1973

Aspects of the Economic Motivation Behind the Marshall Plan

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ASPECTS OF THE ECONOMIC MOTIVATION
BEHIND THE MARSHALL PLAN

By
Niels Thorsen

A Thesis Submitted to the Faculty of the Graduate School of Loyola University in Partial Fulfillment of the Requirements for the Master's Degree.
Yet, in a larger context, in which government officials defined peace in terms of international prosperity and viewed domestic prosperity as dependent in the long run upon the international economy, Americans were also accepting short-run economic risks for long-run economic gains. It is in this framework that the Williams thesis merits closer examination for its judgment of the aims of interest groups in the postwar period.

Barton J. Bernstein,
"Economic Policies" in
Richard S. Kirkendall, ed.,
The Truman Period as a Research Field,
(University of Missouri, 1967).
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At least one of the phases of the Cold War, the Truman Doctrine - Marshall Plan period, seems to offer the student a framework that is relatively easy to grasp, if only in a superficial way. The instruments of these actions, the political-military and the economic, are so neatly complementary to each other that it looks as though events had conspired to structure the different needs and objectives of the foreign policy in an intelligible way.

Soon after the end of the Second World War, the United States was faced with a situation that was radically different from what had been experienced after the First World War. Once the balance among the European powers had been restored in 1918, the United States had been able to withdraw its military forces, confident that the scale was tipped in favor of orderly conduct of international affairs.

This retreat was not to be repeated after 1945. The Second World War had left the European counterweight to communist expansion in a state of devastation and despair so profound that it took several years before the destruction of Western Europe in its political, military, and economic aspects was fully realized in the United States. It turned out that whereas American power in 1917 and
1941 had been marginal to the effort of maintaining an equilibrium among the European nations, it now had to carry the full brunt of the endeavor to keep the European Continent in a state where it could exercise no physical threat to the security of the American Continent.

The realization among American policy-makers, that Britain's historical role on the European Continent, by circumstance, if not by design, had been taken over by the United States, was in itself a process of several stages. The Potsdam Conference had shown that President Truman had not irrevocably accepted a communist domination of Eastern Europe; Hiroshima had signified that whatever the character of the American intentions, they were backed by a military potential which even surpassed the economic and industrial preponderance of American power.

In this context, the Truman Doctrine stands out as an interim climax of the American awareness of its new global role. In the spring of 1947, Communist, leftist, and anti-monarchial forces in Greece seemed to be able to overcome the Greek government which had been backed by British military since the German withdrawal in 1944. The function Greece had been supposed to play in a pacified Europe was at stake. To this came the Soviet pressure on Turkey, where the claims to strategic control of the Straits of the Fardanelles had been renewed. The British domination of the Eastern Mediterranean seemed in jeopardy until President Truman on March 12, 1947, formally promised to take over the British obligations as he launched the Truman Doctrine.

However, the British failure in Greece was early understood as
an indication which pointed to the general situation in Western Europe. From the early spring of 1947, State Department planners had carried out research on the problems of European revival. On June 5, 1947, Secretary of State, George Marshall, promised American action for curing the patient, along with the efforts for a neutralization of symptoms. While the Truman Doctrine relied basically on immediate military support to Greece and Turkey, the Marshall Plan employed economic means for a general recovery of Western Europe which would help to check the growth of communism.

The degree to which the Truman Doctrine anticipated the Marshall Plan was indicated in the speech of March 12, in which Truman told Congress that he "believed that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes." Another of the basic assumptions, which served as a main argument in support of the Marshall Plan, was revealed in the conception of a "militant minority exploiting human want and misery, ... [and] able to create a political chaos which ... makes economic recovery impossible." Furthermore, the close relationship between the doctrine and the plan is testified to by George Kennan, author of one of the planning papers which had a decisive influence on the launching of the program of European recovery. The paper ended with a plea that an effort be made in connection with

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2Ibid., p. 176.
the idea of a European recovery program, to correct "what seemed to us to be some of the main misinterpretations that had been created in connection with the Truman Doctrine." President Truman himself stated that the doctrine and the Marshall Plan "are two halves of the same walnut," an unavoidable cliché in any consideration of this period.

If, however, the Truman Doctrine and the European Recovery Program (ERP) have to be regarded as a unit, the question arises of which is the pea and which is the shell of American foreign policy of this period. What is form and what is content, and what might be considered rhetorical devices "to scare the hell out of the American people"? Even if it is generally agreed upon that the doctrine was basically military, while the Marshall Plan was economic, the question about the substance and purpose of both actions appears all the more conspicuous. What was primarily at stake? The democratic institutions of Greece and Turkey or the strategic and economic interests in the Eastern part of the Mediterranean Sea? Was the purpose to help the starving people in Western Europe survive? Was it to save them from subversive communist forces? Or was it perhaps to secure stable markets for export and investment? Did the Americans offer their help in order to secure peace abroad or rather in order

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to prevent social and economic upheaval at home? Should American in-
tervention be regarded as a crusade for peace or as a campaign for
commerce and export? In case these questions should be complementary
to each other, the issue arises of how these different motives were tied
up in the ideology of political economy and in the relationship between
domestic and foreign policy.

Put in this way, it is evident that any answer to the questions
above will attempt to touch upon problems which are basic not only
to the Truman Doctrine and the Marshall Plan but to the context in
which these actions appeared as episodes: the outbreak of the Cold
War. Perhaps even broader: the motivating forces and the basic as-
sumptions of American diplomacy in the age of postindustrial cor-
porate capitalism.
II. The "Realist" and the "Revisionist" Approach to the Marshall Plan

The central importance of the Marshall Plan, for a proper understanding of the themes of the Cold War, has increasingly attracted attention. Two mainstreams of investigation can be outlined; to some degree, both of them seem to correspond to different climates of opinion.

Until the late fifties, the literature on the Marshall Plan was dominated by authors of the "academic-realist" school. With George F. Kennan and Hans Morgenthau as its most widely known spokesmen, this school relied on a concept of power politics as the proper basis for the conduct of foreign policy. This approach to contemporary political issues was an offshoot of a similar approach to history in general.

With the recent experiences of Nazi Germany in clear memory, the academic realists developed their theory of international relations on the assumption of an inherent aggressiveness of states. The desire for maximation of power, which circumscribed this conception of national interest, constituted a set of principles according to which it was possible to calculate actions and reactions in foreign affairs.
A main obstacle to a rational conduct of international politics was found in the intrusion of public opinion into the decision making process.

"A good deal of our trouble seems to have stemmed from the extent to which the executive has felt itself beholden to short term trends of public opinion in this country and from what we might call the erratic and subjective nature of public reaction to foreign-policy questions."

The presence of public opinion in the formulation of foreign relations signified to the academic realists interference of an irrational and highly incalculable factor which tended to break down the distinction between domestic and foreign policy, and hence, confuse the game of competing interests which was best handled by trained experts who knew the proper rules. The involvement of the public had made the environment of states unstable and vacillating, because concepts of individual law had been carried over into the international field and legalistic ideas had been associated with moralistic ones: "the assumption that state behavior is a fit subject for moral judgement." 2

The intent behind this theory was twofold. First it was highly programmatic in its call for "professionalism" to substitute for the current "diplomacy of dilettantism". 3 Secondly, it constituted a critical approach to the history of American diplomacy. In the case


2 Ibid. p. 87.

3 Ibid. p. 81.
of the Marshall Plan, both aspects converged. On the one hand, the ERP was favored as an expression of liberal principles and pragmatic planning. On the other hand, the Marshall Plan had been adopted for the wrong reasons. As Morgenthau described the motivation for the plan:

The issue of military and economic assistance to Western Europe presented itself primarily not as a question of national interest, but as one of moral principle, of selfless generosity. Such aid was defended as a mandate from America's humanitarian past, it was opposed in terms of the unworthiness of the recipients and of the sacrifices it imposed upon the giver.4

Considered as an historical account, serious objections can be raised against this interpretation, as this paper hopes to point out. But also from a more theoretical point of view, this approach seems open to criticism.

The assumption of the fundamental aggressiveness of nations, which must be deterred by the aggressiveness of other nations, appears to be a self-assuring rationale. Expectations of aggression tend in themselves to promote responses, which might insure aggression, even where no offenses were intended from the onset. Hence, the prophecy fulfills itself.5 Secondly, the relationship between public opinion and foreign affairs was hardly as simple as assumed by the academic realists. While it remains true that a public outburst of emotion may at times endanger short-range policies and jeopardize the

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international system, scholars have pointed out that the Truman administration had effective means at its disposal with which to influence or manipulate public opinion. Furthermore, the influence of the bureaucracy now seems to have significant to the point where government agencies were able to plan and pursue policies of their own with only a minimum of interference from the president or public opinion. 6

With its emphasis on containment instead of crusade, on a rational conception of national interest instead of crusading fervor, the academic realism seems, in retrospect, in itself to signify one of the stages of the development of an autonomous bureaucracy within the order of the military-industrial complex. Although some were influential commentators, it is striking how many of the academic realists have had their career in the middle or upper echelons of the establishment of the agencies of official or semi-official foreign policy. On this background, the advocacy of professionalism and expertise suggests the development of a self-conscious status group.

A characteristic that was common for the criticism of the liberal realists was the unwillingness to question the basic assumptions behind the Cold War tension. Representative in this respect were Herbert Feis' contemporary writings. Like Kennan, Feis had been active during the war in the planning of postwar foreign policy. Throughout the forties, Feis advocated a more conscious use of American economic power:

6 Kirkendall, Truman Period, p. 25 f.
It would also be useful if agreement could be reached ... under which, with proper safeguards and limitations, the natural resources of dependent areas were opened to the qualified capital and enterprise of all friendly countries. The extension of the open door remains a sound American aim.7

To Feis it was a basic principle to attempt to stabilize American economic development through actions "to relieve the needs of others, to provide aid in the development of their resources, and to protect our future by investing in theirs."8 The recipient nations, however, had to pledge faith in the principles of liberal trade. As Feis expressed it:

Nations must qualify for economic aid, and cooperate by acting as reliable members of a peaceful international society. The advances of states of uncertain nature should be regarded with caution.... For the "Devil sick" and the "Devil well" continue to be two different principles.9

While these ideas obviously carry a central importance for an understanding of the policy of the Marshall Plan, they also shed light on Feis's more recent writings which stand out more as an accumulation of isolated facts than as an interpretation of the meaning of the events. In view of this background, Feis' neglect of dealing with the world view of the American policy-makers seems to indicate that he has internalized their world outlook to such a

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9Ibid., p. 18. Feis repeated these ideas in 1950 in *Diplomacy of the Dollar*, a striking parallel to Kennan's book about *American Diplomacy* next year. Here Feis made a deliberate attempt to apply the experiences of the twenties to the postwar forties.
degree that he lost the ability to analyze it.\textsuperscript{10}

The most recent argument of the academic realists has been formulated by Robert Tucker. Admitting that radical critique has shed light on the outbreak of the Cold War, Tucker nevertheless retreated to the old proposition of the inevitability of conflict between the superpowers. "What state that achieved the power and eminence America achieved by the end of World War II has not wanted and sought to have the world evolve in an equilibrium favorable to it?\textsuperscript{11} Denying American foreign policy both the disinterestedness and the innocence claimed previously by liberal historians, Tucker confirmed that imperial or imperialistic intentions were dominant in the sixties. The question was when these aspirations became predominant. Applied to Europe, the conventional security interest justified the early policy of containment which was "more or less synonymous with a balance-of-power policy."\textsuperscript{12} The shift of attention from security to imperialism should be placed "somewhere in the middle to late fifties" or at "the time of the Cuban missile crisis," when it became no longer plausible to equate the expansion of communism with the expansion of Soviet or Chinese power.\textsuperscript{13}

\textsuperscript{10} Feis is sometimes excluded from the ranks of academic realism. (For instance, Kirkendall, \textit{Truman Period}, p. 18). In the end this is only a matter of terminology. It does not seem unreasonable to discard the criterion of active criticism and instead place the emphasis on the question of the ultimate inevitability of the outbreak of the Cold War. For a discussion of Feis' opinion, see Gar Alperovitz, \textit{Cold War Essays}, (New York, 1970), p. 7-12, C. Lasch's introduction.

\textsuperscript{11} Robert W. Tucker, \textit{The Radical Left and American Foreign Policy}, (Baltimore, 1971), p. 93.

\textsuperscript{12} \textit{Ibid.}, p. 108.
Of special interest is the analysis of the Truman Doctrine. To Tucker, it was an expression of an interventionism based on security considerations. Hence, the imperialistic implications which radical critique tended to read into the document, were examples of the "habit of emphasizing statements that appear to support the view of the nature of conviction [about the necessity for expansion abroad] and ignoring those that do not."\textsuperscript{14} Pointing out that the doctrine "did not identify freedom with capitalism, nor did it declare that all freedom is dependent upon freedom of enterprise," Tucker read the Truman Doctrine "almost entirely in libertarian and political terms," as opposed to the radical critique that stressed the economic implications of the doctrine.\textsuperscript{15}

With this view, Tucker seems to reveal the basic weakness of his approach. His refusal to acknowledge the implications of the commitment "to assist free people to work out their own destinies in their own way" is startling, as Truman, less than a week before, at Baylor University, had defined the meaning of these key concepts of American diplomacy. No historical document can be understood separately from its context, and a\textit{ priori} to dismiss the connotations, which provide the general meaning of an abstract expression, is unlikely to result in significant conclusions. Furthermore, it is obvious that the doctrine was designed for a broader scene than the

\textsuperscript{13}Tucker, \textit{Radical Left}, p. 110.

\textsuperscript{14}\textit{Ibid.}, p. 64.

\textsuperscript{15}\textit{Ibid.}, p. 65.
domestic. For the question of the motivation behind the statement, the important thing is to attempt to determine the content of these expressions, which in themselves appear quite meaningless. This can only be made if the contemporary context as well as the way the statement was perceived in the United States is carefully examined.

The academic realists regarded the outbreak of the Cold War as an inevitable event, and hence, they seemed to refuse to take up the study of the assumptions which made the Cold War appear inescapable in the middle of the forties. Likely, their difficulties stem from the fact that this school was actively engaged in the formulation of this policy and that the then outlook has been internalized to the point where it is no longer a matter of conscious reflection. However, it appears from the vantage point of the seventies that the disasters of the foreign policy point out the increasing irrelevance of an approach to diplomacy which deals only with the options and never with the basic world view.

It is his bold and perceptive analysis of the underlying assumptions that puts William Appleman Williams in a position to offer an explanation that brings perspective and coherence to the conduct of foreign affairs. This interpretation is related to American Marxist tradition. 16

In his book from 1959, Williams attempted to prove that American diplomacy since the turn of the century had been determined primarily by the economic demands of the world capitalist system. The postwar

diplomacy was molded upon these needs. "Open-door expansion, it appeared, was the answer to all problems - the Russians, markets and raw materials."\textsuperscript{17} The Weltanschauung, which was reflected in the open-door concept was based on an economic definition of the world. At the end of World War II, it consisted of three aspects which explained the policy of containment and were its rationale. The first viewed Russia as being "evil but weak". The second defined the United States as the symbol and agent of positive good and hence of moral superiority, as opposed to Soviet evil. The third aspect of the open-door outlook was "the fear that America's economic system would suffer a serious depression if it did not continue to expand overseas," because forces inherent in the very nature of the capitalist system compelled the policy-makers to expand the economy in order to preserve the institutions of the social and political fabric at home.\textsuperscript{18}

In addition to the analysis of the basic assumptions behind the Marshall Plan policy, Williams drew attention to certain economic features which explained why the plan was launched at this particular moment. To Williams "it would be a grave error to evaluate or interpret the diplomatic moves of 1945 and 1946 in an economic vacuum," because the policy of the open-door "evolved concurrently with deep concern over the economic affairs in the United States." At the end of 1946, "an increasing concern over America's 'staggering' consumption and waste of materials" appeared. In addition to this, the

\textsuperscript{17} Williams, \textit{Tragedy}, p. 268.

\textsuperscript{18} Ibid., p. 230-233.
President's Council of Economic Advisers expressed in early 1947 a "concern about the probability of a serious economic slump." At the same time, Western Europe failed to recover from the war and take its place in the international economy. In short, the Marshall Plan served economic ends, both in the short run, by removing the threat of falling exports in a contracting situation, and in the long run, by building up potential markets. Both considerations were defined by the attempt to secure a world order congenial to the needs of the capitalist system.

Based on Williams' suggestion of the need to examine the basic assumptions behind the Marshall Plan, this paper is an attempt to examine, first, the economic situation in the United States in the spring of 1947 as it was perceived by the Truman administration; and second, the way the ERP affected the contemporary debate over issues of foreign policy. An answer to these questions might make it possible to outline, thirdly, some of the basic economic assumptions which were expressed in the long range motivation for the program, that is, to attempt to uncover the underlying economic objectives of the Marshall Plan and to investigate the concepts that defined the national interest.

19 Williams, Tragedy, p. 267-268.
III. The Marshall Plan in American Politics

At the beginning of 1947, Americans were faced by the astonishing fact "that the peacetime economy can not only equal our wartime economy but can surpass it."\(^1\) Already for 1946 as a whole, production was 50 percent over the prewar peacetime level and only 15 percent under the wartime peak. The annual rates of the last quarter were even above the wartime high, despite "bottlenecks, shortages of materials and components, labor-management disputes and other reconversion difficulties with retarding influence."\(^2\) By midyear, 1947, most of the remnants of the reconversion problems were cleared away and production had reached the annual rate of $225 billion. Americans were eating more food per capita than any previous year, and they were supplied with more goods and services than ever before.\(^3\)

\(^1\)Truman Papers: 1947, p. 211.


\(^3\)U.S., Congress, Senate and House, Midyear Economic Report of the President, Transmitted to Congress, July 21, 1947, Washington,
This unprecedented production was followed by an unemployment rate that was stable at the absolute minimum for an economy undergoing readjustment. At the end of 1946, more than 10 million demobilized veterans and several other millions of wartime workers had been swallowed by the consumer producing industry without much trouble. In June, 1947, civilian employment was held at the record level of 60 million while unemployment throughout 1947 was as low as 1.5 to 2.3 million.

The rise of production had, of course, to be balanced by a corresponding rise in purchasing power. The Employment Act of 1946 had clearly revealed that Congress as well as the administration centered their economic policy around the integration and interdependence of employment, production, and purchasing power. Since 1929, the average income had, at the middle of 1947, risen from 654 to 1090 in fixed prices. In the fourth quarter of 1947, the annual rate of national income had reached a total of more than $200 billion. This meant that each person, on the average, had received an increase of more than 32 percent in power to buy goods and services at the current price level.

On this background, President Truman seemed justified when he prefaced his two first economic reports to Congress with optimistic statements: "America has never been so strong nor so prosperous. Nor have our prospects been brighter." Correspondingly, The New York Times, Jan. 8, 1947, p. 11, and app. B, table XIV, (hereafter Economic Report); Economic Report, Jan. 8, 1947, p. 11-15.

stated in an editorial on New Year’s Day, 1947, that the prevailing view among businessmen was that any recession in business activity would be comparatively small and shortlived and would in any case clear the way for a prolonged period of general prosperity. 7

One danger, however, threatened the miracle of reconversion. "One cloud is shadowing our economic future," as the President put it. "That cloud is caused by the sharp and rapid rise in prices." 8 Due to pent-up demand, left over from the wartime savings, as well as to the general increase in income, demand outbalanced supply to such a degree that the sellers were in total command of the market. After price-control had been abandoned by Congress against the veto of the President in the middle of 1946, prices had skyrocketed. In April, 1947, wholesale prices of textiles were 39 percent above the 1945 level, of farm products 40 percent, of building materials 51 percent, and of food 53 percent higher than in 1945. 9

This rise in prices exceeded by far the rise in personal income, and hence, caused the real purchasing power of the consumer’s dollar to decline more than eight percent in the same period. Thus, in 1947, the increase in domestic consumption outweighed the increase in income by more than 3.5 billion. But in spite of a cash surplus in the


federal budget, purchasing power was still ample in the middle of 1947, mainly because of wartime saving, expansion of credit, and reduction of present saving rates. Furthermore, loans and emergency aid to countries in Europe and Asia sustained exports, and hence, contributed to the fast absorption of production. In the second quarter of 1947, the prices seemed at last to gain a little more stability, though the combined domestic and foreign demands still exerted an upward pressure. 10

Even before the Marshall Plan brought the problems of foreign demands and purchasing power into focus, Truman stressed the importance of export trade as "vital to the maintenance of a dynamic domestic economy." Proposing an expansion of overseas investments "in the first instance as an immediate outlet for goods and services, the supply of which will be increasing in the coming years," he saw an American development of overseas resources as "a means of permanently increasing foreign markets for our farmers and businessmen." 11

But on the other hand, Truman judged the current problems as being mainly of domestic origin, stressing the maladjustments of prices and wages as the primary reason for the heavy inflationary tendency of the economic situation. Accordingly, his short range recommendations dealt exclusively with domestic prices while the long range advice for the economic development emphasized the


11 Ibid., Jan. 7, 1947, p. 3.
expansion of export as the principal means of sustaining the peacetime economy. 12

The tendency to contrast long range considerations for expansion of foreign markets with short range concern for the domestic development of inflation was further underlined when Truman, on March 19, 1947, asked Congress for an extension of export control. One of Truman's reasons was undoubtedly his desire to make use of the export trade for the sake of diplomatic advantages in dealing with other nations. But the main cause was his preoccupation with the domestic supply and price structure. Thus, "unrestrained export would inevitably limit the level of our own industrial production and employment." 13 Similarly, Dean Acheson stated that "it is extremely difficult under the present circumstances to increase the volume of our present export further. For in this country, too, there is a great demand for commodities," 14 an assertion, that is perhaps even more important, as this address contained the embryo of the Marshall Plan.

Thus, already before the formulation of the Marshall Plan, the economic policy of the Truman administration had revealed its inner contradiction between the needs for domestic stability and the desire

12 Ibid., p. 4.


to use the export trade for political purposes. The justification for this was found in the interpretation of the economic experiences after World War I, a parallel always available for more or less careful application. Truman saw the cause for the recession in 1920 in the immediate abandonment of wartime control over domestic prices: "The retail prices had outstripped the increase in consumers incomes so far that consumers' buying power fell sharply and the price structures collapsed. Then followed the drop in production and employment," which had been one reason for the disaster in 1929 as the market had never regained its internal stability and self-confidence. The depression in 1929, however, also had another cause which was to play a major role in the debate of the Marshall Plan: "... not the sole cause.... But I do say a major cause. This was the economic war of bilateral preferences and restrictions." This interpretation, called the "lesson of World War I," served to explain the contrast between short range economic objectives in domestic and in foreign policy. Moreover, it came to serve as a rationale for the economic policy of the Marshall Plan.

During the spring of 1947, the situation in Western Europe had deteriorated both from a political and from an economic point of view.

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16 *Truman Papers: 1947*, p. 128, Address at Baylor University, March 6, 1947.

17 For a similar view, see W. Clayton in U.S., Congress, Foreign Affairs Committee, *United States Foreign Policy for Postwar Recovery*, Hearings, 80th Cong., 1st and 2nd sess., 2 parts, 1948, p. 324, (hereafter *House, Postwar Recovery*).
view. On March 12, President Truman responded to the civil war in Greece and to the threat of aggression against Turkey by launching the doctrine which carries his name. With this statement, the United States had officially taken over the burden of securing the Middle East and the Mediterranean Sea from the alleged Communist aggression. The sudden liquidation of the British financial and military commitment in Greece drew the attention of State Department planners to the general economic situation in Western Europe. Out of the shocking confrontation with a few figures of foreign trade statistics and with a general review of the economic and political prospects in this part of the world grew basic ideas behind the Marshall Plan.

Obviously, the Marshall Plan did not mature in one single mind but was the result of many impulses. Among some of the most conspicuous were the reports of William Clayton from a trip to Europe, the Moscow Conference, Marshall's visits in Europe on his way back from the U.S.S.R., and Acheson's initiative of setting up study groups for reviewing the European situation.¹⁸

It has been argued that not only the basic assumptions, within which the plan was conceived, but also the more concrete ideas and devices of the plan, had long been on their way, and hence, that the European Recovery Program in fact manifested the climax of a long tradition of employing economic tactics as the main instrument of foreign policy.¹⁹ There remains little doubt, however, that the


events preceding the launching of the plan created a tense excitement in the State Department, not dissimilar to the one which had followed Pearl Harbor. The impact of the realization of a situation, the basic elements of which had more or less been apparent since the New Year, seemed so overwhelming to the persons involved, that a radical conversion of the traditional foreign policy appeared to be reflected in the Acheson and Marshall addresses. 20

The first public statement which clearly connected the new insight into the European problems with the economic situation in the United States was Dean Acheson's Delta Address on May 8, 1947. Together with Marshall's Harvard Address on June 5, 1947, it seems to indicate the basic impetus for the launching of the ERP. Concentrating on humanitarian aspects of the plan, Marshall only briefly mentioned that "the consequence of non-intervention should be apparent to all." 21 Acheson was more frank when he admitted that "the measures of relief and reconstruction have only in part been suggested by humanitarianism," and should instead be considered "chiefly as a matter of national self-interest." 22 As revealed by Joseph M. Jones, who drafted Acheson's speech, the background had

20 Both Jones and Kennan recall the atmosphere and the excitement of the time. See Jones, Fifteen Weeks, p. 199-214; Kennan, Memoirs, p. 345: "So earnest and intense were the debates,... that I recall one occasion, in the late evening, when I, to recover my composure, left the room and walked weeping around the entire building."

21 Printed in Jones, Fifteen Weeks, p. 281-284.

22 Ibid., p. 276.
been "the disclosure in concrete terms of a portentous situation that had been known only in a general way." 23

The core of the Delta Address was a revelation of the disequilibrium between export and import. It was also an estimation of European purchasing power:

Our exports ... during the current year are estimated to a total of 16 billion dollars.... This represents one month's work for each man, one month's output from every farm, factory, and mine. ... In return ... we estimate commodities from abroad to the value of about 8 billion dollars. This is just about half as much as we are exporting.... How are foreigners going to get the United States dollars to cover this huge difference? And how are they going to get the United States dollars necessary to cover a likely difference of nearly the same amount next year? These are some of the most important questions in international relations today. 24

The questions to which Dean Acehson called attention remained at the center of the debate on foreign relations until the ERP was passed by Congress in the spring of 1948. Inflation dominated the domestic scene, while the political and economic future of Europe controlled the argument of foreign policy. These issues seemed to meet in the question of a change in the economic relationship to Europe.

Well aware of the importance attached to these sensitive issues, the President was very careful to represent all powerful interest groups in the study of the problems of the ERP. For that purpose, Truman set up three special committees to hand in recommendations that would cover a wide range of political opinions as

23 Jones, Fifteen Weeks, p. 208.

24 Ibid., p. 274-275.
well as a broad spectrum of influential economic groups. These com-
mittees, which reflected both the structure of American society and
the basic economic objectives of policy, defined in the following
months where the emphasis and the thrust of American foreign policy
was to be placed. Composing these committees in such a way that they
by themselves signified a reproduction of the socio-economic fabric
of American society, Truman consciously planned to make full use of
the basic consensus on the definition of national objectives and inter-
est. By this action Truman strengthened the ground for future bi-
partisan support of the conduct of foreign policy; with this action,
he reflected one aspect of the one-dimensional character of American
power and politics, as he, sure of the basic agreement among the in-
terests, incorporated potential opposition on the matter of tactics
into the planning of the program. 25

25 The findings of the three committees were represented to the
public in:

a) U.S., Department of Interior, National Resources and For-
eign Aid: First Report to Congress from the Economic Cooperation Ad-
ministration, Oct. 9, 1947, (Washington, D.C., 1947). "The task as-
signed was to explore the state of our physical resources and report
on their adequacy to contribute to foreign reconstruction." (Truman
Papers: 1947, Oct. 18, 1947). This committee was set up to meet the
widespread belief that the United States was at the bottom of its
natural materials, especially the strategic ones. In this effort,
it was only a matter of course for the committee to emphasize the
need for access abroad to such products. The study became known as
Krug's Report.

b) Council of Economic Advisers, The Impact of Foreign Aid
economic analysis of the effect that a foreign aid program ... would
have on ... production, on domestic consumption and prices, and on
1, 1947). This report became publicly known as the Nourse Report.

c) President's Committee on Foreign Aid, European Recovery
and American Aid, Report from the Committee of 19 Distinguished
Upon these reports, the administration constructed its representation of both short-run and long-run effects of the ERP upon the domestic economy. For the short range considerations, the main argument rested on an estimation of the marginal effects of exports in an inflationary situation in an over-employed economy. Though admitting that the rise in prices stemmed mainly from the domestic demand, the administration acknowledged that "the final test of the inflationary impact is the size of a net export surplus" and that "it would of course be easier for us to win the battle against inflation if we could use the goods we are exporting to help meet the heavy demand at home."26 Stressing the marginal effect of exports, especially in food, Harriman stated that "the extra withdrawal from the domestic market ... has made a real difference in food prices."27

Hence, the administration argued in mid-1947 that "a reduction in exports during the previous six months would not have reduced employment in the same proportion, since workers could have shifted from export to the domestic market."28 In mid-1948, Truman was even

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Private Citizens, Headed by the Secretary of Commerce, Averell Harriman, Nov. 7, 1947, (Washington, D.C., 1947). Because of its broader discussion of "the problem of European recovery and our interest therein," and because of its assignment to furnish a "non-political argument", (Truman Papers: 1947, Nov. 7, 1947), this report became the most influential and best known of the three. It was generally known as the Harriman Report.

26House, Postwar Recovery, p. 467.

27Harriman Report, p. 101-103. For a similar opinion, see also Nourse Report, p. 22-27.

sure that "the unfilled demands of the American market, with its enormous purchasing power, would sustain our prosperity even if foreign markets were sharply reduced." 29 Seymour Harris, an active participant in the public debate, told a Chicago audience of bankers that the economic conditions were at the present relatively favorable for an adaptation of the economy to a smaller amount of export in the future because of the strength of the domestic demand. 30

Defending itself against charges from the left and from the Communists that the program was nothing but a device to find new outlets for threatening surplus production, the administration pointed to the actual fact that no such surplus was in existence at the time, and neither was any anticipated in the near future. For the present, the administration had to argue against those who said that "every dollar's worth of goods in short supply, that we take out of our economy ... is going to multiply the pressure in almost geometric proportions." 31 To this, the executive answered, first that the sacrifices "will be only a small fraction of the cost of winning the war, and they will be vital to winning the peace." 32 Apart from the long-run arguments, which will be examined later, it was secondly


stressed that "we have already passed the export peak," and that the pressure on the domestic economy would be less under the program than the pressure which has resulted from the recent rate of exports." The present situation compelled Congress to take action against the inflation, anyway. As Harriman stated no less than three times during the Foreign Relations hearing: "I feel that controls will be necessary regardless of the European program."

These arguments were in full accordance with the estimated amount of exports and imports under the ERP. Assuming that the appropriations were passed, "our exports will be somewhat less in 1948 than in 1947, and our imports are expected to increase somewhat." Hence, the burden on the domestic economy would diminish in the short run as the favorable balance of trade, the vast surplus of exports over imports, was supposed to decrease even under the Marshall Plan.

Reconsidering the immediate state of economic affairs from the viewpoint of the administration, the evidence seems to underline concern for the inflationary tendencies of the unsatisfied domestic...

34 Ibid., p. 473.
35 Senate, ERP, p. 275-277.
36 Nourse Report, p. 71-79.
37 House, Postwar Recovery, p. 467.
rather than to point to the danger of an imminent recession due to a radical decline in exports. To the administration, the fear of inflation and the fear of surplus production for contracting markets were related to each other, in so far as they represented different stages of the way to depression. On the other hand, the remedies for each of these stages appeared to be different, and to some degree even contradictory to each other, according to "the lesson of World War I." Hence, a close consideration of which of these stages the Truman administration deemed to be at hand might offer a key for an understanding of the short-run motivation behind the Marshall Plan.

Williams seemed to emphasize an impending recession due to a threatening surplus production, as he pointed to the "increasing concern over America's 'staggering' consumption" and to "the probability of a serious economic slump." The evidence was found in the Report from the President's Economic Advisors, a source which, unfortunately, is known only in Jones' account. Also, premonition of recession was reflected in Acheson's Delta Address: "If the expected export decline due to foreign inability to pay coincided with weakness in the domestic economy, the effect on production, prices, and employment might be most serious."  

40 Williams, Tragedy, p. 267 f.; see also, LaFeber, Cold War, p. 47.  
41 Jones, Fifteen Weeks, p. 207.  
42 Ibid., p.277.
It seems to be true that segments of business and industry predicted a recession in the middle of 1947. The Economic Report of January, 1948, admitted "that the impact of expected foreign aid received wide attention, stimulating economic expectations." It is uncertain, however, to what degree this prognosis was believed in the government during mid-1947. For his part, Truman never referred to it. To the contrary, Truman concentrated his attention on the prices and "the very high profits" and denied any expectations of recession if the price structure was kept intact.

On April 21, 1947, Truman repeated his opinion of the nature and the stage of the development of reconversion. He charged that "profits in the aggregate are breaking all records," having even surpassed the war level 133 percent. Again pointing to his concern over inflation, he stated that "there is only one sure formula for bringing on a recession or a depression: that is to maintain excessively high prices." Hence, a foreign aid program at this time would tend to endanger the economy rather than relieve it. The threat to stable development came primarily from skyrocketing prices and subsequent undercutting of income and purchasing power. The task of the administration, as Truman argued, was to curtail or decrease the demands both from domestic and foreign sources in order to preserve the price structure. The Marshall Plan had to be undertaken not because, but in spite of


its short-run effects on the domestic economy: "It is worth enduring temporary shortages ... within the United States, this will bring lasting benefits in the long run,"\textsuperscript{46}

Confronted with the disequilibrium between supply and demand after the abandonment of price control, the administration was left with a few frustrating alternatives. One possibility was to appeal to business and labor to show modesty, and this was done continuously throughout this period, but as rising prices show, with very little result. Secondly, Truman could attempt either to increase production or to decrease the demand by fiscal means. Thirdly, he could ask for powers to control demand.\textsuperscript{47}

The possibility of changing supply or demand through Congress was blocked, too. Ever since the midterm election of 1946, the Republican Party, which controlled the majority in Congress, had been pressing for a tax reduction. Even with a surplus budget, very little could be accomplished this way. Similarly, the chance of increasing production was effectively obstructed by the law of diminishing returns, "the stubborn and intractable fact about an economy already operating at peak ... that output can not be expanded except by slow degrees."\textsuperscript{48} Left was only the alternative of convincing Congress, who had already dropped price controls, that the only way to maintain a reasonable purchasing power and to avoid the economic and


\textsuperscript{47}Harry S. Truman, Memoirs, 2 vols., (Garden City, N.Y., 1955), Vol. II, "Years of Trial and Hope", p. 112-117.

\textsuperscript{48}Economic Report, Jan., 1948, p. 43.
social consequences of inflation was to stabilize the price structure by curtailing profits through interference with the law of supply and demand.

The commitment to the Marshall Plan added a strong argument to the case of controlling the economic development. Since 1946, Truman had stressed the obvious social injustice of inflation. As the ideological frontiers of the Cold War hardened, he referred more and more often to the challenge to the free economy. "Our system of private enterprise is now being tested before the world. If we can prove that it is more productive and more stable ... than other economies, we shall have won the test." In this context, the Marshall Plan added another argument that linked the potential success of the plan to the domestic price structure.

To this came, of course, the pure economic considerations. It was a self-evident condition for a successful achievement of European recovery that scarce dollar resources and American aid were not to be undermined by rising prices in the United States where the commodities, at least in part, were to be bought. Seymour Harris concluded that "should inflationary forces cumulate, the monetary costs of the program would rise ... and the ERP would be in jeopardy." The administration fully agreed in this opinion and recognized "that carrying it [ERP] out will make it all the more important that we


invoke the measures required to stop the inflation."\textsuperscript{50}

Hoping that "in highlighting the inflation ... the ERP may well mobilize the anti-inflationary forces of this country and contribute towards solving the problem of inflation,"\textsuperscript{52} the administration started to link the issues of domestic policy more and more closely to the foreign aid program. Already, shortly after Dean Acheson's Delta Address, Truman had asked for an extension of the act, which during the war had provided authority for maintaining control over certain goods and strategic materials with the motivation that "it is of direct interest to our own economy and indispensable in supporting our international policy." On the very day of Marshall's Harvard Address, Truman stated that "the fact that necessary foreign aid programs add to our economic problems at home makes it all the more important that we handle these domestic problems with vigor and common sense."\textsuperscript{53}

Backed by the reports of the special committees, that all emphasized that "the foreign aid program compels us to face the domestic problems squarely," Truman's efforts to make Congress, for reasons of foreign policy, pass the regulation that had already been defeated as a means of solving the domestic problems, reached a climax in the calling of a special session of Congress.\textsuperscript{54} In his

\textsuperscript{51}Economic Report, Jan., 1948, p. 43.

\textsuperscript{52}Truman Papers: 1947, p. 263.

\textsuperscript{53}Ibid.

\textsuperscript{54}Nourse Report, p. 99.
radio address of October 24, 1947, Truman motivated this action by stressing that "peace and prosperity, prosperity for all our people, peace for all the world," were two aspects of the same issue, because "the same measures would be necessary and should be used" to secure the Marshall Plan a proper success and to stabilize the domestic economic development. 55

But Truman did not attempt to make the ERP dependent upon the granting of controls. In his diaries Truman wrote: "I told them that I had taken this action partly so that Congress might take steps to halt the rising price spiral within our own nation but mostly to meet the crisis in Western Europe." 56

The Marshall Plan necessarily had to bring out in the open disagreement among the different interest groups that were affected by such priming of the export pump. This disagreement was reflected in the debates in Congress and at the hearings, where, for instance, Senator Hickenlooper asked for "a little more businesslike calculation" of the effects to the domestic economy, "especially as it now exists and the pressures that are on it.... It does not do a great deal of good, in my mind, to say that years from now, we will be much better off." 57 Just as there were interest groups that were opposed to the liberalization of trade because of a favored position in the domestic market, 58 the Marshall Plan was opposed by groups


57 Senate, ERP, p. 291.
that were concerned about taking out income-producing goods and
"...merely donating these to other countries which in turn will pro-
duce income and profit out of those physical goods,"59 Other, per-
haps more influential groups preached the blessings of expansion of
exports. 60

But it seems a mistake to equate the administration with those
who favored expansion of trade at all costs. Instead, the government
argued for the long range benefits of the Marshall Plan even at the
expense of domestic difficulties. Although surpassed by the needs of
foreign policy and by the prospect to advantages in the long run,
the problems of inflation enjoyed a high position on the list of
priorities of the Truman administration. Only when the hope to solve
the domestic troubles through controls had been totally destroyed
by Congress, did Truman choose between the short and the long range
issues, between the domestic and the foreign policy.

This choice was based on an estimation of the long range needs
and benefits. The question remains as to how the administration de-
defined and conceived these requirements as part and parcel of the
national interest of the United States.

58 See later, p. 41.

59 Senate, ERP, p. 290; for the disagreement among various inter-
est groups, see House, Postwar Recovery.

60 See for instance the testimony of National Association of
Manufactures, Senate, ERP.
It has been attempted to examine the short-run motivation of the Marshall Plan in this paper. Focusing on the arguments of the administration it has been stressed that the estimated impact of the ERP on the then economic situation tended to add to the domestic problems rather than to solve them. Furthermore, it has been demonstrated how Truman tried to point to the ERP in his effort to stop the inflation, although Congress refused to consider the question of domestic controls.

In the end, however, the reasoning both of the administration and of those interest groups, who were concerned over the economy from other angles than that of the administration – angles, which were often directly corresponding to their location in production, reveal the same basic features. More important than the disagreement among the different interest groups was the theme of the discussion over the short-run issues of the Marshall Plan policy, the shared ideas of the function of the government as a stabilizer of the domestic economic development and as a guarantor for the preservation of a socio-economic structure conducive to the interests
of business as a class. In the short run the government was to make smooth the economic growth and with the Keynesian tools remove the threat of recurrent depressions, which had menaced the social order at various times, and hence, maintain a consensus on the objectives of foreign policy.

Exactly because the validity of these goals was never questioned, it was possible for Truman to use the belief in the connection between domestic and foreign policy as an argument. In order to try to determine these basic assumptions behind the reasoning of the Marshall Plan, in order to define aspects of the ideology of political economy, it is necessary to examine the long-run objectives of the ERP.

In a recent essay, Thomas G. Paterson set out to define the relationship between American fears of communism and the need for expanding markets to avert depression, as these themes were revealed in the motivation behind the Marshall Plan. The connection Paterson found in the "peace and prosperity concept". This concept held "that a prostrate Europe would be a breeding ground for Communism, that a faltering European economy would be unable to provide the goods and markets so essential to the world and American economies," and hence, endanger the American conception of peace.¹

So far Paterson seemed to follow Williams' definition of the issues of foreign policy in the Cold War. In his conclusion, how-

ever, Paterson moved beyond Williams' thesis and stressed the role of tactics rather than that of ideology as a means for an understanding of the conduct of foreign affairs. "Rather the central questions are: How and to whom did the United States extend its help? How did the United States use its economic power?" 2

Paterson found support for his shift of emphasis in the fact that neither business nor government officials supported a build-up of the Cold War in order to make money. These groups "would rather have made their profits an easier way - preferably through secure, unencumbered, and ardent economic expansion at home and abroad." 3 Some business groups like the wool-producers denied the need for an aggressive expansion of foreign trade, and in spite of the advocacy of open-door and liberal trade principles, the administration and many American corporations practiced the use of bilateralism, state trading, import and export controls, and cartels. 4 Also in the case of help to underdeveloped regions, "there was a shortcoming in the fulfillment of the peace and prosperity concept," as American aid often went to reactionary regimes, which were resisting the development of American oriented social and economic institutions that presumably could have resisted and counter-balanced unstable and revolutionary politics. 5

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In order to determine whether Paterson with his conclusion is moving beyond Williams or whether his analysis is rather to be regarded as a retreat, it is necessary to take a second look at the American ideology of political economy.

It is unquestionably true that promotion of liberalization of trade played an important role in the planning and conduct of foreign policy in the post-war years. This applied to the European countries as well as to the world as a whole. Willard L. Thorp, Assistant Secretary of State, expressed a widely held opinion when he stated:

Our entire foreign policy, in which reciprocal trade agreements and the proposed International Trade Organization are important elements, is directed toward achieving a vast expansion of trade among all nations with benefits to all.6

Hence, the idea behind the ITO came, from the American point of view, close to being a corollary to the conditions of the ERP-policy. Undersecretary of Commerce, William L. Clayton, had a clear opinion of this relationship, when he characterized the ERP as a "short-range program for one part of the world" and ITO as the"logical extension in the long range," and added about tying the ITO with the Marshall Plan that "it is already tied in."7

Already the Marshall Address had clearly made any aid dependent on a joint European initiative. It remained the American in-


tention to try through the ERP "to break down the nationalistic barriers which have caused so much economic difficulty in the past," in order to establish an integrated European system open to American export and investment. It was Harriman's hope that "the co-operative relationships ... undertaken to develop during the recovery period ... may lead to permanent relationships." 9

This policy, however, confronted the United States with the old problem of being a creditor. In spite of a growing realization of the difficulties that arise from being rich among paupers, and of the need to balance exports against imports, the administration still had to calm down the fear of competition in the domestic market. Clayton assured the business community that "there is no peril to our tariff system in the ITO," because ITO was only supposed to cope with "quantitative restrictions, preferential arrangements, discriminatory practices and so on," leaving intact the structure of tariffs as a means for trade protection. 10 As Truman expressed the difference: "Governments may impose tariffs, but they do not dictate the quantity of trade, the sources of imports, or the destination of exports. Individual transactions are a matter of private choice." 11

8House, Postwar Recovery, p. 462.
9Ibid., p. 463.
10Ibid., p. 326
Truman confirmed his opinion of liberal trade as something to be seen strictly in the context of economic systems, when he explained that he preferred the expression "the trade of free men" to the term "free trade". This point of view was connected with a consideration of the American economic strength. Given the economic power of American industry, which controlled well above 50 percent of the industrial capacity of the world, and considering the fact that the 62 largest manufacturing corporations in the United States at the end of the war had accumulated liquid capital sufficient to purchase the assets of nearly 80 percent of all corporations in the United States, it seemed that Truman's definition of free trade represented the climax of the open-door trading policy, which, for the first time, was extended to the European powers.

Along with the promotion of free access to European markets, the presentation of the Marshall Plan expressed a more mature understanding of the need to increase imports in order to stabilize the economic development in the long run. The lesson of the twenties had not been in vain. Already on April 13, 1947, Harriman had written an article in the Washington Post, "'Buy American' is a dead slogan," stating that the gap of surplus exports over imports would

12 Ibid., p. 275.


14 See 'Foreign Assistance Act', Sec. 115 (b), in Seymour E. Harris, European Recovery Program, (Chicago, 1948), p. 76.
have to be narrowed, if the United States were to maintain the level of export. Instead, he proposed the slogan "Let's import for peace and prosperity."\(^{15}\) Clayton also emphasized that "we have to import many more things in order to sustain our own economy.... By helping these countries to get on their feet and increase their production, I think, we do not only not hurt ourselves ... we help ourselves in the markets of the world."\(^{16}\)

One of the most enlightening documents for a better understanding of the economic universe, in which the idea of expansion of trade and the idea behind the ERP was conceived, is probably the Address on Foreign Economic Policy, delivered by Truman on a visit to Baylor University, March 6, 1947. Defining the various crucial elements of his economic and political credo as well as the relationship between these elements, Truman illuminated the basic assumptions behind his foreign policy.\(^{17}\)

Stating that "peace, freedom and world trade are inseparable" and that "there is one thing that the Americans value more than peace. It is freedom. Freedom of worship, freedom of speech, freedom of enterprise," Truman went on to explain that "the devotion to freedom of enterprise in the United States has deeper roots than the desire to protect the profits of ownership. It is part and par-

\(^{15}\)U.S., Congress, Senate, Congressional Record, 80th Cong., 1st sess., 1947, Appendix, p. 1859.

\(^{16}\)House, Postwar Recovery, p. 327.

\(^{17}\)Truman Papers: 1947, pp. 167-172.
cel of what we call American." Denying that freedom of speech and of worship could exist without the freedom of enterprise and further stressing the devotion to fight for free enterprise, Truman repeated that "our foreign relations, political and economic, are indivisible. We cannot say that we are willing to cooperate in one field and are unwilling to cooperate in the other." Finally, Truman defined free enterprise as the system "in which the major decisions are made, not by governments, but by private buyers and sellers."
The obvious militancy of these remarks was further accentuated by Truman's promise to take an active part in the "process of expanding trade."

The close relationship, if not identity between free trade, free enterprise, and peace was concentrated in the expression "free men's trade". The extent, to which this represented the opinion of other members of the cabinet, was indicated when Harriman, on the 21st of May, 1947, stressed the American stake in an "expanding world commerce, not only in terms of prosperity, but also in terms of peace." He reiterated that economic and political considerations "are inextricably intertwined in the modern world."\[18\]

Marshall told an audience of businessmen: "We are all stockholders in the same company - the United States of America." Emphasizing that "the paramount question before us ... can be stated in business terms," he continued:

I am not a businessman, but I have some knowledge out of my

\[18\] Congressional Record, 80th Cong., 1st sess., 1947, app. p. 2395.
experience of what had been required in the past to preserve certain of our national assets in security, peace, and freedom.... I think that is our role as a leader in a distressed world.19

However, the reason why the Baylor Address is so important for the analysis of the American political ideology in the postwar world is to be found both in its aggressiveness and in the frank statement of the objectives of foreign policy. But also the address is most significant for what it obscures. Even a careful reading does not reveal exactly which charges were launched against the Kremlin and which against the Western European capitals. This balance seems to explain aspects of the meaning of the Marshall Plan, especially as this ambiguity was carried over into the debate of the ERP.

According to the Harriman Report, "a European recovery program is an investment in the continued survival of a world, economically stabilized and peacefully conducted." A failure to meet the challenge of the program could bring about a Communist take-over of western Europe, and the domestic consequences would be such "as no American could easily tolerate: the swift and complete conversion to a military footing.... The immediate and sweeping limitation of our economic and political life,... perhaps even of our very form of government."20 The meaning of this was quite clear. The United

19 DSB, XVIII, Jan. 25, 1948, p. 171.

States could not tolerate a Europe that was dominated by one power. In 1947, this was an accepted definition of the United States' physical security interest which the military engagement in two world wars had made a commonplace in international politics.

The Harriman Report, however, also contained another definition of the American national interest:

-It [the Marshall Plan] will involve sacrifices but it may also be cheaper in the long run. The illusion that it would be thrifty to do nothing would be shattered if, by such a policy the future existence or development of our economic and political institutions should be seriously jeopardized. 21

The question is apparently left open as to what exactly would cause the threat to United States domestic integrity. The answer, however, is soon given. After an enumeration of the importance of European buying power to the domestic economy, the report continues:

The deterioration of the European economy, lack of means to obtain essential imports would force European countries to resort to trade by governmental monopoly - not only for economic but for political ends. The United States would almost inevitably have to follow suit. The resulting system of state controls, at first relating to foreign trade, would soon have to be extended into the domestic economy to an extent that would endanger the survival of the American system of enterprise.22

Defining the threat to national integrity in terms of any European action, that could limit the expansion of foreign trade, Harriman went far beyond the conventional balance-of-power definition of national security.23 By making the American economic and

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21 Ibid., p. 18.

22 Ibid.

23 My attention was pointed to this aspect of the ERP by Robert W. Tucker, The Radical Left and American Foreign Policy, Studies in
political system directly dependent on the internal order of the European powers, Harriman reflected a clear imperial interest and obvious imperial intentions which had been apparent in the formulation of American foreign policy at least since the turn of the century. But for the first time this conception was explicitly extended to the metropolises of the European imperial powers, and for the first time, vast political and economic resources were utilized to reach objectives so far beyond the traditional security interest.

The way, the Harriman Report arranged the two definitions of the dependence of national integrity upon the European situation is revealing. Because the consequences of a Communist take-over or of the adoption of protectionistic policies by European governments were both identified as a threat to the social and economic institutions in America, the traditional domestic acceptance of the conventional definition of security could be exploited to ensure the popular approval of the imperial definition. Hence, the fusion of the two concepts by itself promoted the policy of the administration as the Marshall Plan could be argued as a necessary tool to secure economic access to Europe in a logical extension of the military engagement during the war. Carried to its ultimate extremes, however, this reasoning would inevitably have lead to advocating a military intervention in Eastern Europe. But that, of course, was beyond the intentions of the administration, who merely wanted to utilize the argument for reasons of its liberal appeal. Still, the Truman ad-

International Affairs Number 15, (Baltimore, 1971), p. 55-156. The conclusions, however, which will be drawn in this paper from the distinction between the narrow and the broader definition of national interest are quite different from Tucker's suggestions.
administration must carry a heavy responsibility for its elaborations on the fusion between the two concepts of national interest. 24

Two points have to be underlined in order to understand how the definition of the imperial interest was directly reflected in the pursuance of the policy of the Marshall Plan and how the plan in the arguments of the Truman administration became identical with the long-run and basic national objectives of the United States' foreign policy.

First, it is necessary, once more, to point to the importance the administration placed on exports in general: "Millions of Americans ... depend on foreign trade. If we are to protect the interests of these people, in their investment and employment, we must see to it that our foreign trade does not decline." 25 Harriman stated that "during the war we tremendously expanded our industrial and agricultural production, and we now need permanent and expanding world markets." 26 Also Clayton stressed this in the strongest terms during the Congressional Hearings:

Mr. Mansfield: It would appear to me that one of the basic elements in the considerations of the ERP would be the fact that over the long term we would benefit tremendously, from an economic point of view; and if we don't we will have de-

24 For the ambiguity that was introduced into the debate, see the discussion between Marshall and Lodge, Senate, ERP, p. 98 ff. As it seems, the stand of the administration on the problem of defining the national interest without resorting to right-wing rhetoric has a striking parallel in Truman's position in the question of internal security.


26 Congressional Record, 80th Cong., 1st sess., 1947, app. p. 2395.
flation in this country. We will have surpluses. Nobody will have anything to buy our goods with, and then where will we be?

Mr. Clayton: I think that is exactly right. We cannot, in the United States, be the only prosperous country in the world. We cannot be the only free enterprise country in the world. If we want to keep free and prosperous we had better have some company.... If we do not ... we are going to make such radical changes, I am afraid, in our own economy in this country that it would be very difficult for a democratic, free-enterprise system to make.27

The point Clayton made about the necessity of liberal trade with Europe, if radical change in American society was to be escaped, was the second basic assumption behind the Marshall Plan. Moreover, Clayton tied this to the assumption of the need for expansion of exports in the idea of the relationship between foreign and domestic policy. The preservation and expansion of the European market, achieved through a successful recovery plan was here indissolubly tied to not only the conservation of peace, but to the survival of the social, economic, and political institutions of the United States itself.

The accordance with the Baylor Address is obvious. In this, Truman had stated that if a more liberal pattern of trade was not promoted, the United States would soon "find itself in the business of allocating foreign goods among importers and foreign markets among exporters and telling every trader what he could buy and sell, and how much, and when, and where. It is not the American way. It is not the way to peace."28 Thorp, also, expressed a similar view:


I wish to emphasize, then, that the pattern of international trade adopted by the leading trading nations must be a matter of great concern to those who wish to preserve the American economic system in the United States, let alone strengthen it. ... Failure to carry through effectively on our part means that we risk our international leadership in the economic field, our foreign trade, and some aspects of our economic system itself.29

At least some time before the military security of the United States was considered at stake, the Truman administration had developed the concept of a close relationship between free access to expanding markets and the socio-economic institutions in the United States itself. Thorp stated that he saw "no escape from the fundamental proposition: we cannot separate our domestic and foreign affairs."30 To the administration the only alternative to expansion of trade was domestic controls, equated with Socialism, and far reaching change at home. There was no other possibility in existence. "There are two roads we can take here. One road leads in the direction of free enterprise and the preservation of democratic principles. The other leads in the direction of Socialism and state trading."31

To some degree, the Marshall Plan can be seen as an expression of the conventional balance-of-power concept of national interest. In that respect, it signified a continuation of the First World War


30 Ibid.

by the attempt to build a *cordon sanitaire* as far east as possible in order to contain the Communist contagion behind a barrier of strong national states. But also, the Marshall Plan went beyond this, both in its implementation and accomplishment, as the ERP policy perceived the internal order of the European powers as a necessary condition for a stabilization of the American social and economic well-being. And even further than that, it appeared to Washington that the European problems were not to be limited to the geographic boundaries of the European continent. Instead Europe had to be considered in a world-wide context.
V. The Marshall Plan as a World View

Most historical accounts of the genesis and basic motivation of the Marshall Plan have found it natural to treat the ERP as a response to specific European problems. To some extent, the argument of the Harvard Address has been taken at its face value. Marshall explained that Europe had been given priority, because "the very magnitude of the world problem as a whole requires a careful direction of our assistance to the critical areas where it can be most immediately effective."\(^1\) Although this statement focused on Europe, it also extended the perspective of the plan beyond, as Marshall expressed the American view of the relationship between Europe and its dependent areas.

In his Delta Address, Dean Acheson had been more outspoken: "We are going to have to concentrate our emergency assistance in areas, where it will be most effective in building world political and economic stability, ... in fostering liberal trading policies."\(^2\)

\(^1\)U.S., Congress, Senate, Committee on Foreign Relations, European Recovery Program: Basic Documents and Background Information, 80th Cong., 1st sess., 1947, Doc. 111, p. 195.
The argument is basically the same as Marshall's, yet crucial and far reaching implications are made explicit.

It is important to realize that even if the ERP essentially had a European form, it was conceived as a response to the "challenge of American foreign policy ... not on the limited basis of one area, but on a global basis of every area." This approach to the economic needs of the United States directly reflected the major premises of the planning during the war which have been analyzed by Gabriel Kolko. The political assumption was that the great capitalist states and their dependencies would end the war as powers which America "could control and reform; and not that the war had irrevocably weakened the prewar order." Hence, one of the key expressions of the ERP was in Marshall's words: "...the restoration of Europe to her earlier role in the world's economy." Clayton went back even beyond 1914: "It is our hope that ... we will be able to get the world back to a multilateral form of trade, pretty much the basis of pre-World War I.

According to this thinking was obvious in the planning of the ERP. It manifested itself most consistently in the concept of the Triangle Trade, in which the function of the European economy

2 After Jones, Fifteen Weeks, p. 279.

3 House, Postwar Recovery, p. 98.


5 House, Postwar Recovery, p. 248.

6 Senate, ERP, p. 324.
was seen in its international perspective. At the Congressional hearings, Dean Acheson defined this trading system which to liberal thinking had been basic for domestic prosperity:

Before the war Europe's existence depended on triangular or quadrangular trade. An unfavorable balance of trade with one area, as it is called, was balanced off by a favorable balance with other areas.... One half of the imports of western Europe came from the Western Hemisphere, but an equivalent amount of its products did not come here. Instead large amounts went to eastern Europe and Southeast Asia which sent their products to this continent as well as to Europe. In this way these areas paid western Europe, which could pay us.7

For its part, the Harriman Report not only mentioned the paramount importance of a prosperous Europe as an outlet for a potential expansion of exports when the domestic market had been satisfied, it also stated that "the prosperous conditions in Europe are essential to the maintenance of American trade in other parts of the world."8 Truman had the same idea in mind, when he underlined in his Special Message to Congress, December 19, 1947, that "in terms of our own economy, European recovery is essential," and proceeded to draw the attention to the trade system which before the war had furnished Europe with payments from the surplus of exports of secondary products to the primary producing countries.9

Neither had the British much doubt about where the means to buy the surplus of imports from the United States had come from in the past and was to come from in the future. Lord Keynes told the

7 House, Postwar Recovery, p. 697.
8 Harriman Report, p. 18; for a similar statement, see Senate, ERD, p. 462.
House of Lords that it would never be a question of having to pay the United States by direct exports. Rather the object were to pay the United States by exporting to any other part of the world, "and it is partly for that very reason that the Americans have felt that the multilateral system was the only sound basis for any arrangement of this kind."\textsuperscript{10} Minister of Foreign Affairs, Ernest Bevin, fully agreed to this proposition. The future for the British economy lay "...far afield. In the first place, we turn our eyes to Africa ... and equally to all the overseas territories." In the British, the Dutch, the French, the Belgian, and the Portuguese dependencies, the sources of a balanced European trade was to be found. "They have the raw materials, food, and resources which can be turned into great common advantage, both to the people of the territories themselves, and to the world as a whole."\textsuperscript{11}

In addition to the American need for Europe, which on its side depended on its territories as earners of dollars, came the direct need for raw materials.\textsuperscript{12} Clayton often talked about the necessity "...for all kinds of raw materials to feed our huge productive machine."\textsuperscript{13} Secretary Krug from the Interior Department told the


\textsuperscript{11}House, Postwar Recovery, p. 729.

\textsuperscript{12}About the American need for raw materials, see Gabriel Kolko, The Roots of American Foreign Policy, (Boston, 1969); for a critical discussion of Kolko's analysis and of his conclusions, see Tucker, Radical Left, p. 117-132.

\textsuperscript{13}NBR, XVIII, No. 469, June 27, 1948, p. 827.
Foreign Affairs Committee that the critical materials could hardly be expected to be found in Europe in quantities that could be exported. But the European countries could contribute the equipment and know-how "...and South America and Africa, China, and India provide the raw materials."14

After the Second World War, however, nationalistic movements throughout the European dependencies had in various degrees gained from the weakness of their colonial powers and from the defeat of Japan. The question was how fast the political and military vacuum left over after the Japanese withdrawal could be filled again. The degree to which the traditional American attitude to the European colonies had been reversed by the possibility of access to the raw materials through the open-door in Europe, was indicated by Assistant Secretary of Commerce, Mr. Bissel, who stated that the main problem was "...when or if those territories will be politically pacified, and if so, how soon thereafter they will begin making substantial exports of petroleum, tin, rubber, and other materials."15

Thorp was also uneasy about areas where the native populations were on their way towards independence, because these countries were often important for the resources of raw materials: "The present uncertainties concerning their probable political behavior create a risk which stands in the way of immediate investment and development."16

14 House, Postwar Recovery, p. 549.
15 Senate, ERP, p. 272.
If it can be said that the American policy-makers ignored deep-seated poverty in other parts of the world, they obviously did not forget the American dependence on primary products from these parts of the world. Hence, it seems a mistake a priori to exclude such areas from the "peace and prosperity" approach to world politics. Instead, there appears to be reason to see the Marshall Plan in a broader context and to extend the description of the motivation behind it in order to cover the world-view that was reflected in its basic assumptions. Exactly the fact that the developing areas were explicitly included in the ERP policy and the role it was planned they carry out, adds important features to the understanding of the basic visions behind the ERP. Contrary to Paterson's suggestion that the peace and prosperity concept was not applied universally or consistently, the evidence seems to indicate that the realization of the need for free access to raw and strategic materials in a free market-place economy was deeply embedded and integrated in the approach of the Marshall Plan to the crisis in Western Europe. If already the Atlantic Charter had stated this need as an absolute precondition to economic development and peace, the Marshall Plan had adopted this basic assumption as a sine qua non.

Hence, the role of the Third World in the American scheme of


17 For Paterson's argument and conclusions, see above p. 40.
things has to be emphasized as an essential element of the attempt
to reestablish a pattern of world trade which had been at the
heart of the pre-depression world order. In this context, a spe-
cial interest must be applied to the role of the Latin American
economies in this revival and perpetuation of the status quo. For
several reasons, it would be natural to assume that the American
theories and practices in dealing with the southern part of its
own hemisphere will indicate ways and means and objectives of the
American political economy.

First, it was widely acknowledged that, with the exception of
Argentina, the Latin American republics had loyally and actively
contributed to the defeat of the Axis powers, had readily geared
their production to the Allied need for expanded imports of many
strategic materials, and had borne a heavy economic burden in the
form of inflation because of surplus exports to the United States
in order to speed up its war production. Seymour Harris concluded
in 1944:

In short, Latin America has provided goods when they were
scarce, and it looks as though we shall return them, at least
in part when they are more plentiful.... In short, in exchange
for vitally necessary war materials we have provided these
countries with paper credit, with dollars that are manufactured
by our banking system, and with gold for which they have no
use.18

A second reason for assuming that Latin American economic
development would receive a benevolent attention in Washington was
the general acceptance of the view that "...a sound economic de-

18 Seymour W. Harris, Economic Problems of Latin America, (New
York, 1944), p. 57.
Development of Latin America is in our own interest.... We are not only paying lip service to a popular idea." It was admitted, though, that criticism was often heard and charges were made that the United States does "... not favor economic development in Latin America since such development would compete with our own production." But the liberal view, which dominated the State Department throughout this period, clearly rejected such cynicism. Clayton pointed out that "...we have always had the largest trade with the highly developed countries." 21

So far the reasoning followed the line of the peace and prosperity concept, which Paterson has described, seeing a "sound" economic development as a means in itself to bar revolutionary politics and to expand American markets through creation of an American oriented middle class. Yet, crucial elements, which bring the peace and prosperity concept beyond the level of rhetoric, are indicated in the American definition of a "sound" economy. This term, sometimes replaced by "integrated" or "collaborated", constituted the link between an abstract economic theory and concrete business practice. The connotations of these terms explain the obvious difference in the way the peace and prosperity concept was applied to different areas. Highlighting the geopolitical aspects of a stable, liberal

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19 DSIB, XVII, No. 442, Dec. 21, 1947, p. 1215, Norman Armour, Assistant Secretary of State.

20 Ibid., p. 1216.

21 House, Postwar Recovery, p. 326-327.
world-order, it reveals some of the basic assumptions of the political economy in the literal sense of the word.

To the American policy-makers the economic crisis of Latin America was fundamentally different from the European. It seemed that where Europe was threatened with collapse, the Latin American Republics were faced with obstacles to going forward. Truman stated at the final session of the Rio Conference that "the problems of countries in this Hemisphere are different in nature and cannot be relieved by the same means and by the same approaches which are in contemplation for Europe." The United States had to differentiate between the urgent need for rehabilitation of war-shattered areas and the problems of development elsewhere. While it was acknowledged that some of the Latin American states had balance-of-payment problems, these difficulties were essentially different from the European shortage, which arose "...from the necessary heavy importations of food and raw materials.... What Latin America needs is capital goods." From this difference in the stage of economic development it followed that the need in the other American republics was for "long term economic collaboration." Truman explained that this was "the type of collaboration in which a much greater need falls to

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private citizens and groups than is the case in a program designed to aid Europe."\textsuperscript{25} Similarly, Norman Armour, Assistant Secretary of State, declared that the problems of Latin America pointed to the importance of creating satisfactory opportunity "for the foreign as well as domestic investor."\textsuperscript{26} Spruille Braden, also Assistant Secretary of State, tried to convince the Latin Americans that "sound industrialization can, by all odds, be carried out more effectively under the dynamic system of private enterprise, to which we are all dedicated, than it ever can be by government."\textsuperscript{28}

The belief in the necessity of the use of private capital and foreign investment was often made clear by references to the North American experience during the 19th century. At the Bogota Conference, Marshall invited the other American republics to follow this example and try to attract foreign capital to participation in economic development. He recalled, though, that European venture capital was invested in the United States "...at first cautiously and often with misunderstanding on both sides." But he emphasized that "despite the transformation from debtor to creditor ... the United States continues to welcome money and technical assistance from other countries."\textsuperscript{28} Apparently the North American hospitality to-


\textsuperscript{26} DSB, XVIII, No. 465, May 30, 1948, p. 714.

\textsuperscript{27} Lloyd Hughlett, ed., Industrialization of Latin America, (New York, 1946), p. 484.

\textsuperscript{28} DSB, XVIII, No. 457, April 11, 1948, p. 471.
wards foreign venture capital did not impress the Latin Americans too much. Former president of Chile, Carlos Dávila, said on another occasion: "The Good Neighbor policy is also Good Business policy." 29

If private enterprise was one aspect of the definition of a sound economic development, another was the expansion of the production of primary materials. Armour said that "our government holds the view that fuller utilization be made of the resources of the underdeveloped countries in such a way that a better balance results between primary and secondary industries." 30 The problem from the Latin American point of view was how such a balance could be achieved by expansion of the production of raw materials, as all the countries south of the Rio Grande were badly in need of heavy machinery and manufactured goods, while surplus production of raw materials seemed just around the corner, according to the experience after World War I. 31 Armour solved this problem by explaining that "...careful consideration should be given to the improvement and extension of primary industries and to the proportion in which soundly based manufacturing industries should be developed." 32

If World War II had created serious economic problems in La-


30 DCR, XVII, No. 442, Dec. 21, 1947, p. 1215.


32 DCR, XVII, No. 442, Dec. 21, 1947, p. 1215.
In America, it had also offered an unprecedented chance. Being cut off from some of its traditional suppliers of manufactured goods, and with the United States preoccupied with war production, it had been possible for "baby-industries" to develop and fill up parts of the economic vacuum. Hence, after the war, the natural tendency among Latin American states had been to try to resort to protective tariffs to preserve these industries. The capital equipment, however, had been overextended in order to meet both local and Allied demands, and new capital goods were much needed to encounter the revival of foreign competition. For this reason, and because of the want of a balanced trade to halt the inflation, the problem of a dollar shortage was rising, while considerable amounts were frozen in sterling, except for a short period of sterling-dollar convertibility during the middle of 1946.

This was the situation when South America was called upon to help fulfill the needs of western Europe through the allocations of the Marshall Plan. As Truman put it:

The European Recovery Program will require procurement of supplies in many nations of this Hemisphere. This will act as a stimulant to production and business activity and promote the re-establishment of world trade upon which the prosperity of us all depend.

The Latin American republics, however, did not remember the

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34 *Foreign Affairs Report, XX*, p. 6.
golden days of the pre-depression trade pattern the same way State
Department did. Neither did they want back the semi-colonial status,
still in recent memory, nor did they wish to expand production of
raw materials beyond what normal conditions in foreign markets
could hold.37

The Americans saw things differently. Pushing for a return to
the Triangle pattern, State Department officials repeated at the
Inter-American conferences over and over that the ERP would restore
the buying power of former customers in Europe. "It is safe to say
that, without the restoration of these former markets, there can be
no permanent solution to the economic difficulties which now beset
the American republics."38

Hence, it was considered in the Latin American self-interest
to support the Marshall Plan. Marshall himself saw the ERP as a
"prerequisite" to Latin American development and he stated in
Bogotá: "All that are able should contribute, all will share the
benefits."39 Seymour Harris, however, concluded that the non-ERP
countries would face hard times. With exports up and imports down,
inflationary pressures would increase sharply.40 On the question
of contribution, Harris concluded:

Whereas the ERP goods to be provided by the U.S. (excess of ex-
ports over imports) is to be about 1 1/3 percent of the income of
this country, the burden on the economy of the other Ameri-


38 DSB, XVII, No. 442, Dec. 21, 1947, p. 1215.

39 DSB, XVIII, No. 457, April 11, 1948, p. 469.

40 Harris, ERP, p. 65.
cas is to be about 8 to 9 percent of their income, or about 6 to 7 times as much as for the United States. In other words, they are being asked to provide goods under the ERP in exchange for credits or dollars; and the use of these dollars is to be subject to control by the United States.41

According to contemporary evidence both from those who actively participated in the planning and execution of the ERP, as from economic commentators, the Latin American republics were very much involved in the Marshall Plan, as they were assigned the role of contributors. The embrace of Latin America by the peace and prosperity concept appeared to add a perspective to the Marshall Plan which reveals some of the basic premises of the program.

During the summer and fall of 1947, the broader implications of the Marshall Plan were formulated. The opening of the imperial systems in Europe made it possible for American political economy to formulate some of the basic strategies for a new world-order. An important assumption was the balance between the primary and the secondary producing countries - a balance which was supposed to be sustained by the authority of the United States. Although the Marshall Plan seemed to concentrate on the European balance-of-power, it aimed towards the establishment of an economic world-order that would be congenial to the political and economic institutions of the United States.

41Ibid., p. 16-18.
Conclusion

In conclusion, the basic assumptions that shaped the policy of the Marshall Plan, as revealed in the contemporary context, seem to offer evidence for the Williams-interpretation of the continuity and coherence of the long-run objectives sought by the foreign policy of the United States. The objectives behind the Marshall Plan were modeled upon the traditional search for expanding markets - a need that seemed all the more urgent as the war had expanded American productivity so tremendously. While the domestic market was considered adequate to absorb the output in the short-run, the Truman administration felt compelled to engage in this project which from an economic point of view was expected both to furnish ample markets in Europe and secure access to cheap raw materials elsewhere.

Given the conventional explanation for the economic difficulties in the thirties, the weakness of Europe in 1947 seemed to offer a chance for revision of the trend towards state trading that could be expected. It was openly admitted that "... if a proposal somewhat along the lines of ERP is not adopted we will see an emphasizing of state-controlled economies all over Europe." Denying
that capitalism was able to survive in one country alone, the administration took up the imperial definition of the needs for a preservation of the national integrity, extended this definition to Europe, and connected it with the physical security interests which had been confirmed with the military engagement during the World War.

From an economic point of view, the ERP was expected to strengthen the European commitment to the kind of manipulated market-place economy that seemed to be able to stabilize the economic development in advanced industrial states. Using its economic power to try to achieve a high degree of integration among the capitalist industrial countries, the United States acknowledged through the Marshall Plan that these nations shared interests both in confrontation with the Soviet Union and in the antagonism with the developing countries.

Perhaps it is absurd to try to establish a list of priorities among the different aspects of the motivation behind the Marshall Plan, because some people stressed military, while others stressed humanitarian or economic aspects. "The plan offered all things to all people." It seems nevertheless justified to say that the economic objectives as they were conceived by the administration and framed by familiar and accepted assumptions of the ideology of political economy, were compelling in themselves — given the con-

2. Læbber, Cold War, p. 52.
cept of the needs of the American political and economic system. If these needs were often stated in economic terms, they had broader implications, backed by a general consensus on the socio-economic institutions of the United States. Although Marshall had once explained that he was not a businessman, he often resorted to business terms when he explained the means and ends of foreign policy, such as his summary of the basic assumptions behind the plan:

The ERP is a mobilization for peace, meeting the challenge of an alien system by strengthening the hands of those nations that believe as we do.... We in the United States, perhaps more than any other part of the world, believe in private enterprise. We are convinced that trade within our country and between our country and other nations can best be so conducted. And we further believe in equality of opportunity. As stated in the Atlantic Charter, every country should have equal access to the trade and raw materials of the world.... We have taken leadership in the world in every effort to keep the way open for free enterprise.3

With its emphasis on the economic aspect of the desire to perpetuate a pro-American world-order, the theme of United States foreign policy in the post-war era can hardly be stated more concisely.

Paterson has definitely found a very precise name for the thrust of American policy in the period of the Marshall Plan, and his analysis embraces significant elements of the American motivation for the ERP. However, his conception for ideology appears to be too narrow. As it seems, Paterson implicitly makes a distinction between what American policy-makers thought they were doing and what they actually did, a distinction between rhetoric and practice,

between idealistic thinking and harsh political realities, ideology and action.

But the ideology of political economy behind the Marshall Plan was not just a few simplistic principles of the blessing and necessity of multilateral trade and of stopping Communist advance by prosperity. Rather, it was a coherent bloc of theory and practice which manifested itself in the concept of revitalizing a stable world order in which the relationship between primary and secondary producers could be secured in a way that appeared congenial to the socio-economic interests of the dominant strata and classes in a corporate capitalistic state. The argument of Paterson rests, in the last analysis, on the idea of ideology as something separate from its economic basis. Hence, he is able to point to hypocritical elements in the application of the peace and prosperity concept to different parts of the world (the disregard for prospective customers in the developing countries and the non-liberal parts of the trade policy). Seen from such an angle, the American ideology remains a rhetorical varnish - a characteristic it would indeed share with all theoretical formations of political thinking. Such an approach to history tends to promote a schizophrenic conception of historical forces.

Any reasonable understanding of the roots of foreign policy must base its analysis on a clear conception of the relationship between economic basis and superstructure, theory and practice. Eugene Genovese has clarified this question by a reference to the Italian Marxist, Antonio Gramsci, who says:
The analysis ... reinforces the notion of an "historical bloc" in which the material forces are the content, and ideologies the form - merely an analytical distinction since material forces would be historically inconceivable without form and since ideologies would have to be considered individual babbling without material forces.4

A class conscious interpretation of American foreign policy, following these lines, will consider the formulation and conduct of foreign affairs within the frame of elaborate structures of theory and practice, "...permeating the consciousness of entire epochs, ... and so closely related to the dominant structures of production that the relationship is no longer a matter for conscious reflection."5

Hence, the important thing about the Marshall Plan is not so much that some businessmen and some State Department officials of policy-makers said something and did something else. Neither is it overall important that different economic groups, located on different stages of production or geographically separated, competed among themselves for direct influence in the decision-making process, "superficially appearing as interest groups rather than as a unified class." The important fact (with consequences for the understanding of the past as for the present) is:

...[W]hat kind of socioeconomic framework they all wish to compete within, and the relationship between themselves and the rest of society in a manner that defines their vital function as a class.... That they disagree on the options is less

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consequential than that they circumscribe the political universe. 6

This paper has argued that the economic situation in the United States offered other possibilities in the spring of 1947, than those described by Williams, — prospects which can be clarified by a distinction between short and long term considerations of the objectives of the foreign policy. Furthermore, it seems that the administration should not be mistaken for groups, who feared an imminent recession. However, these points of view have been established in order to confirm and attempt to develop the view that American diplomacy, through the policy of the Marshall Plan, reflected the demands of a corporate capitalistic system, confronted with economic and social challenges at home and abroad.

The tragedy of American diplomacy does not seem to stem from the pluralistic pattern of business interests but from the way these interests have been able to dominate the definition of the American destiny.

Niels Thorsen

6Kolko, Roots, p. 6.
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**Newspapers**

The thesis submitted by Niels Thorsen has been read and approved by members of the Department of History.

The final copies have been examined by the director of the thesis and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the thesis is now given final approval with reference to content and form.

The thesis is therefore accepted in partial fulfillment of the requirement for Master's degree.

January 7, 1973
Date

Signature of Advisor