

# Economics of History Activity

## The Cold War Begins, 1945–1960

### The Marshall Plan

*In the years following World War II, Europe struggled to rebuild. President Truman saw economic recovery in Europe as essential to the containment of communism. In 1948 the U.S. government implemented the European Recovery Program, or the Marshall Plan, to provide financial assistance to help restore the ruined economies of European nations.*

Europe faced grave political and economic problems as a result of World War II. European economies were in ruins because of the destruction of productive resources. Many people were nearing starvation, and political chaos was a very real possibility. The U.S. government was concerned about the spread of communism throughout postwar Europe as well the ways that a struggling Europe would have a negative impact on the U.S. economy. President Truman and Secretary of State George Marshall put into effect two policies to deal with these problems: the Truman Doctrine and the Marshall Plan. The Truman Doctrine involved providing military and financial aid to countries to resist communist aggression. The Marshall Plan would give European nations U.S. financial aid to rebuild their economies.

Marshall outlined the purpose of the Marshall Plan in a speech delivered at the Harvard University graduation on June 5, 1947. "The modern system of the **division of labor** upon which the exchange of products is based is in danger of breaking down. . . . 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 to the world, without which there can be no political stability and no assured peace. Our policy is not directed against any country, but against hunger, poverty, desperation and chaos."

### Economics Terms to Know

**division of labor** an approach to completion of a complex task by breaking the task into a number of simpler tasks



### Applying Economics to History

1. What do you think would have been the "consequences to the economy of the United States" if the Marshall Plan had not been put into effect?
2. What did the countries that received the most aid under the Marshall Plan have in common?
3. Why do you think some nations in Europe did not receive aid from the Marshall Plan?