

● George Catlett Marshall was born in Pennsylvania in 1880... He served in World War I as Aide to General Pershing and subsequently held many appointments in U.S., China, and the Philippines. In 1939 he became Chief of Staff, U.S. Army with the rank of General. Speaking at Harvard on June 5, 1947, after succeeding James Byrnes as Secretary of State, General Marshall proposed a new policy when he invited the European States to plan jointly for their own reconstruction. He said, "The U.S. should do whatever it is able to do to assist in the return to normal economic health in the world, without which there can be no political stability and no assured peace."



# *The* MARSHALL PLAN

**I**T is over two and a half years since the end of the great world struggle, but the world knows no peace. In many countries fighting still continues; over great parts of the earth's surface there is poverty, suffering and physical and moral devastation on an unparalleled scale; in the more fortunate countries economic recovery from the war has been distressingly hard and disappointingly slow; while over the peoples of the entire globe, the prosperous as well as the poverty-stricken, of the New World as well as the Old, hangs the menace of a fearful and uncertain future.

In this situation where the thoughts of all nations should be centred on repairing the material and moral ravages of the war, there has arisen a conflict of economic and political ideologies dividing the world into two great blocs which are apparently unable to co-operate and work together for the common good of humanity.

1948 is a momentous year. The course of history and the fate of the world may well be decided by the economic and political drama being enacted in Europe. The main protagonists in this drama are the United States of America and Soviet Russia, representing on the one

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side the great liberal democratic tradition and on the other the old-time barbarism of dictatorship in the new guise of totalitarian Communism.

This clash of ideologies is of such dimensions, and the outcome is of such transcendent importance to the world, that it overshadows and renders of comparative insignificance all matters of local and domestic concern. It has long been a characteristic of the people of this country to get Australian affairs entirely out of their true perspective in relation to the wider world picture. Our trait of national self-centredness leads us to magnify our own problems to a point where we obtain a dangerously false estimate of their nature and importance. Only against the vast and fateful background of the world, and particularly the European, scene of today, can these problems be assessed in their true proportion.

## THE DEVASTATION OF EUROPE

The social, economic and political life of the European continent was utterly disrupted and laid waste by the war. In Australia, after two and a half years of peace, we are still acutely conscious of the inroads of the war on our standards of comfort. But we have made substantial strides towards recovery. Recovery in many countries of Europe has as yet barely commenced. It received a disastrous setback in 1947 when severe winter, followed by floods and droughts, reduced the European grain crop to the lowest figure for generations. The over-riding problem so far has been to keep the peoples of the European continent alive, and in a physical and moral condition which will make possible the reconstruction of a healthy political and economic life. The sheer physical devastation of great parts of Europe as a result of military operations and large-scale bombing of the main centres of population is difficult to visualise in Australia. A member of the Council of the Institute, recently returned from a tour

through Europe, stated that if the damage to London, as a result of the German "blitz," could be assessed at 5%, then, comparatively, it would be correct to say that cities such as Aachen, Duisberg, Dusseldorf, Cologne, Frankfurt, Wurtzberg, Nuremberg, Munich and Berlin were 50% to 70% destroyed by the massive bombing attacks of the Allied Powers. In city after city are great masses of rubble and devastation. The tools of production—the capital equipment on which the economic life of all modern communities rests—suffered incalculable damage. Great industrial plants were obliterated, shipping and docking facilities destroyed, transport and communication systems disorganised, agricultural lands laid waste, the homes of millions of people wiped out.

Apart from the immensity of the physical destruction to property and capital equipment, the economic basis on which the life of Europe depended was undermined by the prolonged interruption and disorganisation of international trade. Looked at as a whole, Europe is a great importer of foodstuffs and raw materials, a great exporter of manufactured products. At the end of the war she was in desperate need of food and materials, but she no longer possessed the productive capacity necessary to acquire the means of payment. This, combined with the loss of income from merchant fleets and foreign investments, meant that she was unable to obtain for herself the dollar resources necessary for the purchase of vital supplies. And superimposed on the economic problem was the human problem—the problem of tens of millions of people, worn out by long years of conflict and incessant nervous strain, impoverished, homeless, embittered, hopeless. . . . An inevitable and frightening decline of moral standards, to be seen today on every hand, is one of the most formidable obstacles in the way of the successful reconstruction of war-torn Europe.

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Something approaching \$20 billion from outside sources has been spent in European countries on relief to keep the peoples of Europe alive, but apart from one or two exceptions, the work of rebuilding Europe as a going and paying concern, of restoring the economic and industrial structures shattered by war, and of regaining the pre-war standard of life, has as yet made little progress.

## COMMUNIST EXPANSION

Thriving on the disorder and despair created by economic destitution, Communist influence throughout Europe has spread rapidly since the end of the war. Soviet Russia, whose prime aim is not the economic reconstruction of a shattered continent but the establishment of Communist domination over the whole of Europe, has been successful in almost completely subjecting Eastern Europe to the dictates of Moscow. Bulgaria, Roumania, Hungary, Jugoslavia, and now, Czechoslovakia, have to all intents and purposes lost their independence and are vassal states of the Soviet. Poland and Finland are held fast within the Russian orbit of influence. The fate of Greece swings in the balance, and there is an imminent Communist threat to the independence of Italy. The international Communist organisation, the Comintern, directed from Moscow and devoted to the establishment of world Communism, which was officially disbanded by the Russian Government in 1943, was reborn in 1947 under the new name of the "Cominform."

## BIRTH OF THE MARSHALL PLAN

In the light of the possibility of the economic collapse of Europe, and the spread of totalitarian doctrines as an almost certain consequence, the magnanimous programme of economic aid projected in the now famous Marshall Plan was born. In a speech at Harvard University on June 5 last year,

the U.S. Secretary of State, Mr. Marshall, offered U.S. aid to Europe in drafting, and practical support for, a recovery programme. Mr. Marshall stated that the United States recognised it could not survive as a free society except in a world where other free societies existed, nor could the United States prosper unless other people also had their chance to prosper. Mr. Marshall emphasised that the basic purpose behind the plan would 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 could exist. His speech contained the significant sentence: "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." He stressed that in the construction of the plan itself, the initiative would have to come from Europe.

## THE PARIS CONFERENCE

To this offer the countries of Western Europe responded with a concrete programme prepared at a 16-nation conference in Paris. Russia and her satellites, although invited to participate, declined to take part. Czechoslovakia at first accepted, but then withdrew because of Russian pressure. Among the countries represented at the Conference were Britain, France, Scandinavia, Holland, Belgium, Switzerland, Austria, Italy, Portugal and Turkey.

## SCOPE OF THE PLAN

The Marshall Plan—officially now called the European Recovery Programme (E.R.P.)—is intended to take place over four years—April, 1948, to June, 1952. It was proposed by the Paris conference that the aid should total \$22 billion, representing the estimated trade deficit of the sixteen participating countries with the Western Hemisphere over the four-year period. This total was scaled-down by the various Ameri-

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can committees that examined the proposal to \$17 billion. The largest amounts are to be granted in the early years of the plan when the needs of Europe will be most acute and its capacity to produce for export will be at its lowest ebb. For instance, the Bill now before Congress contemplates that \$5.3 billion will be provided in the first twelve months from April, 1948. A major proportion of the expenditure will be in the form of free grants in aid, but some will be in the form of loans. It is hoped that by mid-1952 Western Europe will have recovered through the combined processes of self-help by each individual nation, the joint economic co-operation of the 16 nations, and of American aid, to the point where she is able to pay her own way. The administration of the plan is to be entrusted to a special United States agency working under the broad supervision of the State Department. It is intended that the agency should establish priorities in the matter of supplies of materials, secure allocations and ensure that countries receiving aid are abiding by the conditions under which it is granted.

The Communist coup in Czechoslovakia has virtually ensured the passage of the plan through Congress. Already it has been passed by the Senate and by the Foreign Affairs Committee of the House of Representatives. It has still to be authorised by the full house and then by both houses in joint session. There seems no doubt that, by the time this article appears in print, this will have been done and the plan will have become a political reality.

The Marshall Plan is a great and far-reaching concept—in keeping with the deserved American reputation for large-scale thinking and action. "The Economist" said that the proposal to spend over \$17 billion on European recovery in the next four years "deserves, more than many actions which have been so described, the epithet of 'the most unsordid act in history'."

More important than the actual financial scope and details of the plan are the profound implications which lies behind it and the momentous issues and traditions for which it stands.

## IMPLICATIONS OF THE PLAN

Aid under the Marshall Plan is not conditional upon the acceptance of any prescribed form of economic organisation. The Harriman Committee—representing all phases of American life—which was appointed by President Truman to examine the Plan, reported that, although it believed free enterprise to be the best method of obtaining high productivity, it did not believe that any foreign aid programme should be used as a means of requiring other countries to adopt it as its way of economic life. The Committee added, however, that whatever one's attitude towards planning and free enterprise, there is all but universal agreement that true economic recovery depends on releasing the energies of individuals and cutting down on time-consuming regulation of production and distribution. The Plan, therefore, does not contemplate interference in the internal political affairs of other States. The Plan does, however, require countries receiving aid to pledge themselves to take certain defined economic steps—to promote increased production, to stabilise their currencies, to reduce barriers to trade with other participating countries.

But, while the Plan is thus not aimed at the expansion of a dollar imperialism, it is very definitely aimed to prevent the expansion of Russian imperialism and Communist domination in Europe. This is indeed, from the long standpoint, its major purport. The Harriman Committee emphasised that the American way of life, and the heritage of free peoples everywhere, were threatened by a ruthless and determined drive by Soviet Russia and her satellites to achieve world domination. The Plan, therefore, represents a momentous blow in the battle for the survival of individual liberty now being fought

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in Western Europe. In his message to Congress on December 19 last year, requesting Congressional approval of the Plan, President Truman stated:

“The economic plight in which Europe now finds itself has intensified a political struggle between those who wish to remain free men living under the rule of law and those who would use economic distress as a pretext for the establishment of a totalitarian state. The next few years can determine whether the free countries of Europe will be able to preserve their heritage of freedom. If Europe fails to recover, the peoples of these countries might be driven to the philosophy of despair, the philosophy which contends that their basic wants can be met only by the surrender of their basic rights to totalitarian control. Such a turn of events would constitute a shattering blow to peace and stability in the world. It might well compel us to modify our own economic system and to forego, for the sake of our own security, the enjoyment of many of our freedoms and privileges.”

## **WESTERN EUROPE THE BATTLEGROUND**

There is, thus, far more at stake in the Marshall Plan than the economic recovery and rehabilitation of the peoples of Western Europe. The main implications are not economic but political, the political issue of whether Communism, with its ruthless suppression of human rights and liberties, with its basic and deep-rooted antagonisms to the traditions and philosophy of Western civilization, is to be allowed to grow unchecked, or whether a strong and determined stand is to be made against it in the interest of mankind.

## **RUSSIAN POLICY**

Russian policy is to fight the Marshall Plan at every step, because it believes that the success of the Plan might seriously jeopardize the Communist cause in Russia itself as well as the

world at large. The motives underlying Russian policy are probably a mixture of the aggressive and the defensive. There is in the policy of Communist Russia more than a trace of the old traditional imperialist aspirations of Czarist Russia. There is also the fundamental Communist belief that capitalist states are, by their nature, aggressive and imperialistic and a constant threat to the Soviet Union. Accordingly, in the fatally misguided Russian view, Soviet policy must be directed toward establishing Communist governments wherever possible. Already this has been done over the greater part of Eastern Europe.

Jugoslavia, Bulgaria, Roumania, Albania are today for all practical purposes one-party Communist States. The secret police are supreme. Trade with the West has been reduced to a trickle and all personal and cultural contacts are virtually barred. Poland, Hungary and Czechoslovakia are dominated by Communist policy, and can be suppressed by Russia whenever she wishes. An authority on European affairs has pointed out that unless the Russian grip is loosened, the sovietisation of 80 million people in Eastern Europe is certain.

## THE DEMOCRACIES MUST BE STRONG

It needs more than the Marshall Plan to frustrate the Communist drive for world domination. The Western democracies must be strong within themselves and their peoples must be united in a common determination to preserve their great heritage of free institutions against those who seek to destroy them. In this day and age it is more than ever important for political opponents within the democracies to remember that the unity of the nation is the highest good—that the welfare of the State is above the welfare of party. However profound their political differences, the democratic elements within countries such as Britain and Australia have one over-riding thing in common—that is their opposition to all forms of dictatorship, of inhumanity and the suppression of human rights.

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Australia will not, of course, participate directly in the Marshall Plan. It stands, however, to benefit indirectly both from the immediate relief which the Plan will provide for the dollar problem of the Empire, and from the contribution it will make to the economic recovery and the maintenance of democratic institutions in Western Europe. These benefits place upon us the definite obligation to fight Communism here at home with intelligence, with persistency and unceasing determination. All men (no matter how deep their political differences) who revere the decent way of life—founded upon trust and honour—that British civilisation has been working toward through centuries of struggle and stress, should combine together in offering inflexible opposition to the Communist plot in Australia. In this respect, people of all shades of democratic political opinion should join in applauding the stand so far taken, first, by a Liberal Government in Victoria, and, now, by a Labour Government in Queensland, against the Communist conspirators.

Nothing could better serve the cause of Communism in Australia than a fierce intolerant struggle between those who adhere to the democratic faith, no matter whether they profess Liberal politics or Labour politics, or belong to the employer or employee sections of the community. The aim of the Communists is to intensify this conflict by every possible means—to play upon and widen the differences between the overwhelming numbers of decent employers and employees in this country. This trap should be resolutely avoided. It would be fatal not to recognise the transcendent identity of interest which all shades of honest and humane political opinion have in bringing about the speedy downfall of a political movement, which is both dishonest and inhumane.

The age-old cause of peace, compassion, and love must again be defended against the age-old evils of violence, brutality and hate. In this defence all decent Christian men and women will unite.

