

Marshall Plan Speech

The text of the speech given by United States Secretary of State, George C. Marshall at Harvard University on 5 June 1947. This speech initiated the post-war European Aid Program commonly known as the Marshall Plan. The Organisation for European Economic Co-operation, predecessor to the Organisation for Economic Co-operation and Development, was created to co-operate with the government of the United States in planning for the distribution of the aid

"I'm profoundly grateful and touched by the great distinction and honor and great compliment accorded me by the authorities of Harvard this morning. I'm overwhelmed, as a matter of fact, and I'm rather fearful of my inability to maintain such a high rating as you've been generous enough to accord to me. In these historic and lovely surroundings, this perfect day, and this very wonderful assembly, it is a tremendously impressive thing to an individual in my position. But to speak more seriously, I need not tell you, gentlemen, that the world situation is very serious. That must be apparent to all intelligent people. I think one difficulty is that the problem is one of such enormous complexity that the very mass of facts presented to the public by press and radio make it exceedingly difficult for the man in the street to reach a clear appraisal of the situation. Furthermore, the people of this country are distant from the troubled areas of the earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connection with our efforts to promote peace in the world.

In considering the requirements for the rehabilitation of Europe, the physical loss of life, the visible destruction of cities, factories, mines and railroads was correctly estimated but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of European economy. For the past 10 years conditions have been highly abnormal. The feverish preparation for war and the more feverish maintenance of the war effort engulfed all aspects of national economies. Machinery has fallen into disrepair or is entirely obsolete. Under the arbitrary and destructive Nazi rule, virtually every possible enterprise was geared into the German war machine. Long-standing commercial ties, private institutions, banks, insurance companies, and shipping companies disappeared, through loss of capital, absorption through nationalization, or by simple destruction. In many countries, confidence in the local currency has been severely shaken. The breakdown of the business structure of Europe during the war was complete. Recovery has been seriously retarded by the fact that two years after the close of hostilities a peace settlement with Germany and Austria has not been agreed upon. But even given a more prompt solution of these difficult problems the rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than had been foreseen.

There is a phase of this matter which is both interesting and serious. The farmer has always produced the foodstuffs to exchange with the city dweller for the other necessities of life. This division of labor is the basis of modern civilization. At the present time it is threatened with breakdown. The town and city industries are not producing adequate goods to exchange with the food producing farmer. Raw materials and fuel are in short supply. Machinery is lacking or worn out. The farmer or the peasant cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable

transaction. He, therefore, has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and finds for himself and his family an ample supply of food, however short he may be on clothing and the other ordinary gadgets of civilization. Meanwhile people in the cities are short of food and fuel. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction. Thus a very serious situation is rapidly developing which bodes no good for the world. The modern system of the division of labor upon which the exchange of products is based is in danger of breaking down.

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

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

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

It is already evident that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all European nations.

An essential part of any successful action on the part of the United States is an understanding on the part of the people of America of the character of the problem and the remedies to be applied. Political passion and prejudice should have no part. With foresight, and a willingness on the part of our people to face up to the vast

responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome.

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

Marshall's speech was followed quickly by the creation of the Conference for European Economic Co-operation. Conference negotiations lead to the creation of the Organisation for European Economic Co-operation in order to meet Marshall's request for "some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take".

<http://www.oecd.org> (15. 5. 2006)

Organisation for European Economic Co-operation

The Organisation for European Economic Co-operation; (OEEC) came into being on 16 April 1948. It emerged from the Marshall Plan and the Conference of Sixteen (Conference for European Economic Co-operation), which sought to establish a permanent organisation to continue work on a joint recovery programme and in particular to supervise the distribution of aid. The headquarters of the Organisation was in the Chateau de la Muette in Paris, France.

The European organisation adopted was a permanent organisation for economic co-operation, functioning in accordance with the following principles:

- * promote co-operation between participating countries and their national production programmes for the reconstruction of Europe,
- * develop intra-European trade by reducing tariffs and other barriers to the expansion of trade,
- * study the feasibility of creating a customs union or free trade area,
- * study multi-lateralisation of payments, and
- * achieve conditions for better utilisation of labour.

Membership and structure

The OEEC originally had 18 participants:

Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, United Kingdom, and Western Germany (originally represented by both the combined American and British occupation zones (The Bizone) and the French occupation zone). The Anglo-American zone of the Free Territory of Trieste was also a participant in the OEEC until it returned to Italian sovereignty.

Representatives of these countries and territories sat on the Council of the Organisation, chaired by well-known figures of the era (Paul-Henri Spaak, Paul van Zeeland, Dirk Strikker, Anthony Eden, Richard Heathcoat Amory). Decisions required unanimity. Council appointed an executive committee of seven members, with partial delegation of powers between full Council meetings. The business structure of the subordinate bodies of OEEC Council consisted of approximately fifteen vertical and five horizontal technical committees responsible for handling particular areas: food and agriculture, coal, electricity, oil, iron and steel, raw materials, machinery, non-ferrous metals, chemical products, timber, pulp and paper, textiles, maritime and inland transport, programmes, balance of payments, trade, intra-European payments and manpower.

The Secretary-General (Robert Marjolin until 1955 and then René Sergent) derived his authority from the Council. Work in the Secretariat was carried out in directorates, roughly aligned with member country ministries and with the technical committees.

Role and evolution

The OEEC's first objective in 1948/1949 was to prepare the European Recovery Programme which justified the American effort. Severe difficulties arose with some beneficiary countries proving incapable of reaching agreement on prior harmonisation of their long-term programmes.

The OEEC was also involved in the allocation of Marshall Aid dollars. This problem, partly solved thanks to arbitration by a "Committee of Wise Men" (G.Guindey, E.P.Roll, G.Malagodi, D.Spierenburg) in August 1949, flared up again at the second aid share-out. It was overshadowed by the British currency crisis and devaluation in September 1949. Baron Snoy d'Oppuers, Deputy Chairman of the OEEC Council, and Secretary General Robert Marjolin acted as arbitrators. They drew up a scale for sharing out the aid, which Britain accepted. Participants received 11,800,000,000 dollars between 3 April 1948 and 31 June 1950 (Britain 24%, France 20%, Italy 11.1%, FRG 11%).

A crisis hit the Marshall Plan in autumn 1949. The Americans were changing their policy regarding aid, which they considered insufficiently directed towards economic integration. Formerly, Marshall Plan credit had been used mainly to make up the European countries' dollar balance deficit. The United States was now prepared to provide credits, for the final two years of aid, on the basis of an intra-European action programme. In October-November 1949 the head of the ECA, Paul Hoffman, complained to the OEEC that it was not making enough proposals for freeing trade. Under this pressure, the Europeans arrived at an agreement to free 50% of private import trade in foodstuffs, manufactured products and raw materials. These were measures of limited scope, since the liberation related only to a joint list of products, and a large part of the trade remained State trade. Nonetheless, by the end of 1950, 60% of private intra-European trade had been freed thanks to OEEC action, a percentage that rose to 84% in 1955 and 89% in 1959.

Another outstanding act of co-operation was the creation of the European Payments Union under OEEC auspices in September 1950. It had three objectives:

- * remove the obstacle of inconvertibility of European currencies,
- * remove quantity restrictions, and
- * suppress bilateral commercial practices.

Organisation of the EPU led to the creation of the necessary compensation fund to balance intra-European deficits by determining a quota for each country. The quota would act as a reference for automatic settlement of surpluses. An EPU common fund was also established to which each member would contribute up to 60% of its quota. The EPU was dissolved on 27 December 1958 when the currencies were declared convertible with dollars. EPU negotiations had been accompanied by consideration of methods of freeing trade.

In June 1950 Stikker, Chairman of the OEEC Council, put forward an action plan for the economic integration of Europe through specialisation of activities, division of labour and the creation of a single European market. Countries with heavy state trade were asked to issue long-term purchase contracts at reasonable prices, and a joint list of objects for freeing was proposed. A European fund was to be set up to alleviate the consequences of increased competition for firms. Other proposals were made to accelerate the freeing of trade, and also to give the OEEC power to organise

the European economies or rationalise them. Consequently, the French and Italian ministers, Petsche and Pella, amended the Stikker Plan. Central to these projects was a European Investment Bank (EIB), which came into being with the Common Market.

The OEEC declined after 1952 due to the unexpected end of the Marshall Plan and a subsequent shift in favour of NATO. The mutual security policy that blended economic aid and military assistance - the OEEC being replaced for some purposes on 1 January 1952 by the Mutual Security Agency (MSA) - almost dealt the organisation a fatal blow. The debate on using NATO in lieu of the OEEC as the preferred vehicle for economic aid began. The military threat had given Atlanticists the idea of utilising the OEEC and its committees, teams of experts and statistical output, with a view to promoting the alliance's rearmament while controlling the difficult problems of inflation and allocation of raw materials. In the name of efficient rearmament, the British took a position in favour of a NATO economic committee, with the hope of dispossessing the OEEC. A compromise was reached: the September 1951 NATO conference in Ottawa set up a special committee (Monnet, Harriman, Plowden) charged with studying the question of the economic development of NATO countries in relation to the economic possibilities of each of the members. It was decided that the OEEC would deal with European economic questions, including those relating to the functioning of NATO, on its own. Other autonomous agencies developed to fill out the sphere of OEEC's activities.

The Marshall Plan had been a vehicle for the "cult of productivity" in the firm. A productivity programme was resumed in 1952 by a European Productivity Agency set up under OEEC auspices and largely financed by the United States. Over 3000 specialists and hundreds of farmers, organised into more than 500 teams from 15 different countries, visited American factories and farms.

In late 1957, a European Nuclear Energy Agency was set up under the OEEC. Its first act was to sign a convention establishing security controls on nuclear energy. The same year the OEEC provided the framework for negotiations aimed at determining conditions for setting up a European Free Trade Area, to bring together the Common Market of the Six and the other OEEC members on a multilateral basis. Peter Thorneycroft was responsible for coordination. Following signature of the Rome Treaties on 25 March 1958, an intergovernmental ministerial committee was set up in October by the Council of the Organisation, chaired by Reginald Maudling, to pursue the negotiations.

In September 1961 the OEEC was superseded by the Organisation for Economic Co-operation and Development (OECD), a worldwide body. In 1961, the OECD consisted of the European founder countries of the OEEC plus the United States and Canada. The list of member countries has expanded over the years, with 30 countries today.

The Historical Archives of the Organisation for European Economic Co-operation are available at the European University Institute in Florence, Italy.

An annotated bibliography, *The European Reconstruction 1948-1961: A Bibliography on the Marshall Plan and the Organisation for European Economic Co-operation and Development* is available from the OECD.

For complementary information, see The George C. Marshall Foundation site.

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Marshall, George Catlett

1880–1959, American general and cabinet member, b. Uniontown, Pa. A career army officer, Marshall graduated from the Virginia Military Institute. He first distinguished himself as a staff officer in World War I and later (1919–24) was aide to General [Pershing](#) Pershing, John Joseph (pûr`shĭng), 1860–1948, American army officer and commander in chief of the American Expeditionary Force in World War I, b. Linn co. Click the link for more information. . After varied tasks, including service in China (1924–27), he headed (1939–45) the army as Chief of Staff, becoming General of the Army (five-star general) in Dec., 1944. In this capacity, he reorganized and mobilized the military during World War II by coordinating training, planning for rearmament, supplying Great Britain with important material, and finally directing the war. Marshall influenced Congress to change the rules of promotion so that promising officers, regardless of seniority, could be promoted. Among his protégés were Dwight D. Eisenhower, H. H. Arnold, Omar Bradley, Mark Clark, and Joseph Stilwell. During World War II he developed and executed U.S. strategy. Marshall advocated the conquest of Germany through France, and his plan was finally adopted. Many of his wartime tasks were diplomatic. When he resigned as Chief of Staff, he was promptly appointed (Nov., 1945) special ambassador to China by President [Truman](#) Truman, Harry S., 1884–1972, 33d President of the United States, b. Lamar, Mo.

Early Life and Political Career

He grew up on a farm near Independence, Mo., worked at various jobs, and tended the family farm. He served as a captain of field artillery in France in World War I. Click the link for more information. and was later recalled (Jan., 1947) to be made Secretary of State. After engineering (Feb., 1947) immediate aid to Greece and Turkey, he fostered the European Recovery Program (called the [Marshall Plan](#) Marshall Plan or European Recovery Program, project instituted at the Paris Economic Conference (July, 1947) to foster economic recovery in certain European countries after World War II. The Marshall Plan took form when U.S. Secretary of State George C. Marshall urged (June 5, 1947) that European countries decide on their economic needs so that material and financial aid from the United States could be integrated on a broad scale. In Apr., 1948, President Truman signed the act establishing the Economic Cooperation Administration (ECA) to administer the program.

.... Click the link for more information.) to promote postwar economic recovery in Europe. This plan was a great success and it laid the groundwork for a revitalized Europe and the formation of the [North Atlantic Treaty Organization Partnership for Peace](#), formed in 1994. Twenty countries now belong to the partnership, which engages in joint military exercises with NATO. NATO is not required to defend Partnership for Peace nations from attack. In 2002, NATO and Russia established the NATO-Russia Council, through which Russia participates in NATO discussions on many nondefense issues.

.... Click the link for more information. . He resigned because of ill health in Jan., 1949. In Sept., 1950, he was called out of retirement to become Secretary of Defense, but he resigned from this post in Sept., 1951. For the Marshall Plan he received the 1953 Nobel Peace Prize.

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