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THE US MARSHALL PLAN AND THE POST-WORLD
WAR II RECONSTRUCTION OF EUROPE, 1947-1970:
ECONOMIC AND DIPLOMATIC STUDY

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ABSTRACT

Purpose: This paper examines the immensity of the Marshall Plan in Europe in three subsections: the basis for its creation, its logistical implementation, and the fallouts on Europe as a whole and the United States of America.

Methodology: The pitfalls of the Marshall Plan are further categorized into three rubrics: direct economic effects, indirect economic effects, and political effects.

Results: Based on the theoretical and qualitative methods, the paper argues that there is a dearth of evidence to show that direct economic outcomes accounted for the Marshall Plan's success. Rather, the indirect economic consequences, especially in the putting into place of liberal capitalistic policies, and the political effects, specifically the model of European integration and government-business partnerships, were the key vectors for Europe's unsurpassed growth in the aftermath of the Second World War.

Unique contribution to theory and practice: Follow-on support, less complexity, inclusiveness of faith-based networks and economic aid packages that incorporate nuances of local culture and political economy, the paper suggests, will better off effectiveness of "fat elephant" recovery schemes to the scale of the Marshall Plan, for wars' squashed economies in need of a resurgence.

Keywords: *US, Marshall Plan, World War II, Economic Reconstruction, Europe.*

1. THEORITICAL FRAMEWORK

The work of Ludwing Von Bertalanffy (1973) recognized the need of any organization to interact with its external environment, unlike what was proposed by classical school theorists like Max Weber, F. Taylor and Fayol who viewed organization as a closed system. To him, the survival of an organization like the way living organism survives, needs operating in an open system and not closed system. This is what made his work a pointer for systems concept to become recognized world wide as approach to be adapted by organizations for their efficiency and effectiveness in the dynamic and changing environments.

He was against reductionism, arguing that, real systems are open and do interact with external environment, where he emphasized on holism while solving organization problems. Therefore, open system changed the way of thinking about organizational management from mechanical view of organization. It looks at management as an open-ended process. It emphasized detachment, objectivity and control. Today organizations are perceived as an open ended process of coordinating purposeful individuals whose actions stem from applying their unique interpretations to the particular situations confronting them (Bertalanffy, 1973). For instance, in today's world, an organization which will not be sensitive to its environment will hardly survive. Things like technology, social and economic phenomena are not static but are always changing, hence organizations necessarily need to adapt in order to cope. It is also through interaction with its external environment the organization gets its inputs in terms of raw material, labour and process them, and finally emits as output to its environment for sales or capital investment. Take example of Volunteers of American, it gets its aid funds from environment and also reaches out for humanitarian relief demands whether economic or social-cultural in nature to the same environment, and through feedback it adjusts itself in order to meet the requirement of its targeted populations geared to bolter life from an improverished state to one envisaged as socio-economically or materially better.

1.1. LITERATUER REVIEW AND METHODOLOGY

A profuse wealth of knowledge exists in this field of systems theory. There have been several published works on systems management theory. This wealth of knowledge amassed through theoretical postulations and vigorous empirical investigations have aided in drawing the attention of researchers towards conceptualizing how it has helped in boosting organizational growth through its application.

This article builds on the theoretical and qualitative methods with secondary works-books and articles) at the centrality of the analysis in a conventional manner, viewing them as important cultural and political artefacts and as carriers of what is considered to be legitimate knowledge in any given aspect in studying the Marshall Plan. The analysis draws on the established tradition of recorded history in research works, and pays particular attention to such artefacts' mediated narratives of the past, notably of the US Marshall Plan, in order to examine and fill a hiatus on what is told in European narrations on its manner of execution and fallouts likewise, to illuminate a new path in a way that can shape young people's historical consciousness on gigantic recovery schemes in the present. As ample research has demonstrated, the stories that nations have chosen to tell their younger generations, and which they have conventionally transmitted through the writings of others in published works, typically are stories conveniently and purposely chronicled

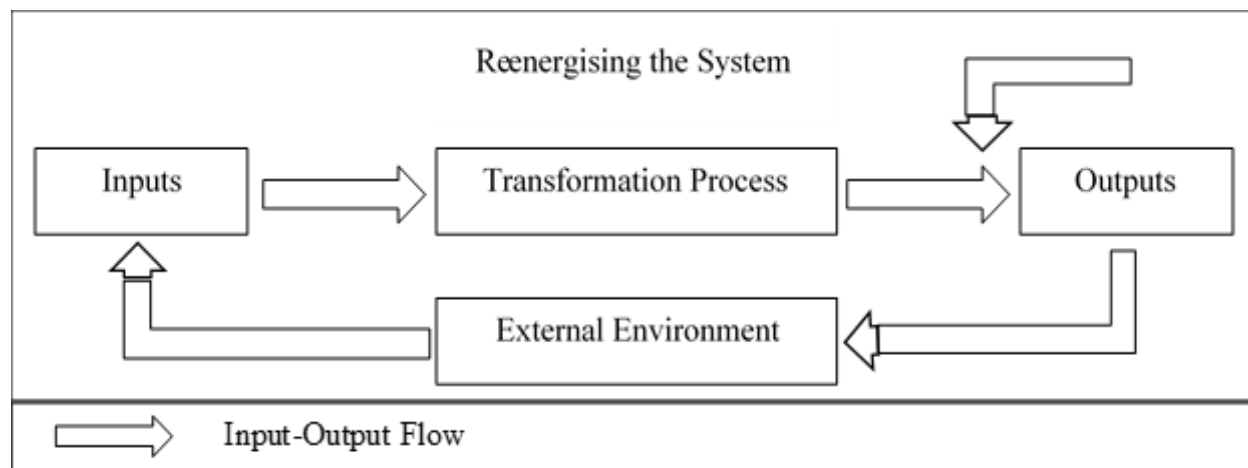
to promote a sense of collective awareness for younger generations and even those yet unborn, thus literally making written nuances key instruments of exploring a wealth of knowledge for economic reforms toward international relations.

Informed by international scholarship on secondary published research, the analysis of the sample presented in the next sections scrutinizes the different ways in which the Marshall Plan was espoused with the purpose of addressing the direct and indirect consequences of this historically massive aid program that hit societies across Europe, helping them to stand tall.

1.2. UNDERSTANDING SYSTEMS MANAGEMENT THEORY

Organizational management systems consist of many internal subsystems that need to be continually associated with each other. As companies grow, they develop more and more complex subsystems that must coordinate with each other in the process of transforming inputs to outputs (McShane and Von Glinow, 2003). These interdependencies can easily become so complex that a little occurrence in one subsystem may amplify into serious unintended consequences elsewhere in the organization. Every organized unit does not exist in a vacuum. It is rather known to depend on its external environment – which is a part of a larger system, such as the industry to which it belongs, the economic system and the society (Weirich et al, 2008). According to them, the organization receives inputs, transforms them and exports the outputs to the environment as demonstrated in the basic input-output model below. In other words, its basic tenets propose that businesses, like the human body, consists of multiple components that work harmoniously so that the larger system can operate optimally.

Fig. 1: Functioning of Systems Management Model



Source: Compiled from files and reports relating to the Systems Management Theory and Tabulated by the Author, 2021.

In systems management theory (figure 1), we have three basic system types: Open System: A system that continually interacts with the environment around it and the closed system which is the opposite of an open system. It is system (or company) independent of the environment around it (Chikere and Nwoka 2015).

1.3. SYSTEMS THEORY APPLICATION IN FUNCTION OF THE MARSHAL PLAN

For post- World War II European economies to have witnessed the disposal of large contingents of aid packages as inputs from multiple organizations among them the WTO for supplies into Europe's Industrial sectors for transformation with the output used to rehabilitate the war-torn environment, is consistent with the systems management theory.

This epistemology further finds its bearing in the colossal task for the implementation of the Marshall Plan and the unsurpassed growth witnessed for post-war Europe, as it contends that the introduction of the immense aid package, laid the foundation for systems management through the setting up of multiple supra national organizations, workgroups and business units namely, the WTO, and International Monetary Fund, working harmoniously as components for the reconstruction of Europe's economies as evidenced by the rejuvenation of its ransacked economies.

2. EUROPE'S CHEQUERED STATE IN THE AFTERMATH OF WW II AND THE REQUISITE FOR AID

World War II ranks as one of the most devastating events in the history of Europe and the world. Along with the tens of millions who died, the War displaced millions more and left the entire European business structure in a chequered state. The international division of labour that had existed before the war, where Europe shipped finished goods to the Americas, Asia, and Africa in return for foodstuffs and raw materials, virtually vanished. Many overseas assets by European countries were sold off to pay for the shipment of war imports. As the war ebbed away, currency and gold deposits were used for the procurement relief material, leaving little for capital investment and long-term reconstruction. Well chronicled, Europe's capacity for imports was reduced to 40% of its pre-war levels (De Long & Eichengreen, 1991). Moreover, even when Europe was devastated, many anticipated the US would withdraw from Europe into isolationism as it had done after WWI: lend-lease ended shortly after the Japanese surrender, Truman's internationalist Democratic administration was weakening and Congress was increasingly calling for balanced budgets. To meet up with the immense need for aid, the newly-formed United Nations created the United Nations Relief and Rehabilitation Administration (UNRRA) which had as main duty to deliver food, clothing, medical supplies, and other necessities. UNRRA was an aid hoc program that could be terminated at any time and, thus, hindered the planning necessary for reconstruction. In order to address this problem, the UN created the International Bank for Reconstruction and Development (IBRD). After reconstruction, the International Trade Organization (ITO) and the International Monetary Fund (IMF), created at Bretton Woods, then launched an interventionist approach to normalize economic policies and short-term funding. This paved the way for a new era of Unilateral aid geared at meeting the surmounting needs of the bartered European economies.

3. THE RISE OF UNILATERAL AID AND THE PROLIFERATION OF THE MARSHALL PLAN

As earlier cited in the previous section, the introduction of a multilateral aid and reconstruction schemes by the setting up of the International Bank for Reconstruction and Development, and the interventionist approach of the International Trade Organization (ITO) and International Monetary

Fund (IMF), were together envisaged as coping strategies to Europe's reverberations in the aftermath of the 1945 debacle. Yet, very quickly, this multilateral approach for aid and reconstruction fell apart. The amount of aid, its terms, and the speed at which it was granted were seriously failing. In the summer of 1945, as a slackening down strategy till the formation of the IBRD, the United States Export-Import Bank increased its capital from \$750 million to \$3.75 billion (Kindleberger, 1968). Before this, the US was already issuing unilateral aid directly through the Government Relief in Occupied Areas (GARIOA). In this regard, the program had between July 1945 and 1947 amounted to \$13 billion. Moreover, the United Kingdom, which benefitted from its "special relationship" with the United States, received a \$3.75 billion loan under the Anglo-American Financial Agreement of 1946 (Crafts, 2011). Tensions with the Soviets only made matters worse. The friction began over the treatment of Germany, before the war had even ended. The Western allies wanted Germany punished but also to play a key role in European recovery and regain a stable economy. The Soviets, on the other hand, wanted Germany permanently weak. Since they bore a disproportionate burden in terms of deaths and damages during the war, the Soviets also demanded reparations, much as they had after WWI. When the Western powers dragged their feet, the Soviets ransacked their part of Germany they occupied, sending machinery and equipment back to Russia as "war prizes." In an attempt to finding the middle ground for understanding, the Western allies decided to hand over to the Soviets all capital stock in their zones occupied in Germany that was above the amount envisaged necessary to maintain standards of living no greater than the average of countries that surrounded Germany. The Soviets, however, began to replace capital machinery reparations with current production output reparations, in clear violation of the Potsdam Agreement; the Soviet appetite for second-hand capital stock was fast waning down/diminishing. This prompted General Clay, the Military Governor of the US-controlled West German occupied zones, to stop sending reparations to Russia (Kindleberger, 1968). The cacophony only continued to deepen. After much political bickering over whether the centralized planning or free market allocation was to be the order of the order, the Soviet Union refused to join the IMF or the IBRD.

Talking of the UNRRA, the Soviet Union was technically listed as a donor but fought hard to allow Ukraine and Belorussia to function as net recipients. At the same time, Canada, another donor, decided not to participate while the UK turned out of most of its commitments as a result of military relief obligations to Austria and Italy. What's more, the US was concerned that funds being sent to Eastern European countries were being illegitimately used to strengthen Communist parties. To this end, the US bore 3/4 of the costs yet held only 1 of 17 votes regarding UNRRA's management (Kindleberger, 1968). While the Soviets started to turn away from multilateral aid and reconstruction, the calls for more US assistance gained impetus. The European winter of 1946-47 was one of the worst to be remembered history with heavy snowfalls and low temperatures shutting down transportation in the whole of Northern and Western Europe and destroying the winter wheat. Despite this, even before the distressing winter followed by the dry spring, French, German, Belgian, and Italian harvests were still only half of pre-war levels in 1945-6 (De Long & Eichengreen, 1991)! Governments attempted to adapt with low food supplies by enforcing low price ceilings which, together with high inflation and taxation, made farmers discouraged from bringing their produce to the marketplace.

Despite having accounted for all the deaths as a result of the war after the 1950s, the population in Europe had increased by 10% while only possessing 80% of the food supply (De Long & Eichengreen, 1991). As Europeans increasingly relied on agricultural imports from the US, their gold and dollar reserves began to diminish: Europe had a current account balance deficit of \$9 billion a year in 1946 (Crafts, 2011). Put prosaically, European exports were too little to finance the necessary imports. Private capital was reluctant to lend to Europe because of the poor returns, out-sized default rates, and frequent inflation experienced after WWI. Domestic taxes were unable to balance budgets or pay for relief. Inflation hampered business planning as well as efforts to accelerate reconstruction. Both the IBRD and IMF were stretched to their limits to the point where they were unable to provide any more aid. By 1947, German coal production was still just around half of its pre-war level. In other countries, like Britain and Belgium, coal production scaled down 10% - 20% from 1938 levels (De Long & Eichengreen, 1991). As a result of the cold winter, much of the coal that was still left was diverted to heating, increasing the coal scarcity for industrial purposes. As a matter of fact, by the end of the year, industrial production in Western Europe was still only 88% of its pre-war levels (Hogan, 1987). Europe's economic structure was dim. Wartime controls had impressed a habit of government involvement in market systems; KOUJ the Soviet's had great success in the war years in churning (mixing) out machinery and equipment as well as high reported growth rates. This state affairs nursed the conviction in many that economies that were centrally planned were the way for the future, especially in the 1930s with the aftermath of the Great Depression. This shift in ideology for more centrally planned economies opened doors for America's involvement in the economic reconstruction of Europe (Gubin, 1948).

4. AMERICA ENTERS THE SCENERY

Due to these domestic crises, Britain began pulling out of its commitments in Greece, Turkey, and its occupation zone in West Germany. While American and British occupation zones were relatively easily amalgamated under US military jurisdiction, financial support for Greece deserved congressional approval. By February 1947, the British did formally ask the US to take over their commitments in both Greece and Turkey. On March 12, 1947, President Truman addressed Congress, calling for economic funding for these two countries on the basis of helping them in their struggles against Communism (Truman, 1947). He then broadened his foreign policy to what is now termed as the Truman Doctrine. In line with this orthodoxy, Truman pragmatically asserted that:

I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures. I believe that we must assist free peoples to work out their own destinies in their own way. I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes. This is an investment in world freedom and world peace (Truman, 1947).

In view of the foregoing assertion by 1947, a formal aid strategy applying the Truman Doctrine began to be developed under the Secretary of State's newly formed Policy Planning Staff; political, military, and, most importantly, economic aid would be used to contain Communism. By May 23, 1947, they had published a proposal for a three-part strategy: first, the American people must be notified of the poor economic conditions in Europe, second, a short-term remedy would be

adopted to relieve bottlenecked industries, specifically coal production in the Rhine Valley, and third, a comprehensive long-term recovery plan would be put in place. If Eastern European countries or the Soviets opted to partake, they would be forced to institute democratic and capitalist practices. If not, aid would be restricted to Western Europe. Such a policy prescription marked the take-off of the European Recovery Program (ERP) (Mallalieu, 1958). Taking full advantage of his reputation as the architect of military victory in WWII, Secretary of State George C. Marshall became the face of, and gave his name to, this valiant initiative. On June 5, 1947, he uttered his now-famous speech at Harvard University introducing an era of unilateral aid to Europe when he evoked that:

The reality is that Europe's necessities for the next three or four years of foreign food and other essential products chiefly from America are so much greater than her present capacity to pay that she must have substantial additional help or face economic, social, and political decline of a very grave character. The remedy lies in restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole. It is logical that the United States should assist in the return of normal economic well-being in the world, without which there can be no political stability and no assured peace (Marshall, 1947).

The above rhetoric by Truman, paved the way for the United States of America to step in for the implementation of the Marshall plan and to guide the economy destiny of the war-torn Europe by the late 40s.

5. THE MARSHALL PLAN TAKES CENTRE STAGE IN THE ECONOMIC RECONSTRUCTION OF EUROPE

The Marshall Plan espoused as both socio-economic and political panacea in nature for the reconstruction of Europe has been accentuated in recent years as Cold War nostalgic grapple with the growing suspicions of the new world order. The diachronic standing of the Marshall Plan stems from its irrefutability in success as a medium for transatlantic economic and military relations. It should hence surface as no surprise that more than half a century since the inaugural of the Marshall Plan, it is still envisaged as one of the most economically viable and politically visionary schemes in contemporary history. The European Recovery Program, as the Marshall Plan was formally labelled, was complex in both its structure and implementation, juxtaposing the political and socio-economic requirements of 16 small and large countries in Europe alike. The underlying objective of the Marshall Plan as an assistance program was multifarious, taking into account the restoration of financial stability which in turn would trigger growth in the market economy through the liberalization of production and prices.

The Marshall Plan that came through a multitude of variables, unlike those associated with its implementation in any other European Recovery Program (ERP) recipient state, making Greece unique among the 16 member states of the ERP. A distinguished factor, but not one exclusively responsible for this, was the Greek Civil War which differentiated political factions, hindered the development of vital long term projects, and subjugated the state to the maintenance of a unbalanced military budget which served as a deterrent or better still a drawback to development. It was within these ominous circumstances that NATO, Marshall Planners amongst others were invited to act, in a way to stabilize socio-economic factors in Europe on the toughening geopolitical

atmosphere of the post-war era, while at the same time laying down the necessary platform of a formidable ally with a competitive market economy. Together with NATO and the Bretton Woods agreements, the Marshall Plan helped Western Europe and the US cooperate and collaborate with a multinational and mutually beneficial character. This united front, pulling together both economic and military integration, placed the reconstructed economies of Europe on a path to recovery. It is in this context that the Marshall Plan became espoused with the target objective of reactivating the slumping European economies or better still businesses. For large contingents of aid to have been injected into a plethora of economies within the ambit of the Marshall Plan working in collaboration with different countries like Canada, Ukraine, the UK alongside the setting up of systems body for relief management such as NATO, the Bretton Woods Institution and WTO to transform Europe's economic environment in the post-world war II era, is consistent with the principles of the system approach theory of management when applicability is directed to the manner in which the Marshall Plan was implemented. Our examination of the implementation process is imperative.

6. SOCIO-ECONOMIC MODEL OF THE MARSHALL PLAN FOR EUROPEAN ECONOMIC RECOVERY

The social and economic framework for the implementation of the Marshall Plan meant that the OEEC would work with each Marshall Plan country as well as an ECA officer to define exactly the volume of supplies that would be needed from the US; for West Germany, calls were first made through the US Army. The OEEC and ECA officer coordinated these demands between all the affected nations and ensured that goods coming from the US could not be accessed from alternative sources; as a matter of fact, only a third of the goods forwarded in the ERP virtually came from the US, making up an estimated 1% of her gross domestic product (Crafts, 2011). Most of the left over material was transferred either through trade amongst the Marshall Plan countries themselves or from South America. This list of goods was adjusted persistently within the structure of the implementation of the Marshall Plan as the needs of European recovery shifted over time. The list included both materials in immediate supply in the US, like scrap metals and fertilizer, as well as those in abundance, namely cotton, fruits, and tobacco. Insignificant quantities of consumer goods were sent. The ECA officer then passed on a list of the required materials to Hoffman in Washington DC. Hoffman and his working team then cooperated with the National Advisory Council on International Monetary and Financial Problems (comprised of the secretaries of the Treasury, State and Commerce, the Federal Reserve Board chairman, and the head of the Export-Import Bank) as well as the Commerce and Agriculture Departments, Interior Department, and any applicable industry advisory committees and trade organizations to determine quantities that could be sent (without creating an undue disruption in American manufactures) and if the aid could be approved as a grant or loan.

The White House acted as the final negotiator in cases of arguments amongst these various interests. Hoffman then sent word to the ECA officer abroad and for the beginning of the procurement process. More often than not, US businessmen would market their goods directly to overseas firms, making full use of the ECA office in Washington, foreign businessmen and governments, alongside their applicable trade associations, or the export-license office in the Department of Commerce. However, businesses, were still reluctant to engage in foreign direct investment in Europe as they feared that they would be not be capable to realize their proceeds in

dollar denominations. The ECA, therefore, also functioned as a guarantor of convertibility from European currencies to dollars as long as these investments were deemed vital for European recovery, conversion was not available by ordinary financial channels the returns were withdrawn within 14 years of the initial investment. The ECA, however, did not guarantee in contrast to ordinary investment risks. Thence, while government controls made sure that the goods provided were necessary for European rehabilitation, checked transactions through post-auditing, and sustained the export licenses needed to actually send the supplies overseas, private business was allowed to operate normally within those structures. There were, however, some important exceptions. Export licenses could be revoked if the terms of the business arrangement were not approved by the ECA (e.g. in the case of price gouging). Furthermore, some industries, especially those concerned with fertilizer production which had no interest in spreading into Europe, were compelled to export a certain percentage of their output when the amount agreed upon through private means was insufficient (Gubin, 1948). The next phase witnessed the breaking down of aid in the US donor scheme.

7. BREAKDOWN OF AID

American industries which had unused capacity to increase production, such as agriculture, farm machinery, machine tools, and truck manufacturing, flourished particularly well in the Marshall Plan. Industries which did not usually export, like coal and other mined materials, enjoyed a short-term jump in demand as European alternatives were brought up to speed. Even exporters of non-Marshall Plan goods benefitted because, as countries not included with the Marshall Plan received dollars for their contributions, such as those in South America, their demand for all US goods skyrocketed. Amidst this other industries, such as fertilizer, steel, fuel oil, and freight car manufacturing were already stretched and on the brink of collapse. Besides, there were other industries, such as textiles, electrical generation machinery, and timber products which were not very much implicated. US consumers prevailed in lower unemployment rates as well as an increase in European goods like perfume and lace. On the other hand, domestic prices stayed higher than they otherwise would have been and certain shortages, such as steel, were prolonged (Gubin, 1948). Recovery aid that was directed to the aforementioned activities amounted to \$13.2 billion. The dollars, however, were never actually transferred out of the United States; they were instead used to pay for the real goods that were then exported to Europe. In another vein, 60% went to food, feed, fertilizer, industrial materials and semi-finished goods, while 16% was accorded to fuel, and another 16% went to machinery and vehicles. The left over 8% were the costs related to using the merchant marines instead of lower cost alternatives, an allocated concession which helped ease the ERP through Congress (De Long & Eichengreen, 1991).

The aid was divided between grants (60% - 80%) and loans (20% - 40%) based on the potential of each country to repay (Gubin, 1948). The actual sum allocated to each country was based on the dollar value of their balance of payments deficits as determined by the OEEC. Each country was then expected to deposit an equivalent amount of their domestic currency into a Counterpart Fund under the watch dog of the ECA. This Counterpart Fund could only be used for scheme that promulgated reconstruction: for example, in the UK, these internal funds were used to curb public debt and, hence, inflation. A share of the aid package, approximately \$300 million, included a productivity support program gave the leverage for Europeans to tour American firms and receive technical services and training (Crafts, 2011). The ECA was equally very active in mounting

pressure on European governments to institute free market policies; they leveraged their authority to make sure structural reforms were effected in keeping with the American principles of economic integration and trade liberalization. The specific reforms varied from one country to the other dramatically. In France for instance, the EPA refused to lease Counterpart Funds until the government became serious to balancing the budget but. In Italy on the other hand, they forced the government to water down programs for more public investment (Hogan, 1987).

What's more, aid money could also be curbed; the UK lost their aid for timber imports after its government started constructing public housing and continued to nationalize its steel industry (De Long & Eichengreen, 1991). All participating countries were also expected to sign bilateral treaties with the US binding them to financial stability, balanced budgets, realistic exchange rates, reduced quotas and tariffs, and most-favoured-nation treatment for West Germany. To promote regional economic cooperation, the OEEC allocated \$1.5 billion for the setting up of the European Payments Union (EPU). Although the EPU was not officially applied until 1950, it was a monumental step to create a level field for international trade (Crafts, 2011). However, these policies, did not easily result to America's version of free markets; European governments upheld much of their controls on business, especially in utilities and heavy manufacturing industries, and they also put in place the largest safety nets and social insurance programs history has ever recorded. Visionary in its implementation over European recovery, the Marshall Plan was given a specific design and needs to be examined within the context of Europe's post-World War II rehabilitation.

8. OUTLINE STRUCTURE OF THE MARSHALL PLAN

In the scheme of things, the State Department emphasized that Europeans themselves prepare the details of the program in order to avoid strong commitments before Congress formally ratified the program. Under such conditions, a Tripartite Conference was convened in late June 1947 bringing together France, England and the Soviet Union without direct American representatives. The Soviet Union was thus opposed to any conditions of the aid (the capitalist and democratic reforms stated in the Policy Planning Staff's proposal) as a breach on national sovereignty. Prior to this period, there was widespread anxiety that the Soviet Union would accept the aid and, as a result, make the costs to the US exorbitantly costly, on the financial and political spheres. The greater worry was however, that the Soviet Union would accept the plan and, much like with the UNRRA, interrupt its operational mechanisms from within. While this was the thought, the Soviets paradoxically chose to pull out of the conference and rejected participation. To this day, theories have been postulated to give credence as to why the Soviets did not choose to interrupt the Marshall Plan from within; general ineptness of Soviet foreign policy, disinterest borne from other pressing issues such as political centralization for countries in Eastern Europe or, better still, a fear by the Soviet Union that any penetration of their bloc by Western capitalistic praxes would only further disrupt their precarious political standing (Mallalieu, 1958).

Shortly after the Tripartite Conference, France and England issued invitations to twenty-two European countries (with the only exceptions being only Spain and the Soviet Union) to chat the Marshall Plan. Influenced by pressure from Moscow, all the Eastern European territories snubbed these invitations and preferred not to attend. In the end, diplomats from sixteen nations met in Paris on July 12th to create the Committee for European Economic Cooperation (CEEC). These

countries included, Austria, Belgium, Denmark, France, Greece, Holland, Iceland, Ireland, Italy, Luxemburg, Norway, Portugal, Sweden, Switzerland, Turkey, and the UK. Although France nursed some worries, the State Department was unwilling on the idea of making Germany a part of the aid plan because, as the major occupying power, West Germany's abrupt devastation at the end of WWII dealt a serious blow on the US resources (Hogan, 1987). The suggested plan was designed for four years and was a combination of estimated resources and credits from each of the participating nations, initially summing up to \$29.2 billion. By mid-August 1947, the Conference participants were in need of explicit directives from the US to ensure their plans were more detailed and to cause an upturn capable of getting the approval of the Congress. In view of the foregoing, the State department sent George Kennan (Head of the Policy Planning Staff and founder of the theory of Containment) and Charles Bonesteel (special assistant to the Secretary of State) to advise the CEEC on the basic demands of the aid: financial stability, curbing trade barriers, and a centralized organization to administer the program. The goals of the aid package were also defined which among others included an increase in European production, expansion of European foreign trade, contain inflation, and promoting regional economic cooperation as well as rehabilitating the Germany's bartered economy.

9. CONGRESSIONAL AND GLOBAL SUPPORT FOR MARSHALL'S PROPOSAL FOR POST-WW II EUROPE

Before its approval, Marshall's proposals already prepared was sent to the State Department on September 22 and, after some auditings, that saw a reduction in the requested amount to \$17 billion, was forwarded to Congress for deliberation and approval (Hogan, 1987). Congressional hearings on the Marshall Plan took off in January of 1948. Champions of the Marshall proposal argued that the ERP would be a bulwark (sabotage) against Communism, guarantee domestic prosperity and exports, and project outward to the World, America as being charitable in this scheme. Antagonists on the other hand argued that it was too costly, would be ineffective against Communism, and was synonymous to American Imperialism (Hitchens, 1968). After such a arduous war of debate, most Americans showed disinterest in foreign policy in as a whole and the Marshall Plan to be specific. Although polls trying to get public opinion were generally inaccurate, congressmen depended heavily on them as standards of share-support for the ERP. The dominant faction of American people who were well informed of the plan, however, were in favor of it: farmers supported it by 60% and businesses supported it by over 70% (Hitchens, 1968). The Committee for the Marshall Plan (CMP) before autumn of 1947 had already started to galvanize support in readiness of the vote. The CMP operated by promoting optimistic newspaper feelings (such as with Walter Lippmann), carrying out advertisements, sponsoring speakers' bureaus, and sponsoring radio broadcasts. They equally targeted key interest groups directly to garner (gather) their support. As a matter of fact, the CMP succeeded to achieve a rare support: Congressmen practically received requests from large numbers of people for a proposed law that would efficiently raise their taxes. Congressmen who disagreed with the Marshall Plan and were up for re-election in 1948 lost their political mettle.

In spite of the fact that Republicans seem to be rallied together against the Foreign Assistance Act, a bill vital for the approval of the ERP, it was generally a bipartisan effort because to the solid alliance between President Truman, a Democrat, and an influential Republican Senator from Michigan, Arthur Vandenberg: Republicans became successful in removing commitments for

specific dollar amounts of aid while making sure that the ERP would not be administered by the State Department. Restricting the aid plan to Europe, which contained the necessary institutions and experiences needed for contacts with market economies, as well as maintaining the timeframe to a constrained four years helped push the Foreign Assistance Act through Congress. The main tipping point was, however, the coup in Czechoslovakia in February 1948 which hardened political will against a rising wave of Communism. In the end, the Marshall's Plan was implemented because the recovery of Europe was deemed essential to the long-term benefits of the United States (Hogan, 1987). The bill was signed into law on April 3, 1948 and placed under the auspices of the European Cooperation Agency (ECA), the newly-formed bureau charged with the execution of the Marshall Plan. This agency was then made to be politically independent and its staff composed of businessmen and managers from the private sector. Some of these staff members included Paul Hoffman, the former president of Studebaker and the newly appointed Administrator of the ECA. Hoffman had cabinet status and was directly responsible to the President. His duties allowed the ECA to pilot a course between the public priorities of relief and Communist containment and the private means of accomplishing these goals, including monetary stabilization, trade liberalization, economic integration, and industrial productivity (Hogan, 1987). With the passage of time, the CEEC formed the Organization for European Economic Cooperation (OEEC, which today has been accorded the appellation OECD) to coordinate the distribution of aid and continue their strides towards regional economic integration (Mallalieu, 1958).

10. CONSEQUENCES OF POST-WORLD WAR II EUROPEAN ECONOMIC RECONSTRUCTION

The results of economic reconstruction in Europe unveiled through the implementation of the Marshall Plan were astounding. It took Europe only four years to reach pre-war levels of output and to stabilize prices immediately the Plan was implemented. It was through the Most-favored nation treatment that governments were called not to apply punitive trade policies against West Germany. Since US tender was the only stable reserve currency at the time, all international trade was carried out via the use of dollars. With a shortage of American money, the EPU accounted for all trade although it saved the proper transfer of currency till the end of the month. This accounting exercise boosted liquidity and made trade much easier. In the midst of trade heights, after WWI, France was hit by hyperinflation for eight years and Germany's infamous post-war woes led to the demise of the Weimar Republic and the rise of National Socialism. Output in Western Europe rose 32%, agricultural output increased 11%, and industrial output was scaled up to 40% (Hogan, 1987). Stories of Marshall Plan goods and practices saving businesses prospered: at the Doboelman soap works in Holland, American experts trained the Dutch in new machinery that reduced processing time from five days to two hours. In Norway, fishermen were thought to use new nets made from yarn spun in Italy. In Offenbach in West Germany, Marshall Plan leather revived the handbag industry. In Lille, Marshall Plan coal sustained a steel factory in business. In Roubaix, Marshall Plan wood revived one of the world's largest textile mills. In 1945, only twenty-five thousand tractors were in practical use on French farms although just within a period of four years, another two hundred thousand tractors were in the use in the fields (Duignan & Gann, 1997). Positing further, the Marshall Plan espoused in an era of unrivalled prosperity for Europe: a period of twenty years spanning 1953 and 1973, paralleling America's Golden Age. Shockingly, this period registered no major economic slumps and 4.8% annual growth rates, more than twice

as high as any other point ever witnessed in history. Investment rates were also twice as high as before WWII (De Long & Eichengreen, 1991). These outcomes can be envisaged as direct and indirect on the shattered economies of Europe and most importantly that of Greece.

10.1. Direct Economic Consequences

It took the most-favored nation treatment which meant that governments would not institute punitive trade policies against West Germany. Since US tender was the only stable reserve currency at the time, all international trade was done using dollars. With a shortage of American money, the EPU accounted for all trade but saved the actual transfer of currency until the end of the month. This accounting practice improved liquidity and made trade much easier in Europe. Yet the question remains: was this economic success due to the Marshall Plan? In fact, many scholars and economists argue that Europe's outlook in the medium term was already bright; they already had longstanding capitalist traditions and relatively successful market economies. With their friendly relations to the US, firms in Europe seemed set to catch up with their American counterparts simply with transfers in technology and innovation. Although not strictly measured, rule of law, control of corruption, regulatory quality, and government effectiveness were also deemed much higher in Europe than most other parts of the world. Indeed, when one looks at the direct implications of the Marshall Plan, the evidence suggests a strategically minor role for the aid. The sum of the aid totalled, \$13.2 billion, only comprised 3% of total Western European output (for a country-by-country breakdown). The next section examines the indirect consequence of European recovery or better still, reconstruction.

10.2. Indirect Economic Consequences

The indirect economic effects of the Marshall Plan that sponsored the economic reconstruction of Europe involved price controls to goods and service, though more difficult to measure, the implications on Western Europe were enormous altering its fundamental structures. At the beginning, the ERP altered the path of economic policy. Avoiding a return to the Great Depression in the phase of surpassed economic success of the USSR, there were open calls to continue wartime controls of vital resources by rationing foreign exchange and imposing price controls. A plethora of countries in Europe by this time were still sceptical to trust markets and depended heavily on tariffs controls that included regulation, government control not living out trade barriers. In short, Argentina's poor growth after WWII is a fascinating example of the shape Europe should have found itself had it continued to implement these policies. Simultaneously, matched to economic events in post-WWI reconstruction when deflationary policies were stringently imposed to maintain gold standard parity, post-WWII policies appeared to be less stringent. These events caused a swing in European economies from being centrally planned to becoming more liberal. The Europeans themselves would not have chosen these developments; they were more focused on recreating the pre-war economic system and balance of power than integration and liberal capitalism. It was only through sustained pressure from delegates from the United States that these changes were enforced (Hogan, 1987). That is to say, the Marshall Plan uprooted and kept Western Europe far from centrally-planned economies. Without the vigorous involvement of the ECA and the conditionality of the aid program, Western Europe most probably would have struggled from overregulation and stalled growth, like in Argentina, or financial instability, as was envisaged in Europe after WWI. Concurrently, the multiplier effect of the Marshall Plan made total factor

productivity (TFP) difficult to measure productivity improvements such as management practices or the incorporation of newer technologies through the productivity assistance program. Boosts to TFP have a multiplier effect on GDP; a 1% increase in TFP leads to a greater than 1% increase in GDP (Crafts, 2011).

10.3. Political Effects

Politically, the effects of the Marshall program on Europe's economic reconstruction are far more difficult to be measured. In the aftermath of WWII, European reconstruction relied on two pillars: lifting price regulations and making sure inflation is stabilized. This was hoped would enable producers get the required incentives necessary to bring their goods to market and encourage saving, investment, and planning. In order to curb inflation, budgets had to be balanced. Balancing budgets required political compromise; consumers had to accept higher prices for goods, workers had to embrace lower wages, firms were required to minimize profit expectations, taxpayers had to accept increased liabilities, and landowners to accept lower property values. Approximation for the net demands of these interest groups exceeded national output by 5 - 7 percentage level. As such, the 2 - 3 percentage point boost given by the ERP aid played a significant role in reducing the bod of distribution and at the same time serving as a guard against losing wealth. This new found "social contract" sparked off higher growth, making all stakeholders economically vibrant in the long-run. Above all, is brought an end to the US policy of isolationism on the global scene (Crafts, 2011).

Far from the strictly economic and domestic policy implications, the Marshall Plan demonstrated the deep commitment of the US to Europe at a time when isolationist ideology was at the verge of coming back into force. What cannot be left out was the surplus benefit enjoyed by Europeans from American optimism, peaceful production, consumer preferences, personal welfare, and gains. As Europeans were forceful engaged towards political and economic cooperation, the Marshall Plan in another dimension helped prompt a period of peaceful co-existence between nations that had been arch rivals for up to a century. The foregoing development helped trigger a complex network of contacts among businessmen, civil servants, and even trade union members which, together with NATO, led to an alliance which was hoped would fill the vacuum left after WWII and contain the spread of Communism in Europe. This alliance secured an open door for America into Europe's markets, increased sources of supply, manpower, and industrial capacity and at the same time ensuring the Soviets did not enjoy these privileges. As a matter of fact, the three rubrics of collaboration, coordination, and collective action emphasized by the Marshall Plan had as main bastion to dominate Europe's military ideology as well; NATO was then urged to contribute to the unification of Europe as well as boost confidence by strengthening security and checking communism's spread.

11. CONCLUSIONS AND RECOMMENDATIONS

A synopsis of Europe's reconstruction espoused through the Marshall Plan leaves the stark reality that this visionary scheme in its implementation functioned more than just as an economic stimulus package or even a structural adjustment program impressing free market principles and establishments across Europe. However, this huge transfer of wealth, with no major cases of fraud, laid the basis for a new era in Europe: European nationalism became restricted by multinational cooperation, economies then became integrated by market forces, and both sustained growth and

promoted international solidarity. These liberal capitalist principles tied economic freedoms to political freedoms and nurtured an epoch of free enterprise. Markedly, the ERP was more than just a mere papered document. Regardless of the fact that the Marshall's visionary project cannot be credited for single-handedly rescuing Western Europe from economic doom, arguably, it was also not an ordinary relief package. Along with the economic implications of the aid came structural changes and a moral orientation away from pure national self-interest. In combination with NATO and the Bretton Woods agreements, the Marshall Plan helped Western Europe and the US cooperate and collaborate with a multinational and mutually beneficial mentality. This unified front, that targeted both economic and military integration, set the economies of Europe on top gear motion after the great war.

The following recommendations, some of which echo and reconfirm findings and recommendations are presented for Management consideration in the preparation of future aid or country strategies and to sharpen the development effectiveness of interventions.

Follow-on support, less complexity, and economic aid packages that incorporate nuances of local culture and political economy will better off effectiveness in implementation for economies in need. While the Marshall Plan is often applauded for its remarkable success, stretching out aid schemes into lengthy periods will enhance improved results and narrow ineffectiveness. Aid packages that were supported over an extended period, which were less complex, and which took into consideration local cultural and political-economy factors were generally more effective in the Asia Pacific region in the 2000 to 2010 period (ADB 2005). Thematic or sectoral diagnostics helped to identify and achieve aid objectives, as did dissemination of information and follow-on technical assistance with the Asian Development Bank's support for promoting Good Governance in Pacific Developing Member Countries as classical examples to learn from by aid donors.

Joint diagnostics to aid scale for economic development issues are useful. Collaborative work with other development partners, especially faith-based organizations like "Bread for the World" or "Volunteers of America" will, promote harmonization and improved coordination which is essential in yielding improved effectiveness and growth for bartered economies under going reactivation massive supports schemes.

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