Marshall Plan Commemorative Section: A Modest Magician: Will Clayton and the Rebuilding of Europe

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Summary: A look back at perhaps the most important foreign policy success of the postwar period. Edited by Peter Grose, with contributions by historians Diane B. Kunz and David Reynolds, a memoir by Charles P. Kindleberger, a profile of Marshall and Acheson by James Chace and one of Will Clayton by Gregory Fossedal and Bill Mikhail. And reflections from Roy Jenkins, Walt Rostow, and Helmut Schmidt.

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William L. Clayton was, in the words of Dean Acheson, the "catalyst" of the Marshall Plan. Through the summer of 1947, as the Committee of European Economic Cooperation labored to transform a vague offer of assistance into a workable plan, this Southern businessman's long strides through Geneva, Paris, and London embodied America's can-do resolve. As he returned from Geneva in October with an accord for the General Agreement on Tariffs and Trade in one folder (the product of the "Clayton Round") and the outline for implementing the Marshall Plan in another, The New York Times commented that his work "makes all previous international economic accords look puny." It amounted to "the big step that nobody else but Mr. Clayton and a few of his colleagues ever thought would be taken."

Contemporaries were well aware of Clayton's crucial contribution, but recent histories of the period hardly refer to this quiet diplomat. This seeming puzzle falls away when one compares Clayton to the large egos that surrounded him: George Marshall, Dean Acheson, Clark Clifford, and George Kennan. With the exception of Marshall, each remained active in policymaking circles for the next generation. They wrote memoirs and cultivated reporters, scholars, and biographers. Clayton did not. Yet on his death in 1986, obituaries noted that Clayton "has been recognized by many as the idea man behind the Marshall Plan." "If Clayton were not the sort of person who didn't care a lot about the credit," Clifford said long afterward, "he probably wouldn't have been able to put everything together -- between the president and Acheson and all the others." And without such a humble broker, "there might have been no plan."

FROM MISSISSIPPI TO MARSHALL

Born in 1880, Clayton was a successful entrepreneur in the cotton industry in the early years of the century. Starting from humble beginnings in Tupelo, Mississippi, he mastered commodity brokerage and was a multimillionaire by the end of World War I. As his wealth and market expertise grew through the next decade, he became interested in the politics of international economics, free trade in particular. In a distinct minority among his business colleagues, Clayton was a defender of Franklin D. Roosevelt, and as the Republicans veered toward protectionism, he became a confirmed Democrat, albeit on the conservative side of the New Deal.

In 1940 Roosevelt summoned Clayton to Washington as one of that extraordinary breed of "dollar a year" men, and he stayed through World War II, until late in 1947. His first task was to unite the Latin American countries against the Axis powers, designing a combination of credits and liberalized trade to put substance into the Good Neighbor rhetoric. Deploying all the tricks he had learned in commodities trading, he directed the "Warehouse War," a huge American effort to locate and stockpile key raw materials, thereby denying access to Germany and Japan. Clayton and a cadre of young aides from the world of finance borrowed, cajoled, and stole graphite, rubber, and tungsten from sources close to the enemy.

Clayton's real passion, however, was not winning the war but building the peace. Early on he began thinking about the lessons of the First World War, concluding that the Allies had to avoid another Versailles settlement with its huge reparations and debts, vicious currency devaluations, and punitive obstructions to free trade. For Clayton, reduction in trade barriers and stable currency went hand in hand. Stable money certainly brought low inflation and manageable interest rates, but it also underpinned free trade. Without agreements and institutions that ensured a level monetary playing field, countries would always be tempted to resort to currency devaluation as a means of protecting themselves from competition. Tariffs or quotas would follow close behind.

Roosevelt named Clayton assistant secretary of state in December 1944; Truman later promoted him to under secretary for economic affairs. His conduct of foreign economic policy from late 1944 was driven, one might even say obsessed, by the goals of free trade and monetary stability. Unlike more senior American decision-makers, he knew economics not as a scholar but as an international commodities dealer with firsthand experience with currency fluctuations, interest rates, inflation, and their sensitive interrelationships. Not attracted by the social democracy popular in postwar Europe, Clayton firmly believed in capitalism, and among the Marshall Plan's virtues would be that it would help spark economic growth in Europe based on the principles of free enterprise. Equally important, American aid would lure Europe into reducing trade barriers, which was essential to preserve the peace.

As his colleague, Under Secretary Dean Acheson, took charge of the aid program to Greece and Turkey in early 1947, Clayton began to fit the Truman Doctrine into a larger scheme, his long-standing plans for the postwar recovery. The result was the first of two memorandums that were the first glimmerings of the Marshall Plan. The memo was actually a set of so-called talking points: declarative sentences, usually one per paragraph, intended to guide oral briefings before Acheson, Marshall, and, when the occasion arose, the president. Writing on March 5, 1947, with the authority of a seasoned financier and the experience of a by now shrewd diplomat, Clayton argued that the military aid of the Truman Doctrine could only be the start. It was an essential stopgap measure, but soon the United States would have to pursue a broader, more ambitious program of economic growth for all of Europe. For a project of such scope, the administration would need the full support of the American people, and the effectiveness of the public relations effort would in turn depend on European countries' steps to get their economies in order, with American aid offered as an inducement. After the carrot came the artfully crafted stick: "The United States does not wish to interfere in the domestic affairs of any country, but countries to which it extends financial aid must put their internal affairs in order." It made greater economic sense to spend significant sums and be demanding on substance, Clayton argued, than to dribble out aid but get no reforms.

PRINCIPLE AND PERSUASION

Acheson, for one, was impressed, and through Acheson and Clayton's subsequent meetings with journalists and members of Congress, the concept began to take hold. It soon became clear that it would be easier to get billions of dollars for a serious, broad-based economic program from which America too would benefit than a few hundred million dollars for "piecemeal proposals," as James Reston of The New York Times put it. Clayton and Acheson understood that in a democracy, broad support for foreign policy requires a diplomacy of principle; real politik is simply not realistic. Coming from a conservative businessman, these arguments had a powerful impact on Marshall and Truman. By late March the Marshall Plan -- an act of financial and political audacity, linked to great expectations for European economic reform -- was taking shape within the higher reaches of government.

Truman asked Clayton to go to Europe and observe the situation for himself, as he had done in the past as an investor. On his return in late May Clayton presented his second memorandum. He crafted this document as a shocking report on the state of Europe rather than a recapitulation of the steps necessary to meet the challenge. He was particularly struck by events in France, where the government faced an inflation crisis and, trying to implement price controls, was unable to persuade farmers to bring their goods to market. People in the cities were literally starving. Something had to be done to restore a modicum of confidence before Europeans could even talk seriously about dropping trade barriers. To encourage free-market reforms, Clayton said, the United States must offer a multi-year grant.

Clayton's second memo had been designed to shock, and it succeeded. At the end of May, sitting down with the two memorandums from Clayton, a policy planning report from Kennan, and updated estimates from Clayton and Acheson staffers, Marshall drafted his terse speech for the upcoming Harvard commencement. (Acheson later recorded that about half the input for the Harvard speech came from Clayton.) In one sense, Marshall's speech was only the start. "Plan?" Kennan remarked in a moment of annoyance two months later. "There is no plan." But from Clayton's vantage point, Marshall's speech was the consummation of years of effort to ensure a stable foundation for peace. Europe needed the assistance, and only four months after the Harvard speech, nearly six months before any aid flowed, France and Britain began stabilizing their currency. The postwar recovery had begun.

Clayton made distinctive contributions to both the ideas and the politics behind the Marshall Plan. Earlier and more clearly than anyone else in Washington, he drew the links between U.S. aid, European trade liberalization and monetary discipline, and the stability of the postwar peace. Moreover, his broad commercial experience, his knowledge of Europe from his cotton-business days, and above all his mien -- personable but relentless -- made him the ideal figure to guide the Marshall Plan's growth from concept to reality, to forge a consensus among Congress, the State Department, the White House, the Treasury Department, and the struggling European states.

Where would Will Clayton stand on the international financial issues of today? If biographers may presume to assign thoughts and words to their subject, Clayton would be troubled. America seems to be confronting Russia and Eastern Europe with just the sort of postwar settlement that Clayton sought to avoid in his own time: a Versailles-like burden of crushing debt, plunging production, industrial economic collapse, and no swift inclusion of troubled states within an integrated Europe. Clayton would probably note that while America has paid lip service to the recovery of the former Soviet bloc, its financial commitment has not approached the scale of the Marshall Plan. Nor has this aid been conditioned on policies for growth and recovery. In this nuclear-armed world, the stakes in 1997 are no lower than they were a half-century ago.