

Post-war Reconstruction and the Role of the Marshall Plan in Munich

By Lucy Schmidt

What was the true significance of the Marshall Plan in transforming Munich from a hopeless state to the 5th most prosperous city in Europe?

An interview with Bavarian Historian, Ms Wichmann, whose expertise lies in Munich's reconstruction and urban planning after the Second World War will aid in exploring this topic.

Munich in 1945 had suffered extensive damage having faced over 70 air raids throughout the war. Heavy attacks started in 1942, and in March 1944 Munich saw its worst air raid. These allied attacks resulted in the destruction of “45% of the entire urban area and up to 70% of the old town” Wichmann observes, “only 2.5% of the buildings remained completely undamaged”. However, despite the extensive damage, the majority of Munich's underground utility systems remained functional, including the electrical and water system. The city saw immense destruction, but compared to other major German cities it was less of a target initially, due to its distance from the United Kingdom. Yet as the so-called ‘birthplace of the Nazi Movement’, it was a significant city for the allied countries to bomb.



Following the end of the war, the focus shifted to rebuilding and reconstructing what had been damaged. Wichmann named the main priorities in the public reconstruction effort as “housing,

hospitals and schools”. But there were disagreements on the right approach to rebuilding in Munich. According to Wichmann, there were 3 different groups of arguments; the reformers, the traditionalists and the “critical preventionists”. Reformers “demanded an architectural new beginning”, while traditionalists wanted to preserve Munich as a city of art, and those who argued for critical abstention believed the legacy and damage of the Nazi movement should be embedded in the cityscape so as to never forget its destruction. In 1946 an agreement was formed called the “Meitinger Plan” (named after Munich's city planning officer) which outlined the principles for the reconstruction. Key guidelines included the preservation of the historical city layout as well as landmarks and the maximum building height.

In the immediate post-war years following 1945, and prior to American financial aid, reconstruction was managed by the occupying powers. In Bavaria, it was the American military government municipal authorities who managed “construction projects and the allocation of materials including the workforce”. Wichmann also says that fairly early on Americans involved the local German authorities to make political and bureaucratic decisions. Financial support came from private initiatives. For example, *Kulturbaufonds* was an association that promoted the reconstruction of art and cultural monuments in Munich. It fundraised money from the public through campaigns since most of the governmental funds were earmarked for housing. Wichmann recounts an individual, Röder, who wrote to the *Süddeutsche Zeitung* on Christmas 1945 about a donation with the message that he felt locals should be more involved in their participation in Munich's reconstruction. In the case of private local funds such as the *Kulturbaufonds*, the currency reform of 1948 wiped out any savings the organisation had leading to its decline along with many other private initiatives/donations. The currency reform played a big role in Germany's reconstruction as it resulted in significantly decreasing Germany's debt, both private and governmental. This meant Germany had

the chance to start with a clean slate which would prove vital for the so-called *‘Wirtschaftswunder’*. Yet for effective rebuilding in Munich there were still major hurdles to overcome, Wichmann names them as the division of authority and responsibilities and “the procurement of building materials, labour but most importantly financing”. Enter the Marshall Plan.

America had a big decision to make, how should it support its war-time allies and more controversially what should it do about West Germany? There were arguments made to neutralise Germany through a strict de-militarisation and de-industrialisation scheme completely, an idea strongly supported by the French. Any financial support was deemed overly generous. Henry Morgenthau, America’s Treasury Secretary, drafted a plan which proposed transforming Germany into an agrarian state, essentially a vast farm. Truman rejected this, instead deciding in 1947 to opt for reconstructing Germany and allowing it to integrate economically with Europe. America’s softer policy approach in regard to Germany was largely due to their realisation that Europe’s economic survival depended on their former enemy’s recovery. However, it was agreed that Britain and France should be favoured in the aid for their rebuilding. Prior to the Second World War Germany had a GDP of nearly \$400 billion making it the second richest country in the world, Yet by 1946, its economic wealth had been surpassed by France and Britain with a GDP decrease of 60% to \$160 billion. Germany’s food production was down 50% and its industrial output had fallen by a third. It was in a desperate state.

On June 5th, 1947, George C. Marshall announced his European Recovery Programme at Harvard University; a plan to aid European Countries. The idea was to restore confidence in the struggling countries through a revival of their economies, as the fear of social and political disintegration was urgent. In April 1948 the ERP (now known as the Marshall Plan), was passed in Congress. Striking was the generosity of Marshall and of Congress to include Germany in their revolutionary plan; this generosity was also eventually accepted by the French who started to overcome their unwillingness to rebuild Germany. In total, nearly \$14 billion were sent to Western Europe, in the form of food, materials, medicine, fuel and finance. The finance was distributed in a way that allowed for long-term

reconstruction of infrastructure and business as opposed to temporary poverty assistance. The United Kingdom received 25% while France received 20%. Smaller countries like Italy, the Netherlands, Greece and Belgium also received aid from the programme. West Germany obtained roughly 10% of the total American aid at a value of \$1.4 billion, but they are the only country required to pay back a portion of these funds (\$1 billion). Arguably, the aid Germany received did not compensate for the loss that occupying powers inflicted through confiscation of patents and the rigid dismantling of industries. However, 40% of the finance went to funding the coal industry which had a positive domino effect on the rest of German industry as it fueled factories and machinery. 12% of the aid went towards housing which had been immensely destroyed; with almost



eight million refugees coming to West Germany, the housing situation was especially dire. The Marshall Plan also had the indirect effect of giving the German people hope for prosperity and recovery while diminishing the fear of living in poverty indefinitely. There was a major promotional campaign to advertise the ERP in Europe to garner support and spread hope for a recovery. Experts question the weight of the immediate economic impact of the Marshall Plan instead citing its up-lifting psychological effects on Germans and its role in integrating the German economy into Western Europe. Historian Charles Maier concluded that the Plan acted as “*lubricant in an engine - not the fuel - which allowed a machine to run that would have otherwise buckle and bind.*”. Yet the Marshall Plan effects, combined with sound national economic policy, paved the road to the so-called German *Wirtschaftswunder*.

Of course, the generosity of America was not without

grounds or intent. The biggest critique of the



Marshall Plan is the fear of America's ulterior and selfish motivation, most obviously the goal of stopping the spread of Soviet communism. The finance of the ERP laid the basis for a persistent political and military association between Western Europe and the United States. The encouragement of trade within Europe was also within the American interest as it kept Western European countries outside the orbit of Stalin's influence. Not all Germans were welcoming of the extensive influence the U.S was gaining over Europe through their economic and political motivations. There was critique as America's strategic expansion and involvement were labelled as Capitalist Imperialism.

Modern critique of the Marshall Plan is often centred on its economic effectiveness, or rather, the lack of it. F.E.E (Foundation for Economic Education), an American libertarian think-tank, released an article questioning the elevated myth of the Plan. They argue the focus of the plan was the promotional campaign and American propaganda in Europe as opposed to 'economic literacy'. It is generally agreed by historians that the Marshall Plan only contributed roughly 5% of Germany's national income. The bulk of Germany's recovery can be attributed to national economic policy. Yet the Marshall Plan's significance is commonly agreed upon due to its promotion in textbooks and its prevalence as a political reference point.

Of course, Munich's success could also be specifically a result of its placement in the American occupation. Firms such as Siemens relocated their headquarters to Munich from Berlin due to lower taxation, the existing administration and thus greater business confidence. France and England discouraged economic renewal within their Zones, perhaps as their resentment towards Germans were stronger. Yet America's capacity for forgiveness and generosity was unprecedented, especially in the city cited as the birthplace of Nazism. Regardless of the real economic impact, the psychological effect along with the exemplary political signal of the Marshall Plan remains incredibly compelling.



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