Zgodovinski časopis

HISTORICAL REVIEW

ZČ | Ljubljana | 78 | 2024 | št. 3-4 (170) | str. 263–512

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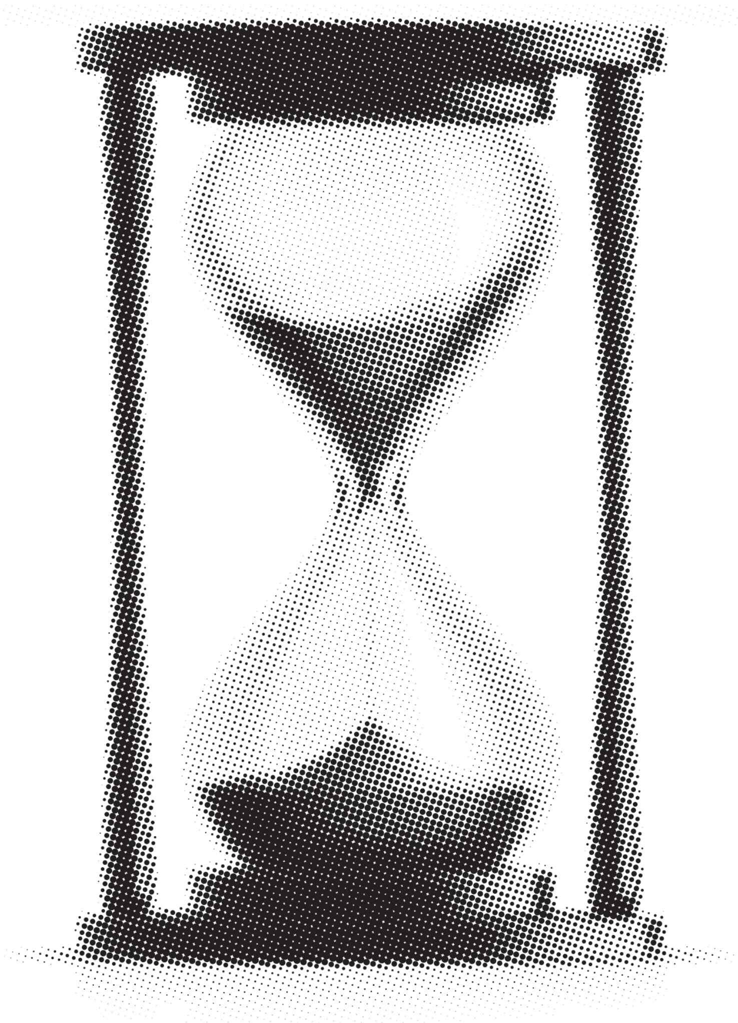

Izdaja
ZVEZA ZGODOVINSKIH DRUŠTEV SLOVENIJE
Ljubljana

GLASILO ZVEZE ZGODOVINSKIH DRUŠTEV SLOVENIJE

Redakcija tega zvezka je bila zaključena 15. november 2024.

Oblikovanje in oprema: Vesna Vidmar

Sedež uredništva in uprave: Oddelek za zgodovino Filozofske fakultete v Ljubljani, Aškerčeva 2, 1000 Ljubljana, Slovenija, tel.: (01) 241-1200, e-pošta: info@zgodovinskicasopis.si; http://www.zgodovinskicasopis.si

Letna naročnina: za leto/letnik 2024: za nečlane in zavode 32 €, za društvene člane 24 €, za društvene člane – upokojence 18 €, za društvene člane – študente 12 €. Cena tega zvezka v prosti prodaji je 16 € (z vključenim DDV).

Naročnina za tujino znaša za ustanove 45 €, za posameznike 35 € in za študente 25 €.

Plačuje se na transakcijski račun: SI 56020 1 000 12083935
Zveza Zgodovinskih društev Slovenije, Aškerčeva 2, 1000 Ljubljana, Slovenija
Nova Ljubljanska banka, d.d., Trg Republike 2, 1520 Ljubljana LJBASI2X

Sofinancirajo: Publikacija izhaja s finančno pomočjo Javne agencije za raziskovalno dejavnost RS

Prelom: ABO grafika d.o.o. – zanjo Igor Kogelnik

Tisk: ABO grafika d.o.o., Ljubljana, december 2024

Naklada: 500 izvodov

Zgodovinski časopis je evidentiran v naslednjih mednarodnih podatkovnih bazah: Scopus, European Reference Index for the Humanities (ERIH), Historical Abstracts, International Bibliography of the Social Sciences, ABC CLIO, America: History and Life, Bibliography of the History of Art, Ulrich's Periodicals Directory, Russian Academy of Sciences Bibliographies.

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Zgodovinski časopis
HISTORICAL REVIEW

ISSN 0350-5774

UDK
UDC **949.712(05)**

BULLETIN OF THE HISTORICAL ASSOCIATION OF SLOVENIA (HAS)

The editing of this issue was completed on November 15, 2024.

Design: Vesna Vidmar

Headquarters and Mailing Address: Oddelek za zgodovino Filozofske fakultete v Ljubljani, Aškerčeva 2, 1000 Ljubljana, Slovenia, phone: +386 1 241-1200, e-mail: info@zgodovinskicasopis.si; http://www.zgodovinskicasopis.si

Annual Subscription Fee (for 2024): non-members and institutions 32 €, HAS members 24 €, retired HAS members 18 €, student HAS members 12 €.

Price: 16 € (VAT included).

Subscription Fee: foreign institutions 45 €, individual subscription 35 €, student subscription 25 €
Transaction Account Number: SI 56020 1 000 12083935
Zveza Zgodovinskih društev Slovenije, Aškerčeva 2, 1000 Ljubljana,
Nova Ljubljanska banka, d.d., Trg Republike 2,
1520 Ljubljana LJBASI2X

Co-Financed by: Slovenian Research Agency

Printed by: ABO grafika d.o.o., Ljubljana, December 2024

Print Run: 500 copies

Historical Review is included in the following international databases: Scopus, European Reference Index for the Humanities (ERIH), Historical Abstracts, International Bibliography of the Social Sciences, ABC CLIO, America: History and Life, Bibliography of the History of Art, Ulrich's Periodicals Directory, Russian Academy of Sciences Bibliographies.

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UDK **UDC**	**949.712(05)**

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Gašper Gabrijelčič

The Origins of US Bilateral Foreign Assistance The Marshall Plan – A Benchmark for Contemporary US Foreign Aid?

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The Origins of US Bilateral Foreign Assistance. The Marshall Plan – A Benchmark for Contemporary Foreign Aid?

Zgodovinski časopis (Historical Review), Ljubljana 78/2024, No. 3–4, pp. 440–469, 106 notes

Language: En. (Sn., En., Sn.)

As an examination of the origins of US foreign assistance, this paper focuses on the Marshall Plan, widely regarded as its starting point. The unique circumstances that steered the US away from multilateral channels for the provision of aid, led it to opt for a bilateral program instead, effectively making foreign aid a political tool. Through a contemporary lens, the paper analyses the programme's design, its actual and perceived impact, its significance in the evolution of US. foreign aid, and the role it played in Europe's economic recovery after WWII.

Keywords: Marshall Plan, US foreign assistance, economic history, political economy, programme evaluation.

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Začetki bilateralne zunanje pomoči ZDA. Marshallov načrt – zlati standard za sodobno zunanjo pomoč?

Zgodovinski časopis, Ljubljana 78/2024, št. 3-4, str. 440–469, 106. cit.

1.01 izvirni znanstveni članek: jezik En. (Sn., En., Sn.)

Prispevek proučuje začetke zunanje pomoči ZDA, pri čemer se osredotoči na njeno po splošnem prepričanju izhodiščno točko - Marshallov načrt. Edinstvene okoliščine so ZDA usmerile stran od multilateralnih kanalov pomoči ter botrovale odločitvi za bilateralni program, s čimer je zunanja pomoč dejansko postala politično orodje. Prispevek s sodobne perspektive analizira zasnovo programa, dojemanje njegovega vpliva in dejanski vpliv, njegov pomen v evoluciji zunanje pomoči ZDA ter vlogo pri okrevanju evropskega gospodarstva po drugi svetovni vojni.

Ključne besede: Marshallov načrt, zunanja pomoč ZDA, ekonomska zgodovina, politična ekonomija, evalvacija politik.

Introduction

Conceived and justified as a national security measure, a humanitarian contribution, and an effort to build markets for US exports and secure strategic resources[*1], The European Recovery Program (ERP), referred to colloquially as the Marshall Plan[2], is widely regarded as the beginning of institutionalized foreign assistance.[3] During the seven decades since its conclusion, the ERP model has been invoked time and again in response to myriad global crises: during the Greek debt crisis in 2010[4], the war in Ukraine[5], and, most recently, in connection with the devastating

[*] I would like to thank the two peer reviewers for their constructive feedback and Prof. Matjaž Klemenčič for his invaluable support in the writing of this article.

[1] In his analysis of the motivation behind the Marshall Plan and its part in the Cold War, Holm identifies four distinct schools of thought. The orthodox or traditionalist theory saw the ERP as "both a balanced and necessary measure to counter Soviet postwar ambitions in Europe and secure stability in the Western world, as well as a benevolent and idealistic act that rescued beleaguered allies from socio-economic collapse. For the revisionists in the 1960s, the Marshall Plan was "part of a political ploy intended to bolster American exports, ensure American predominance in Europe, and promote the establishment of American empire." The post-revisionists of the early 1970s argued that "Washington introduced economic measures for political gains, not the other way around as revisionists insisted." They saw the Truman administration, with its exaggeration of the Communist threat, complicit in helping spark the outbreak of the Cold War. The corporatist school of thought, which emerged in the late 1970s, challenged the three earlier schools by placing greater emphasis on the role of non-state actors in US foreign policy. According to Holm, corporatists considered the ERP "part of a Washington-coordinated transnational strategy to not only rescue the European economies, but to Americanize that continent's financial and productive functionalities." (Holm, *The Marshall Plan*, Introduction)

[2] Named after Truman's Secretary of State George C. Marshall, who first announced it in a speech at Harvard University on June 5, 1947, the ERP officially started with the signing of the Foreign Assistance Act of 1948 by President Truman on April 3, 1948; it ended earlier than originally planned, on December 30, 1951, when the Mutual Security Act of October 10, 1951 effectively abolished the Economic Cooperation Administration (ECA) and transferred its functions to the Mutual Security Agency (MSA). The sixteen participating countries in the European Recovery Program were: Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Turkey, United Kingdom, and West Germany (i.e. the Federal Republic of Germany (FRG), initially included in the Marshall Plan as the Bizone and the French occupation zone); the Free Territory of Trieste was also included.

[3] See Atwood et. al, *Arrested Development*, p. 124; Natsios, *Foreign Aid*, p. 103; Lancaster, *Sixty Years*, p. 799; Montgomery, *The Evolution*, p. 321.

[4] For instance, by German Secretary of Commerce Philipp Rösler, as reported by the *Frankfurter Allgemeine Zeitung* on July 22, 2011.

[5] For example, by German Chancellor Olaf Scholz at the 2022 G7 in Bavaria, as reported by the Deutsche Welle on June 28, 2022.

The Marshall Fountain in Frankfurt am Main with the Deutsche Bank headquarters in the background (credit: Author) floods in Slovenia.[6] Given its enduring presence and legendary status, it is worth looking through a contemporary lens at the program's design, its actual and perceived impact, its significance in the evolution of US foreign aid, and the role it played in Europe's economic recovery.

Certain features of the original Marshall Plan persist in contemporary US foreign assistance. The structure of the Economic Cooperation Administration (ECA), the agency established with the sole purpose of implementing and overseeing the program – as an independent government agency with missions in recipient countries – has been adopted by the United States Agency for International Development (USAID).[7] Furthermore, while relief and development are the declared goals, the interests of the donor, both political and economic, play a deciding role. For example, provisions requiring that goods and services purchased with US assistance come from US suppliers are a standard practice. In fact, as we will see, the very first relief effort following the end of WWI was devised to specifically address commodity surpluses in the US resulting from ramped up production during the war years.

If foreign assistance was to be used as a means for achieving foreign policy goals, the US had to ensure control over its distribution and use. Thus, a new bilateral program was chosen over existing multilateral mechanisms, such as the United Nations Relief and Rehabilitation Administration (UNRRA). This marked a radical break from Roosevelt's vision of the US acting on the world stage through the newly established United Nations.[8]

While the ERP enjoys near unanimous praise in popular memory, among scholars of American politics and economic history one finds marked disagreement over its actual impact and the motivation behind it. Holm notes that, with more historical distance, the assessment of the ERP's economic influence on the ground had been significantly lowered, while the analysis of Europe's productive capabilities at the time US aid started arriving, has been comparably upgraded.[9] In Germany, Marshall Plan detractors have argued that the narrative of the ERP as the key factor in the West German *Wirtschaftswunder* was, in reality, a myth.[10]

The ERP was primarily a commodity procurement program made possible by large domestic surpluses. By modern standards, its design was not particularly sophisticated and its main challenge lay in the quantification of the recipients' needs, the coordination of the supply, and the logistics of distribution. Even with meticulous planning and close-knit coordination, it did not always align with the specific needs of those receiving aid; despite the resolute commitment of the ECA and its director Paul Hoffman to running it as a business enterprise aiming to maximize shareholder (or, in this case, taxpayer) value, it also remained susceptible to inefficiencies spurred by the influence of special interests.

[6] See Miha Jenko's article in Delo on August 8, 2023.
[7] U.S. Library of Congress, *The Marshall Plan,* p. 19.
[8] Steil, *The Marshall Plan*, p. 40.
[9] Holm, *The Marshall Plan*, Introduction.
[10] Schickling, *Mythos oder Masterplan?*

The success of the ERP was undoubtedly a product of unique circumstances, rendering it challenging to replicate under vastly different political and economic landscapes. Arkes characterizes it as more of a restorative measure than a developmental program, noting that, as such, neither a sophisticated theory for redistributing wealth nor American intervention for the sake of engineering social change were required at the time.[11]

In terms of addressing contemporary crises, the relevance of the Marshall Plan seems limited at best. What remains salient are its exceptional scale, its timely implementation, and the broad political consensus it garnered. When modern politicians evoke the idea of another Marshall Plan, it is likely these attributes, along with the desired ideals of lasting peace and prosperity, that they have in mind.

Following the controversy surrounding reconstruction efforts in Iraq and Afghanistan, the idea of rallying the necessary public support for an endeavor even remotely akin in scale to the ERP seems more than a daunting prospect. Given the US government's heavy reliance on private contractors to deliver foreign assistance, efficient management by the so-called development-industrial complex seems equally remote. Nonetheless, some facets of the Marshall Plan and the circumstance in which it was conceived hold the potential to shed light on enduring concerns and contribute meaningfully to conversations surrounding the future of foreign assistance.

1. US Foreign Assistance Before the Marshall Plan: Herbert Hoover's American Relief Administration

Any complete assessment of the Marshall Plan and the origins of US foreign assistance must look back another three decades to the end of WWI and the US food relief in Europe. While not directly comparable to the ERP, both the United States Food Administration and later the American Relief Administration (ARA), programs run by Herbert Hoover, helped pave the way for all subsequent foreign aid efforts.

The ARA was founded on February 25, 1919 and received \$100 million[12] in appropriated funding for relief in Europe. In the preliminary report submitted by Hoover to president Wilson on November 24, 1919 and transmitted to Congress on December 2, 1919, the ARA reported having spent 88 percent of the funding on relief supplies sold to the governments of Poland, Czechoslovakia, Armenia, Russia, Estonia, Latvia, Lithuania, and Finland. Interestingly, none of these countries participated in the Marshall Plan – seven of them found themselves on the wrong side of the geopolitical divide. Finland was excluded due to its neutrality towards the USSR – for fear of jeopardizing its status of neutrality, it did not apply for Marshall Plan funds.[13]

[11] Arkes, *Bureaucracy*, p. 3.
[12] Approx. \$1.5 billion in 2021 currency.
[13] Gardner, *The Marshall Plan*, p. 120.

For the ARA sales, the respective governments provided treasury notes in a form approved by the United States Treasury, bearing 5 percent interest, with maturity dates between June 30, 1921 and June 30, 1924. The remaining 12 percent were donated in assistance to private organizations set up in each country under direction of the ARA to provide food to undernourished children.[14]

It is worth speculating as to why Hoover's work has not received the same recognition as that of George Marshall. While the two programs differ significantly in their ambitions, goals, design, and scope, they have both been considered effective and successful. However, the course of history diverged wildly in the years immediately following each program. Hoover's efforts were quickly overshadowed by the Great Depression, a crisis in which he, as president, played a central role, and another world war, while the decades following the Marshall Plan saw continued economic growth and prosperity in Europe.

According to Best, "the use of the word 'relief' to describe American food operations in Europe, then, was an unfortunate choice, suggesting as it does that those operations were a matter of charity. While in the long run the program of furnishing food to Europe did turn out to be largely a charitable venture (as American loans were in almost every case never repaid), it was certainly not viewed as such at the time."[15]

To Judt, this was the critical difference between the relief programs after WWI and the Marshall Plan. While, according to Judt, the ERP mostly provided grants[16], the loans in the post-WWI period were predominantly supplied through private capital markets. Thus, they came at a price and were usually short-term. Berend considers "Black Thursday" in 1929 to have been a turning point, resulting in a tremendous shock that virtually paralyzed international financing.[17] At the onset of the Great Depression, when the loans were called, the effects were disastrous. After WWII, American policymakers avoided making the same mistakes. As Judt puts it, "the Marshall Plan is significant not just for what it did but for what it was careful to avoid."[18]

The ARA program was designed primarily to address a pressing domestic issue by securing new markets for two commodities: wheat and pork, the production of which had seen a steep increase during the WWI years. When the war ended, the US was left with a large surplus at production prices that could not support the new peacetime market price. Hence, a government intervention was needed and foreign assistance was used as a means to subsidize the domestic agricultural sector.

The closure of ARA's Paris office on August 23, 1919 marked the end of the program. As the New York Times reported, the feeding of four million underfed children in various parts of Europe would continue through a charitable organization formed by Hoover, with its main offices in New York.[19]

[14] U.S. Congress. House. *Message from the President,* p. 2.
[15] Best, *Food Relief*, p. 81.
[16] For an analysis of the composition and type of Marshall Plan aid, see Chapter 4.
[17] Berend, *An Economic History*, p. 59.
[18] Judt, *Postwar*, p. 98.
[19] *Hoover Relief Work Ends*, p. 22.

In light of the later aid programs, it is particularly interesting to look at the ARA's – the new private organization operated under the same name – twenty-two-month relief program in response to the great famine in Russia in the spring of 1921. Under a treaty between the Soviet government and the ARA dated August 20, 1921, a mission staffed by some 180 Americans was established in Russia. The staff was specifically instructed by Hoover to abstain from any politically tinged action or even discussion of political and social questions. In striking contrast to the Cold War years, during the entire course of the mission, Soviet authorities apparently did not accuse any members of the ARA of instigating or encouraging counterrevolutionary or espionage activity.[20]

As a private corporation funded primarily by the US Government as well as public contributions, the ARA saw itself as bearing a clear responsibility to the American people. Its guiding principles, many of which were later incorporated into the Marshall Plan and guided most subsequent development programs including those at USAID, stipulated that all aid purchased with ARA dollars was to come from US suppliers, that only US ships were to be used for its transport, and that only American staff would direct and supervise the distribution in Europe.[21]

2. Geopolitical Background and the Lead-up to the Marshall Plan: Multilateral vs. Bilateral Aid

The end of WWII brought about a major shift in US foreign policy. Through the Truman Doctrine, pledging political, economic, and military assistance to any besieged democracy, the US ended its long-lasting legacy of isolationism.

On February 21, 1947, Britain informed the US that it would be halting its aid to Greece and Turkey, the countries seen as critical in countering Soviet influence and in preventing the spread of communism into the Mediterranean and the Indian Ocean. In February 1947, Greece was, according to Jones, "within weeks of economic, moral and military collapse that would leave power to the local armed Communist bands, which, supported by Greece's Communist neighbors to the north, were already successfully defying the authority of the government in large parts of the country. If Greece fell to Communist control and Soviet domination, Turkey, three-quarters encircled, would also fall in time, as would Iran."[22]

Britain's decision effectively handed over the job of world leadership, with all its burdens and glory, to the US[23] According to Jones, "this sudden spark set off a dazzling process which within fifteen weeks laid the basis for a complete conversion of American foreign policy and of the attitudes of the American people toward the world."[24]

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[20] Weissman, *The Aftereffects*, p. 411.

[21] American Relief Administration, *Bulletin*, p. 2.

[22] Jones, *The Fifteen Weeks*, p. 11.

[23] Ibid., p. 7.

[24] Ibid., p. 8.

Given the imbalances in the global economy at the end of WWII, this development was not unexpected. As Arkes notes, comparing the conditions in Europe to the ones in the US: "There was no doubt, then, as to where the principal source of supply lay in the materials Europe needed for reconstruction. Nor was there very much doubt on where the principal source of liquidity was in reviving European trade."[25]

While the US might have been the obvious source of the required assistance, the choice of a mechanism best suited to its foreign policy goals was not immediately apparent. In the aftermath of WWII, the bulk of international foreign assistance flowed through multilateral institutions such as the United Nations. Like the ARA, the UNRRA program was founded on the principle that provisions should be distributed irrespective of politics, race or religion. According to a 1948 UNRRA report, "the Administration worked unceasingly to carry out this policy to the letter."[26]

With $2.7 billion, the US contributed a disproportionate share (about 70 percent) of UNRRA's funding. While perhaps not fully expecting to control its policies and exercise political influence through the organization, the fact that a sizable amount of the assistance ended up in countries at odds with US interests – for instance, in the case of Yugoslavia – certainly posed challenges to its mandate.[27]

The UNRRA program and the ERP were comparable in terms of both the magnitude and composition of aid. As of September 30, 1947, UNRRA's supply program was valued at almost $2.9 billion, approximately 59 percent of which was spent on food and clothing.[28] UNRRA's approach prioritized immediate relief. As noted in its 1948 report: "The other 'R', for Rehabilitation, had, in every way, to come second. Even with resources ultimately totaling more than the three billion dollars, UNRRA could not hope to 'restore' the economy of a country that had been through years of war. It couldn't even hope to 'restore' transportation or public utilities or communications of mines or ports or factories to their pre-war levels or conditions. Instead, UNRRA chose to make its rehabilitation target just this: To put back into running order those segments of a nation's economy which were necessary to carry out the relief program, and to give each country and its people some of the tools to begin to help themselves."[29]

By the summer of 1946, the US, Britain, and Canada, UNRRA's main backers, had decided to end its activities and opposed the creation of any elaborate international organization to replace it. Among the reasons for this decision, the New York Times cited the belief that, with some exception, the most pressing need for relief had passed; further, there was a feeling that continued relief would negatively impact the recipient countries' efforts to "assist themselves." Substantial administrative expenses were also cited. As noted by the Times, there might have been

[25] Arkes, *Bureaucracy*, p. 49.

[26] United Nations Relief and Rehabilitation Administration, *The Story of U.N.R.R.A.,* p. 16.

[27] Arkes, *Bureaucracy*, p. 44.

[28] United Nations Relief and Rehabilitation Administration. *The Story of U.N.R.R.A.*, Appendix.

[29] Ibid., p. 5.

an additional motive: "It is not admitted in official quarters, but the larger conflict among the major Allies is also a contributing factor. The feeling here is that under the constitution of the UNRRA, and under the political structure that now exists in eastern Europe, the Soviet Union is able to demand concessions from the nations in its European bloc while saddling the UNRRA and its principal contributors with the task for relief in the Soviet bloc."[30]

The 1948 UNRRA report summarizes the argument expressed at the fifth UNRRA council meeting in Geneva in August, 1946: "Most liberated countries had functioning governments. They could procure and ship supplies better than an international organization. Countries short of foreign exchange could turn to the International Bank and Monetary Fund. To the extent that assistance was not supplied by the Bank and the Fund, the proper solution was for a needy country to apply, on an individual basis, to another country which was able and prepared to help. Thus, future relief efforts were placed on a bilateral, rather than an international, basis."[31] The New York Times coverage of the events mentions yet another reason, namely "the suspicion in some quarters that UNRRA supplies sent into Communist-controlled areas have strengthened the Russian position there without earning any real recognition for the non-Communist contributors."[32]

According to Arkes,[33] Lees,[34] and Steil,[35] it was the events in Yugoslavia, one of the largest recipients of UNRRA assistance, that moved the needle away from existing multilateral channels. There were charges that UNRRA supplies in Yugoslavia were being used as a political weapon and to clothe and transport the Yugoslav army. The UNRRA administration sent in external investigators to look into the accusations and they reported that the misuse of UNRRA supplies in Yugoslavia was both negligible and confined to isolated, local cases.[36]

The broader issues involving Yugoslavia were border disputes with Italy, including the question of Trieste, as well as Tito's continued support to the Communist insurgents in Greece. The tensions escalated when Yugoslav fighter planes forced a US transport plane down in a field near Ljubljana on August 8, 1946, detaining the passengers and crew. According to the Times, it was "the climax to a long series of incidents that resulted in the handing of a formal note to US Chargé d'Affaires Harold Schantz."[37] The note stated that between July 16 and August 8, 172 unauthorized flights took place over Yugoslav territory, including 87 bombers, 40 fighters, and 45 transports.[38] Following the incident, the US military attaché informed the Yugoslav Government that an order had been issued forbidding American planes to fly over

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[30] Reston, *End of UNRRA*, p. 1.

[31] United Nations Relief and Rehabilitation Administration, *The Story of U.N.R.R.A.,* p. 44.

[32] *A Substitute for UNRRA*, p. 23

[33] Arkes, *Bureaucracy*, p. 44.

[34] Lees, *Keeping Tito Afloat*, p. 18.

[35] Steil, *The Marshall Plan*, p. 40.

[36] United Nations Relief and Rehabilitation Administration, *The Story of U.N.R.R.A.*, p. 16.

[37] *Yugoslavs Force U.S. Air Transport*, p.1.

[38] Foreign Relations of the United States, *1946, Volume VI.*

the territory of friendly nations.[39] However, ten days later, another plane was attacked and subsequently crashed with the loss of all on board. Lees argues that, "as a result of the air attacks, the question of US participation in the UNRRA program in Yugoslavia quickly became a topic of national debate,"[40] while Steil, in his 2018 book, inaccurately asserts that "the planes were shot down while inadvertently passing over Yugoslav territory on their way from Austria to Italy."[41]

Given that the decision to move away from the existing multilateral channels was made before the plane incidents, the role of Yugoslavia in the genesis of the Marshall Plan appears to have been exaggerated. Nevertheless, the events in Yugoslavia are a good illustration of some of the dilemmas the US was facing on the ground as the tensions in Europe escalated.

Notwithstanding the direct provision of funding to the intended recipient through a bilateral program, there were risks associated with control over foreign aid. In his September 1947 evaluation of Marshall's proposal, the legal scholar and Yale Law School professor Edwin Borchard notes: "The chances are not weak that the reparations of Italy and other countries payable to Russia and her satellites may be siphoned off from American loans to Italy and other reparation paying countries."[42]

Thus, in addition to being able to control who received the aid, the new program would require the establishment of a bureaucratic apparatus to assess the needs of recipient countries, manage and oversee the distribution of aid, and to report back to Congress.

3. Political Process, Goals and Design

Triggered by Britain's diplomatic notes on February 21, 1947 and ending with the signing of ERP into law on April 3, 1948, the political process was characterized by a seldom seen close cooperation between a Democratic Administration and a Republican Congress. The CRS report notes: "As a Democratic President facing a Republican-majority Congress with many Members highly skeptical of the need for further foreign assistance, Truman took a two-pronged approach that greatly facilitated development of a program: he opened his foreign policy initiative to perhaps the most thorough examination prior to launching of any program and, secondly, provided a perhaps equally rare process of close consultation between the executive and Congress."[43]

Sanford notes that opposition to any substantial financial commitment to Europe, on both practical and philosophical grounds, was expected from both conservative Senate Republicans, as well as some Democrats.[44] In his critique of the proposed plan, Borchard writes: "First we spend billions, not, it is true, with

[39] *Yugoslavs Force U.S. Air Transport*, p.1.
[40] Lees, *Keeping Tito Afloat*, p. 18.
[41] Steil, *The Marshall Plan*, p. 40.
[42] Borchard, *Intervention*, p. 887.
[43] U.S. Library of Congress, *The Marshall Plan,* p. 4.
[44] Sanford, *The Marshall Plan*, p. 6.

a view to destroying Europe but having that effect. Now we are to spend new billions to restore Europe with the promise that it will be interpreted as American imperialism."[45]

For the Marshall Plan to be a genuinely bipartisan program, the Administration needed to secure support from Republican leaders in Congress. The central figure in this effort was the chairman of the Foreign Relations Committee, Republican Senator Arthur H. Vandenberg from Michigan. Once a staunch isolationist, Vandenberg became a firm supporter of an international peacekeeping role for the US after the attack on Pearl Harbor.[46] On March 1, 1948, Vanderberg defended the proposed bill in the Senate, noting, in regard to the work of the Harriman committee: "I do not know how any great problem in public policy could have been submitted to more competent audit. I commend this thought to prejudicial critics who do not and could not have comparable access to all the facts."[47] The Harriman, Krug, and Nourse committees were created in an effort by the Administration to build public support at home. They were tasked with analyzing Europe's needs, examining the resources available domestically to support such a program, and studying the effect an enlarged export burden would have on US domestic production and prices.[48]

Following the communist coup in Czechoslovakia in February of 1948, there was also a sense of urgency, as noted by Vanderberg in his statement on the Economic Cooperation Act of 1948 on March 1, 1948, referring to the communist threat in Europe and its impact on lasting peace and the national interest of the US: "Every Senator knows that these dangers are even greater than they were when those words were written only two short weeks ago. The fate of Czechoslovakia, where any semblance of democracy has just been gutted by subversive conquest, underscores this solemn thesis. The kindred fate of brave little Finland may be adding to the ominous score this very afternoon even while we debate an axiom, namely, that aggressive communism threatens all freedom and all security, whether in the Old World or in the New, when it puts free peoples anywhere in chains."[49]

The Senate Foreign Relations Committee unanimously endorsed the bill after five weeks of public hearings and ten days of continuous executive sessions. According to Vandenberg, the committee "confronted many serious perplexities involving wide divergencies of opinion in and out of Congress." He singled out the administration of the program as perhaps the greatest challenge: "It is the universal opinion that the success of the enterprise is largely dependent upon the character of its management. It is the universal opinion that its overriding economic purpose requires the highest available type of seasoned business experience and the widest possible autonomous authority for those who patriotically assume these vast economic responsibilities."[50]

[45] Borchard, *Intervention*, p. 887.
[46] Sanford, *The Marshall Plan*, p. 6.
[47] U.S. Congress. *Congressional Record,* p. 1917.
[48] U.S. Library of Congress, *The Marshall Plan,* p. 4.
[49] U.S. Congress. *Congressional Record,* p. 1915.
[50] Ibid.

Wexler notes that “during the congressional hearings themselves, several witnesses expressed outright opposition to a European aid program, while others expounded solutions that were clearly designed to change the basic character of the Administration’s proposal.”[51] Congressman Cliff Clevenger, a Republican from Ohio, stated that he was not so much worried over “Red” expansion in Europe as he was over the chance the US would go bankrupt.[52]

Among the opponents, curiously, was former president Herbert Hoover, who challenged the basic concept of a continuing recovery program as “unwise” and proposed that all foreign aid be limited to $3 billion, that it remain limited to the basic categories of food, steel, and petroleum, and that not even a moral commitment be made beyond the first fifteen months.[53] As reported by the New York Times, Hoover’s views were attacked by the Senate Minority Leader as well as by the Committee for the Marshall Plan to Aid European Recovery which “emphasized the importance of prompt help, sufficient aid to accomplish the entire task, assistance based on mutual respect and honor, and support that would bring the recovery and self-support instead of a hopeless debt.”[54]

While previous relief efforts, among them most notably that of Hoover’s ARA, were driven primarily by domestic issues, humanitarian need, or a combination of both, the ERP was conceived as a foreign policy tool in line with the Truman Doctrine. It was triggered both by the needs that existed in Europe and by foreign policy interests, while also taking into account business interests and the domestic economy.

The passing of the ERP legislation can be seen as an extraordinary achievement in itself. However, the legislative process was heavily impacted by various domestic interest groups, resulting in significant inefficiencies and higher costs to US taxpayers.

In his testimony before the Senate Committee on Foreign Relations, Paul Hoffman offered his view of the national interest in connection with the plan’s objectives: “We feel that the Congress wants us to keep constantly in mind, and first in mind, the fact that this is a European recovery program, that out of the 42,000,000 taxpayers in America, there are perhaps 30,000,000 who get nothing directly out of this program as far as any profits are concerned, so far as anything they might sell is concerned, to Europe. What they get is only what we think is the important gain, and that is recovery and, through recovery, enduring peace. That applies to the overwhelming majority of the taxpayers who are supporting this program.”[55]

There was a clear hierarchy of priorities in the Economic Cooperation Act of 1948. First came “the general welfare and national interest of the United States,” which was seen as endangered by the situation in Europe. Therefore, “principles of individual liberty, free institutions, and genuine independence” needed to be

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[51] Wexler, *The Marshall Plan*, p. 26.

[52] U.S. Congress. *Congressional Record,* p. 1924.

[53] *Mr. Hoover’s ERP*, p. 22.

[54] *Marshall Plan Group Opposes Hoover Ideas*, p. 49.

[55] U.S. Congress, *Extension of European Recovery,* p. 54.

restored by establishing "sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance."[56]

The Act goes on to define four specific goals: (1) a strong production effort, (2) the expansion of foreign trade, (3) the creation and maintenance of internal financial stability, and (4) the development of economic cooperation, including all possible steps to establish and maintain equitable rates of exchange and to bring about the progressive elimination of trade barriers.[57]

The mechanisms under the Marshall Plan included commodity purchases, by far the most important part of the program in terms of the dollar value, technical assistance to the participating countries, direct project financing, and investment guarantees for US companies looking to invest in Europe. Counterpart funds – local currency deposits matching the grants provided by the US – were a key component of the program. Further, the ERP funded the European Payments Union (EPU). Lastly, ECA's information activities merit special mention.

4. Programs and Impact

In total, the ECA allotted approximately $12.4 billion[58] to the participating countries over the 45-month period from April 3, 1948 – December 31, 1951.[59] However, most of the subsequent analyses are based on the ECA's thirteenth and final detailed report to Congress for the quarter ending on June 30, 1951.

In the 39 months through June 30, 1951, ECA's cumulative procurement authorizations totaled $11.9 billion, of which France and the UK received 44.4 percent, followed by Italy (11.1 percent) and West Germany (10.9 percent). At $11.6 billion, commodity purchases accounted for 97 percent of the total. To the German historian Werner Abelshauser, this simply represented a continuation of the relief provided after the end of WWII. Since most European countries did not have access to US dollars to finance their imports from the US, Abelshauser argues that while this aid was necessary, it contributed very little to the promotion of intra-European trade.[60]

More than 90 percent of the Marshall Plan aid was provided in the form of grants, both as direct grants and as conditional aid. However, a closer look at the table reveals that this was not the case in all Marshall Plan countries – in Ireland, 88 percent of the funding was distributed in the form of loans, while in Portugal, loans accounted for 73 percent of the aid received. In the case of Ireland, due to its importance to the UK economy, aiding Ireland in the first place meant helping the UK – by contributing to British food supplies and by alleviating Britain's financial

[56] *Foreign Assistance Act of 1948*, Sec. 102 (a).

[57] Ibid. and Wexler, *The Marshall Plan*, p. 5.

[58] Mutual Security Agency, *First Report to Congress*, p. 56.

[59] The ECA was effectively abolished on December 30, 1951 by the Mutual Security Act of 1951, marking the end of the Marshall Plan in an administrative sense.

[60] Abelshauser, *Der kleine Marshallplan*, p. 215

Table 4.1. ERP Allotments by Country and Aid Type
Apr. 3, 1948 - June 30, 1951
(in current $ millions)

	Direct Grants	Loans	Conditional aid	Total	Pct
Austria	$556.1	$0.0	$4.7	**$560.8**	**4.7%**
Belgium-Luxembourg	$17.8	$68.1	$460.7	**$546.6**	**4.6%**
Denmark	$217.3	$31.0	$9.1	**$257.4**	**2.2%**
France	$2,201.0	$182.4	$61.4	**$2,444.8**	**20.6%**
Greece	$515.1	$0.0	$0.0	**$515.1**	**4.3%**
Iceland	$15.9	$4.3	$3.5	**$23.7**	**0.2%**
Ireland	$18.0	$128.2	$0.0	**$146.2**	**1.2%**
Italy	$1,155.2	$73.0	$86.7	**$1,314.9**	**11.1%**
Netherlands	$796.4	$150.7	$31.6	**$978.7**	**8.2%**
Norway	$190.8	$35.0	$10.9	$236.7	2.0%
Portugal	$5.5	$36.7	$8.3	**$50.5**	**0.4%**
Sweden	$0.0	$20.4	$98.1	**$118.5**	**1.0%**
Trieste	$33.4	$0.0	$0.0	**$33.4**	**0.3%**
Turkey	$62.2	$73.0	$17.3	**$152.5**	**1.3%**
United Kingdom	$1,957.0	$336.9	$532.0	**$2,825.9**	**23.8%**
West Germany	$1,078.7	$0.0	$218.6	**$1,297.3**	**10.9%**
Yugoslavia	$29.0	$0.0	$0.0	**$29.0**	**0.2%**
EPU Capital Fund	$350.0	$0.0	$0.0	**$350.0**	**2.9%**
Total	**$9,199.4**	**$1,139.7**	**$1,542.9**	**$11,882.0**	**100.0%**

Source: Adapted from Economic Cooperation Administration's *Thirteenth Report to Congress.*

problems. Whelan notes that "while it would have been difficult for the Americans to exclude Ireland from the Marshall Plan, they could signal their displeasure with neutrality and recent congressional lobbying on partition by allocating loans and not grant aid."[61]

West Germany appears to have been a special case altogether – while no loans to West Germany are reported in the ECA report, the agreements with the FRG included a special clause stipulating that all provided assistance would constitute a claim against West Germany.[62] After delays caused by Adenauer's government's reservations, in particular in regard to assuming financial obligations incurred by the Allied Military Government, on December 15, 1949, Adenauer and the US High Commissioner, John J. McCloy, signed the ECA agreement, West Germany's first major international agreement, making it a full partner in the ERP. As noted in the New York Times, the agreement differed from the

[61] Whelan, *Ireland and the Marshall Plan*, p. 57
[62] See ECA's *First Report to Congress*, Supplement, p. 161 and p. 200.

ones with other Marshall Plan countries as the funds given to Germany would represents a "claim" against future export proceeds rather than a loan or grant. McCloy assured Adenauer that, when the time came to collect, the US would consider Germany's economic situation.[63]

At the London debt conference on February 27, 1953, the FRG's debt to the US was reduced from $3 billion[64] to $1 billion, to be paid back over a 35-year period and bearing 2.5 percent interest.[65] Given the subsequent decades of sustained economic growth, the FRG had little difficulty adhering to the repayment schedule; the last installment was paid back in 1988.[66]

According to Steil, the decision to extend the aid in the form of loans was made in order to prevent these funds to be used for financing Germany's external obligations. As he puts it, the Truman administration "cleverly prevented this fate by classifying its aid to Germany as *credits*, rather than grants, and then requiring other Marshall aid recipients to forgo claims on Germany until the country repaid those credits."[67] He concludes that "Washington forced Germany's neighbors to choose between Marshall aid and trying to collect on German debts. They chose the sure thing: U.S. aid."[68]

In ECA's reports there appears to be no evidence of the status of German aid being part of the aforementioned strategy and the special provision did not come into effect until December of 1949. However, it is true that the Marshall Plan aid alleviated the need for certain countries, most notably France, to insist on Germany paying maximum reparations. The issue was explicitly addressed in the Economic Cooperation Act: "The Administrator will request the Secretary of State to obtain the agreement of those countries concerned that such capital equipment as is scheduled for removal as reparations from the three western zones of Germany be retained in Germany if such retention will most effectively serve the purposes of the European recovery program."[69] The ECA and Paul Hoffman personally played a critical role in this process.

4.1 Commodity Purchases

Abelshauser is critical of both the structure of aid and of the form of delivery. He argues that not a single dollar actually flowed to West Germany, since the funding was used to pay US exporters directly in the US, pointing also to the fact

[63] Raymond, *Bonn Signs Accord*, p. 10.

[64] This figure consists of $276.2 million in pre-GARIOA assistance, $1,534.5 in GARIOA, and $1,540.7 in ECA and related aid. It was reduced by $337.4 million in surplus property obligations (credits to United States including 5-percent counterpart) (U.S. Congress, *Debt Agreements*, p. 6.). GARIOA (Government and Relief in Occupied Areas) was a U.S. assistance program to West Germany through the Department of the Army.

[65] U.S. Congress, *Debt Agreements*, p. 6.

[66] Dohmen, *Als Deutschland viel Kredit genoss*.

[67] Steil, *The Marshall Plan*, p. 358.

[68] Ibid., p. 359.

[69] *Foreign Assistance Act of 1948*, Sec. 115 (f).

that the aid consisted primarily of tobacco and cotton and, thus, could not have contributed significantly to the reconstruction of West Germany.[70]

Looking at the breakdown of the ERP commodity procurement authorizations, it is evident that the composition of aid was not in perfect alignment with the goal of Europe's economic recovery, nor was it driven solely by the recipients' needs. In his 1949 congressional testimony, Hoffman noted that, in addition to promoting the recovery of Europe, the Economic Cooperation Act included measures designed to meet certain specific needs of the US economy. According to Hoffman, these goals did align, as "the great bulk of European requirements – for example for wheat and cotton – has coincided with our own ability to supply the needed commodities."[71]

It should be noted that the composition of aid for West Germany, while consisting not only of tobacco and cotton, as implied in Abelshauser's criticism, did differ significantly from the composition of aid for the ERP as a whole. In the FRG, cotton accounted for approximately 21 percent of the total (compared to 13.3 percent for the ERP overall) and tobacco for 6 percent (4.2 percent overall). Food, feed, and fertilizer accounted for 46.5 of the procurement authorizations (30.1 percent overall); within this category, the bulk of the aid was spent on bread grains and coarse grains, which accounted for 30 percent of all West German aid (19 percent for the ERP overall). The categories whose share for the FRG was significantly lower than their share in the ERP overall were fuel (4.6 percent vs. 14.8 percent) and machinery and vehicles (3.3 percent vs. 17.4 percent).

Over 70 percent of all commodities under the ERP came from the US and approximately 90 percent from the Western Hemisphere (US, Canada, and Latin America). For raw materials and semifinished product*s,* the US share was 71.5 percent while practically all goods in the machinery and vehicles category came from the US (97.6 percent). Oil from the Middle East represented the bulk of imports from other territories (80.9 percent of the $608 million).

At $507 million, procurements from participating countries accounted for only five percent of the total authorizations; more than three quarters of the total was spent on fuel, i.e., petroleum ($304.7 million) and coal and related fuels ($85.8 million).

Although the commodity purchase program contributed, at least directly, very little to the promotion of intra-European trade, it did have a significant indirect impact. As Wexler notes: "To expand their production, European countries would have to continue to undertake capital investment at rates that could not be sustained by existing levels of domestic savings. Dollar grants and loans extended under the ERP would thus provide the supplementary resources needed to acquire both consumption goods and capital goods."[72]

[70] Abelshauser in Schickling, *Mythos oder Masterplan?*
[71] U.S. Congress, *Extension of European Recovery*, p. 6.
[72] Wexler, *The Marshall Plan*, p. 86.

Table 4.2. ERP Procurement Authorizations: Commodities
Apr. 3, 1948 - June 30, 1951
(in current $ millions)

Category	**Amount**	**Pct**
Food, feed, and fertilizer	$3,192.9	30.1%
of which bread grains and coarse grains	*$2,022.0*	19.0%
of which other (fats and oils, sugar and related products, meat, dairy products, feeds and fodder, fertilizer, other)	*$1,170.9*	11.0%
Fuel	$1,567.8	14.8%
of which petroleum and products	*$1,249.3*	*11.8%*
of which coal and related fuels	*$318.5*	*3.0%*
Raw materials and semifinished products	$3,430.4	32.3%
of which cotton	*$1,411.2*	*13.3%*
of which nonferrous metals and products (copper, aluminum, zinc, lead, other)	*$662.4*	*6.2%*
of which iron and steel mill products, incl. ferro-alloys	*$299.6*	*2.8%*
of which chemicals and related products	*$283.8*	*2.7%*
of which other	*$773.4*	*7.3%*
Machinery and vehicles	$1,853.6	17.4%
of which machinery and equipment (machine tools, construction and mining equip.; metalworking, electrical, and other industrial machinery; agricultural machinery, tractors)	*$1,476.1*	*13.9%*
of which motor vehicles and parts	*$224.7*	*2.1%*
of which aircraft, engines, and parts	*$99.5*	*0.9%*
of which other transportation equipment	*$53.3*	*0.5%*
Miscellaneous and unclassified	$580.2	5.5%
of which tobacco	*$450.5*	*4.2%*
of which other	*$129.7*	*1.2%*
Total	**$10,624.9**	**100.0%**

Source: Adapted from Economic Cooperation Administration's *Thirteenth Report to Congress*.

4.2 Technical Assistance

The Marshall Plan introduced the concept of technical assistance, a standard tool in contemporary foreign assistance. As of June 30, 1951, technical assistance authorizations totaled a mere $28.8 million. Interestingly, assistance to Greece accounted for more than a quarter of the total; $3.3 million (11.5 percent) was given to the OEEC. Activities under the Technical Assistance Program were broken down into the following fields: industrial productivity, agricultural productivity, manpower utilization, public administration, transportation and communication, development of overseas territories, marketing, tourism, and program management.

Wexler offers the following assessment of the Technical Assistance Program: "It was an undertaking, moreover, that did not get off the ground until well into the second year of the ERP, and moved into high gear only during its last few months. Finally, it was an undertaking that even at its peak level of activities was still beset by conflicting views on desirable tactics, duplication of efforts, hazy lines of operational responsibility, and lack of a clear vision. Such a program could hardly perform a miracle within the space of three and a half years."[73]

4.3 Industrial Guarantees

Another component of the ERP was industrial guaranties aimed at attracting private US investment in Europe. In its Thirteenth Report to Congress, the ECA reported having issued 33 convertibility guaranty contracts totaling $30.1 million through the end of June 1951. Wexler cites a total of 38 industrial guaranties, totaling $31.4 million, which were approved and issued during the ERP period, far below the $300 million ceiling set by Congress. The largest guaranty was, perhaps not surprisingly, given to Standard Oil Company to establish oil refining facilities in Italy.[74]

Overall, the industrial guaranty program failed to generate the desired volume of investment. According to Wexler, most of the companies interested in the program were those already operating in Europe, either through their plants abroad or through export activities.[75]

4.4 Industrial Projects

Under the Industrial Projects program, the ECA contributed $565.4 million in funding to 139 projects with a total investment value of $2.25 billion through June 30, 1951. The projects included, among others, manufacturing plants such as steel and paper mills, mining, petroleum refining, power facilities, chemical plants, etc. Out of 139 projects, 39 were in France and 33 in Italy, with the latter receiving almost $171 million, over 30 percent of the total industrial project funding.

Only two of the co-funded projects were in West Germany – a glassworks in Essen-Karnap and an oil refinery in Lingen, together receiving $2.5 million in total funding. Again, this seems to confirm Abelshauser's criticism of the Marshall Plan's role in the *Wirtschaftswunder*.

4.5 Counterpart Funds

From April 1948 through June 1951, the equivalent of $8.5 billion in counterpart funds was deposited by the recipient countries, $7 billion of which had been approved for withdrawal by the ECA.

[73] Ibid., p. 93.
[74] Ibid.
[75] Ibid., p. 88.

As already noted, counterpart funds were local currency funds – the counterpart to the Marshall Plan aid furnished on a grant basis – which were deposited in special accounts by the recipient governments. As of June 30, 1951, 90 percent of the counterpart funds had been used. With the exception of the UK, where the counterpart funds were used almost entirely for debt reduction, the recipient countries used these funds primarily for the promotion of production ($3.9 billion), including investments in areas such as electric, gas, and power facilities ($786.6 million), agricultural programs ($426.7 million), mining and quarrying ($418.3 million), and railroads ($370.6 million).

In West Germany, the largest counterpart funds allocations were for power facilities, coal mining, and electrical machinery. Abelshauser concedes that, while the average share of counterpart funds in the gross fixed capital formation in the years 1949–1952 was relatively low at 5.5 percent, its targeted use did help overcome bottlenecks in the areas of infrastructure and capital goods production and mobilized additional loans from the banking system.[76]

As we have seen, all of the aid extended to West Germany constituted a claim against West Germany and was thus effectively a loan to be paid back in dollars. Abelshauser argues that, by also depositing local currency into the counterpart funds accounts, over the use of which the ECA had the ultimate say, the FRG essentially paid twice for the dollar aid it had received.[77]

Interestingly, the West German ERP counterpart funds were used decades later in the rebuilding of the former East Germany, one of the Eastern Bloc countries that chose not to participate in the Marshall Plan. Furthermore, the balance sheet of the German Reconstruction Loan Corporation (*Kreditanstalt für Wiederaufbau* or KfW) as of December 31, 2021 shows an ERP fund capital reserve of approx. EUR 1.2 billion, demonstrating the kind of long-term impact that every foreign assistance program strives to achieve.

4.6 Information Program

The ECA information program was seen as a critical component of the ERP. The US clearly felt the need to raise awareness of the Marshall Plan and its accomplishments among the general public in Europe. If the Marshall Plan was, in fact, "the greatest act of its kind in the history of the world", convincing Europeans of this distinction was not just a matter of reputation and political good will. If the Marshall Plan was to contain the spread of communism in Western Europe, then promoting awareness of the aid and its source was as crucial as the aid and resulting recovery itself. As noted in the ECA's report to Congress in 1951, France and Italy, together with West Germany and Austria, were the major targets of the communist propaganda drive and would therefore have to be the focus of ECA's information activities.[78]

[76] Abelshauser, *Hilfe und Selbsthilfe*, p. 109.
[77] Ibid., p. 103.
[78] Economic Cooperation Administration, *Thirteenth Report to Congress*, p. 63.

The massive multimedia campaign, financed primarily through counterpart funds, clearly succeeded in raising awareness about the ERP among Europeans and was instrumental in creating the Marshall Plan legend.

5. Special Interests: Shipping & Oil Purchases

Looking at specific examples of shipping and oil purchases offers valuable insight into some of the fundamental dilemmas facing the ECA and many contemporary foreign aid programs. Insofar as there are direct benefits to particular groups, such as suppliers or government contractors, beyond "recovery and, through recovery, enduring peace"[79] there is an inherent conflict of interest.

To Hoffman, a businessman and former president of the automobile manufacturer the Studebaker Corporation, the hierarchy of goals and his own role in the process seemed clear: "We do want to buy what we can buy, of course, in America, because in that way you [the Senate] have given indirect support to the American economy. We do feel that unless otherwise directed we should try to buy everything, anything we finance, and for which procurement proceeds, at the lowest possible price. We should not spend one dime we do not have to spend, and we ought to exact the utmost in value in the way of the dollars that are given to us in trust. That means that if Congress for any reason – and we are not questioning the wisdom of what they are doing – wants us to give particular support to any segment of the American economy, and thus make this somewhat of an American recovery program, all we ask is that we be given very specific and direct instructions, because if you do not give us these instructions we are going to buy where we can buy at the lowest price. If that is not the way you want the program run, we want to be told that."[80]

Both shipping (ocean freight: \$0.8 billion, 6.8 percent) and oil purchases (petroleum and products: \$1.25 billion, 10.5 percent) accounted for a significant share of the ERP funding.

5.1 Shipping

The aggressive campaign by the shipping lobby resulted not only in the blocking of the sale of additional ships – as reported by the New York Times on September 29, 1947, another 230 average-sized merchant vessels were needed to restore the merchant fleets of the Marshall Plan countries to their 1939 levels[81] – but also in the inclusion of the 50-50 provision in the Economic Cooperation Act, requiring that 50 percent of all commodities procured under the ERP be transported in US ships. The significance of this concession is best summarized by Joseph who, commenting on Hoffman's threat that he would ignore the 50 percent rules unless American ships were available at competitive prices, noted: "The storm that was raised by this announcement may be better understood in view of the fact that in a

[79] Hoffman in U.S. Congress. Senate. Committee on Foreign Relations, *Extension*, p. 54.
[80] Ibid.
[81] *Marshall Plan Seen Lacking 230 Vessels*, p. 43.

declining market for shipping the ECA was by far the merchant marine's biggest single customer, with the exception of the armed service."[82]

The consequences of a political decision clearly favoring a very narrow special interest group were manyfold: the slower rebuilding of the European shipping industry, while protecting the US shipping industry, was clearly at odds with the goal of economic recovery; the higher shipping costs were ultimately paid by the US taxpayers; further, the higher shipping rates raised the price of certain commodities purchased by the ECA in Europe, again incurring additional costs for the US taxpayers; lastly, the provision placed an additional administrative burden on the ECA as it was tasked with monitoring compliance with the rule and imposing financial penalties in case of violations.

While the ECA ensured compliance with the provisions, as the difference in cost began to increase, it tried to push back and get the legislators to either make adjustments or give the ECA clear instructions to continue with the policy at the taxpayers' expense. Hoffman maintained that the US shipping industry was being subsidized by the ERP and in December 1948 he threatened to divert bulk cargo shipments to foreign vessels. The United States Maritime Commission countered by arguing that foreign ship operators have deliberately lowered their rates in order to get the ECA to abandon the fifty-fifty provision. A Commission representative argued that should American carriers be forced out, their foreign competitors would soon raise their price to those of American carriers or even higher

In the February 1949 congressional hearings on the Extension of European Recovery, Hoffman made his and the ECA's position very clear: "We do feel that unless we are otherwise directed, we should try to buy everything, anything we finance, and for which procurement proceeds, at the lowest possible price. We should not spend one dime we do not have to spend, and we ought to exact the utmost in value in the way of the dollars that are given to us in trust."[83] He sought clarification regarding the 50-50 provision which required the use of American ships, provided they could be obtained at market rates.[84]

In addition to the direct shipping costs, the price-setting effect of US imports on the European market – a result of an unparalleled volume under the ERP and likely unique in the history of foreign assistance – posed an additional problem. For instance, the higher price of imported American coal – according to Hoffman, in the per ton price of $21, there was between $2 and $3 of excess shipping cost – had the effect of raising the market price in Europe which resulted in higher prices paid locally for British and Polish coal.[85] Not only was this in direct conflict with the goal of European recovery, it also resulted in higher costs for the American taxpayers, due to the fact that some ECA coal purchases were made locally.

In the end, the ECA complied with the 50-50 provision. As Sanford notes, when Hoffman threatened to ignore it, "the reaction of the shipping lobby and

[82] Joseph, *Trends in the Marshall Plan*, p. 14.
[83] U.S. Congress, *Extension of European Recovery*, p. 54.
[84] Ibid.
[85] Ibid., p. 55.

its congressional supporters was apoplectic." Congressman S. Otis Bland, the incoming chairman of the House Committee on Merchant Marine and Fisheries, argued that all other industries supplying commodities or services were receiving the full American price and that there was no reason why the US ships should not get at least 50 percent of the business "at American rates which will permit them to pay American wages and our seamen to enjoy American living standards."[86] According to Sanford, it was the first and last major battle against any interest group that Hoffman lost; however, his willingness to fight for his principles won him enormous respect in Congress.[87]

5.2 Oil Purchases

The Economic Cooperation Act of 1948 favored US suppliers and promoted exports of surplus goods – only those goods for which no surplus existed in the US could be procured elsewhere. These scarce commodities included crude oil and petroleum products, nonferrous metals, and meat – most of ECA-financed meat came from Canada and only horsemeat was supplied from the US[88]

Unlike the shipping provision, the provision guiding the purchase of oil under the ERP was the result of market conditions rather than of a lobbying campaign. However, due to changes in the world oil supply, it would ultimately produce a similar effect.

Oil represented more than 10 percent of all aid distributed under the ERP – more than any other single commodity, and between April 1948 and December 1951, 56 percent of the oil supplied to the ERP countries by US companies was financed by the ECA and the MSA.[89]

With limited supplies of oil from the US, the Middle East was increasingly becoming the main source of oil imports. In a testimony before the Senate Foreign Relations Committee, an attorney for the Independent Petroleum Association of America argued that through the ERP, public funds were directly benefiting the competitive position of a few large oil companies that dominated world-wide petroleum trade.[90] He noted that out of $355 million expended for oil under the ERP during the period April 3 – December 31, 1948, more than two thirds went to these seven companies and their affiliates. Further, applying the US market price to ECA purchases of the otherwise cheaper oil from the Middle East meant that American taxpayers were effectively subsidizing Middle East oil, which, according to the attorney, was flooding the US market at dumping prices.[91]

While the legislators were unmoved by these pleas, Hoffman and the ECA, always looking to maximize the value for the American taxpayers, did challenge

[86] *Hoffman Assailed on ERP Ship Ruling*, p. 29
[87] Sanford, *The Marshall Plan*, p. 10.
[88] Economic Cooperation Administration, *First Report to Congress*, p. 32.
[89] See Table 4.2 and Painter, *Oil and the Marshall Plan*, p. 362.
[90] U.S. Congress, *Extension of European Recovery*, p. 463.
[91] Ibid., p. 464-467.

the big oil companies. The Federal Government filed three civil suits to recover more than $67 million from the Standard Oil Company (New Jersey), Standard Oil Company of California, Texas Company of New York, and Socony-Vacuum Oil Company, along with six subsidiaries, accusing them of overcharging the ECA and the Mutual Security Agency for Middle East oil delivered to Marshall Plan countries in Europe between May 1949 and June 1952.[92]

The suits were ultimately dismissed by the United States Court of Appeals Second Circuit on August 19, 1959,[93] a fact omitted in David Painter's 1984 critical analysis of ERP oil purchases.

The Appeals Court's ruling offers a valuable insight into the inner workings and the complexities of the ERP and the ECA, raising a number of questions that remain relevant to this day. In short, the government was not able to prove that the prices charged were not the lowest competitive market prices. Since the ECA, based on the analyses of its own independent experts, accepted these prices and continued to provide funding for oil purchases at such prices throughout the entire period, the Court concluded that the prices could not have been excessive. The third point mentioned in the ruling, stated to have played no role in the Court's decision, was the question of whether the "lowest competitive prices" provision was merely an expression of policy or whether it was to be construed as a substantive rule.

Given the high concentration and vertical integration of the oil industry, there may not have been such a thing as the "lowest competitive market price" and, given that the regulation was not entirely clear, it was nearly impossible for the ECA to prove the overbilling. While the big oil companies may not have overcharged the US government, they did receive well over one billion dollars in ERP funding, making at least their "regular" profits, likely weakening the competitive position of their independent domestic competitors in the process.

Another oil-related question was that of European refineries. The recipient countries argued that investing in European refinery capacity under the ERP would ultimately result in savings and a reduced burden on the US taxpayer. Painter describes the dilemma within the ECA: "Levy and the oil people in the ECA opposed aiding the expansion of the European oil industry, arguing that this would harm US oil companies operating overseas. On the other hand, ECA officials such as S. W. Anderson and the economists in the ECA Controller's Office felt that the general interest of European recovery took precedence over the special interests of oil companies, and that ECA should support an activity that promised such great dollar savings."[94]

The outcome was entirely predictable: while overall the ECA funded $1.2 billion in oil purchases from U.S companies, only $24 million was provided to increase European refinery capacity.[95]

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[92] *$67,000,000 U.S. Suit*, p. 1.

[93] See *United States v. Standard Oil of California* (270 F. 2d 50).

[94] Painter, *Oil and the Marshall Plan*, p. 373.

[95] Ibid., p. 375.

6. Conclusion: The Legacy of the Marshall Plan and the ECA

The Marshall Plan has become something of a catchphrase for a successful large-scale development effort resulting in enduring prosperity and peace. It likely remains unmatched to this day in both scale and ambition, which could only have been conceived of at such a critical juncture in history – in the aftermath of WWII, a crisis so profound "it could not be escaped by simply returning to previous norms and patterns. The great problem for the United States and for the free world generally, we said, was nothing less than how to build, amid the dangers and uncertainties of our time, a secure and workable free world system."[96] Or, as Steil puts it, "the fact that nothing resembling the Marshall Plan ever emerges suggests just how *sui generis* the conditions surrounding it were."[97]

The ERP's most significant component by far was the commodity purchase program. While it may have indirectly helped sustain high investment rates, contributing to production expansion, it essentially provided relief similar to the aid distributed by the ARA after WWI and the aid extended in the initial post-WWII years by the UNRRA.

The very conception of the Marshall Plan as a bilateral program could be perceived as a failure. As a foreign policy tool, the ERP was both the result of the post-WWII bloc division and the emerging Cold War, as well as its ultimate materialization. As Arkes notes: "Once the consciousness of rival blocs was given the firmness of organizational supports, it was a much shorter step to the accretion of military counterparts in the form of NATO and the Warsaw pact."[98]

The scale of the program, though perhaps difficult to fathom seven decades later, was, on the other hand, minor compared to the national product of the recipient countries, bringing into question the causality between the ERP and Western Europe's recovery. Abelshauser argues that the ERP merely coincided with a period of recovery in which, following the crisis of 1947, West Germany overcame the paralysis of the crash and was able to not only consolidate its economy but also recapture its place in the global economy. Since those were also the declared goals of the Marshall Plan, most observers presumed that there was a causal relationship between the ERP and Western Europe's recovery in general and West Germany's in particular.[99]

From a contemporary perspective, the issue of causality is crucially important: Evaluating a program should extend beyond the binary assessment of the achievement of its goals. It must encompass considerations of causality and the impact of external factors, coupled with efficiency assessments. Curiously, these questions seldom emerge in the analysis of foreign aid, including that of the Marshall Plan. As we have observed, both the technical assistance and investment guarantee programs, standard tools in modern foreign aid, fell short of their intended outcomes.

[96] Price, *The Marshall Plan*, p. 394.
[97] Steil, *The Marshall Plan*, p. 375.
[98] Arkes, *Bureaucracy,* p. 23.
[99] Abelshauser, *Hilfe und Selbsthilfe*, p. 87.

Neither the investment program nor the commodity purchase program was closely aligned with the needs of the recipient countries, and the cost of the latter, despite the ECA's continued efforts, was driven up by special interests. The ECA, with its eyes clearly on the ultimate goal of European recovery, did push back against these interests and reported on the financial implications. The resulting excess costs to the taxpayers, for instance, due to higher shipping costs and a rise in the market price for coal, were calculated and reported by the ECA; the indirect costs of higher prices and suboptimal aid structure and their effects on the program's ultimate goal of economic recovery are much harder to gauge.

While the ERP may have laid the institutional groundwork and introduced some of the guiding principles in regard to the safeguarding and stimulating the domestic economy, it essentially provided relief to a previously developed area, making it substantively different from assistance to the underdeveloped world. As far as the origins of contemporary development aid are concerned, the Point Four program, with its combination of capital investment and technical assistance and a clear focus on the underdeveloped areas, may be a more suitable starting point. As Macekura notes: "Point Four was especially significant because it gave institutional expression to a protean ideology of international development. As the first formal government program explicitly designed to ameliorate social, economic, and political conditions in any "underdeveloped" nation, Point Four brought international development policy into the U.S. foreign policy apparatus to an unprecedented extent."[100]According to Holm, Point Four did not live up to the high expectations; it lacked the extensive Congressional support of the Marshall Plan as well as the necessary bureaucratic apparatus and has been, "at best, a footnote in most scholarship on the early Cold War." To Holm, this is unfortunate. He sees it as the first attempt to encourage world development and notes that "its importance is that it was suggested in the first place."[101] Similarly, in regard to the ERP, he stresses the resulting "establishment of a U.S.-led, organized system of shared ideals and values in which nations across the Atlantic were bound together by socioeconomic ties, principles, and security alliances. In short, it created the concept we now simple refer to as "the West."[102]

The ERP was visionary in many respects with regard to Europe's path towards closer cooperation and, ultimately, unification. This vision was largely modelled on the "American experience" and was formulated clearly in the Foreign Assistance Act: "Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is declared to be the policy of the people of the United States to encourage these countries through a joined organization to exert sustained common efforts as set forth in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, which will speedily achieve that economic cooperation in Europe

[100] Macekura, *The Point Four Program*, p. 130.
[101] Holm, *The Marshall Plan*, p. 107.
[102] Hitchcock in Holm, *The Marshall Plan*, Introduction.

which is essential for lasting peace and prosperity."[103] In the Congressional hearings on the ERP, referring to the Paris conference, Senator Vandenberg remarked that "it was a historic moment. Someday the United States of Europe may look back upon it as we do to the Annapolis Conference which preceded the Constitutional Convention at Philadelphia."[104]

While the Marshall Plan may have fallen short of achieving all of its ambitious goals during its 45-month existence, there is little dispute that it helped steer Western Europe toward a path of peace, prosperity, and integration. Wexler argues that, by the time the program concluded in late 1951, there was no sign of any real progress toward European-wide economic integration, much less political unification.[105] Yet, this narrative isn't entirely accurate: the Treaty of Paris, signed on April 18, 1951, laid the cornerstone for the European Coal and Steel Community, a milestone in the journey of Western European integration.

Paradoxically, the Marshall Plan's most lasting legacy might well reside in the nascent bureaucracy it fostered, with ECA at its nucleus. As Arkes aptly notes: "For example, any analysis of the Marshall Plan would have to give a central place to the performance of the Economic Cooperation Administration (ECA) in its management of the program. Even with all its shortcomings, and perhaps at times in spite of itself, the ECA turned in a performance that has to be judged on the record as a "strikingly principled effort."[106]

With the Marshall Plan, foreign assistance became political and it has remained such to this day. Every foreign assistance program is a product of the ever-shifting balance between the needs of the undeveloped, foreign policy objectives, the national interest of the giver (of the 70 percent of taxpayers receiving no direct benefits[107]), and special interests. Unfortunately, in this power struggle, effectiveness and efficiency, so fundamental to ECA's operations under Paul Hoffman's leadership, may have ceased to be a priority.

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[103] *Foreign Assistance Act of 1948*, Sec. 102.
[104] U.S. Congress. *Congressional Record*, p. 1916.
[105] Wexler, *The Marshall Plan*, p. 253.
[106] Arkes, *Bureaucracy,* 11.
[107] Hoffman in U.S. Congress, *Extension*, p. 4.

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P O V Z E T E K

Začetki bilateralne zunanje pomoči ZDA. Marshallov načrt – zlati standard za sodobno zunanjo pomoč?

Gašper Gabrijelčič

Prispevek proučuje začetke zunanje pomoči ZDA s poudarkom na Programu za obnovo Evrope oz. European Recovery Program (ERP), ki po splošnem prepričanju zaznamuje rojstvo institucionalizirane zunanje pomoči. Program, pogovorno poznan kot Marshallov načrt, je bil zasnovan in utemeljen kot ukrep za zagotavljanje nacionalne varnosti, humanitarni prispevek ter mehanizem za širitev izvoznih trgov in dostop do strateških surovin. Do danes verjetno ostaja edinstven tako po obsegu kot ambicioznosti, ki jo je bilo moč udejaniti samo na tako ključnem zgodovinskem razpotju - pogorišču druge svetovne vojne.

Nakupi blaga, zagotovo najpomembnejša komponenta ERP, so posredno morda pripomogli k ohranjanju visokih stopnenj investicij, kar je prispevalo k širjenju proizvodnje v Zahodni Evropi. Vendar se ta pomoč ni bistveno razlikovala od pomoči Ameriška uprave za pomoč oz. American Relief Administration (ARA) po prvi svetovni vojni ter pomoči Uprave Združenih narodov za pomoč in obnovo oz. United Nations Relief and Rehabilitation Admnistration (UNRRA), ki je delovala prva leta po drugi svetovni vojni. Že samo zasnovo Marshallovega načrta na bilateralni osnovi je mogoče označiti za neuspeh. Namreč, odločitev za nov bilateralni program namesto obstoječih multilateralnih mehanizmov je pomenila radikalen odmik od Rooseveltove vizije, v kateri bi ZDA svoje cilje na globalnem odru uresničevale v okviru novo ustanovljenih Združenih narodov.

Poleg nadzora nad distribucijo pomoči je novi program terjal tudi vzpostavitev birokratskega aparata, prek katerega je bilo mogoče oceniti potrebe držav prejemnic, upravljati in nadzirati logistiko ter poročati zakonodajalcem v ZDA.

Obseg programa, čeprav morda težko predstavljiv sedem desetletij kasneje, je bil po drugi strani zanemarljiv v primerjavi z nacionalnim produktom držav prejemnic, kar postavlja pod vprašaj vzročnost med ERP in okrevanjem Zahodne Evrope. S sodobne perspektive je vprašanje vzročnosti ključnega pomena: vsaka evalvacija bi morala poleg presoje doseganja ciljev vključevati tudi premisleke o vzročnosti ter vplivu zunanjih dejavnikov, skupaj z ocenami učinkovitosti. Zanimivo je, da se ta vprašanja v analizah zunanje pomoči pojavljajo le redko, pri čemer Marshallov načrt ni izjema.

Ne tehnična pomoč ne program investicijskih garancij, standardni orodji v sodobni zunanji pomoči, nista dosegla predvidenih rezultatov. Poleg tega investicije in nakupi blaga niso bili povsem usklajeni s potrebami držav prejemnic; na stroške slednjih so kljub nenehnim prizadevanjem Uprave za ekonomsko sodelovanje oz. Economic Cooperation Administration (ECA), da bi to preprečila, negativno vplivale razne interesne skupine. ECA, povsem osredotočena na končni cilj evropskega okrevanja, je skušala kljubovati pritiskom interesnih skupin in je dosledno poročala o negativnih finančnih posledicah. Tako je, recimo, natančno izračunala dodatne stroške za ameriške davkoplačevalce zaradi višjih transportnih stroškov ter posledično višjih tržnih cen premoga; veliko težje je oceniti posredne stroške višjih cen in suboptimalne strukture pomoči ter njihove učinke na končni cilj gospodarskega okrevanja.

ERP je sicer postavil institucionalne temelje mednarodne pomoči ter uvedel nekatera načela glede zaščite in spodbujanja domačega gospodarstva, a je v osnovi nudil pomoč že razvitim območjem, s čimer se bistveno razlikuje od pomoči nerazvitim državam. Kar zadeva začetke sodobne razvojne pomoči, je verjetno primernejša izhodiščna točka t.i. program »Point Four« s svojo kombinacijo kapitalskih naložb in tehnične pomoči ter jasnim poudarkom na nerazvitih območjih.

Kljub temu je bil ERP v mnogih pogledih vizionarski; z usmerjanjem Evrope k tesnejšemu sodelovanju in, končno, združevanju. Morda ni presenetljivo, da je bila ta vizija v veliki meri zasnovana na »ameriški izkušnji«.

Pri vsaki oceni Marshallovega načrta si ECA zasluži posebno priznanje. Paradoksalno je, da je najbolj trajna zapuščina ERP, čeprav neopevana, morda prav v novonastali birokraciji z ECA v jedru. Ta je bila skrbno zasnovana in usposobljena za učinkovito razdeljevanje pomoči ter krmiljenje skozi zapleteno mrežo pogosto nasprotujočih si zunanjepolitičnih ciljev.

Z Marshallovim načrtom je zunanja pomoč postala politična in taka ostaja do danes. Vsak program zunanje pomoči je produkt nenehno spreminjajočega se ravnovesja med potrebami nerazvitih, zunanjepolitičnimi cilji, nacionalnimi interesi donatorja ter parcialnimi interesi. Žal sta učinkovitost in smotrnost, temeljni vodili pri delovanju ECA pod vodstvom Paula Hoffmana, v tem boju za prevlado bržkone prenehali biti prioriteta.

ISSN 0350-5774

9 770350 577002

ZVEZA ZGODOVINSKIH DRUŠTEV SLOVENIJE • LJUBLJANA •

ZČ | Ljubljana | 78 | 2024 | št. 3-4 (170) | str. 263–512