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(Theme music)

Voiceover: The following is a production of the Pritzker Military Museum and Library. Bringing citizens and citizen soldiers together through the exploration of military history, topics, and current affairs, this is *Pritzker Military Presents*.

(Applause)

Havers: Welcome to *Pritzker Military Presents* for a discussion given by Benn Steil about his book *The Marshall Plan: Dawn of the Cold War*. I'm your host Rob Havers, and this program is coming to you from the Pritzker Military Museum and Library in downtown Chicago and is sponsored by the George C. Marshall Foundation in Lexington, Virginia. This program and hundreds more covering a full range of military topics is available on demand at [PritzkerMilitary.org](http://PritzkerMilitary.org). In the aftermath of WWII, the US faced both an immediate if insidious threat from the Soviet Union as well as an absolute necessity to do better in terms of a lasting peace than that which followed WWI. Focusing on the critical years of 1947 to 1949, Benn Steil's book *The Marshall Plan* brings to life the seminal episodes marking the collapse of the post-war US/Soviet relations and the role of George C. Marshall as secretary of state. Bringing to bear fascinating material from US, Russian, German and other European archives, Steil's account presents a new perspective on the Marshall Plan and the birth of the Cold War. *The Marshall Plan* provides critical context in understanding today's international landscape. Benn Steil is senior fellow and director of international economics as well as the official historian in residence at the Council on Foreign Relations in New York. He is also the founding editor of *International Finance*, lead writer of the council's Geo-Graphics economics blog, and creator of four web-based interactives tracking global monetary policy, global imbalances, sovereign risk, and central bank currency swaps. Dr. Steil received his MPhil and DPhil in economics from Nuffield College Oxford and he holds also a BFC in economics from the Wharton School at the University of Pennsylvania. His book *The Marshall Plan: Dawn of the Cold War* won the New York Historical Society's 2019 Barbara and David Zalaznick Book Prize for the best work in American history. It won the American Academy of Diplomacy's 2018 Douglas Dillon Book Prize and was short-listed for the Duff Cooper Prize in literary nonfiction. Please join me in welcoming Benn Steil to the Pritzker Military Museum and Library.

(Applause)

Steil: Thank you, Rob. Thank you so much to the Pritzker Library for having me, and of course thank you all for coming out this evening. It's a great pleasure to be with you. The Marshall Plan celebrates its 71st anniversary this month, and perhaps its most enduring legacy has been the endless desire to repeat it. In the past several years alone there have been impassioned new calls for Marshall Plans in Ukraine, in Greece and southern Europe, in North Africa and Gaza and most recently in Syria, but the old original one has never been replicated or even badly imitated, and I think that speaks to the truly unique historical circumstances in place seventy-one years ago when the Marshall Plan was implemented. At the end of the Second World War the United States dominated the globe economically and militarily like never before and never since. The US accounted for half the world's manufacturing output, and of course the country had sole possession of atomic weapons. It could have used this dominance had it chosen to pursue a policy of, say, America first, but it didn't. With memories of the disasters of political isolationism and economic isolationism in the 1930s fresh in the minds of policymakers, the US instead pursued a very different policy. We dedicated enormous sums to foreign relief and reconstruction aid, even in the two-year run up to the Marshall Plan, and the US

also created a host of new multilateral institutions to promote international cooperation. And it's remarkable to consider that all of the institutions that we associate today with the post-war liberal order were created by the United States in just a few short years after WWII--the United Nations, the IMF, the World Bank, NATO, and the predecessor organizations to the European Union and the World Trade Organization were all created by the United States between 1945 and 1949, and critically for my story two of these institutions, NATO and the European Union, would not exist today were it not for the Marshall Plan. They were critical offshoots of the Marshall Plan. Now, I know that might sound very surprising given that President Trump has constantly told us that the European Union was created to quote/unquote screw the United States on trade, but in fact the integration of Western Europe economically, politically, and eventually militarily, was actually the first major component of the new American geostrategy after the war of quote/unquote containing the Soviet Union. Now, to understand why, we have to go back a few years earlier to the Second World War. Now of course during the Second World War the United States and the Soviet Union were allies in the fight against Nazi Germany, but as Soviet dictator Josef Stalin wryly observed at the 1943 Tehran allied war leaders conference, quote/unquote, "The best friendships are founded on misunderstandings." And indeed the misunderstandings between the United States and the Soviet Union were truly profound. FDR believed, or wanted desperately to believe, that after the Second World War the Soviet Union would effectively contain itself, that is that Stalin would be satisfied within his newly expanded borders. Stalin for his part believed that after the war the Americans would go home, just as they had after WWI. And almost as soon as the fighting in Europe stopped in May of 1945 this glorious misunderstanding began unraveling. In 1946 Stalin begins pressing new territorial claims in Turkey. He refuses to withdraw Soviet troops that had been stationed in northern Iran under treaty during the war, and he only backed down when Truman sent a large military flotilla to the region. But the true watershed moment comes in February of 1947 when the British ambassador to Washington comes to the state department with an urgent message for General Marshall, who's been secretary of state now for all of a few weeks, and that is that the United Kingdom is for all intents and purposes bankrupt, and they were going to hand us the keys to the kingdom as it were. Britain could no longer fulfill its imperial security obligations around the world, and the first major step they were going to take was to withdraw their 40,000 troops from Greece, where Britain was protecting the Greek government from communist insurgency. Greece at the time was in the midst of a terrible Civil War against communist insurgency, backed in particular by Yugoslavia. And this really set off alarm bells in the state department. Dean Acheson, who's General Marshall's deputy, in particular is convinced that if the United States does not step in and fill the vacuum, the security vacuum that is being created by Britain's imperial implosion, that Stalin and the Soviet Union will do precisely that. By that time however Stalin had begun shifting his sights to areas of greater priority, in particular Central Europe, and one country in particular, Germany, which is really at the heart of the early Cold War story. Germany after WWII was of course divided into four zones of occupation. In the west you had the British, French, and American zones. In the east you had the Soviet zones, and Berlin, which is located in the Soviet zone, was in effect a mirror image divided into four sectors of occupation. So in March of 1947 General Marshall goes off on what is truly his most important diplomatic mission. He's going to spend six weeks in Moscow negotiating with his Soviet counterpart, Vyacheslav Molotov, who you see second from the right. He's accompanied by the French foreign secretary Georges Bidault, who you see on the right. On the far left, the British foreign secretary Ernest Bevin. All of them are going to try to reach agreement on a peace treaty with Germany to end the occupation. But after the six grueling weeks of negotiations,

Marshall comes to the conclusion that it's going to be impossible to reach agreement with the Soviet Union, and there are two primary issues that divide them. One's a narrow one, but it's intensely important. Stalin is demanding 10 billion dollars in reparations from Western Germany. That's about 110 billion dollars in today's money. General Marshall makes clear that that is totally unacceptable because Western Germany is being kept alive by the American taxpayer. It is sinking into disorder, starvation in certain areas. So this would effectively be the United States paying reparations to the Soviet Union. We had effectively done that after WWI, and we were not going to make that mistake again. But there was a much broader issue that divided the two and really made the two sides irreconcilable, and that is that neither the United States nor the Soviet Union could afford to have a united Germany as an ally of the other. So after these six weeks of negotiations General Marshall becomes convinced not that Stalin is being a tough negotiator but that he is actually happy to see western Germany sink into disorder, anarchy, starvation, and to drag down western Europe with it. So as soon as he comes back to Washington in April he makes a very important radio address in which he tells the American people, quote/unquote, "The patient is sinking while the doctors deliberate." This is his way of saying we can no longer wait for the Soviet Union to act as a proper partner for peace. We have to step away from the so-called Yalta Potsdam framework for postwar cooperation with the Soviet Union, and the United States would have to secure its vital economic and security interest in western Europe, the part of Europe that Stalin does not already control, on its own. Now, which General Marshall was in Moscow in March, President Truman delivered his famous so-called Truman doctrine speech. And this speech is very important on a few counts. First of all it really represents a radical break from the so-called one world vision that FDR had about the postwar landscape; that is that we would continue to cooperate with the Soviet Union to keep peace and security in the world. This one world vision was really based on four primary elements. That is, first of all, that the British Empire could be peaceably dismantled. That clearly was not the case. Second, that the Soviets could be coopted into a permanent peacetime alliance. That clearly was not the case. Third, that Germany could be profitably dismembered and deindustrialized. That is the so-called 1944 Morgenthau Plan for postwar Germany. This was turning out to be a moral and geostrategic disaster for the United States. And finally that a new global multilateral trading system, a new global integrated economy could be revived solely on the basis of short-term loans from a new international monetary fund. That clearly was not the case. As Dean Acheson later observed, these assumptions had been quote/unquote "based on misconceptions of the state of the world around us, both in anticipating postwar conditions and in recognizing what they actually were when we came face to face with them. Only slowly," he said, "did it dawn upon us that the whole world order that we had inherited from the 19th century was gone and that the struggle to replace it would be directed from two bitterly opposed and ideologically irreconcilable power centers." But it's very important to recognize that Truman's speech also foreshadowed some key elements that would be very important in producing the Marshall Plan. And there are two things that I'd like to highlight from his speech. First of all Truman pledges to assist countries facing, quote/unquote, "aggressive movements that seek to impose upon them totalitarian regimes." He is of course referring to the Soviet Union. But he emphasizes that it is quote/unquote economic and financial aid, not military aid, but economic and financial aid that is essential to economic stabilization and orderly political processes. Now, why does he emphasize these two factors? Go back again to May 1945 at the end of the fighting in Europe. There are over three million American troops in Europe. President Truman has been president for less than a month. He has no intention of overthrowing the foreign policy architecture that had been handed down to him from President Roosevelt, and he immediately sets out to fulfill President

Roosevelt's pledge made openly in Tehran in 1943 to withdraw all American troops from Europe within two years of the end of the fighting. As I explained earlier, by the time we get to 1946 the American military and diplomatic establishment recognizes that they have a huge problem on their hands because Stalin is not playing according to what we considered to be the rules. So what do we do? How do we secure our vital national interests in Europe, which is geostrategically for the United States at the time by far the most important region of the world? How do we do that without having to rely on military force? So the new strategy that developed would leverage America's economic dominance in the world to counter the Soviet conventional force dominance in Europe. This was in fact going to be a form of asymmetric warfare. It was clearly a risky one because nothing like this had ever been attempted before to revitalize a continent that had been destroyed, not just the physical infrastructure but the social, legal, political infrastructure, to revivify it in a very rapid period of time. But we could afford to take risks like that at this period given that we had an atomic monopoly. That was really very important in the minds of military planners. So the ideas that developed into the Marshall Plan, interestingly enough--we all of course know that the best policy ideas normally come from economists, but in this case, this rare case, they came from the military establishment. We're talking about people like Secretary of War Henry Stimson, Army Secretary Kenneth Royall, Navy Secretary, later Defense Secretary Jim Forrestal who in arguing passionately in favor of Marshall aid--remember Jim Forrestal is not Kumbaya, spread the love, let's launch a new massive foreign aid scheme type of guy. He's a hawk's hawk, but he tells Congress that this Marshall program aid is quote/unquote, "far less expensive than standing isolated and alone in an unfriendly world." So the underlying philosophy of what becomes the Marshall Plan is that America's own economic and physical security depended on having strong independent allies abroad. That is, not colonies, not vassals, not tributaries, not transactional counterparts with whom we would do deals, but strong independent allies who would share the most vital foreign policy interests with us, not just over a few years, but over generations. Importantly I want to stress this was very much a bipartisan scheme. Let me read you a quote from Senator Henry Cabot Lodge, a republican senator in October of '47. He said, quote/unquote, "The recovery of Europe is a twenty-five to fifty-year proposition, and the aid which we extend now and in the next three years will in the long future result in our having strong friends abroad." And how right he was. So who were the architects of what became the Marshall Plan? George Kennan, who General Marshall made head of policy planning at the state department. He is really the father of the geostrategy behind the Marshall Plan. This is the first tangible component of his new strategy of containment directed at the Soviet Union. A diplomat who is tragically largely forgotten today, Will Clayton, undersecretary of state for economic affairs. Clayton could in my view rightly be considered to be the father of the European Union. The French in particular had to be dragged into this vision of an economically and politically integrated Europe kicking and screaming. It was Clayton's influence that made the integration of Europe into the centerpiece of what became the Marshall Plan. Military governor in Germany, General Lucius Clay--obviously not part of the state department, never formally associated with the Marshall Plan. In fact Marshall considered him a very difficult man to have to deal with, but Clay deserves enormous credit for reversing American occupation policy in Germany, the so-called Morgenthau Plan and making the quick revitalization of western Germany into the most important economic component of the Marshall Plan. He deserves enormous credit for that. And Republican Senator Arthur Vandenberg, who you see on the right with General Marshall. Vandenberg was a one-time isolationist. He only moved away from isolationism after Pearl Harbor, which finally convinced him that the United States was not in fact protected by two large oceans, that the world had

become much smaller than he had realized. Senator Vandenberg is a remarkable figure. Remember President Truman faced a very hostile republican congress. Vandenberg was considered to be one of the leading republican prospects for president, and he sacrificed his presidential ambitions in order to bring his party along to support the Marshall Plan. Marshall himself always said that he believed that Senator Vandenberg should have had his name attached to the plan. General Marshall himself, not so much an architect of the Marshall Plan in terms of producing the details of the plan, but certainly a master synthesizer and a master salesman. To give you a little bit of perspective from the White House on this, shortly after General Marshall's speech on this at Harvard in 1947 where he introduces the ideas that would become the Marshall Plan, the president's primary political advisor, Clark Clifford, goes to him and says, "You know, I think this thing has legs. This could be something major politically. We should call it the Truman plan." And president Truman who had a remarkable combination of humility and political shrewdness, laughed and said, "Don't be ridiculous. Anything going before Congress bearing my name will," quote/unquote, "twitch a few times, go belly up, and die." He said, "But even," quote/unquote, "the worst republican could not vote against the plan named for the general." And I think he was very right in this view. So let me talk just a little bit about General Marshall's speech at Harvard in June. It's a very short speech, only about 1,400 words. Marshall himself was not a particularly gifted orator, but he didn't want this to be the sort of speech that would appear in bold letters on the front pages of newspapers, and indeed it didn't. The article in the New York Times, which was buried someplace said that Marshall calls for European unity. They had no idea what he was really on about. But Marshall wanted these ideas to germinate. He was deliberately vague about what the Marshall Plan would be for two primary reasons. First of all he wanted the Europeans to take ownership of this thing. It couldn't be something that was seen as having been imposed from Washington. So his only fundamental condition for countries to participate in the Marshall Plan was that they do it together. That is, countries couldn't come to the United States with a national shopping list, that is, each country would have its own steel industry, and the United States would help them build or rebuild the steel industry. But they would have to produce steel where it was most efficient to produce steel. So this is part of Will Clayton's integration idea. Secondly he's very careful not to put any geographic boundaries on the plan. So, by legend the Marshall Plan was open to the Soviet Union. And in theory it was. In reality it most certainly was not. General Marshall was absolutely determined to make sure that it was Stalin who was rejecting American magnanimity. And so Stalin would bear the blame for splitting Europe and not the United States. General Marshall was very worried about the possibility--it might sound like a slim possibility—but the possibility that Stalin would be a reasonable chap and might actually want to participate in the Marshall Plan. So the state department had very detailed plans about how they would, if Stalin proved to be unreasonably reasonable, to provoke him into rejecting it. And the ultimate way they would do this is that if they had tried to impose more and more conditions that would be unpalatable to the Soviet Union, finally they would say, "You know, it's wonderful that you are participating because we need another major creditor to help revive Europe." So the Soviet Union would become a creditor like the United States rather than a recipient of aid. But they kept that all very quiet. So in principle the Soviet Union was being invited to participate. Now, how did Stalin react? Stalin was really torn. On the one hand when it came to economics, Stalin was very much a Marxist ideologue. It may sound rather remarkable to you, but Stalin did actually fundamentally believe that we had arrived at the final stage of capitalism. Capitalism was about to collapse. America was entering its terminal crisis and was going to try to bail out its industry by giving billions of dollars to Europe, which Europe would use to buy American goods. Of

course it wouldn't work. Capitalism would still collapse. But Stalin was only too happy to take billions of dollars of American aid, provided it came with no geopolitical strings attached. But he had three very powerful reasons to resist this initiative. And the first is that, as I had pointed out before, he believed that after the second world war the Americans were going to go home, and the Marshall Plan made clear they weren't going anywhere. They were going to remain economically and politically engaged, and he predicted rightly, militarily engaged. He wasn't too happy with this aspect of it. Second, his British spies in Washington and London made clear to him that the United States was going to change occupation policy in Germany and was going to make the industrial revival of western Germany into the centerpiece of the Marshall Plan's economic strategy. And Stalin for understandable reasons considered the possibility of an industrially revitalized Western Germany independent but under American domination to be a major security threat to the Soviet Union. And finally and most importantly he realized that the Marshall Plan was a threat to his newly created security buffer in Central and Eastern Europe. He found to his chagrin that Poland and Czechoslovakia in particular reacted with undue enthusiasm to the possibility of participating in the Marshall Plan, and he called the entire Czech cabinet to Moscow to read them the Riot Act and make it clear to them that they could not even think of participating in this scheme. So now, you notice I subtitled my book "Dawn of the Cold War." Now, most Cold War historians date the Cold War to 1945. I would argue that the Cold War doesn't really start until after General Marshall's speech, because it is not until this point that the United States and the Soviet Union reach the conclusion that the Yalta Potsdam framework for cooperation is finished and that they each have to pursue their own interests in Europe unilaterally. To give you an example of where we were just before Marshall's speech, one interesting thing I found in the Soviet archives was just a few weeks before Marshall's speech, Stalin had directed a Soviet negotiating delegation to reach agreement with the United States on the creation of an interim unified government in Korea. And this is not because Stalin has suddenly become overwhelmed with the desire to make peace with the United States, but he wanted to get peripheral problems with the United States off the table so that he could focus on the central issue, which was taking over Germany. Germany really is the heart of the Cold War. It is only after Marshall's speech that Stalin abandons this idea of cooperating with the United States anywhere, Korea certainly included. So after General Marshall's speech, the political map of Europe really changes quite fundamentally. Here is a political map I put together of what Europe looked like in 1943, and you'll see it's really a geographic jumble of alliances. Fast forward to 1949 when we are into the Marshall Plan period, and you see the familiar cold war map that we all know and love with Soviet Union and its satellites in the east and the Marshall states in the west. So the Marshall Plan really does precipitate the unfolding of the Cold War. Now, prior to Marshall's speech, Stalin had not been dogmatic about the brands of socialism that the satellite countries in Central and Eastern Europe pursued domestically. The only thing he insisted on was fealty to Moscow on foreign policy. But after Marshall's speech, and in particular given the reaction of the Czechs and the Poles, he begins cracking down on coalition governments all over Central and Eastern Europe. There were coalition governments of sorts. They were not independent by any means, but there were coalition governments in Hungary and Romania, Bulgaria, Poland. And the one in Czechoslovakia can be considered legitimate. It was elected in free and relatively fair elections in 1946. It was comprised of two-thirds small-d democrats, one-third communists. You had a democratic president; you had a communist prime minister. And Stalin considers Czechoslovakia really to be the weakest point in his newly created empire, and so he cracks down there hardest. And so a really seminal moment in the debate in Washington about legislating the

Marshall Plan--should we do this, should we not do this--comes in February of 1948 when Stalin precipitates a communist coup in Prague. And this has a remarkably galvanizing effect on the republican congress in the United States. So republican congressmen who had to that point been wavering about whether they should support the Marshall Plan really came to the conclusion that if the United States did not do something dramatic quickly that Stalin would repeat these tactics further and further to the West, and there was really a genuine risk of doing this. The communist parties in Italy and France were extremely powerful. They were only kicked out of the coalition governments in those countries in May 1947 just before General Marshall's speech, obviously under pressure from the United States. And so the Czech coup had this galvanizing effect and helped to pass the Marshall aid legislation in April of 1948. Now at that point Stalin decides he's got to crack down in the most important country in Central Europe, which is of course Germany. He institutes a blockade in Berlin. The United States of course eventually overcomes this blockade together with its allies using a heroic airlift, but also largely forgotten today but very important, a counter-blockade that had a devastating impact on Eastern Germany and the Soviet Union itself. So in May of 1949 Stalin capitulates. He ends the blockade, and almost as a way to really put in the boot and reinforce the magnitude of the American victory, almost simultaneously with the lifting of the blockade, the United States and its allies produce an independent Western Germany, the Federal Republic of Germany, May of 1949. In September of 1949 Konrad Adenauer becomes the first chancellor of West Germany and a few weeks later in October Stalin creates his own Germany, East Germany, the German Democratic Republic. And at this point the borders of the Cold War conflict in Europe are effectively frozen for forty years. So this is a good time to step back and just talk a little bit about what the Marshall Plan was economically and what it actually achieved. How much money was involved? It was 13.2 billion dollars. This was 2.6 percent of recipient-country output, or GDP. 1.1 percent of US output. Now, to put this in a contemporary context, if we were to launch a Marshall Plan today of equivalent size as a percentage of our GDP, we would be talking about 800 billion dollars. If you add on military aid above and beyond that we are approaching a trillion dollars. So this was an enormous commitment, particularly given the economic backdrop at the time. The US GDP growth rate in 1946 was negative 11.5 percent. This was a brutal recession brought on by the collapse of government spending after the Second World War. So this was really truly a major commitment of resources. What effect did it have? Well, we know the sixteen Marshall countries together saw their output increase by sixty percent over the four years of the Marshall Plan. To put that in an historical perspective if you look at the U27 today in—four-year run-up to the financial crisis in 2008, output increased by fifteen percent. So sixty percent is very significant. Now, all the early eulogistic accounts of the Marshall Plan simply ascribed all this huge increase in output to the Marshall aid and left it at that. But it wasn't until several decades later that skeptical economists started to look at this and say, well, if this was really all about the aid, what was the mechanism that produced this Keynesian miracle? How did this output, this increased output come about? So we saw increases in GDP growth rates in these countries like Austria, France, Germany, Denmark, and the Netherlands of--what economists found was that that it was two to seven percentage points higher than it would have been without the Marshall aid. But when they tried to break it down and find what the mechanism was, they couldn't do it. For example they asked, was it the fact that these countries could now afford to import more. Because they didn't have dollars, they didn't have gold with which to import. Was it the imports that did it? And the answer is no. The increased imports resulting from Marshall aid did help increase GDP, but we're talking about maybe half a percent of GDP. It wouldn't account for this enormous effect. What about government

spending? Did the Marshall aid enable these countries to spend more government money and thereby revive the economy? And the answer there is definitely no. Government spending as a percentage of GDP across the Marshall countries actually fell over the four years of the Marshall Plan. So what was it that explains the success? And I would highlight two things in particular that are very difficult to quantify but clearly very important. George Kennan, who was no economist himself, always emphasized that the primary impact of the Marshall Plan was going to be psychological. The economic aid itself was effectively going to be a social stabilizer for these countries to introduce different difficult structural reforms. But the important thing was that these countries would understand that the United States was not going home, as they had after WWI. This was going to be a four-year plan. We were not just going to write a check, go home, and wish them well. We were going to be with them. And he believed this long-term US commitment would be significant. I would say that the evidence clearly supports him. It was very significant in helping to revive private investment in Europe, but it was far from sufficient. The French and the British in particular resisted strongly these American ideas of integrating Europe economically because they argued that this was very dangerous landscape in Europe. What are we going to do when Germany is revitalized economically? They could become hostile again. Certainly we have the Soviets who are already showing signs of hostility and wishing to push their influence further westward. If we are not economically self-sufficient we will be less able to protect ourselves. The French argued compellingly that, look, you're going home. You're withdrawing troops. What are we going to do in five years time if the Germans cut off our coal supplies or if the Soviets will have taken over Western Germany after you go home, cut off our coal supplies? So it was the French in particular that convinced the United States that despite the fact they were giving this Marshall aid in order to end their military commitment in Europe would have to extend a permanent military commitment to Western Europe. So one year and a day after Marshall aid legislation--Marshall aid legislation passed in April of 1948. In April of 1949 we get the NATO founding act legislation, and I argue in the book that without NATO and without American security guarantees the Marshall Plan would never have been successful. To put this in a contemporary context consider Iraq and Afghanistan. We have already devoted 210 billion dollars to reconstruction aid alone in Iraq and Afghanistan. That is over fifty percent more than the totality of Marshall aid in current dollars. So it is not as if we haven't tried massive reconstruction aid as a geopolitical tool, but we failed entirely in our geopolitical aims in these countries. Why did we fail? First and foremost because we failed to provide these countries with internal and external security. I argue in the book that internal and external security are fundamental to economic rehabilitation. We were able to provide that security to the Marshall states. We were not able to do that in the cases of Iraq and Afghanistan. The second factor that I would emphasize in explaining the success of the Marshall Plan was the complete reversal of occupation policy in Germany, the willingness to take the risk to return Germany to its traditional position in Europe as the main capital goods supplier to Europe. That had an enormously revitalizing effect across all of Western Europe. Now, many revisionist economists have argued that the Marshall Plan was really a boondoggle for American exporters. That's all it was. It was a way to give them money to dump their surplus goods in Europe. Nothing could be further from the truth. One of the primary aims of the Marshall Plan was for the US to stop being the primary capital goods supplier for Europe because it was unbalancing the European economy. By putting Germany back in its traditional role we could rebalance the European economy, and then the Europeans could become integrated into the global economy once again, and that was enormously successful. Now, to close things out I'd like to bring the discussion to the present day and ask what

we might be able to learn about US/Russia relations today from the experience of the Marshall Plan. So fast-forward forty years to November of 1989. Historically political upheaval in Germany has had enormous reverberations throughout Europe. 1989 is no exception. The Berlin Wall falls, and immediately the Soviet alliances that have been created after WWII, in particular the Warsaw Pact, begin crumbling overnight whereas the alliances that the United States built as part of the Marshall Plan, in particular NATO and the European Union, are now as popular as ever. The newly liberated countries of Central and Eastern Europe are clamoring to get in. I think this is enormous vindication for our vision and the risks that we took in 1947 and 1948 in creating the Marshall Plan. Now, Soviet leader Mikhail Gorbachev is particularly concerned about one of these two alliances, NATO. He begs the George H.W. Bush administration not to expand NATO eastward towards the Soviet Union. He argues that this would enflame nationalism in the Soviet Union, that it would make the political reforms that he was pursuing far more difficult to implement. Now, at this point the United States could have gone in two different but coherent directions. One was the direction in which George Kennan urged them to go. George Kennan is now in his nineties and still commenting on foreign affairs. He argues that we should not even think about expanding NATO eastward. He argues that this is what we fought the Cold War for, to get to this moment where the Russians would abandon this deadly ideology of communism, and we should sit down with them and try to come up with a common understanding about what independence and sovereignty would mean in Central and Eastern Europe before we consider taking a step like this. On the other side, also coherent, is what I would call the Dole/Gingrich view, the republican view expressed in the 1994 contract with America, which said that basically Kennan had gotten this wrong. Russia will always be Russia, it will always be a threat to its neighbors, irrespective of the official ideology of the country. We owe it to the newly liberated countries of Central and Eastern Europe to guarantee their security by expanding NATO and doing it robustly, that it would have to be funded properly. Now, Bill Clinton who inherited this problem, being Bill Clinton, chose a third way, and that was to expand NATO without actually paying for it. Clinton argued that NATO had no adversary, so this wasn't going to cost the American taxpayer anything. Now, remember that the countries of Central and Eastern Europe who were clamoring to get into NATO wanted protection from Russia and believed passionately that they needed such protection, but President Clinton backed this expansion, arguing that in fact there was no threat from Russia whatsoever. George Kennan, 1997 age 93, argued in the press that Clinton's strategy of expanding NATO, and I quote him, "would be the most fateful error of American policy in the entire post-Cold War era." He said, "It would enflame nationalistic anti-western and militaristic tendencies in Russian opinion, have an adverse effect on the development of Russian democracy, restore the atmosphere of Cold War to east/west relations, and impel Russian foreign policy in directions decidedly not to our liking." On the other side of the debate is Richard Holbrooke, who is the administration's leading advocate of expansion. He says Kennan is talking nonsense. He wrote in 1998, and I am quoting him, "The United States can have its cake and eat it, too. Years from now," he said, "people will look back at the debate and wonder what all the fuss was about. They will notice that nothing has changed with Russia's relationship to the west." Now I will argue that is difficult to be more wrong than Richard Holbrooke. What is the root of his error? Take a look at this map. This is a topographical map of Europe with a rather interesting feature. You'll notice that I put north on the bottom. What I want to show you is effectively the view of Europe from Moscow, what Europe looks like to Moscow, and what I particularly want to point out to you is Russia's western border. Russia's western border is thousands of miles of unprotected plains, unprotected by bodies of water or mountain ranges. It is not surprising that Russia throughout its history

has faced devastating invasions from the west. Napoleon went to Moscow from the west; Hitler went to Moscow from the west. So fast forward to 2000 when Vladimir Putin becomes president of Russia. He wants to restore the old Soviet political and economics base. That's his primary geostrategic aim, and he considered NATO to be the biggest threat to this. And I think the best evidence of this is a private conversation that he had in 2016 with of all people former Israeli leader Shimon Peres. Right before Peres died he gave an interview where he recounted the conversation he had with Putin, and this is what Putin said about the collapse in US/Russia relations. He said, and I quote, "What do the Americans need NATO for? The Soviet Union doesn't exist. The Warsaw Pact was dismantled. Why do they need Georgia in NATO? Why do they need Romania in NATO? Do they think I didn't know that Crimea is Russian and that Khrushchev gave it to Ukraine as a gift? I didn't care until they needed the Ukrainians in NATO. And what for? I didn't touch them. They wanted to go to Europe,"--meaning the European Union--"I said, 'Great, go to Europe.' But why did they need them in NATO?" Now I would argue that these are not the observations of an ideologue. Stalin you will remember was not an ideologue when it came to fearing policy. These are the observations of a ruthless Russian pragmatist, and not even particularly ruthless by Russian standards. Mikhail Gorbachev, who is no friend of Putin's, supported the annexation of Crimea. He supported the occupation of Georgia. This is a Russian view of NATO and the threat it represents to Russian interest. The Russians have always known that countries that join NATO behave differently when they are inside than when they are outside. To give you just one example, in 2015 some of you may remember Turkey shot down a Russian fighter plane that had strayed into its airspace from Syria, and the first thing the Turkish foreign ministry told Russia was that quote/unquote, "Turkish air space is NATO air space," meaning if you retaliate you are retaliating against the United States which has mutual security obligations to us under Article V. So the Russians are very sensitive to countries which were formerly part of the Warsaw Pact joining NATO. The bottom line is that we have grossly underestimated Russian resistance to NATO. As Kennan put it in 1998, and I am quote, we are signing up to protect a whole series of countries even though we have neither the resources or the intention to do so in any serious way." So coming back to the Marshall Plan, I believe the broader historical lesson is this: we remember the Marshall Plan today because it was visionary, but it was also hardheaded, and it was successful because it was hard headed. What do I mean by that? If General Marshall had defined success of the Marshall Plan to include bringing, say, Poland and Czechoslovakia into the Marshall Plan, the Marshall Plan would have been a failure, because we would have had to go to war to bring Poland and Czechoslovakia into the Marshall Plan, and a primary aim of the Marshall Plan was to protect America's vital interest in Europe without relying on the military, without having to go to war. So great acts of statesmanship like the Marshall Plan are grounded not just in idealism but in realism, and this I believe is a lesson we need to relearn. Thank you very much.

(Applause)

Havers: Thank you to Benn Steil for a great discussion, and thank you to the George C. Marshall Foundation for sponsoring this program of *Pritzker Military Presents*. The book is *The Marshall Plan: Dawn of the Cold War*, published by Simon and Schuster. To learn more about the Pritzker Military Museum and Library, visit us in person or online at [PritzkerMilitary.org](http://PritzkerMilitary.org). Thank you, and please join us next time on *Pritzker Military Presents*.

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(Theme music)

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