Marshall Plan: Notes for UPSC World History

The Marshall Plan (officially the European Recovery Program, ERP) was a series of relief programs initiated in 1948 aid in the recovery and reconstruction of Western Europe. It is named after George Marshall, who was the U.S. Secretary of State.

The Marshall Plan will be featured as an important topic in the World history section of the IAS Exam.

What was the purpose of the Marshall Plan?

The United States transferred over $12 billion (equivalent to over $128 billion as of March 2020) in economic recovery programs to Western European economies after the end of World War II. The main aim of the United States Government was to reconstruct war-ravaged areas, modernize industry, improve European economy and contain the influence of the Soviet Union as well as communism. The Marshall Plan required an opening of historical borders between old European rivals, removal of several trade barriers and adoption of modern business procedures.

One can safely say that the Marshall Plan was an effective instrument used during the Cold War to prevent the spread of communism.

How was the aid from the Marshall Plan distributed among the recipients?

The aid coming from the Marshall Plan was divided as per the capita basis with a larger amount going to major economic powerhouses. This was done due to the belief that the recovery of these countries were necessary for the revival of the economy of Europe as a whole. A slightly higher proportion of aid was directed towards the core allied nations, particularly those that would go on to become the founding members of the North Atlantic Treaty Organisation (NATO), with a lesser amount going towards the former Axis and neutral nations.

The largest recipient of Marshall Plan money was the United Kingdom (receiving about 26% of the total), followed by France (18%) and West Germany (11%). Some eighteen European countries received Plan benefits. Although offered participation, the Soviet Union refused Plan benefits, and also blocked benefits to Eastern Bloc countries, such as Hungary and Poland.

The table below highlights the amount each country received as per the Marshall Plan:

Distribution of aid from the Marshall Plan				
Country	**1948/49 ($ millions)**	**1949/50 ($ millions)**	**1950/51 ($ millions)**	**Cumulative ($ millions)**

Austria	232	166	70	468
Belgium	195	222	360	777
Denmark	103	87	195	385
France	1085	691	520	2296
Greece	175	156	45	376
Italy	594	405	205	1204
Luxembourg	195	222	360	777
Netherlands	471	302	355	1128
Portugal	0	0	70	70
Sweden	39	48	260	347
Switzerland	0	0	250	250
Turkey	28	59	50	137
United Kingdom	1316	921	1060	3297
West Germany	510	438	500	1448
Total	**4924**	**3652**	**4155**	**12,731**

What was the outcome of the Marshall Plan?

The years 1948 to 1952 saw the fastest period of growth in European history with industrial production peaking at a 35% increase. Agricultural production by all estimates, surpassed pre-war levels. The poverty and starvation of the immediate postwar years disappeared, and Western Europe embarked upon an unprecedented period of growth and recovery for two decades that saw standards of living increase phenomenally. Additionally, the long-term effect of economic integration raised European income levels substantially, by nearly 20 % by the mid-1970s. There is some debate among historians over how much of these figures can be (or should be) credited to the Marshall Plan.

The political effects of the Marshall Plan may have been just as important as the economic ones. Marshall Plan aid allowed the nations of Western Europe to relax rationing and other austerity methods, reducing discontent and bringing political stability. The communist influence on Western Europe was largely contained as the benefits of the plan negated the popularity of communist parties in Western Europe, eventually fading away in the coming years after the implementation of the Marshall Plan. The trade relations fostered by the Marshall Plan helped forge the North Atlantic alliance that would persist throughout the Cold War in the form of NATO. At the same time, the non-participation of the states of the Eastern Bloc was one of the first clear signs that the continent was now divided more than ever since the days of the First World War.

The Marshall Plan also played an important role in European integration. The plan had several guidelines to foster integration among Europeans nations which was believed to be necessary for the continued peace and prosperity of the continent. In some ways, this effort failed, as some of the agencies started with a view to foster cooperation never fully materialized as such, instead becoming agents of economic cooperation. Rather, it was the separate European Coal and Steel Community, which did not include Britain, that would eventually grow into the European Union. However, the OEEC served as both a testing and training ground for the structures that would later be used by the European Economic Community. The Marshall Plan, linked into the Bretton Woods system, also mandated free trade throughout the region.

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