹²

Conservatives criticized the Marshall Plan mainly because of its cost and its large-scale intervention in the economies of Western Europe. For example, Republican leader Robert Taft (Ohio), a consistent opponent of high taxes and big government, disparaged the ERP, calling it a “European TVA,” a Rooseveltian “giveaway program.” When it came time to decide, however, he, Joseph McCarthy, and many other members of the conservative coalition in Congress voted for it. In the end, they deemed this tool—though bigger than they wanted—a useful weapon in the effort to block Soviet aggression.¹³

As George C. Marshall labored to secure votes for the ERP, he found a valuable partner in U.S. Senator Arthur H. Vandenberg. A Republican from Michigan, Vandenberg had been a leader of the isolationists in the 1930s. Now, as chairman of the Foreign Relations Committee, he enjoyed the respect of conservative Republicans and proved to be a prime asset in winning their support for the ERP.

Their cooperation made sense. Although this recovery program provided huge amounts of U.S. financial aid as well as valuable technical assistance to capital-poor Western Europe, it was not what Senator Homer Capehart (Republican of Indiana) called it: “a socialistic scheme.”¹⁴ The ERP helped to promote currency reform and free trade, to control inflation, to modernize business practices, to

diminish class conflict, and to foster a shared commitment—on the part of owners, workers, and consumers—to economic growth. The aim was to prime the pump in order to enable European democracies to stand on their own and resist Soviet pressures without much more U.S. assistance.¹⁵

The method was large-scale foreign aid delivered at a historical pressure point—yes—but in service of free-market economies and of political stability based on the rule of law. The ERP played a timely role in encouraging markets that liberated Western European economic potential. As a program principally focused on structural changes, the Marshall Plan curtailed restrictions and removed controls that stifled growth.¹⁶ Thus the ERP is appropriately styled conservative reform. It proved acceptable even to the Republican-controlled eightieth Congress, which included large numbers of isolationists and fiscal conservatives.

In addition, in 1947 the real-world alternatives to the Marshall Plan looked bleak indeed. Hunger, unemployment, and nearly exhausted foreign-exchange reserves fostered nurseries of unrest in Greece, Italy, France, and other countries. The likeliest scenario featured ongoing political instability and labor strikes—infiltrated and abetted by local Communist parties taking orders from Moscow. Hoping that the Marshall Plan would restore Europeans' faith in democratic leadership, advocates of the ERP made compelling cases for economically and politically strong democracies in Western Europe.

Many conservatives voted for the European Recovery Program, therefore, because they weighed it in the balance and reckoned it a prudent—not a perfect—piece of legislation. They hoped that what they had been told by the plan's supporters would turn out to be true: the ERP would decrease the likelihood of sizable increases in military

spending. In any case, many conservatives in this period were turning away from anti-interventionism, personified by Robert Taft, whom they would later criticize for opposing NATO.¹⁷

Members of Congress knew that political judgment demanded that they proceed in a fog of imponderables through a maze of competing principles. In other words, decision-making entailed risk, as Arthur Vandenberg made clear in his powerful Senate speech of March 1, 1948. Urging his colleagues to vote for the ERP's kickoff legislation, the Economic Cooperation Act of 1948, he stated: "We must choose. There are no blueprints to guarantee results. We are entirely surrounded by calculated risks. I...believe that the pending program is the best of these risks." Those who oppose this plan "have simply fled to other risks, and I fear far greater ones."¹⁸

To gain a sense of these legislators' dilemmas, a student of history might begin with the July 1945 Potsdam Conference, where the conferees created the Council of Foreign Ministers. This body was to negotiate peace treaties with former enemy nations. The crucial fourth set of meetings began on March 10, 1947, in Moscow. At work in the Soviet capital, Secretary of State George C. Marshall found that these sessions were becoming increasingly hard to sit through, both physically and psychologically. Soviet intransigence, he realized, was tied to conditions in Western Europe.

In 1946 the Communists had received the largest number and percentage of votes of any French party (29 percent). In fact, in 1946 and 1947, the Communists were France's largest political party. In May 1947, the French government had five Communist ministers in its ruling coalition cabinet; the head of the Communist Party served as

deputy premier, and a Communist served as minister of defense. In Italy the Communists and a collaborating Socialist Party received nearly 40 percent of the vote. In 1947 Truman administration officials such as George C. Marshall feared Soviet political trouble in Western Europe more than Soviet military actions: local Communist parties, manipulated by Moscow, might gain control as hungry and desperate people elected Communists to government or allowed them to seize power.¹⁹

That's the geopolitical setting of the Moscow conference, which focused on the future of Germany. This gathering covered not merely cash and coal and steel and heavy equipment, however. Principles were also at the heart of the matter. The United States noted that the Allied Control Authority had been directed to prepare for the eventual reconstruction of German political life on a democratic basis.

But what was democracy? The secretary of state made clear to his fellow conferees that democracy means not just a way of voting and governing but also, more fundamentally, "inalienable rights, which may not be given or taken away." These rights include "the right of every individual to develop his mind and his soul in ways of his own choice, free of fear or coercion—provided only he does not interfere with the like right of others." And Marshall affirmed that "to us a society is not democratic if men...are not free to express their own beliefs and convictions without fear that they may be snatched away from their home and family."²⁰

The fact that ideals, not just material products, count for something becomes important in the historical analysis of the Marshall Plan's impact on the strength of Communist parties in Western Europe in the late 1940s. Barry Machado has found that "belly Communism"—poverty,

unemployment, and misery as incubators of Communism—was overstated and that Communism retained much of its appeal in France and Italy. The ERP curbed the growth of Communism, but defections by the hard core were minimal. The reason is that party members were lured at least as much by Communist idealism, utopian visions of the future, and various cultural factors and historical experiences as they were by promises of food and jobs.

Machado points out that not a few French citizens patriotically admired Communists in World War II, for many party members made courageous Resistance fighters. Some citizens also felt a sense of social injustice and harbored a lingering disdain for French businessmen. Romantic dreams of a classless society and anti-Americanism persuaded some French men and women even when their bellies were full.²¹ In this battle for hearts and minds, however, General Marshall's and Western democracies' credible commitment to basic human freedoms undoubtedly found traction with large numbers of French citizens skeptical of the blandishments—and pervasive propaganda—of both sides.

Frustrated with the Moscow conference's lack of progress, Marshall met directly with Joseph Stalin on April 15. He told the Soviet leader that he was "very concerned and somewhat depressed at the extent and depth of misunderstandings and differences" revealed in these meetings.²²

What was Stalin's reply? According to notes made at the time, the Soviet dictator remarked that he did not think the situation was so tragic, and he was more optimistic than General Marshall. After all, these were only the first skirmishes of reconnaissance forces on this question. Stalin said that the Russians would be frank and open in their dealings and that they considered it imper-

missible to turn the problem of Germany into any sort of game. Secretary Marshall politely replied that he was encouraged by Stalin's concluding remarks.²³

But Marshall was not at all encouraged by the core meaning of Stalin's anodyne response. After returning home, the secretary of state spoke to the American people in a radio address on April 28: "Agreement was made impossible," Marshall explained, "because...the Soviet Union insisted upon proposals which would have established in Germany a centralized government"—political adaptations that would have made it easy for a power to seize "absolute control of a country which would be doomed economically...and...mortgaged to turn over a large part of its production as reparations, principally to the Soviet Union."

We Americans "cannot ignore," Marshall said, "the factor of time." This was the factor that Stalin had asked him not to worry about: a malign abuse of the virtue of patience. "The patient is sinking," the secretary lamented, "while the doctors deliberate."²⁴ When Marshall returned from Moscow, he knew that the Soviets, content to see political and economic conditions deteriorate in Western Europe, would string along the Western powers and let matters drift rather than negotiate constructively.

The Moscow Foreign Ministers Conference of March-April 1947 proved to be a moment of truth. As Robert Murphy, the senior U.S. representative to Germany, commented, the Moscow meetings "really rang down the Iron Curtain."²⁵ In 1956 Marshall told his biographer, Forrest C. Pogue, that "most of my mind was made up in Moscow and returning to Europe—Germany and France—where I could see that the disintegration was moving so rapidly that something had to be done in a great hurry."²⁶

On the way home from Moscow, Marshall

asked Lieutenant General Lucius D. Clay, the U.S. military commander in Germany, to speed up the economic integration of the American and British zones. Britain's foreign minister Ernest Bevin and Marshall started immediately to raise the level of industry in their zone, to press for Germany's rehabilitation, and to work to meet France's coal needs.²⁷

John Lewis Gaddis notes that for George Kennan, only five centers of industrial and war-making capacity in the world were important to the national security of the United States: the U.S., Great Britain, Germany and Central Europe, the Soviet Union, and Japan. One of these five, the Soviet Union, was in hostile hands; the U.S. must ensure that no others fell to the Soviets.²⁸ Kennan saw the ERP as an instrument of Soviet containment. The success of containment depended on building trust in the democratic leadership of Western Europe. It was essential to strengthen not only France and Britain but also the three western zones of occupied Germany—and to link them to the West.²⁹

The possibility that all of Germany would instead become tied to the Soviet Union historian Melvyn Leffler refers to as "the strategic nightmare" of George C. Marshall and U.S. policy makers.³⁰ In a secret telegram to the U.S. embassy in France, Marshall warned on February 19, 1948: "Unless Western Germany during coming year is effectively associated with Western European nations, first through economic arrangements, and ultimately perhaps in some political way, there is a real danger that whole of Germany will be drawn into Eastern orbit, with obvious dire consequences for all of us."³¹

Stalin condemned the Marshall Plan. Rebuilding Germany and moving it into the American sphere of influence was his worst

dream.³² And he understood the threat of the plan to lure away his East European empire by linking its economies to the West and to the American global economic system. He could not countenance a scheme that would revive trade between Eastern and Western Europe and in the process deprive the Soviet Union of its newly created sphere of economic interest. Nor could he acquiesce in a process that would allow a supranational body to determine priorities and quotas for the Communist bloc. So he clamped down on Eastern Europe and ended the remaining coalition governments there.³³

Hal Brands reminds us that the Marshall Plan was part of a worldwide grand strategy, which, although improvised to some extent, was based in large part on the idea that money, not arms, must be “the primary tool for promoting geopolitical stability.”³⁴ The USSR, with its massive Red Army, had the lead in conventional military terms. Even though U.S. planners did not expect that Moscow, still suffering from the last war and lacking strong naval and air forces, would start a war, in late 1947 CIA analysts determined that the Soviet Union would attempt to “build up its war potential and...extend its influence and control by political, economic, and psychological methods.”³⁵

And on that playing field—political, economic, psychological—the ERP could prudently compete: that is, by way of what Gaddis terms an “asymmetrical response,” applying U.S. strength to the adversary’s weakness in the most effective manner. At the end of World War II, the U.S. economy was three times larger than the second-largest economy, the Soviet Union’s. Thus, economic resources and financial restructuring were weapons that—if used well—would ably serve the cause in this stage of the conflict.³⁶

An objective of the Marshall Plan was to integrate the economies of the participating countries in order to produce more wealth for all and thereby make it much less likely that future intra-European wars would occur: the kinds of wars that in 1917 and 1941 had drawn in the United States. Wars were less likely to break out if Europeans depended on one another economically and settled their disagreements at the bargaining table.³⁷

On February 25, 1948, while Marshall was on his speaking tour on behalf of the ERP, Czechoslovakia’s non-Communist government was replaced by a Soviet-controlled dictatorship. More shocking still was the news received on March 10: the pro-Western Czech foreign minister Jan Masaryk was found dead on the sidewalk three stories below his office. The Communists called it a suicide; many assumed otherwise. Highly regarded in the United States, Masaryk was a staunch non-Communist and the son of the founder of the Czech Republic. His death heightened awareness of disruptions that could thwart European recovery and democracy.

The Senate passed the ERP bill on March 14, 1948, by a vote of 69 to 17, authorizing \$5.3 billion for the first year of the four-year program for European recovery. The authorization bill passed the House on April 2, by a vote of 318 to 75, and the next day the president signed it into law. Just eleven days later, the freighter *John H. Quick* left Galveston, Texas, with nine thousand long tons of grain headed for Europe.³⁸ The ERP completed its work on December 31, 1951, having distributed close to \$13 billion (about \$130 billion today).

The ERP played a role—how large a role is still debated—in reducing national barriers to trade and investment, in fostering regional economic integration, in easing the

transition from wartime controls to free-market mechanisms, in slowing inflation and thus enhancing financial stability, in modernizing European accounting systems, and in advancing the recovery that took hold in the late 1940s and 1950s. Participating nations were able to mitigate class conflict and labor strife, increase productivity, and surmount their balance-of-payments problems. Living standards were on the rise.³⁹

By the late 1940s, however, the Marshall Plan was proving insufficient. The problem, writes Hal Brands, “was that the success of the plan hinged on the Europeans’ willingness to take bold and potentially dangerous steps, and that willingness hinged on a sense of security that was evaporating by the moment.” By mid-1948 it was clear in France and elsewhere that Western Europeans did not want to be a third force that might have to face Moscow alone. They sought stronger guarantees of security against threats here and now—from their own Communists, from a German resurgence, from the Soviets.⁴⁰

The Red Army had thirty divisions in Eastern and Central Europe. The U.S., Britain, and France combined had fewer than ten divisions. Intelligence estimates stated that in the event of armed conflict, the Soviets could push to the English Channel and the Pyrenees in a matter of weeks.

Therefore, Western Europeans sought not only economic revival but also major security commitments. The U.S. explicitly made Europe’s security concerns its own. NATO, which General Marshall helped to launch, became central to American policy in Europe. This security alliance built on the transatlantic partnership begun by the ERP. The Marshall Plan’s reformist focus on self-help and its emphasis on mutual aid within the Atlantic community provided some of the psychological and structural steps that led to the North Atlantic Treaty.⁴¹

One historian of the Cold War has commented that, after the Marshall Plan began to have an effect, “Stalin could see that wherever he looked in Western Europe, his hopes for a Red future could not stand up to the will of the people, as demonstrated in fair elections, and [a Communist future in the region] would certainly be doomed if there were economic recovery.” By the same token, “partly because Stalin cut the Soviet Union out of the Marshall Plan, its economy fell behind Western Europe’s and never caught up. Ordinary people in the Soviet Union and its satellites paid the price.”⁴²

Soviet practice in relation to Eastern Europe was worse than neglectful: while the United States was providing nearly \$13 billion to assist Western Europe, the Soviet Union extracted about the same amount in resources from its Eastern European satellites, while depriving them of political freedom and economic opportunity. Niall Ferguson writes that “to West Europeans struggling to make ends meet,” the Marshall Plan “was the most visible manifestation of American good will—and a mirror image of the Soviet policy of mulcting Eastern Europe.”⁴³

Vernon A. Walters, an assistant to Averell Harriman (the ERP’s special representative in Europe) and later ambassador to the United Nations, declared that “the most important achievement of the Marshall Plan was not so much the material aid it gave as the rekindling of hope, the rekindling of energy.”⁴⁴ This renewed confidence was not a merely spiritual asset. The psychological impact of the Marshall Plan probably prevented a Communist victory in Italy’s parliamentary elections in May 1948; and, although it remained a force in European political life, Communism as a real threat to democratic institutions diminished—most apparently in France, Germany, and Italy.

The Marshall Plan has been criticized for its reliance on central planning and for its interference with European markets. Wilhelm Röpke, Ludwig von Mises, and other economists who favor free markets with minimal regulations have offered thoughtful critiques, as have a range of diplomatic and economic historians. In reply, however, conservatives can justifiably claim that inflexible opposition to all plans—to all government intervention—is imprudent. Readers of *Modern Age* will recall the sensible comment the English philosopher Michael Oakeshott made in response to F.A. Hayek's *The Road to Serfdom*: a policy that *ab initio* rejects all planning is itself doctrinaire, rationalistic, too certain, and overly constraining.⁴⁵

With regard to economic planning, the salient question is whether interventions bring about reforms that make markets freer, prompting robust increases in GDP, or instead burden economies with high taxes, excessive regulation, protectionist trade barriers, and massive debt, leading to throttled innovation and slow growth. Some of the most trenchant analysis of the Marshall Plan provides evidence of its value as conservative economic reform. In a careful study of the ERP's achievements and their likely causes, two economic historians, J. Bradford DeLong and Barry Eichengreen, have determined that the program's investment in Western Europe, while considerable, was not large enough to account completely for the recovery. Restoring infrastructure, replacing capital stock, and breaking commodity bottlenecks were all helpful—but they were not the factors that contributed the most to impressive GDP growth in these years.

What the Marshall Plan accomplished to telling effect was to “alter the environment in which economic policy was made.” Postwar politicians, especially Communist and Socialist ministers, who remembered

the Great Depression and mistrusted market forces, were eager to embrace regulation and governmental controls. But by attaching conditions to aid, the ERP pushed Western Europe's postwar mixed economies in a more market-oriented direction, with fewer controls. “Had European political economy taken a different turn,” these two economists point out, “recovery might have been hobbled by clumsy allocative bureaucracies that rationed scarce foreign exchange and placed ceiling prices on exportables to protect the consumption of urban working classes.”

Instead, the ERP era witnessed a dismantling of market controls in Western Europe, the restoration of price and exchange-rate stability, and balanced budgets. These changes came about in large part because ERP administrators pressured government officials “to decontrol and liberalize even when they wished to do otherwise.” Formally and informally, the ERP imposed conditions for the receipt of U.S. aid, which pressured governments to accept strategies “that had more market orientation and less directive planning in the mix.” While foreign aid can be “a cushion to make reform possible,” it cannot substitute for reform itself or for necessary structural changes.

The key figures associated with the Marshall Plan did not support the nationalization of industries. George C. Marshall and Lucius Clay, for example, lobbied against British schemes to nationalize Ruhr valley coal industries. “This was the price that the U.S. charged for its aid,” DeLong and Eichengreen affirm. “The demand that European governments trust the market came from the highest levels of the Marshall Plan administration.”

DeLong and Eichengreen cogently argue that the ERP is best understood as a structural adjustment program that had its greatest impact through its contribution to the

reform of political economy. That the ERP's chief administrator was not a U.S. government official but businessman Paul Hoffman, a Republican who had turned around the Studebaker car company, was significant. Hoffman had been recommended for the post by Senator Vandenberg, who had wanted to keep ERP control out of the hands of the federal bureaucracy.⁴⁶

In a sense, the ERP was a large-scale U.S. intervention that productively undermined governmental intervention. Interestingly enough, Henry Wallace and others on the left attacked the Marshall Plan as a capitalist invasion of government, which would undercut social justice and threaten world peace. For them, writes Michael Hogan, the program was “a map on which...laissez-faire...[was] carved in bold relief.”⁴⁷

As a weapon in the Cold War—indeed “the centerpiece of America's early postwar policy of containment”—the Marshall Plan

was a useful instrument.⁴⁸ The ERP contributed to the strategic goal of maintaining a balance of power between East and West and thereby containing the Soviet Empire long enough for it to collapse under the weight of its internal contradictions—and beneath the heavy burden placed on it by increased defense spending under President Ronald Reagan, a proponent of “hawkish containment.”⁴⁹ These internal contradictions included the material opposition between a Communist command economy and robust free markets that would actually contribute to the common good, and the spiritual incongruity between totalitarian repression and human beings' unquenchable thirst for freedom.

The European Recovery Program was a multifaceted enterprise prudently undertaken and competently administered. At the right moment in a perilous time, it brought to bear on a mare's nest of challenges the benefits of realistic conservative reform. †

- 1 Armin Grünbacher, “Cold-War Economics: The Use of Marshall Plan Counterpart Funds in Germany, 1948–1960,” *Central European History* 45 (2012): 697.
- 2 George H. Nash, “Nightmare in Red,” *The Conservative Intellectual Movement in America since 1945* (New York: Basic Books, 1976), chap. 4.; Patrick Allitt, *The Conservatives: Ideas and Personalities throughout American History* (New Haven, CT: Yale University Press, 2009), 173–83.
- 3 Quoted in Forrest C. Pogue, *George C. Marshall: Statesman, 1945–1959* (New York: Viking, 1987), 427.
- 4 Jay Nordlinger, *Peace, They Say: A History of the Nobel Peace Prize, the Most Famous and Controversial Prize in the World* (New York: Encounter, 2012), 178.
- 5 See David Hein, “Ronald Reagan and George C. Marshall: A Cold War Affinity,” *St. Croix Review* 49, no. 4 (2016): 50–56.
- 6 David Hein, “In War for Peace: General George C. Marshall's Core Convictions and Ethical Leadership,” *Touchstone* 26, no. 2 (2013): 41–48; Ed Cray, *General of the Army: George C. Marshall, Soldier and Statesman* (New York: Norton, 1990), 18 (quotation).
- 7 Samuel P. Huntington, *The Soldier and the State: The Theory and Politics of Civil-Military Relations* (Cambridge, MA: Belknap Press of Harvard University Press, 1957), 376–83.
- 8 Russell Kirk, *The Politics of Prudence* (Bryn Mawr, PA: ISI Books, 1993), 9, 10.
- 9 John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of American National Security Policy during the Cold War*, rev. ed. (New York: Oxford University Press, 2005), 55.
- 10 John Lewis Gaddis, *George F. Kennan: An American Life* (New York: Penguin, 2011), 278, 279.
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