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THE MARSHALL PLAN
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by
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STRENGTH FOR THE FREE WORLD FROM THE UNITED STATES OF AMERICA

for

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FOR EUROPEAN RECOVERY SUPPLIED BY THE UNITED STATES OF AMERICA

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SUMMARY

This is a brief view of the Marshall Plan - America's bold venture in economic redevelopment and restructuring of Europe after the havoc wreaked by World War II - from a Public Administration perspective. There are of course many standpoints from which the Marshall Plan can be viewed and studied: the economic, the political, the sociological, the foreign policy and international relations aspects, and the military, to mention just the principal categories. Considering that there were sixteen recipient countries of Marshall Aid, amounting to $13.3 billion during a brief four year period, there is a wealth of material to draw upon, and issues to research and analyze are practically limitless. Thus no attempt has been made in this limited paper to tell the entire Marshall Plan story, or even to cover the Public Administration area in any depth. This is merely a brief overview of the subject.

The Marshall Plan - more formally referred to as the European Recovery Program - is significant to students of Public Administration for several reasons. First, the Plan was unique in American political history in both concept and magnitude, shattering traditional positions of isolationism. Secondly, it was promulgated and promoted by the Truman Administration in a highly unorthodox manner, and was the subject of much political wrangling and public debate before receiving the approval of the Congress. Once authorized, the Economic Cooperation Administration (ECA) - the organization created to administer the Program - was staffed and organized (in that order!) and the Program implemented in a manner unprecedented in government bureaucracy, anywhere. Numerous administrative innovations were spawned during the course of implementation in an effort to overcome the many obstacles which were encountered. Some of these innovations are still with us today, such as the emphasis on "business-like" management, and the stressing of efficiency and effectiveness criteria in program evaluation, the utilization of economic analyses for planning and monitoring, contracting out, professional specialization and the involvement of the private sector to the maximum extent in carrying out public programs. The Program drew upon the services of some of the Public Administration field's notables such as Harland Cleveland, Donald Stone, Edward Mason and Luther Gulick, to mention just a few who played key roles. The Marshall Plan was noteworthy also in that it was the first major attempt by the United States to export its Public Administration know-how to others - Europe in this instance - instead of merely borrowing from them. Finally, the American public

administrative experiences in implementing the Marshall Plan gave rise to the creation of a whole new sub-field within the broad umbrella of P.A. - namely "Development Administration" which is attempting to amalgamate a melange of economic, sociologic, and management theory and techniques, in order to practice Public Administration in the international development realm on a pragmatic, prescriptive basis.

The results of this latter innovation have been mixed to date. The environment is so complex and the variables so numerous we are still largely at the tinkering and developmental hypothesis stage. Nevertheless, a significant enough body of knowledge has been developed in this subset of Public Administration that there is sufficient theory for application and opportunity for experimentation, for those so inclined. The other major impact that the Marshall Plan had was the establishment of a mind-set to continue economic and social development assistance to the lesser developed nations of the world, in the amount of approximately four billion dollars a year.

Assistance to Europe was primarily economic: to enable them to rebuild their industries and reestablish trade channels, so that the countries could function again. Although this was a monumental task, the Program was highly successful. The United States also reaped the benefits of its 'investment' both politically and economically. Assistance to the Lesser Developed Countries - the LDC's of the so-called Third and Fourth World is much more difficult. These countries do not have the industrial base to build upon, the markets to reestablish or strengthen, the commodities to export, or trained and experienced technicians and administrators, or equipment, to work with. Nor, in many instances, do they have stable governments. Thus the task of Development Administration today is different from that of the Marshall Plan era, but it is no less a necessity. The future of the United States is inextricably intertwined with the fate of these countries. "The United Staes, the EEC [European Economic Community] and Japan are now selling at least one-third of their manufactures to the newly developing nations." [1] "The processes of aid and investment virtually launched by the Marshall Plan, have indeed produced a degree of <u>global</u> (italics mine) interdependence"[2] and "the clearest lesson that emerges from the development of the Third World nations is that openness to foreign trade encourages efficiency, adaptability and growth". [3] Public Administration's job is to put it all together, and make it work, and this requires a professional approach; it is too important a task to be left to amateurs.

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THE ORIGINS OF THE MARSHALL PLAN

While World War II was drawing to a close in 1944, the United States proposed a program of assistance to help its wartime allies reestablish themselves and their wrecked economies. Although financed largely by U.S. contributions, this was not solely an American project. From 1944-1946 the United Nations Relief and Rehabilitation Administration (UNRRA) provided consumer goods - particularly foodstuffs, clothing and medical/health supplies - to selected European countries as a short-term transitional scheme until "normalcy" should return.[4] This differed from the Dawes (1924) and Young (1929) Plans which attempted to stabilize the European economic situation after World War I through the form of credit to repay war debts and reparations, in that the UNRRA program was an outright grant. By 1946, however, it was evident that the mere injection of relief goods was insufficient to induce recovery; economic conditions were still in a drastic state of affairs. Furthermore, political crises were mounting with communist encroachment in China, as well as Eastern and Western Europe. In addition to the multi-lateral assistance program through UNRRA, the United States extended a bilateral loan of $600 million (with a further credit line of $3.75 billion) to Great Britain in August 1946, in a special effort to get that nation and its extended Empire out of the doldrums. Conceived as a five year financial crutch during which Britain could reestablish her trade relations, close the "dollar gap" and stabilize her internal economy, the loan was a colossal failure. The loan, and most of the credit line was drawn down in less than a year without any significant impact on the economy of the sterling area or the rest of the Commonwealth.[5] This was not just a simple debtor/creditor problem between Great Britain and the United States. It was a harbinger of economic catastrophe for the Free World.

The United States was not immune from this catastrophe. It needed income from abroad in order to maintain its economy at home, while at the same time being able to export its products. In order to purchase those American goods, however, other countries needed dollars which they could only earn from the United States. Thus the balance of trade was a critical element of concern to all nations. Western Europe had had a trade deficit with the United States before the war, but had been able to maintain a balance of payments through services (such as shipping), dollar earnings from the rest of the world, sales of products from their colonial empires to the U.S., and liquidation of assets. In the first quarter of 1947, the U.S. exported almost $1.5 billion of goods to Western Europe. They. in turn.

were only able to export about $150 million to the U.S.[6] The deficit could only be financed by further drawing down remaining assets, borrowing from the U.S., or accepting relief. A solution had to be found to give Western Europe an opportunity to increase its productivity, develop alternative non-dollar sources of supply, and boost European dollar earnings by increased exports to the United States.

The U.S. State Department's Policy Planning Staff heightened U.S. political concern for Europe's plight when they raised the specter of communist exploitation of the situation.

> The present crisis results in large part from the disruptive effect of the war on the economic, political and social structure of Europe and from a profound exhaustion of the physical plant and of spiritual vigor. . . . The communists are exploiting the European crisis and . . . further communist successes would create serious danger to American security. . . . However, . . . American effort in aid to Europe should be directed not to the combatting of communism as such, but to the restoration of the economic health and vigor of European society.[7]

A plan for European recovery was conceived by Under Secretary of State Dean Acheson in April 1947 and further developed by the Policy Planning Staff under George R. Kennan. The plan was then coordinated with other interested government departments, and approved by President Truman as a new, positive, direction for American diplomacy and foreign policy. Truman planned to launch the plan himself in May 1947, at a meeting of the Delta Council in Cleveland, Mississippi. Unfortunately, Truman was not able to attend because of another conflicting political obligation, and Acheson delivered the speech instead. Some interest was aroused in Europe by this speech, but nothing of consequence resulted from it. In the United States, the occasion was hardly noted at all.[8] In essence, the Plan was an assurance to Europe of America's willingness to assist the entire continent, for the mutual benefit of all parties, provided that Europe could work out the details of a comprehensive program for joint recovery without the United States being responsible for the initial stages of its formulation. It was felt by the Policy Planning Staff and other U.S. officials that if the United States were to assume control and direction over the program, either unasked or by forcing its good intentions upon Europe, such an approach could too easily be interpreted as American economic imperialism, which would play into the hands of the communists.

The Secretary of State, General George C. Marshall, was unwilling to relinquish the idea, and laid careful plans for a second presentation in public. Marshall did not want to appear to offer Europe an American "handout" which would be resented abroad and denounced at home (especially after the recent failure of the U.S.-British loan). He needed the impetus to come from Europe in the form of a request; but one that would meet both the requirements of economic recovery, as well as being able to withstand critical American public scrutiny. Thus the speech was planned to be presented very unobtrusively, without any buildup or indication that something unusual was about to happen. To maintain an inconsequential atmosphere in the U.S., President Truman feigned an air of business as usual, and Marshall delivered the message in a Commencement Address at Harvard on 5 June 1947. To ensure that the message did not fall flat this time, however, on 4 June - the day before the speech was to be delivered - Acheson informed three British news correspondents that Marshall was about to make a speech of the utmost importance, and urged them to contact their London offices. He further advised them to ascertain that the British Foreign Secretary, Ernest Bevin, receive a copy as soon as possible after its release.[9] This time, the speech had the desired effect. Forewarned, England was the first country to react, and she laid the groundwork for future developments. After some preliminary negotiations, on 14 June 1947, the British Foreign Office announced that

> His Majesty's Government is specially mindful of the part which France can play in the economic reconstruction of Europe, and has decided to take the initiative in exploring with her . . . the best means of following up the Marshall offer.[10]

They extended invitations to 22 European countries to attend a conference in Paris on 12 July. At this conference, a Committee for European Economic Cooperation (CEEC) was organized to formulate a combined program for recovery of the sixteen nations who participated. (The conference was boycotted by the Soviet Bloc, although the offer had also been extended to them.)[11] The Committee worked out the ground rules; provisionally decided what external aid would be required, country by country, and by September 1947 had prepared a comprehensive report to present to Washington.[12] The European Plan, in response to Marshall's speech was a four year recovery program (1948-1952) which would be directed towards the following four priorities:

1. Increased production, especially in agriculture, energy and heavy industry

2. Elimination of inflation
3. Promotion of economic cooperation among the participants, and
4. Solution of the dollar payments problem

The CEEC representatives delivered the plan to the U.S. Administration on 22 September. This set the stage for some very interesting political maneuvering between the Administration and Congress, for despite the generally held assumption in Europe that the U.S., through Marshall, had made a definite offer of assistance, Congress was still the keeper of the purse-strings, and up to this point had not been involved. President Truman was thus placed in the position of having to convince Congress that the program which he had authorized his Secretary of State to propose, and which Great Britain and much of Europe had accepted and spent the summer laboring over so diligently, was in fact worthwhile! Until the proposal had been accepted by Congress, however, the Administration could only be sympathetic and supportive towards Europe's request for assistance, but had to remain noncommital, substantively and financially.

U.S. Public Opinion, & Administrative Practice

American business interests had looked forward with great expectation to the increased business that they presumed would occur with the cessation of hostilities after World War II. Instead, they were confronted with an economically debilitated Europe which could not afford to import American goods. American businessmen thus reacted to the prospect of providing economic assistance to Europe with mixed feelings. Some supported the concept since they recognized that their prosperity was largely dependent upon the immediate world demand for American products. Others balked at the longer range prospect of a restored Europe competing with the United States - its erstwhile benefactor. Thus, the greater the success of the proposed program, the more difficult the future could be for American industry and its products! Similar concerns were expressed by the farm bloc. The farmers needed an outlet for U.S. surplus agricultural products but wanted protection against foreign agricultural produce, both immediately and in the future. [13]

While the business and farm bloc interests had largely informed views, both pro and con, on the issue, despite the fact that approximately 12 million Americans served in the military in World War II (many overseas) the great mass of the American public had no real conception of Europe's plight, or America's concern with it. There was also a strong isolationist sentiment that now the war was over the country should get back to the normalcy that was American and Americanism, and not involve itself further in the problems of the world. The "gut" reaction therefore tended to be negative. Although humanitarianism runs deep in the American psyche, the public was not enthusiastic about the prospect of a government program to give away their hard-earned tax dollars to foreigners. Some questioned why the United States should be involved with, and consider itself responsible for people who were

> . . . neither citizens of the United States,
> nor subscribed to American doctrines,
> nor paid taxes to the U.S. treasury
> nor were in any alliance with the U.S.
> nor were in any way bound to the U.S. by ties of race,
> religion, culture or affection. 14

In short, benevolence towards foreigners seemed incompatible with the governmental function of defending and promoting the interests of its citizens. A Gallup poll conducted in November and December of 1947 indicated that barely 36% of those interviewed favored any American participation in a European recovery program, while the remaining 64% were either uninformed (35%), unconcerned (18%), or opposed (11%) to such action.[15]

A few outspoken critics, as exemplified by the Patterson-McCormick press (Chicago) questioned the viability of <u>any</u> proposed assistance, based on previous experiences. The most recent aid to Great Britain, amounting to over four billion dollars in loans and extended credit, had failed to accomplish any dramatic results. Why then, they asked, should another aid program be any more than another "Operation Rathole" for squandering U.S. taxpayers dollars.[16] When the details of the CEEC proposal and possible U.S. responses were aired, and it seemed evident that the U.S. was considering providing outright grants (rather than just making new loans), the rationale for this was also challenged, and the opposition stiffened.[17] Regardless of whether the program was to be grant or loan funded, a major concern was that taxes would have to be increased in order to finance it. Senator Taft estimated, for instance, that the program would require eight billion dollars more in taxes for 1948 than would otherwise be the case.[18]

While the CEED was at work during the summer of 1947, President Truman established three separate groups in the U.S. to study America's needs, and resources for extending aid to Europe.[19] The Nourse Committee of the Council of Economic Advisers analyzed the impact of proposed aid on the

U.S. economy. The Krug Committee was a committee of specialists from various government agencies and departments, headed by the Secretary of the Interior, to study the impact on U.S. resources. The third committee - the Harriman Committee - was composed of nineteen civilian leaders from the world of finance, agriculture, business and industry (including organized labor), all appointed by the President to work under the chairmanship of the Secretary of Commerce, to study "the limits within which the U.S. might safely and wisely plan to extend economic assistance to foreign countries and . . . the relation which should exist between such assistance and our domestic economy."[20] These committees established numerous sub-committees and specialized working groups in order to tackle their tasks effectively, but it was felt by the Administration that three overall committees would be more effective for integrating the findings than a wider proliferation of specialized interest groupings.

As soon as the CEEC's report was received in October, representatives of almost every department of the government participated in reviews and discussions, under the leadership of the Department of State, and voluminous materials were prepared for congressional consideration. The Administration favored support to Europe on both economic and political grounds, and sought to persuade both the Congress and the general public with a multiplicity of arguments. Secretary Marshall discussed the program in business-like terms; thus:-

> . . . We are all stockholders in the same company, the United States of America. . . . [We are making] a capital investment in European recovery involving a sum that though large, is well within our means, with a good prospect of realizing long term gains. 21

Secretary Harriman emphasized from his committee's standpoint the inter dependence of the U.S. and European economies by pointing out that a decline in the buying power of the 270 million people of Western Europe would also have a powerful impact upon the prosperity of the people of the United States.[22] In a public address, President Truman expressed his support for providing assistance when he stated "this program is much more than a commercial operation. It represents a major segment of our foreign policy"; 23 a sentiment which was echoed by Harriman's report that the "United States' political interest in a stable Europe overshadowed all other interests.[24] Another concept, which had much greater appeal among Americans than Europeans, was expressed by the then U.S. Delegate to the United Nations, John Foster Dulles, that implementation of the Marshall Plan could lead to a United States of Europe.[25]

These representations by high level Administration officials did not automatically persuade the Congress or the Public in general that economic assistance was the proper course of action to take. Inured to the "hard sell", the American public tended to regard these presentations of facts, opinions and assumptions about Europe's situation and America's self-interest and need for involvement, as mere posturing and bureaucratic advertising for appropriations.

Legislative Action and Reaction

Although Marshall's target was Europe, he had to address himself to the critical audience at home. There had been some informal discussion with the Congress of the need for for U.S. assistance to Europe shortly after Marshall's commencement address in June 1947. Without waiting for the Administration's analysis of the situation, or of Europe's formal request for assistance, the Congress decided to undertake it own study and investigation of the need for such assistance. A Select Committee of nineteen House members was formed, which became known as the "Herter Committee". The Committee travelled abroad during the summer of 1947 to gather first hand impressions of the situation, and to study the assistance proposal in some depth.[26] Later, the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations heard extensive testimony on proposals for extending assistances to Europe and the likely impact it would have upon the United States.[27] The prospect for achieving bipartisan cooperation on any major policy was highly unlikely, however, since both the Democrats and the Republicans were sharpening their wits at each other's expense for the coming elections. The Republicans were particularly hesitant to support any new Democratically-inspired policy initiatives which could redound to the benefit of the incumbent Democrat Presidential incumbent. Furthermore, as the majority party in Congress, the Republicans had the votes to bloc such initiatives, should they choose to do so.

There were extensive discussions, debates, arguments and counter-arguments about the Marshall proposal through the Fall of 1947, and on into the winter. A special citizen's "Committee for the Marshall Plan" was organized by several prominent people, and registered as a lobbyist group, which then started bombarding the media with promotional literature to influence the public, nationwide. [28]Several more objective groups were called upon, also, to analyze the situation - The National Planning Association, the Committee for Economic Development, and the Brookings Institution.[29]

The congressional hearings were lengthy and the documentation from them was voluminous. Harry B. Price, who witnessed and recorded the first authoritative history of the Marshall Plan, wrote that the published hearings "before the Senate committee fill three volumes totaling 1,466 pages; those before the House committee, two thicker tomes of 2,269 pages." And over three hundred witnesses were heard. [30]

In February 1948, a coup d'etat occurred in Czechoslovakia following several months of communist agitation and activity. This event alarmed many of the U.S. congressmen, who saw the pattern of Kremlin-inspired communist expansion of its orbit while the U.S. debated whether it should assist Western Europe. Republican resistance to the Democratic-inspired proposal thus weakened, and the debate wound down to a bipartisan conclusion. On March 1st, Senator Arthur Vandenberg (R. Mich), Chairman of the Senate Foreign Relations Committee presented the bill to the Senate. As a notable isolationist, Vandenberg's position on the bill was crucial to the Administration's success. Secretary Marshall had worked very intently to obtain Vandenberg's support and leadership in the Senate.

> I worked closely with him on the Resolution which he presented to Congress. In fact, the first draft was prepared in the State Department at my request. Senator Vandenberg took this draft and improved it enormously on his own typewriter. He made it a practical proposition, and, but for his leadership and coordination in the Senate, the plan would not have succeeded. [31]

Senator Vandenberg himself referred to the bill as "the final product of eight months of more intensive study by more devoted minds than I have ever known to concentrate upon any one objective in all my 20 years in Congress."[32] His support for the measure moved the tone of the debate from "whether or not" to provide assistance, to "how". A new, and "businesslike" organization "to accomplish an emergency operation with maximum efficiency" was favored by the Congress, particularly the Republicans. The Administration eventually won out however with an agreement for a separate, new agency, but with significant emphasis on private sector involvement. The Congress approved the Foreign Assistance

Act of 1948 on April 2nd, and it was signed into law by President Truman the following day. The final vote was as follows:

Table 1 U.S. Congressional Voting Record on[33] The 1948 Foreign Assistance Act

Political Party	SENATE			HOUSE			CONGRESS AS A WHOLE	
	Total	For	Against	Total	For	Against	For	Against
DEMOCRATS	42	38	4	169	158	11	196	15
REPUBLICANS	44	31	13	234	171	63	202	76
TOTAL	86	69	17	403	329	74	398	91

The framework for a European Recovery Program had now been created. But one more hurdle still had to be surmounted; - obtaining appropriations to fund the program. Although with political acceptance, the likelihood of financial support was assured to some degree, the exact amount was still subject to speculation and debate. Secretary Marshall had aroused the ire of Congress back in January 1948 when he asked for $6.8 billion as the first fifteen months costs for the program, with what they interpreted as a "put up or shut up" attitude:-

> An inadequate program would involve a wastage of our resources with an ineffective result. Either undertake to meet the requirements of the problem or don't undertake it at all.[34]

The Administration had estimated that approximately $17 billion would be required in total to fund a four year program of recovery. While Democrats blanched at the magnitude of the program, Republicans balked, even while they acknowledged the need for such assistance, and the debate continued on a "how much" level. Doing some political fence-mending, President Truman consulted with Senator Vandenberg to seek his advice on the selection of an Administrator for the new organization - The Economic Cooperation Administration (ECA) - which had been authorized to implement the European Recovery Program (ERP). Vandenberg suggested Mr. Paul Hoffman, the President of the Studebaker Corporation, who had also been a member of the Harriman Committee, and although Truman had favored appointing Dean Acheson, (his former Assistant Secretary of State) he accepted Vandenberg's recommendation.[35] Although Hoffman was a Republican, he was not politically active, and was highly respected for the solid work he had put in on the Harriman Committee.

Hoffman was sworn into office on April 9th, but apart from some interim advance spending money [Congress authorized $1 billion, plus $21 million in transfers from other aid funds] he had no budget to undertake the program.36 Another two and a half months were to pass with extended hearings before the appropriations committees completed their deliberations. Even with a Republican businessman at the helm of ECA, however, the Republican-dominated Congress was still unwilling to provide money for the program for more than a year at a time. On 28 June 1948, Congress authorized $5.3 billion for fiscal year 1949, which commenced 1 July 1948. By this time, Hoffman's ECA had already shipped $21 million dollars worth of emergency relief supplies (food, fuel and seeds) to several countries, and authorized procurement of goods and services in the amount of almost three-quarters of a billion dollars for longer term needs. [37]

OBJECTIVES OF THE EUROPEAN RECOVERY PROGRAM

The twin themes that ran through all the discussions in Congress and the U.S. media concerning the program were political and economic - Democracy versus Communism on the political front, and economic know-how to invigorate production and trade in Europe. These were both areas which the United States considered itself uniquely qualified to tackle. The communist threat was viewed as a very real and imminent danger to the security of the United States, and concomitant with economic aid, considerable military assistance and arrangements (such as NATO - the North Atlantic Treaty Organization) were being devised. Thus, the Marshall Plan was but one of the political innovations devised to strengthen Western Europe vis a vis the Soviet Bloc. The popular notion with respect to economic assistance was that Communism as a political philosophy could be contained (and even forced to recede) if the United States helped the European countries recover economically and thus demonstrated the efficacy and superiority of the democratic, capitalistic mode over that of the centrally-planned communist system. Politically, the scope of the assistance was to be extended even beyond America's war-time allies, to both Germany and Italy. In fact, aid was originally extended to any country that would adhere to a "joint program of European recovery designed to sustain and strengthen principles of individual liberty, free institutions, and genuine independence in Europe". 38Spain never joined, and as indicated earlier, the communist bloc nations abstained after pressure from the Soviet Union. Economic assistance was also extended to Greece and Turkey as a special situation, although the latter was neither in Europe, nor a party to the original agreement.[39]

From the economic standpoint, there was a need to restore Europe's economy even beyond that which existed before the war in order to attain the same pre-war standard of living. Despite the losses of population due to the war, Western Europe's population had nevertheless increased by almost ten percent, while many of the sources of national income which had formerly been available from foreign investments, shipping and other external services, had been lost.[40] This was a monumental task. Coupled with the internal physical destruction of industrial plants and the disruption of business and marketing infrastructure, the task of restoration was unprecedented. Furthermore, even before the war, Western Europe was not an economically viable area, but was

> . . . a grouping utterly unbalanced in its productive structure, with too few materials and too little food, and far too much capacity for producing industrial products for which there was no outlet in the dollar world. The political difficulties [were] certainly no smaller.[41]

Thus the task facing the Economic Cooperation Administration (ECA) was not simply one of restoring and rebuilding, and providing sustenance until the healing took place, but rather one of creating a new economic order in Europe. Unabashedly (if with some internal trepidation) the United States undertook the challenge.[42] Consistent with the traditional pattern of American optimism, four years was still considered a realistic time-frame to accomplish the program!

The three major elements of the program were outlined by the Europeans as[43]

1. Promote industrial and agricultural production
2. Further restore or maintain sound European currencies, budgets and finances, and
3. Facilitate and stimulate growth of international trade (including trade among participating countries)

with an overall goal of attaining "an economy organized for the maximum benefit of Europe as a whole".[44] Supplemental measures to be taken were the[45]

- Maximum utilization of manpower
- Provision of technical assistance (i.e. U.S. "know-how")
- Financial guarantees of convertibility of investments in order to stimulate U.S. private investment in Europe
- Use of counterpart local currency funds, and liquidation of European-held assets in the U.S., and
- Maximum use of private trade channels

The dimensions of the problem had been charted and a new organization created to tackle it. The details of the program now had to be worked out and implemented.

OPERATION OF THE EUROPEAN RECOVERY PROGRAM

A week after Paul Hoffman was sworn in as Administrator of the new Economic Cooperation Administration (ECA), the Committee for European Economic Cooperation (CEEC) was disbanded and a new permanent body - the Organization of European Economic Cooperation (OEEC) was created in Paris to develop and follow-through a combined program for economic rehabilitation, with U.S. Assistance. Thus on both sides of the Atlantic unprecedented governmental organizations were being established, which gave rise to a number of administrative innovations. This section will provide a brief overview of the principal features of some of these organizations.

Organization for Recovery

On the U.S. side, personnel selection was a major initial consideration. Contrary to standard bureaucratic practice, in order ". . . to ensure a 'businesslike' approach, selected posts were at the outset filled with businessmen, preferably with previous governmental experience . . . by deciding on qualified individuals and then inducing them to serve . . . rather than by relying on selections from among many thousands of applicants." [46] The procurement of aid supplies was delegated to recipient governments, private firms and individual initiative, obviating the need for a large, expensive procurement organization in the U.S. This approach also made maximum use of private trade channels.[47] ECA's role was thus to control the planning, approval and financing of commodities, and to monitor their delivery.

The structure of the ECA developed in an *ad hoc* fashion.[48] As work was undertaken, and experience gained, the structure was reorganized to accommodate the functions required. Essentially, however, an ECA office was established in Washington, with another major office in Paris. The Paris office was headed by a Special Representative whose duties were to serve as a counterpart organization to the OEEC, and to exercise a supervisory role over the ECA Missions which were established by the United States in each participating country.[49] Averill Harriman, the former Secretary of Commerce who had headed the earlier Harriman Committee, was appointed as the Special Representative, with the rank of Ambassador, while other ECA personnel were appointed as Foreign Service Reserve Officers (or Staff) for the duration of the program. Administratively, the country Missions were serviced by the State Department concomitant with the Embassy and Consular Administrative support function. To supplement the businessmen who had been brought on board by Hoffman and his senior staff, several other government agencies were tapped for specialized personnel, particularly in the departments of Commerce, and Agriculture.

In Washington, a special relationship was established between the Administration and Congress to review progress in the administration and execution of the recovery program. This was formalized as a Joint Committee on Foreign Economic Cooperation. A Public Advisory Board was established by the President to consult with the Administrator of ECA on general policy matters, while the ECA Administrator himself also established an Advisory Committee on Fiscal and Monetary Problems to meet with his staff, the Undersecretary of the Treasury, and the Chairman of the Board of Governors of the Federal Reserve System.[50] Thus, the key ECA management staff planned to interact regularly with selected representatives of the public on key policy issues.

A major innovation was the delegation of responsibility by Hoffman to the recipient countries themselves for planning the program.

> I had a strong belief that no pattern imposed by a group of planners in Washington could possibly be effective. . . . Coming into this with a business background, I thought that if we in the ECA adopted a new role - as a kind of investment banker - that would be the right approach. In order to get an effective program, each country would need to bring in its own plan, and the OEEC would have to bring in a plan for coordination, with us not imposing a proposition on either. I had learned from that if you want enthusiastic cooperation, you have to get those concerned to do the planning, or at least to participate in it.[51]

Thus the U.S. role was to consult with European officials; assist them in developing an appropriate program; follow-up on progress, and keep Washington informed.

Two other major innovations were the creation of the Office of Labor Advisors in ECA's Washington headquarters; and the utilization of the U.S. Information Agency, abroad. The OLA's function was ". . . to stimulate manpower utilization, to present the democratic viewpoint of American labor to European trade union organizations, and to interpret the view of both American and European labor on the recovery program".[52] The USIA was used extensively as a means of publicizing the activities of the ERP, and to promote local (i.e. within the recipient country) press, radio and film coverage. 53

On the European side, things were even more complex, administratively. A series of bilateral agreements were negotiated between the United States and each participating country - all roughly similar - outlining the basic understandings and responsibilities of each party, but sensitive to local political and economic needs. The establishment of a multi-national organization however, opened the door to many nationalistic disputes. It had been difficult enough preparing individual country plans as part of an overall package, the first time. Now, the U.S. informed the OEEC that it was to take responsibility for dividing the available aid between the participating countries.[54] This meant a reevaluation of each of the participant's requests and requirements. The United States recognized that the United Kingdom was the key elemenyt in the program, and Britain was ultimately to receive the lion's share of American aid.55 However, not everyone saw it that way. Britain's greatest need was to close the "dollar gap" and, as the center of the sterling area, its recovery was of prime importance to the rest of Europe. At the same time, Britain did not regard economic integration with Europe as in its (Britain's) best interests.[56] Britain's insular position and easy access to the continent of Europe had been exploited in the distant past and fear existed that economic ties would lead to closer political controls. Even the extremists in the British Labour (Socialist) Party regarded the continental socialists as "hopelessly doctrinaire", and conceived of the French in particular as "a relatively undisciplined nation in civic and social matters".[57] Furthermore, British Empire ties conflicted with European notions of integration on the economic front.[58] Thus the British plan for recovery presented to the OEEC called for heavy investment at home to increase her productive capacity for exports, with stringent regulation of imports in an effort to balance the British account by 1953. At the prospect of the British reducing their imports, there were howls of indignation from the other European OEEC members. France, especially, was disconcerted, because as a supplier of many luxury items (such as wines and cheeses) to the British market, she was largely dependent upon a continuation of such exports for her own recovery. Britain's plan, as France saw it, was too one-sided. While solving Britain's Balance of Payments situation, it would create a shortage of sterling for France.[59] Other countries in Europe faced similar difficulties, both with Britain and with each other. Thus, the political and economic prospects for cooperation were not good. Nevertheless, after much wrangling, it was accomplished, at U.S. insistence. Largely at British insistence, the OEEC was established as a continuous international conference, rather than as a supranational body.[60] The smaller nations of Europe were also accorded co-equal status in the organization through a rule requiring unanimous consent in reaching any decisions. Thus, despite the objections of the larger powers, their wishes were effectively limited by the veto of the smaller states. For general policy and administrative decisions, the OEEC established a Council of Representatives of all member countries, with an Executive Committee of representatives from seven member countries, elected annually by the Council. There was also an Executive Secretariat, and various Technical Committees established as permanent working groups.[61]

The impact of the American decision to require Europe to plan and manage its own future was far reaching. It eliminated the need for a large U.S. administrative staff to manage and implement programs and projects in each country, and removed the United States from the acrimony of competing national claims for assistance. On the European side, despite their differences, they had to learn to work together and cooperate. "No one could take the responsibility for jeopardizing the whole plan, even if dissatisfied with any particular decision."[62] In time, this led to an awareness of the potential that did exist for intra-European cooperation, trade and self-help which might not have been realized through a series of bilateral trade and aid arrangements with the U.S.

Obstacles to Recovery

The ECA and the OEEC encountered a number of difficulties in carrying out the recovery program. Some were forseeable but insuperable - a difference between American and European perspectives - while others created the climate for administrative creativity to successfully resolve them. First, some differences in perspectives.

Americans customarily regarded foreign trade as a means of selling surplus goods abroad and using the income generated from such sales to import luxury items and/or "indigenous native products" (such as scotch, English woolens, etc.). To Europeans, however, exporting was not an outlet for surplus products to exchange for luxury items, but a vital link in their trade balance. Exporting was essential in order to pay for goods which had to be imported - either for essential domestic consumption, or to be processed for reexportation. Thus in order to obtain dollars, it was important for Europe to sell as many of their products as possible to the United States.[63] "Trade, not Aid" were popular slogans that the Europeans recited to the Americans. If only American would buy all that Europe was willing to sell them, the dollar problems of most European countries would have been reduced significantly, despite their damaged economies. However, in their own interests, American businessmen (with the aid of Congress) took steps against the potential influx of European imports, by demanding protective tariffs against goods which could undersell American products in the U.S.. Furthermore, in an effort to promote the export of American surplus commodities, all ECA-financed purchases of agricultural products which were declared to be in surplus by the U.S. Department of Agriculture had to be procured from the United States - regardless of where Europe's former sources of supply had been.[64] American flour millers were also given special protection in that 25% of the total flour and wheat obtained with ECA funds had to take the form of flour.[65] Europe did not wish to waste precious dollar assistance by purchasing such items from the United States when they could be readily obtained elsewhere (often at lower prices). Nevertheless, under the conditions of the recovery program, they were forced to "eat American".

Another major issue was the anti-communist bias of the U.S.. One of the political strings attached to Marshall Aid was that European countries were prohibited from exporting any commodities to the Soviet Bloc which were produced from materials financed by American economic aid.[66] From the European perspective, this was a major obstacle to recovery since many countries had had such relationships pre-war and wished to reestablish them, while others saw Eastern Europe and the Soviet Union as a potential market to be cultivated. Again, such transactions, if permitted, would generate capital without expending precious dollars. Thus the dichotomy of American trade policy in trying to promote Free World European recovery through expansion of trade as an answer to communism; while seeing the Communist Bloc gain possession of items which could have military significance, such as machinery and industrial tools.

Another adverse effect on Europe was the American trade policy of "non-discrimination" imposed on Marshall Plan recipients. This policy required that when any country restricted its dollar imports of a particular commodity, it likewise had to reduce an equal amount of such commodities from any other country under the program. This requirement was especially burdensome on the Europeans who were trying to reduce their spending of dollars in order to put their balance of trade into equilibrium, but it even had an impact beyond the Plan recipients. For instance, when Canada reduced its importation of chocolate and jewelry from the U.S., under the terms of this ruling, she was forced to reduce her importation of chocolate and jewelry from the United Kingdom to the same extent, even though Great Britain had chocolate and jewelry to sell and Canada had a surplus of sterling.[67] The rule, of course, was designed to protect American exporters but in doing so, it created many unintended effects.

A serious area of contention was the transportation industry; and in particular, shipping and civil aviation.[68] The United States and several countries in Europe had an excess capacity of these services which they desired to sell to each other; or in the case of the U.S., to charge off against the dollar assistance grant program. The American merchant marine had increased during the war to over 5,500 ships, totalling 40.3 million tons; almost double her pre-war tonnage. The British merchant marine had formerly been an important part of Britain's national economy, earning large amounts of foreign exchange in the pre-war era, which helped to pay for the importation of foreign goods. Much of Britain's shipping had been lost during the war, however. To restore this fleet to its former health and strength would inevitably mean more competition and a smaller share of world trade for American shipping.[69] Other maritime European countries, such as Greece, Italy, France, Germany and the Scandinavian countries were in a similar position. However, the 1948 Act required that at least 50 percent of the gross tonnage of ECA goods would have to be carried on American vessels, and this requirement was assiduously monitored and enforced, despite the fact that European freight rates were considerably lower than those of the U.S. merchant marine. Thus every ton of commercial freight carried by an American ship was not only a subsidy from Europe's recovery program to American shipping which reduced the amount of dollars available for more necessary assistance, but it also hampered utilization of the idle fleet capacity which some of those countries possessed or were creating by their restoration and ship construction program.[70] This was an expensive parade but since it was obviously in the best interests of the U.S., as the donor of the assistance, the policy prevailed.

A side-effect of shipping goods to Europe was the insurance coverage for the merchandise in transit.[71] At first, the ECA was a self-insurer, accepting any losses incurred instead of paying premiums to private firms. European importers were not generally prepared to lose their commodities in this manner, so they insured their cargoes with local (European) firms. At first, this had a dual effect. It not only conserved precious dollars, but it stimulated the European insurance business. When this occurred however, American marine insurers objected strongly on the grounds that the practice discriminated against American insurance interests. Once again, with Congressional support, this sentiment prevailed, and the Act was amended to ensure that some of the insurance was placed with American firms, albeit at higher rates, and with the expenditure of more precious dollars.[72] Thus many Europeans wondered out loud who was benefitting the most from American aid to Europe; a sentiment which the communists were quick to exploit, denouncing the practices as examples of the ulterior economic imperialistic motives of the United States.

Disagreement also existed between Europe and the United States on the question of control of natural petroleum resources.[73] Imported petroleum was of the utmost importance to Europe as their natural deposits were insufficient for their needs. Thus, the various countries tried to establish control of oil reserves in other parts of the world whereever they could - the Middle East, Malaya, Latin America and the Dutch colonial possessions (now Indonesia, and Aruba). In an effort to preserve a European outlet for American-produced petroleum outside of the U.S., the ECA intervened in Europe's self-development along these lines. The ECA sought to restrict the procurement of oil refinery construction equipment by European nations on the basis that total world productive capacity outside the U.S. would be greater than world consumption needs if such acquisition and expansion were permitted to continue unrestricted, and hence a waste of ECA development funds. At the same time, however, the U.S. companies continued to extend their overseas holdings and exploration. European problems intensified, and anger heightened when they eventually had to purchase "dollar oil" from American overseas sources, whereas non-U.S. oil from the same areas could be (and could have been) purchased with soft currencies, had they had an equal opportunity to develop there.[74]

On the export side, the U.S. presented a formidable barrier to Europe.[75] The Buy American Act of 1933, in general, prohibited Federal procurement of foreign materials (or commodities manufactured from foreign materials) unless they were not available in the U.S., or if available, unless the domestic prices were "unreasonable". (Unreasonable was generally interpreted to mean at least 25% higher than the competing foreign product, but was also discretionary, and the interpretation was not consistently applied.) Furthermore, all imports had to clearly show their country of origin. Goods had to be packaged in containers of certain sizes, and conform to the system of weights and measures used in the U.S., rather than Europe's metric system, or Britain's Imperial measures. Thus items intended for export had to be produced and handled separately from items for domestic consumption, and the labelling requirement increased the costs of production substantially since it was not traditionally done in Europe at that time. Furthermore, the unpredictability of classification of goods by U.S. customs officials, the potential for rejection (or refusal for importation) and the inability to predetermine the ultimately assigned dutiable value often rendered the final transaction unprofitable.[76]

Intra-European relationships were not all smooth either. As noted earlier, the British were probably the most recalcitrant to cooperate in a United European Economic Plan, preferring to "go it alone" and strengthen their Empire ties. Nevertheless, there were several natural resource distributions in Europe as well as historical factors which gave rise to comparative advantage and specialization in some countries as opposed to others, and the mutual benefits of intra-European trade were indicated. Accomplishing this realignment however required much negotiation and persistence, as well as a reluctant relinquishing of some traditional activities in favor of the common good.

A major innovation to promote trade was a system of "drawing rights" which was developed.[77] Formally known as the Intra-European Payments Scheme this was actually Europe's own little Marshall Plan. Under this system, an annual balance of payments was estimated between each set of countries. The debtor of the pair was then given drawing rights on the creditor for the difference. Through this program, Britain extended $290 million of credit (in sterling) to other European countries, while herself receiving drawing rights on Belgium for $30 million.[78] Another area of cooperation was the Schuman Plan to guarantee all member countries equal access to coal and iron resources which were mostly located in Germany and France, and which would (among other things) improve the efficiency of steel production throughout Europe.[79]

Inequitable distribution of manpower was also a major problem in 1948.[80] There were labor shortages in some countries, while at the same time there were large pools of unemployment in others. Also many countries lacked skilled workers, but had unskilled laborers in abundance. Through many cooperative efforts, several resettlement schemes were carried out as well as numerous technical training programs. These entailed moving workmen, and later families to other countries for indefinite employment, and often ultimate residence.[81] Given the former historical insularity, language barriers, and intense nationalism of the involved countries, and despite some social side-effects, this was a major achievement that would have been unthinkable before the European Recovery Program.

A final area of significance was the focus on productivity.[82] Compared to the United States, European business management and industrial production methods were archaic. In an effort to do something to improve the situation a number of American technical experts visited various countries to conduct studies, observe, and teach "Yankee knowhow". The impact went far beyond this however. A number of Productivity Centers, and Productivity Teams were established in various countries and representatives of key businesses and industries were invited to visit counterpart activities in the United States and neighboring countries. These first-hand experiences were more than business tours and "junkets". They stimulated much thought and emulation, and resulted in significant changes in output per man-hour of effort in selected industries, as well as providing a deeper understanding of and appreciation for differences and difficulties which existed in some situations. U.S. Public Administrators also provided much beneficial advice to various European government officials in such areas as fiscal policy, personnel procedures, statistics, organizational theories, studies and management analysis - both in Europe, and by bringing groups of European civil servants to the U.S. for observation and study tours.[83]

Accomplishments of the Marshall Plan

Despite the numerous difficulties encountered during implementation, the fundamental economic goals of the European Recovery Program were achieved in most countries in Europe before the expiry of the fourth year of the program.[84] In so far as the Soviet Bloc did not engulf any more of Europe during the period (despite several determined efforts to do so) it could reasonably be asserted that the political objectives of the U.S. with respect to Europe were also attained. However, political accomplishments are much more difficult to determine than economic results since they do not lend themselves readily to quantitative measurement and comparative analysis. The economic health of Europe was restored beyond that of pre-war conditions by the end of the Plan, and in some countries even earlier, but it was a different Europe, with a different set of relationships and a new vitality. Most important, the countries were freed from further economic dependence on either the U.S. or the Soviet Bloc., and were able to make their own future by themselves, in concert with their neighbors. This in itself was a significant economic accomplishment. The political accomplishments of the Plan are much harder to pinpoint since NATO played a significant role in that realm.

An unforeseen circumstance which contributed tremendously to the acceleration of European economic achievement rates was the Korean war. The invasion of South Korea in mid-1950 stimulated an intensive stockpiling of resources by the United States, and created a boom in raw materials which were obtained from many of Europe's colonies, which ultimately redounded to the benefit of the Europe nations directly, particularly Great Britain. In fact, the British financial position so greatly improved that the sterling area as a whole had a surplus on current account with the United States of over $300 million by the end of 1950.[85] Western Europe also became a heavy net supplier of steel to the United States, and the demand for shipping increased commensurately with the increase in American commodity procurements.[86] The Marshall Plan of course had provided the foundation which enabled Europe to respond in this manner, when the demand came. Thus, from either perspective, the Marshall Plan and the United States were clearly instrumental in Europe's recovery. At approximately $50 per beneficiary ($12.50 per year for four years, considering only the Europeans as beneficiaries) it was truly a sound investment, as Marshall had envisioned it would be.

To put the situation in perspective however, Europe still had a long way to go to catch up to the United States in productivity. At the end of 1951, for instance, in spite of all the gains made during the program, Europe was still operating at less than one-third of the efficiency (in terms of man-hour output) of a U.S. worker.[87] Furthermore, even though agricultural production had risen nearly 30 percent since the Marshall Plan began, and was about ten percent above pre-war production levels, this achievement still lagged behind population/consumption increases.[88] Thus, there was no room for complacency.

As a result of their involvement with the Plan, American businessmen also got a new perspective on Foreign Aid. The National Association of Manufacturers expressed it this way:

> Sound economic progress not only makes other countries better neighbors, it makes them better customers and suppliers. As their productivity rises, their ability to supply us with the goods and raw materials which we need will be increased. As their living standards are raised and the earning power of the countries and their nationals is increased, they will provide expanded markets for the goods we want to sell. In this way, the entire world economy and the economy of the United States will be strengthened. 89

Politically, the purpose of Marshall Aid was to strengthen Europe against Communism; not to purchase allies. Writing on "Foreign Aid in the Framework of National Policy", George Kennan expressed the philosophy of aid succinctly when he said

> . . .When we give aid to others, it should be because we have decided that the undertakings we are setting out to support are worthy ones from the standpoint of our national purposes. In the success of these undertakings lies our reward; we should seek no other. If we do not consider this reward sufficient, the aid should not be extended, or it should not be considered as aid. 90

Nevertheless, the Marshall Plan demonstrated that the "American System" was capable of providing the assistance for the self-development of political systems other than their own, without coercion or overt force. There were some political and economic strings attached as a part of the "aid package" but these were primarily to protect American interests rather than to destroy European freedoms, although there were some overlapping situations as noted earlier, where the result seemed to be a "zero-sum" game, where achievement of one denied the other. Although a United States of Europe did not emerge as some elements in the U.S. had hoped, the groundwork was laid for much future cooperation, through currency linkage, reciprocity in travel and border crossing requirements, customs duties and excise taxes; which later led to the development of the European Common Market. In short, while the European Recovery Program afforded immediate economic assistance to Europe, both Europe and the United States are still benefitting economically and politically.

IMPACT ON PUBLIC ADMINISTRATION

The Marshall Plan was a springboard to change in several Public Administrative practices. Some of these innovations, such as ad hoc organizational growth, and recruitment of staff have already been mentioned and were relatively short-lived. Others, such as the emphasis on "businesslike management", efficiency and effectiveness, economic analysis of sectors, and long-range planning, "projectizing", decentralization, and public advisory roles in government policy making, have had a longer, if variegated life. The current administration, after initially viewing all foreign assistance programs with askance, for instance, is now also putting renewed emphasis upon private sector involvement, joint (U.S. and recipient country) involvement in planning activities, and "contracting out" of operating functions in order to reduce the size of the official bureaucracy. (During the Marshall Plan era, given the relatively small staff that was feasible, private sector involvement, recipient country responsibility and contracting out were adopted as the only way the program could be undertaken effectively.) The innovation of hiring local nations for program support and administrative functions, started under the ERP, has also continued and blossomed to the point where many technical functions are now also carried out by locals (rather than Americans) on the U.S. Mission staff.

A distinction should be made between the assistance required by the Marshall Plan countries, and that required by the "Third and Fourth World" countries today, however, lest faulty conclusions are drawn from false assumptions. Europe was basically technologically developed and industrialized, with a high level of political development. They needed their debilitated industries revived; but their problem was principally one of a balance of payments and markets. On the other hand, the problems of economic development in the lesser developed countries (LDCs) today are of a different kind. Their need is not to rehabilitate wrecked industrial economies, but rather to create new economic enterprises and relationships between societies, where none formerly existed. The "shortage of internal revenues and nondollar currencies . . . coupled with a shortage of trained and experienced technicians and administrators . . . and equipment . . . needed to organize and extend essential services"[91] can be, and is being tackled today by the U.S. Agency for International Development in many countries, with varying degrees of success - but largely on a piecemeal basis. The Marshall Plan approach - of making the participating nations play the major lead in their own development, with the United States providing the necessary financial, technical and managerial underpinnings (where they are lacking on the local scene) - is still a viable concept however. Indeed, in the 30 year interlude since the Marshall Plan was so successfully terminated in Western Europe, a lack of consistency in adherence to that concept has undoubtedly contributed to today's dilemma. The recent call by Jeane Kirkpatrick, U.S. delegate to the United Nations, to the Reagan Administration for a Marshall Plan approach to development assistance for Central America and the Caribbean in order to thwart Soviet-backed subversion in the region, reflects the currency of the concept,[92] albeit with different programs - in family planning, agriculture, health, education, reforestation, research and development of alternative energy sources, appropriate technology and transportation network development.

Apart from all the more apparent aspects of management, monitoring and administration of a program of unprecedented dimensions and nature, which the Marshall Plan represented, probably the most significant Public Administration impact was the birth of a whole new sub-field - that of "Development Administration" - from this experience. Technical assistance was needed to set up the ECA and to provide expertise to European governments. In addition to the businessmen and productivity experts, Public Administration notables such as Harland Cleveland, Donald Stone, Edward Mason and Luther Gulick wwere called into the service of their country for their Public Administration expertise. As they became exposed to the concepts and practices of other countries, technical assistance in public administration became a two-way street. With expansion to the lesser developed world, the conditions there also warranted different approaches, and Public Administration practitioners were able to practice their craft and test their theories, empirically. During the fifties and sixties, Development Administration pioneers, Comparative Government researchers and Community Development practitioners all emerged as different shades of "Public Administration". Public Administration was thus to be established for awhile as a "Technical Sector" in its own right, as an important field in which to render assistance to developing countries. Universities with renowned Public Administration faculties such as Syracuse, University of Southern California (USC), Pittsburgh, Harvard and Indiana, were all enlisted in the task of spreading the Public Administration message or more correctly, messages, together with specialized organizations and institutes such as the Public Administration Service (PAS). Regrettably, the role of the P.A. "Professional" (if I may use that term in its loosest sense) has declined in recent years. Possibly Public Administration's success in self-identification, but inability to impact upon either host country administrations, or to influence the implementation of other technical sector assistance action programs, such as in agriculture, health, and education, was the reason. In any event, Public Administration was disestablished as a distinct technical sector within the AID program in the early seventies, its personnel metamorphosed as generalist managers for internal AID project administration, or departed the service, and the functions which they performed for the host country either subsumed by the sector technical specialist, or neglected. Today, there is a growing awareness that administration and management are functions and skills apart from the technical subject matter being extended as assistance, but by and large, the specialists still hold sway. A few tentative experiments have been conducted and are being examined to determine what, if anything, the general field of Public Administration (including the sub-fields) have to offer to enhance the delivery of action programs and improve public well-being. Most of these prescriptions focus on pragmatic management systems and techniques, and the demand that Development Administration update and reassert itself - both for internal and external administrative program management.

The need for application of the principles of that era is still with us, to apply to the problems of today. Like Europe at the end of their recovery program, we still have a long way to go in the developing world and the administration of our program, in order to catch up with what we know, intellectually. There is a lot to be done. We have no cause for complacency.

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End Notes

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[13]F. Lutz, "Influence of Foreign Developments on the American Economy: Effects of the Marshall Plan" American Philosophical Society Proceedings, XCII, 1948, p. 247.

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[16]Price, Meaning, p. 58; James Reston, "Significance of the Paris Conference," in Summers, Aid, p. 30' John Gerrity, "The Basic Issues," in Summers Aid, p. 217; W. Clayton, "Is the Marshall Plan 'Operation Rathole?'" Saturday Evening Post, 29 November 1947, pp. 26-27; and D. Bess, "Must we Lend Britain More Billions" Saturday Evening Post, 26 July 1947, pp. 20-21.

[17]Dollar indebtedness would absorb a large portion of any new dollar earnings, and any substantial increase in this indebtedness would defeat the recovery program's objective by delaying the achievement of viability, impairing borrowing capability later when economies were strong enough to handle it. Marshall's program therefore did not offer further installments of relief assistance, but sought to effect a solution to the problem. The onus lay with Europe to show that it really intended to make a concerted effort to achieve such a solution. This is the vital element that is lacking in today's assistance programs to the developing countries.

[18]Price, Meaning, p. 58.

[19]ECA 1st Report, p. v.; and Price, Meaning, pp. 39-46.

[20]ECA 1st Report, p. v.

[21]George Marshall, "The Stake of the Businessman in the European Recovery Program" U.S. Department of State Bulletin, 25 January 1948, p. 108.

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[30]Ibid., p. 61.

[31]Ibid., p. 65.

[32]Ibid., p. 64.

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[39]Price, Meaning, pp. 272-273, and 278-279.

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[46]Price, Meaning, p. 77.

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[50]Price, Meaning, pp. 68-69.

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[52]Ibid., p. 77.

[53]ECA 1st Report, pp. 53-55.

[54]Price, Meaning, p. 82.

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[60]Price, Meaning, p. 80.

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[65]Ibid., p. 14.

[66]Raymond Mikesell, United States Economic Policy and International Relations (New York: McGraw Hill Book Co., 1953), p. 263.

[67]Kenneth F. Smith, "Great Britain & the Marshall Plan" (M.A. Thesis, University of Connecticut, 1961), pp. 53-54. (hereafter cited as Smith, G.B.)

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[71]Ibid., pp. 57-58.

[72]Ibid.

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[80]ECA 2nd Report, p. 10.

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[83]Ibid.

[84]ECA 13th Report, pp. 17, 24 & 29.

[85]Richard Bissell, "The Impact of Rearmament on the Free World Economy" Foreign Affairs, April 1951, p. 495; and Smith, G.B., pp. 78-79.

86 ECA 10th Report, pp. 17-19, and ECA 12th Report, p. 23.

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88 Ibid.

89 Eugene Staley, The Future of Underdeveloped Countries (New York: Harper & Bros., 1954), p. 43.

90 George Kennan, "Foreign Aid in the Framework of National Policy" American Political Science Proceedings, January 1950, p. 455.

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APPENDIX I.

George C. Marshall, U.S. Secretary of State
Commencement Address, Harvard University
June 5, 1947

I need not tell you gentlemen that the world situation is very serious. That must be apparent to all intelligent people. I think one difficulty is that the problem is one of such enormous complexity that the very mass of facts presented to the public by press and radio make it exceedingly difficult for the man in the street to reach a clear appraisement of the situation. Furthermore, the people of this country are distant from the troubled areas of the earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connection with our efforts to promote peace in the world.

In considering the requirements for the rehabilitation of Europe the physical loss of life, the visible destruction of cities, factories, mines, and railroads was correctly estimated, but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of European economy. For the past 10 years conditions have been highly abnormal. The feverish preparation for war and the more feverish maintenance of the war effort engulfed all aspects of national economies. Machinery has fallen into disrepair or is entirely obsolete. Under the arbitrary and destructive Nazi rule, virtually every possible enterprise was geared into the German war machine. Long-standing commercial ties, private institutions, banks, insurance companies and shipping companies disappeared through loss of capital, absorption through nationalization or by simple destruction. In many countries, confidence in the local currency has been severely shaken. The breakdown of the business structure of Europe during the war was complete. Recovery has been seriously retarded by the fact that 2 years after the close of hostilities a peace settlement with Germany and Austria has not been agreed upon. But even given a more prompt solution of these difficult problems, the rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than had been foreseen.

There is a phase of this matter which is both interesting and serious. The farmer has always produced the foodstuffs to exchange with the city dweller for the other necessities of life. This division of labor is the basis of modern civilization. At the present time it is threatened with breakdown. The town and city industries are not producing adequate goods to exchange with the food-producing farmer. Raw materials and fuel are in short supply. Machinery is lacking or worn out. The farmer or the peasant cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable transaction. He, therefore, has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and finds for himself and his family an ample supply of food, however short he may be on clothing and the other ordinary gadgets of civilization. Meanwhile people in the cities are short of food and fuel. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction. Thus a very serious situation is rapidly developing which bodes no good for the world. The modern system of the division of labor upon which the exchange of products is based is in danger of breaking down.

The truth of the matter is that Europe's requirements for the next 3 or 4 years of foreign food and other essential products—principally from America—are so much greater than her present ability to pay that she must have substantial additional help, or face economic, social, and political deterioration of a very grave character.

The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole. The manufacturer and the farmer throughout wide areas must be able and willing to exchange their products for currencies the continuing value of which is not open to question.

Aside from the demoralizing effect on the world at large and the possibilities of disturbances arising as a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation, and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a piecemeal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative. Any government that is willing to assist in the task of recovery will find full cooperation, I am sure, on the part of the United States Government. Any government which maneuvers to block the recovery of other countries cannot expect help from us. Furthermore, governments, political parties, or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States.

It is already evident that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all European nations.

An essential part of any successful action on the part of the United States is an understanding on the part of the people of America of the character of the problem and the remedies to be applied. Political passion and prejudice should have no part. With foresight, and a willingness on the part of our people to face up to the vast responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome.

"THE MARSHALL PLAN"

U.S. ECONOMIC ASSISTANCE UNDER THE EUROPEAN RECOVERY PROGRAM
April 3, 1948-June 30, 1952

(Millions of Dollars)

	COUNTRY	Total	Grants	Loans
	TOTAL OBLIGATIONS FOR MARSHALL PLAN COUNTRIES	$13,325.8	$11,820.7	$1,505.1
1.	Austria	677.8	677.8	-
2-3.	Belgium-Luxembourg	559.3	491.3	68.0 a/
4.	Denmark	273.0	239.7	33.3
5.	France	2,713.6	2,488.0	225.6
6.	Germany, Federal Republic	1,390.6	1,173.7	216.9 b/
7.	Greece	706.7	706.7	-
8.	Iceland	29.3	24.0	5.3
9.	Ireland	147.5	19.3	128.2
10.	Italy (incl. Trieste)	1,508.8	1,413.2	95.6
11.	Netherlands (incl. East Indies) c/	1,083.5	916.8	166.7
12.	Norway	255.3	216.1	39.2
13.	Portugal	51.2	15.1	36.1
14.	Sweden	107.3	86.9	20.4
15.	Turkey	225.1	140.1	85.0
16.	United Kingdom	3,189.8	2,805.0	384.8
	Regional	407.0 d/	407.0 d/	-

a/ Loan total includes $65.0 million for Belgium and $3.0 million for Luxembourg; grant detail between the two countries cannot be identified.

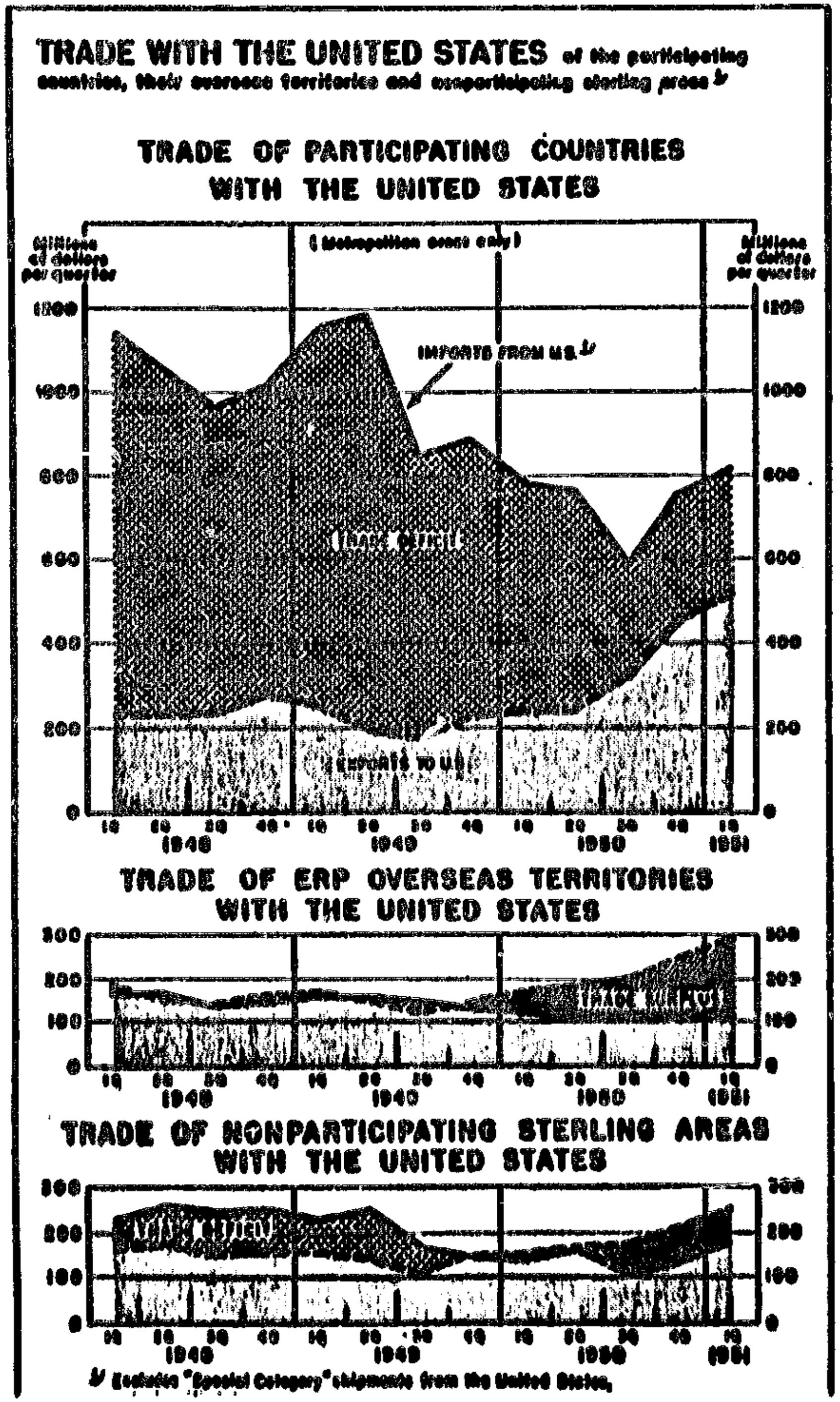
b/ Includes an original loan figure of $16.9 million, plus $200.0 million representing a pro-rated share of grants converted to loans under an agreement signed February 27, 1953.

c/ Marshall Plan aid to the Netherlands East Indies (now Indonesia) was extended through the Netherlands prior to transfer of sovereignty on December 30, 1949. The aid totals for the Netherlands East Indies are as follows: Total $101.4 million, Grants $84.2 million, Loans $17.2 million.

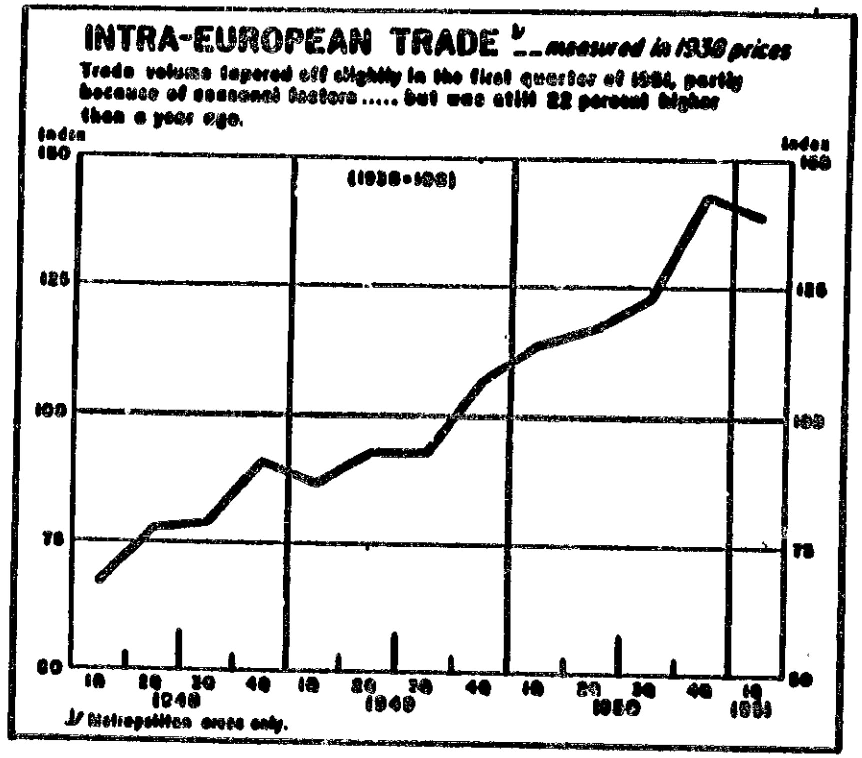
d/ Includes U.S. contribution to the European Payments Union (EPU) capital fund, $361.4 million; General Freight Account, $33.5 million; and European Technical Assistance Authorizations (multi-country or regional), $12.1 million.

Statistics & Reports Division
Agency for International Development
November 17, 1975

APPENDIX III.
Source : ECA Reports # 12 & 13



Excludes "Special Category" shipments from the United States.



INDEX OF INDUSTRIAL PRODUCTION, SELECTED COUNTRIES[1]

(1938=100)

Country	1948 1st Qtr.	1950 2d Qtr.	1951 1st Qtr.	1951 2d Qtr.	Percent change: 2d Qtr. 1951 from 1st Qtr. 1951	Percent change: 2d Qtr. 1951 from 2d Qtr. 1950
All countries...	97	130	139	143	+3	+10
Austria	71	133	143	157	+10	+18
Belgium	113	116	141	146	+4	+26
Denmark	133	162	165	163	−1	+1
France	110	125	130	143	+8	+14
Germany (Fed. Rep.)	41	90	110	116	+5	+30
Greece	60	106	123	130	+6	+23
Ireland	123	106	154			
Italy	92	119	134	139	+4	+17
Netherlands	106	135	149	147	−1	+9
Norway	125	147	155	156	+1	+6
Sweden	148	171	175	170	+3	+4
United Kingdom	126	148	155	158	+2	+7

[1] See also appendix table A-1.

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APPENDIX III.

APPENDIX IV:

(Source: U.S. Agency for International Development "FACT BOOK" - undated looseleaf booklet maintained by AID's Office of Public Affairs)

SIGNIFICANT DATES IN FOREIGN ASSISTANCE CHRONOLOGY

March 31, 1942	Institute of Inter-American Affairs formally established - First technical assistance by the United States.
November 9, 1943	Agreement signed to furnish aid to war-ravaged countries through United Nations Relief and Rehabilitation Administration.
December 27, 1945	International Monetary Fund and International Bank for Reconstruction and Development (World Bank) formed.
May 15, 1947	Congress approves economic and military aid to Greece and Turkey.
June 5, 1947	Secretary of State Marshall's speech voices U.S. interest in rebuilding European economies.
April 2, 1948	Economic Cooperation Act (Marshall Plan) creates the Economic Cooperation Administration to administer the European Recovery Program.
January 20, 1949	President Truman's Point IV inauguration speech.
June 1, 1950	Act for International Development (Point IV) creates authority for the Technical Cooperation Administration.
October 31, 1951	Mutual Security Act of 1951 unites military and economic programs and technical assistance; establishes Mutual Security Agency.
June 30, 1952	Termination of the Marshall Plan.
July 10, 1954	Public Law 480 authorizes sale and use of U.S. surplus foods for economic development.
March 13, 1961	President Kennedy calls on people of the hemisphere to join in an "Alliance for Progress".
September 4, 1961	Act for International Development combines ICA, DLF, and other U.S. assistance functions.
November 4, 1961	Agency for International Development activated.
1973	The "Percy Amendment" - "New Directions" Congressional Mandate.

Chronology of the European Recovery Program

1947 - 1948

1947	
June 5	Secretary of State George C. Marshall at Harvard University outlines plan for economic recovery of Europe.
June 17	Talks open in Paris between Foreign Ministers Bevin of Britain and Bidault of France.
June 19	British and French Foreign Ministers issue invitation to Foreign Secretary Molotov to join them.
June 22	President Truman appoints three committees to study the proposed foreign assistance program: (1) the Krug Committee to investigate national resources in relation to the program; (2) the Nourse Committee (Council of Economic Advisers) to study its impact on the American economy; and (3) the Harriman Committee, consisting of 19 prominent business, financial, agricultural, and labor leaders, to study the limits within which the United States can safely extend economic assistance to foreign countries.
June 27	Paris conference of foreign ministers of Britain, France, and Russia begins.
July 2	The Foreign Ministers Conference ends with the withdrawal of Russia.
July 3	Foreign Ministers Bevin and Bidault invite 22 additional European nations to meet in Paris for further discussion of the Marshall proposal.
July 5	Ten nations accept the invitation to meet July 12.
July 9	Poland, Yugoslavia, Bulgaria, and Rumania decline to attend.
July 10	Hungary, Albania, and Finland send refusal. Czechoslovakia withdraws acceptance.
July 12	Conference of European nations convenes in Paris to set up permanent Committee of European Economic Cooperation (CEEC). In attendance are representatives of Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxemburg, The Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom.
July 15	Working committees are set up in Paris to study (a) food and agriculture, (b) fuel and power, (c) iron and steel, and (d) transport, and complete reports for submission to the United States.
July 21	Secretary Marshall meets with House Foreign Affairs Committee in closed session to explain his plan.
1947	
July 29	House of Representatives sets up new nineteen-member committee, sponsored by Representative Christian Herter, to study the Marshall Plan. Representative Eaton is named chairman.
August 28	The Herter Committee and its staff sail for Europe.
September 22	The General Report of the Committee of European Economic Cooperation, signed by 16 nations, is presented to the United States.
October 5	The Cominform, representing the Communist Parties of nine nations—Russia, Yugoslavia, France, Italy, Poland, Bulgaria, Czechoslovakia, Hungary, and Rumania—is organized to combat the Marshall Plan and "United States imperialism."
October 7	The Krug Report is submitted to the President. Conversations begin in Washington between European and United States technicians on the CEEC Report.
October 10	The Herter Committee returns from Europe.
October 23	President Truman issues call for special session of Congress on November 17 to consider foreign aid and other problems.
October 28	The Nourse Report is submitted to the President.
November 7	The Harriman Report is submitted to the President.
November 10	The Senate Foreign Relations Committee and House Foreign Affairs Committee meet in joint session to begin hearings on the European Recovery Program.
December 17	Congress passes the Foreign Aid Act of 1947 (Public Law 389) authorizing a grant of $522,000,000 to France, Austria, and Italy.
1948	
January 6	Congress begins the study of the European Recovery Program.
March 31	Congress provides an additional $55,000,000 for foreign aid.
April 2	Congress passes the Foreign Assistance Act of 1948.
April 3	President Truman signs the Foreign Assistance Act of 1948 (Public Law 472).
April 5	Paul G. Hoffman is nominated by the President as Administrator of the Economic Cooperation Administration.
April 9	Paul G. Hoffman is sworn in as Administrator of the Economic Cooperation Administration.
April 15	The S. S. *John H. Quick* sails from Galveston, Texas, bound for France with the first cargo financed by the Economic Cooperation Administration. Austria signs the first letter of intent to negotiate a bilateral agreement.
1948	
April 16	Representatives of the 16 participating nations and of the occupying powers of Western Germany sign at Paris the multilateral agreement for economic cooperation.
April 22	W. Averell Harriman is nominated United States Special Representative for the Economic Cooperation Administration in Europe, with the rank of Ambassador.
May 10	The S. S. *John H. Quick* arrives at Bordeaux, France.
June 28	Congress passes the Foreign Aid Appropriation Act of 1949. Italy signs the first bilateral agreement.

List of Basic Documents on the European Recovery Program

(Source: ECA Report # 1)

Address of Secretary of State Marshall at Harvard University, June 5, 1947, in the Department of State Bulletin, vol. XVI, no 415. June 15, 1947.

Committee of European Economic Co-operation. Vol. I. General Report. Department of State Publication 2930. European Series 28. Paris, September 21, 1947.

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National Resources and Foreign Aid: Report of J. A. Krug, Secretary of the Interior. October 9, 1947. U. S. Government Printing Office.

The Impact of Foreign Aid Upon the Domestic Economy: A Report to the President by the Council of Economic Advisers. October, 1947.

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Outline of European Recovery Program: Draft Legislation and Background Information. Printed for the use of the Senate Committee on Foreign Relations. 80th Congress, 1st Session. December 19, 1947.

The European Recovery Program: Basic Documents and Background Information. 80th Congress, 1st Session. Senate Document 11.

Hearings Before the Subcommittee of the Committee on Appropriations, House of Representatives, First Deficiency Appropriation Bill for 1948. 80th Congress, 2nd Session

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Hearings Before the Committee on Appropriations, U. S. Senate, On the Economic Cooperation Administration, H. R. 6801. 80th Congress, 2nd Session.

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Second Report to Congress on the United States Foreign Aid Program: For the Quarter Ended March 31, 1948. Department of State Publication 3148. Economic Cooperation Series 8. June, 1948. U. S. Government Printing Office.

First Report to Congress on the United States Foreign Relief Program: For the Period Ended September 30, 1947. Department of State Publication 2985. November, 1947. U. S. Government Printing Office.

Second Report to Congress on the United States Foreign Relief Program: For the quarter ended December 31, 1947. Department of State Publication 3101. Economic Cooperation Series 5. April, 1948. U. S. Government Printing Office.

Report on Foreign Aid Appropriation Act, 1949. 80th Congress, 2nd Session. Senate Report No. 1626. June 14, 1948.

Conference Report on H. R. 6801. 80th Congress, 2nd Session. House Report No. 2440. June 19, 1948.

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Experience

Mr. Smith has over seventeen years with AID as a specialist in management analysis, project management and management information systems. In his last assignment with AID's Washington Training Center, he developed courses and materials in all aspects of project management - from planning and design, through implementation and monitoring, to follow-up evaluation - for AID's professional staff as well as foreign government officials. He was the project manager for AID's Project Implementation Course and the Project Design & Evaluation Course. In addition, he has taught a number of specialty courses in management techniques, and statistics, and conducted comprehensive workshops for several years in AID management practices and procedures to train new AID foreign service officers - the International Development Interns. Mr. Smith also provided short-term consultation to several overseas AID missions during this time on specific projects and activities. He is the author and editor of several key AID texts such as Design & Evaluation of AID-Assisted Projects, Training Guide for USAID Project Operating Support Systems, and Applied Survey Methods for Development Projects, and a contributor to AID's Handbook 3 on Project Assistance.

Prior to his reassignment to Washington in 1979, Mr. Smith served overseas for many years as a Public Administration Advisor (Management Systems Specialist) and General Development Officer in several Asian AID missions, and was an advisor and manager for several multi-million dollar projects, particularly in Agriculture, Health & Nutrition. His last overseas post was in Indonesia as Acting Chief of the AID Health & Nutrition Program. Other major posts were in the Philippines, and Korea, with several consultancies on Rural Development Projects in Thailand and South Vietnam. Mr. Smith also served in Washington with AID's Asia Bureau and the Technical Assistance Bureau in support of AID's world-wide program, with short-term consultancies to overseas missions in Africa, Latin America and the Caribbean.

Before joining AID, Mr. Smith entered the Civil Service as a Management Intern and worked with the U.S. Department of Defense for several years as a Management Analyst/Systems Specialist particularly in weapons systems development and project management. For a time, he was also a staff member of the U.S. Government's Interagency PERT Orientation & Training Center, providing project management training and on-the-job assistance to U.S. Government and contractor personnel.

Other Professional Activities

Mr. Smith is active as a Colonel in the U.S. Air Force Reserve. He is also a liaison officer with the U.S. Air Force Academy & AFROTC programs, counselling high school students in Northern Virginia on scholarship opportunities offered by the Air Force, and interviewing, testing and evaluating applicants.

Education

Mr. Smith was educated in England and the United States. He attended Maidstone and Harrow Grammar Schools, matriculating from London University. In the U.S., he attended the University of Connecticut where he received B.A. & M.A. degrees in Government and International Relations. He later attended Massachusetts Institute of Technology as a Fellow in Systems Analysis with the Center for Advanced Engineering Study, and received an M.S. degree. Mr. Smith is currently enrolled in a Doctoral program in Public Administration at George Mason University, Fairfax, Va.