

8-2008

United States Foreign Policy From the Marshall Plan Through Iraqi Reconstruction*

Justin Marino

The College at Brockport, JTMarino@wayne.k12.ny.us

Follow this and additional works at: http://digitalcommons.brockport.edu/ehd_theses

 Part of the [History Commons](#), and the [Secondary Education and Teaching Commons](#)

To learn more about our programs visit: <http://www.brockport.edu/ehd/>

Repository Citation

Marino, Justin, "United States Foreign Policy From the Marshall Plan Through Iraqi Reconstruction*" (2008). *Education and Human Development Master's Theses*. 359.

http://digitalcommons.brockport.edu/ehd_theses/359

This Thesis is brought to you for free and open access by the Education and Human Development at Digital Commons @Brockport. It has been accepted for inclusion in Education and Human Development Master's Theses by an authorized administrator of Digital Commons @Brockport. For more information, please contact kmyers@brockport.edu.

Unites States Foreign Policy from the Marshall Plan through Iraqi Reconstruction

by

Justin Marino
August 2008

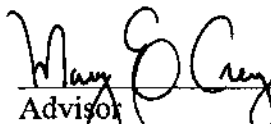
A thesis submitted to the Department of Education and Human Development of the State
University of New York College at Brockport in partial
Fulfillment of the requirements for the degree of
Master of Science in Education

Unites States Foreign Policy from the Marshall Plan through Iraqi Reconstruction

By

Justin Marino

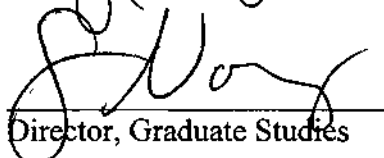
Approved by:



Advisor

8/25/08

Date



Director, Graduate Studies

8/27/08

Date

TABLE OF CONTENTS

Title Page	1
Signature Page	2
Table of Contents	3
Historiography	4
Works Cited (Historiography).....	33
Original Research.....	34
Works Cited (Original Research).....	59
Connections to teaching.....	61
Advanced Placement Document Based Question.....	63
NY State Regents Document Based Question.....	68



The European Response to the Marshall Plan

The European Response to the Marshall Plan

The Marshall Plan is the commonly used name for the European Reconstruction Program or the ERP. Following the conclusion of World War II it was the decision of the American State Department that rebuilding a strong and able Western Europe was important to both the economic, as well as political goals of post World War Two America. On June 5th, 1947 Secretary of State George C. Marshall delivered the commencement address to the graduates of Harvard University in Cambridge, Massachusetts. In the address he outlined the State Department's vision for the economic rebuilding of Europe. In his speech he called for a united European response, one in which European nations assumed the leadership role, but which included the United States for financial support. In delivering this speech there were many questions that arose such as: Why is the European response critical? Did the British dominate the immediate European response? and What did the European response bring to Europe through the plan? Each of these questions posed as a response to Marshall's plan by historians deserved answers and over the next ten years following the Marshall Plan's implementation the people of the world would get the answers they were looking for.

Why was the European response to the Marshall Plan critical?

The Marshall Plan was a significant event in modern European history. In a literal sense it was the United States providing the funding for the economic rebuilding of Europe. It brought Europe 13 billion dollars in four years, which equated to about .5 percent of the GNP of the United States.¹ If one were to adjust this amount for inflation and expansion of markets that amount would be equivalent to approximately 200 billion

¹ Schain, Martin A. *The Marshall Plan: Fifty Years After*. P. 120

dollars in today's economy.² The amount of money by itself does not answer the question, why was the European response to the Marshall Plan critical? For the answer to this question we must move into the historical context of post World War Two Europe.

Europe, like much of the world had little direction on June 5th, 1947. The European response to the Marshall Plan logically would involve how the continent developed economically, but also the direction it would take politically. This aid package would have to find its place in the numerous topics of the period including: the Soviet Union's role in the world, European and Trans-Atlantic multilateralism, the German position, and the expansion of Leftist governments in Western Europe. The Marshall Plan would help answer many of the questions in postwar Europe. Taking the situation to its logical end, the Marshall Plan would necessitate a position by taking on several of these postwar issues.

George Marshall's speech itself was designed in a way so that a European response would answer a number of the important questions of the day. The Americans hoped it would help swing the pendulum of decision in their favor. Marshall called for Europe to devise an aid package they would find acceptable. It is important to note that the way Marshall proposed the solution was also important. First, it put the obligation on the Europeans to drive the development of their aid. Their goals and values would be of principle importance. This, hoped the State Department, would help promote active participation by the European nations involved and create a more meaningful outcome in Europe. If the aid package was proposed from the nations in which it would benefit, it also would help limit the view that the Americans were hoping to buy the situation that most benefited them. The second important provision to the Marshall Plan was that it was

² *IBID*

an offer to any and all European nations. In doing this it allowed the plan to keep some distance rhetorically from the recent development of the Truman Doctrine. The role of the Soviet Union would certainly be one of the major questions regarding the broad terms used in the speech regardless.

Economically Europe was in dire need of aid in 1947. The past winter had been cold and severe, one of the worst on record. The summer had not been much better, helping bring the level of agricultural output to sixty percent of the prewar level.³ Another issue was debts accumulated from wartime borrowing. The British owed 3 billion in 1947 with another 1.25 billion due by 1950.⁴ The war had left numerous Europeans struggling and poor. Many Europeans had losses due to the destruction of war, the occupation by enemy armies, changes in production during wartime, loss of labor, destruction of supplies in other nations and the degradation of transportation capabilities.⁵ As a result of these factors, production was well below the level of the year immediately preceding World War Two. Therefore, production was the immediate goal of the Marshall Plan.

While trying to increase production, the Americans hoped that by eliminating specific bottlenecks of the European economy a multiplier effect would be produced and Europe would soon be self-sufficient. As many economists would say, level of production is a key to the standard of living for any group of people. Therefore, if more is produced, then there will be more for someone in that population to consume. Prior to the war against Nazi Germany, Europe was already in dire economic times because of the

³ Block, Fred. *Origins of International Economic Disorder*, pg. 76

⁴ Newton, C.C.S. *The Sterling Crisis of 1947 and the British Response to the Marshall Plan*. *The Economic History Review*, Vol. 37, No. 3, pg. 392.

⁵ Committee of European Economic Cooperation, Volume I, pg. 5.

Great Depression in the United States and with postwar Europe only producing sixty percent of what they had been able to during a depression, it was not getting any easier on the people. In order to maintain a minimum level of existence after World War Two, Europe was importing goods that they needed, mostly from the United States. Since Europe was not producing nearly as much as they needed, the level of imports was growing and the cost of these imports was equally large.

A problem faced the European nations and that was a shortage of American dollars. This was commonly referred to as the “dollar drain” because of Europe’s large net imports from America. Europe traditionally had a net deficit of trade with North America. In the past they had financed that deficit with a surplus in trade with other nations, mostly in Asia. World War II had also disrupted the type of triangular (between nations in Asia, the US, and European countries) trade that Europe had previously survived on.⁶ Although aid was generously given to Japan after WWII, the Marshall plan was aimed specifically at Europe. This was important to note because there was no place outside the United States for the Europeans to earn dollars immediately after the war. If American aid had been given in Asia, the Europeans could have kept their triangular trade pattern that had been in place pre-World War II.

Eric Roll, a British Diplomat of the time period, who eventually would be the head of the Organization for European Economic Co-operation (OEEC) Agricultural Committee, added these thoughts on the European response following the end of the war. He includes the large role the dollar played at this time:

There were of course subsidiary themes. But among the principal economic themes, in my mind, was undoubtedly the question of the dollar shortage and dollar viability, which was

⁶ CEEC general Report, Vol. 1, p. 6

far and away the most important theme in the British mind at the time. It affected, of course, all of the participating Countries but it was so central to British economic policy thinking that its mark on the way in which the response of the European countries to Marshall's speech was organized and the report drafted.⁷

In another point of view Hugh Dalton who was the Chancellor of the Exchequer, which is responsible for all economic and financial matters stated his point of view in his published Cabinet Papers. In February 1946 Dalton's Cabinet papers show the emphasis on the topic of economics, he discusses in his words about the economy when mentioning, "we are rapidly going down the drain".⁸ This negative outlook may be less of an exaggeration than one initially thinks. The British had already secured a sizeable loan from the Americans to keep them afloat temporarily, before the Marshall Plan could be finalized. This British loan is significant for several reasons. In relation to "Dollar Drain", it highlights just how severe the problem was. The loan provided \$3.75 billion dollars on July 15th 1946. Within one year of the first distribution of U.S. money, two billion dollars had been used. Dalton again may have been right when he commented on March 21st 1947, "We are racing through our US dollar credit at a reckless, ever accelerating speed".⁹ By the fall of 1947 when interim aid was given before the Marshall Plan could pass through congress, Britain took its last 400 million dollars from the loan. The British had gone through the \$3.75 billion in less than a year and a half. Also, its important to note that one of the terms of the loan was that the British pound would become convertible with other currencies.¹⁰ This meant that other countries could pass on their "dollar drain" to the British by converting pounds then held into dollars, which was the

⁷ S Hoffmann & C S Maier, *The Marshall Plan: a retrospective* p. 39.

⁸ *IBID* p. 38.

⁹ *IBID* p.38

¹⁰ Newton, C.C.S, p. 400

best currency on the planet at the time. This term helped exaggerate the Britain's "dollar drain". This term also led to what came to be known as the Sterling Crisis of 1947 and would be an important issue regarding British policy during the Marshall Plan Era.¹¹ The large losses that the British incurred during this time period immediately after the war helped establish them as an opponent of convertibility, which was one of the important factors of a need for a multilateral economic solution.

The loan that was given to Britain in 1947 provided much needed capital to the country. In receiving the loan, Britain achieved a level of economic stability at a time when they had little, even if this stability was only temporary. More importantly it made or kept the British dependent on American money while securing an Anglo-American economic relationship.¹² This would promote decisive action on British Foreign Secretary Ernest Bevin's part when the Marshall Plan was proposed.¹³ Another effect of the aid given to Britain was the ability for the British to remain active in international affairs. Without additional funding there would have necessarily been cuts to either domestic welfare or in regards to spending on maintaining the role of Britain in the world.

There was much question as to the political direction in Europe in the immediate postwar. The emergence of Socialist and Communist parties in mainstream politics was of the utmost significance. Communism was in the midst of its high point seemingly expanding in every direction of the globe. The victory of the Soviet Union over the repressive fascist Germans and their ruthless leader Adolph Hitler brought the communists legitimacy, even if it was only for a short time. The left was gaining power

¹¹ *IBID* p. 400

¹² Block, Fred. *The Origins of International Economic Disorder: A Study of United States International Monetary Policy from World War II to the Present*. P 86.

¹³ *IBID*. p 87.

throughout Europe immediately after the end of WWII. The poor economic conditions facilitated growth of the left wing parties. The left-wing Labour party had been victorious in Great Britain in 1945. Communism was also at the forefront in Italy and the Communists were the most unified political party in France.¹⁴ In France 180 democratically elected Communists controlled seats of the French congress.¹⁵ The French Communists placed extreme political pressure on Prime Minister Bidault, forcing him to be at least sympathetic to Communist views. In addition, the mines in the British occupation zone of Germany were organized under socialist ideas. The way the Marshall Plan would affect and be affected by these politics was of critical importance.

With the implementation of the Marshall Plan it meant that the United States had economic ties to all the included nations. Included in these ties brought a tie to capitalism and at least a level of American planning. The response to Marshall's speech would mean big strides in how this relationship would work. The reason the response to the Marshall Plan was critical in this situation is that it provided insight into whether the American aid package would help solidify moderate politics or whether left wing factions would find the type of American intervention unacceptable despite the economic promises that go along with its acceptance. Yet another possibility would have been the use of the Marshall Plan aid to augment the goals of more radical reforms of government in the included nations.

The issue of American involvement and the multilateral form that the Americans proposed raised the question of national sovereignty. Never before had Europe met in a multilateral way aimed at the economic good of the continent. The included nations faced

¹⁴ Block. *The Origins of International Economic Disaster*. p. 77

¹⁵ *IBID* p.78

a difficult situation in this respect. For the Marshall Plan to be effective it meant member nations relinquishing power on some issues, possibly in a way detrimental to their national interest, all for the good of Europe. The Soviet response is one we will examine later, but the answer Soviet Politician Vyacheslav Molotov gave British Foreign Secretary Bevin and French Prime Minister Bidault as to the possibility of inclusion is a reasonable one for the Soviets, and to a lesser degree other nations. Molotov said that the USSR was interested in inclusion but only if they could act independently within the framework of the Marshall Plan.¹⁶ On the third day of British-French-Soviet negotiations regarding the European response Molotov began the day's discussion with the simple words, "no infringement on the sovereignty of European states."¹⁷ While his motives were debatable it sheds appropriate light on the topic of national sovereignty within the Marshall Plan. Other nations faced this same situation. If they responded in the proposed manner they would be in effect tying their future to that of all the other European nations included in the Marshall Plan.

European acceptance of the plan meant that they valued American money more than the losses they would incur from a level of American intervention. With this American intervention meant a decrease in national sovereignty for the individual nations. For most European nations this decision was not a difficult one. The economic situation was the crisis that must be solved. The speed with which Bevin acted after the proposal, besides being a very convincing testament to the severity of the economic problem in the United Kingdom in 1947, shows how strongly he supported the British as well as all of Europe accepting the general conditions proposed by Marshall. Bevin heard

¹⁶ Mee, Jr Charles L, *The Marshall Plan: The Launching of the Pax Americana* p. 133

¹⁷ *IBID* p.133

the proposal on the morning radio news, before noon he had met with members of his staff, received approval to proceed toward the receiving of aid from Labour Prime Minister Clement Attlee, wired a response to Washington and wired Paris to set up a meeting proposing the action the two nations would take as a response to the Marshall Plan. Bevin suggested the meeting June 17th, only a week and a half after the speech was given.¹⁸ The French agreed on the need for swift action. The American ambassador to France explained that “Bidault tells me he is not too happy about Bevin coming here at this junction because his visit is being interpreted here as a desire on Bevin’s part to steal the show. He of course is upset because he wanted to steal the show.”¹⁹ America was the richest nation in the world and they were offering their checkbooks as a solution to Europe’s postwar economic problems. The Europeans understood that with this aid there would be at least some American involvement to follow. They would not accept this involvement blindly but they were in a situation that needed solving. In the American proposal they saw a solution and they took it, leaving details for later.

The Marshall Plan forced a position on several issues by politicians from around the world. This is perhaps most true in regards to the Soviet Union. The Truman Doctrine, which President Truman implemented in 1947 to combat communism in Greece and Turkey, was only weeks old when Molotov met with Bevin and Bidault regarding possible inclusion in the American aid package.²⁰ At this point there was no Cold War, but there was stress between the two former allies. Americans had accepted the cause in Greece, which may have been a starting point for the Cold War, but this was a less dramatic experience than we see it as now. The Truman Doctrine was so new that

¹⁸ Mee Jr. *The Marshall Plan*, p. 112.

¹⁹ *IBID* p.112

²⁰ *IBID* p. 133

nobody knew the shape that this foreign policy would actually take. By including the Soviets as a possible participant in the Marshall Plan, at least rhetorically, the United States showed that they were not hardliners towards them at this point.

History would have doubtlessly flowed in a different direction had the USSR accepted the invitation into the Marshall Plan. Actually pondering the direction history would have taken is generally a fruitless endeavor, but in this case it was a semi-real possibility. First, if the Soviets accepted, it is likely that congress would not have passed funding for the Marshall Plan. The way it worked the U.S politicians who has a formidable check on the situation had very little to worry about ²¹. Another point of view comes from Czechoslovakian foreign Minister Jan Masaryk:

The real crux of the matter. The offer of credits to us and to the Poles is quite genuine...but, as for credits for Russia, that is the biggest piece of eyewash in the whole scheme. Do you see Truman and Congress forking out billions of dollars to enemy number one, communist Russia from whom we all have to be saved?²²

Instead the United States used the chance to put the ball in the court of the Soviets, who had little possibility of acceptance of the aid anyways.²³ The Soviet reluctance in acceptance was based on several factors. First, as Molotov stated in his meeting with Bevin and Bidault in the end of June 1947, it was unacceptable for the Soviets to lose any level of sovereignty.²⁴ Furthermore, acceptance of American terms would put the communist based USSR soundly in the center of a process based on capitalist ideologies. Finally, there was Eastern European nations which the USSR had gained control of

²¹ Schain, p.123

²² Mee Jr. p.150

²³ *IBID.* p. 113

²⁴ *IBID.* p. 112

following World War II. From its new possessions, the Soviets would strip billions of dollars worth of goods to rebuild the USSR, the Soviets saw this as reparations. The Soviets plan for economics recovery plan in reality was theft. It is likely that if the Soviets were included in the Marshall Plan they would not have been able to pillage Eastern Europe in the same manner. Also, if the Soviets did accept the Marshall Plan aid they would not have received as much aid as they received from the Eastern European nations. If the preceding statements are all true, as they appear to be, it was economically logical for the Soviets not to participate, they were able to receive more money on their own. Lastly, all this talk is possibly a waste based on the ideas of the U.S. The Americans took measures to insure that the Soviets would not accept the offer. Preceding the Soviet-British-French meeting in Paris, Bevin was given instructions to make sure the communist Russians did not accept. As Averall Harriman, the U.S. Secretary of Commerce said, "Bevin did a superb job of getting Molotov out of Paris".²⁵ Thus, the Soviets went home without aid from the United States.

The Eastern European nations under Soviet domination are also closely related to the Soviet Response to the Marshall Plan. Poland, Czechoslovakia, and Hungary all received invitations from the British and French to be part of the Committee of European Economic Cooperation (CEEC) and receive Marshall Plan aid. All three of these nations were poised to accept this offer, which was deemed unacceptable to the USSR. The Hungarian government told the American ambassador "we will be told what to do".²⁶ This was the case for the other Eastern Bloc countries as well. The Soviets were strong enough to prevent these nations all from moving toward the west in any way. On July

²⁵ Mee Jr. p. 136.

²⁶ *IBID* pg. 149

12th, 1947 the Committee of European Economic Cooperation first met with no representation from Eastern Europe.²⁷ There was a division occurring between west and east, two powerful and opposing sides.

The response to the Marshall Plan by the European's was critical because of the breadth of the proposal and the complexity of the issues economically and politically in Europe in 1947. While the amount of money to be given was not known at this point, in 1947, it was known to be substantial. Money can effect developments and the availability of money can affect politics. The Marshall Plan was part of the American international policy despite its cover as an economic policy. The nations of Europe had to then respond to this change in American policy by assessing their own international and domestic goals. These assessments would be in regards to the above-mentioned issues of the day. The response to the Marshall Plan would be critical because it would help define so many of the important issues between 1947 and the conflict in Korea, which was the start of the "hot" Cold War.

Did the British dominate the immediate response to the Marshall Plan?

In examining the above question you must first look at the historical context of the Anglo-American relationship and placing a watchful eye on the events as they progressed from June 5th 1947 to December 1947. The answer is historically important because of the large aid package that was at stake. If one nation could dominate the response they would put their agenda at the forefront; more than one nation aspired to be the lead nation from the U.S. aid. A British domination in the response would suggest

²⁷ CEEC Vol. 1, pg. 7

superior politics, the most stable situation, a holdover of allied sympathy, or a degree of each. It was nearly certain that one nation would take the role of leader in the regards to the European establishment of the Marshall Plan. The British did fill that role, but if they dominated the aid was more debatable.

In examining the British role in the response to the Marshall Plan we are in large part dealing with the actions of Ernest Bevin. Bevin was the Foreign Secretary for Britain during the period of concern for this paper. He was a socialist and a strong supporter of the Labour party.²⁸ This was his political party and also the party in power in Britain from 1945-1951. Bevin was the decisive factor in British foreign policy at the time. Bevin himself was fond of calling the British foreign policy “my policy”.²⁹ All historical renditions of Bevin attest to his authority in regards to foreign affairs in the period concerned. This does not mean he acted alone, without subordinate input, or foolhardily. Some historians have circumvented the questions as to where Bevin ends and others of his office began by referring to “Bevin and his advisors” or “the Foreign Secretary’s office”.³⁰ The important establishment here is that British policy and Bevin’s actions are virtually one in the same. This is consistent with most historians’ views including Alan Bullock, author of a biography of Bevin. According to Bullock “Bevin was the originator of policy and the principle spokesman in Cabinet and Parliament.”³¹ When British policy is referred to in this time period, one should think Bevin. When Bevin is described, British foreign policy is the topic.

²⁸ Bullock, Alan. *Ernest Bevin, Foreign Secretary*. p. 44

²⁹ Melissen, Jan & Zeeman, Bert. *Britain and Western Europe, 1945-51: Opportunities Lost*. Printed in *International Affairs*. Vol. 63, No. 1. p. 82.

³⁰ *IBID* p. 83

³¹ Bullock. p.75.

From a broader perspective the position of the United Kingdom internationally at the end of WWII would also play a large role in their possible domination in the scheme of the European aspect of the Marshall Plan. Britain had been the nation of power in world. Their empire was the basis for becoming the most powerful nation in the world, a role they had prospered from and enjoyed. Furthermore, the British were the only Allied Power that would receive aid once the Soviets walked out of the plan. The British felt that because they had persevered to the end and were victorious that they should be dealt with on an individual basis not grouped with the losers of continental Europe.³²

There has also been a considerable amount of political action between the American's and the British in the years between WWII and the Marshall Plan offer. These negotiations, several of which were economically based help continue the American-British relationship that had developed during the war. These economic events began at Bretton Woods in 1945, continued with the International Trade Organization (ITO) meetings of 1946-47 and also included the founding of the International Monetary Fund. These early developments gave the first glimmer of multilateralism that the Marshall Plan would find so important, but were mostly British or American dominated meetings with limited developments. The British Loan is an example of the political and economic relationship in the immediate postwar, even before the Marshall Plan. Britain used its political connections to secure a \$3.75 billion dollar loan in the old bilateral manner. No other country received this type of aid. While plans were being made for other bilateral aid packages the fact that Britain was the only one to receive an individual one is very suggestive of Britain holding the highest status with Washington. Another symbol of the British and American cooperation was the newly formed Bizone in

³² Mee Jr. p. 125.

Germany.³³ This section of West Germany was a combination of British and American zones of occupation following WWII. The Americans were looking to foster relationships in Europe and Britain seemed to be the place with the most common ground.

At this time in Europe, Britain was the most stable nation politically of the major nations in Europe. The French were another major force, because of their size and population, but Paris was in turmoil following World War II. The communists were growing strong politically and a point of opposition from the left, while the right produced opposition to the government led by General Charles de Gaulle. The other two sizable populations were the Germans and the Italians.³⁴ The Germans were obviously not an option following WWII. Similarly, Italy had been a German ally and was now in serious danger from the communist regime leading its government. Therefore Britain was the obvious choice for leadership of the Marshall Plan from an American standpoint. This however did not mean that there were not weaknesses in the relationship between the U.S. and Britain.

Britain was not safe from leftist leaders following WWII; they had a leader emerge following WWII from the Labour Party. Atlee had assumed power in 1945 following the end of World War II. This would seem to have been a larger problem than it actually was. Bevin, a pro-American was largely in charge of the foreign policy of Britain. This meant the continuation of dialog between the two nations. The situation with Bevin and the Labour Party was mostly surrounding the relationship with the Soviet Union. Early in his term as Foreign Secretary Bevin made his famous quote "Left

³³ OEEC, p 187.

³⁴ Taeuber, Irene B, Postwar Emigration from Germany and Italy, *Annals of the American Academy of Political and Social Science*. Vol. 262. pg. 84

understands Left”.³⁵ This seemed to signal an increasing sympathy by the British towards the Soviets. The British were first prepared to have a relationship with the Soviets. Soviet actions eventually made the relationship seem impossible to Bevin and the British. The aggression with which they acted in Eastern Europe along with the recognized power vacuum in Western Europe led the British to consider them a security threat.³⁶ Bevin, though disturbed by Soviet action was very patient. He very consciously kept the possibility of a relationship open with the Soviets until after the 1947 Conference of Foreign Ministers, which ended in April.³⁷

By June 5th 1947 the British were in position to be very accepting of the Marshall Plan aid. As Bevin said, “financial weakness has necessarily increased the need to coordinate our foreign policy with that of the only country which is able to effectively to wield extensive economic influence-namely the United States”.³⁸ The British economy was down and the possibility of a relationship with the Soviets was unlikely. Bevin saw this Marshall Plan proposal as a great possibility for Britain to prosper and would take the most active role in securing aid that could maintain a way of life for the British. Alan Bullock commented “Bevin’s action in the next few days [after Marshall’s speech] was his most decisive personal contribution to the history of the times”.³⁹

The actual response to Marshall’s speech is one of great significance. This is where Bevin is most crucial. His actions were quick and calculated. The opportunity for gain presented itself and his actions were designed to maximize this gain. His words to

³⁵ Weiler, Peter. British Labour and the Cold War: The Foreign Policy of the Labour Governments 1945-1951. *The Journal of British Studies*. Vol. 26. No.1. p. 54

³⁶ Melissen J. and Zeeman B. P.85.

³⁷ Weiler, P. p.36.

³⁸ Weiler. P. p. 57.

³⁹ Bullock, A. p.404.

Lord Strang soon after he heard the news of the Plan give his initial thoughts on the situation and help explain the speed with which he moved to accept, they were, “We know what he said. If you ask questions, you’ll get answers you don’t want. Our problem is what we do, not what he meant”.⁴⁰ These words along with the quick action Bevin would take suggest how excited he was at the possibility. He wanted to accept the offer before the Americans could change their minds, with the British agenda leading the course of the aid.

Bevin then moved speedily for the morning of June 6th, he wasn’t sure what to do yet but knew he wanted to do something. The morning of the 6th, within hours of when he learned of Marshall’s speech he was setting the stage for British domination of the Plan. He was doing so intentionally. He left his office after a quick, one-sided meeting with William Strang, a British diplomat who served as a leading adviser to the British government during the 1940’s, moved to Atlee’s residence getting the leaders approval on proposing European action, wired America making it clear to Washington that he aimed to take the lead with the European response. He then wired the French to set up a meeting between the two greatest Western European nations.⁴¹

Only twelve days after Marshall’s speech, there was a meeting between the French government and U.S. officials. This meeting was another of Bevin’s great moves toward domination of aid in Europe. He British and the French would obviously be of the dominating countries, but more likely they would be the two dominating countries in a European response. Bevin knew that if he could come to favorable terms with the French the two nations would be able to control whatever response was formulated. If he could

⁴⁰ Mee. Jr. p.112

⁴¹ Mee. Jr. p. 112.

impose Britain's most important terms on the French at this stage, make enough concessions to them to gain their support, he would have a good chance to dominate. The setup of the meeting was important, his actions at the meeting were obviously more important.

Bevin had arrived in Paris by June 16th and that night he had a meeting with his advisors. In this meeting with his advisors he gave his overall thoughts on the situation as well as giving the more specific goals of the meeting with the French that would occur the next day.⁴² Generally he was bent on a British domination as much as possible. He knew that concessions would be necessary, but told his subordinates, "a British lead means British priority".⁴³ In reality a British lead would mean they must be unselfish, in this context it meant dealing with general European recovery. He then proposed his idea that would perhaps be his most important contribution and clear evidence of a British dominated CEEC. His proposal was of the form the committee would approve. He would move for a leadership committee of a few high ranking politicians and a number of ad hoc subordinate committees to take care of day to day operations and formulation of necessary data. The small elite nature of the controlling committee would allow Britain to maneuver more easily and be good for speed of action, which Bevin valued because of economic difficulties domestically. In a small committee Britain could also better use its diplomatic expertise more effectively. The important fact here is not why Bevin would propose this type of form be taken, but that when the CEEC began a month later, the

⁴² Mee. Jr. p. 118.

⁴³ *IBID* p. 114

form adopted was a virtual replication of Bevin's early proposal to his advisors.⁴⁴ This is an important fact supporting British domination.

The meeting with the French on June 17th and 18th was Bevin indicating his simple thoughts on the course of action they should take together. He proposed the need for speed (because both countries needed money as soon as possible), the need for politically bypassing the UN to avoid slowing down the plan, and proposed his idea for the form that would be taken when all the countries met.⁴⁵ All of Bevin's thoughts were accepted by Bidault and the French. Bevin again directed the course of action in this instance. Bidault made one important request however, because of the political situation in his country it was imperative to the French that the Soviets be invited to participate. Bevin understood the situation and cooperated without question. The second key maneuver on his part was getting French assurance that although they needed the Soviets to be invited for political reasons that they would cooperate regardless of Soviet position. It was unlikely that the Soviets would accept the offer, therefore Bevin has nothing to worry about. Bidault assured their relationship with the Soviets regardless of Soviet involvement.⁴⁶

Following the British-French meeting there was a bit of time before the two would meet again. The Americans would use this time to send George Kennan and Will Clayton to meet with the British to help ensure things moved in the appropriate direction for the U.S. The issues for the U.S. were an upcoming meeting between the British-French-Soviets and the relationship they would have with the British. It was made clear to Bevin that although it was unlikely the Soviets would want to join, his job was to make

⁴⁴ CEEC. p. 8

⁴⁵ Mee Jr. p.120

⁴⁶ Mee. Jr. p. 121.

sure they did not. Bevin wants to ensure special treatment for the British as well and this is also discussed. The conclusions from this meeting between the U.S. and the British was twofold, eliminate the Soviets from the plan and get a European proposal drawn up. Only through the European proposal is the possibility for aid available.⁴⁷ The dialog here shows us the British values at this point. The relationship between the two nations is at a level where the Americans can reasonably expect Bevin to take the initiative of removing the Soviets from the response politically. While the Americans will not cede to Bevin's pressure for a special relationship per se, they do not in effect eliminate the idea of special treatment. They did however eliminate the idea of special treatment in a bilateral arrangement, but that left open the possibility of a British dominated response with British values at the forefront. Bevin preceded into the meeting with the French and Soviets with the possibility of a British dominated response as an option. The fact that the Americans were doing their work through the British is evidence of a leadership role at this point. Furthermore, it will help them maintain this role because of a cementing of the relationship with Washington.

June 27th began four days of talks between the British, French, and Soviets. Supposedly this would be the meeting that would set up the European response to the Marshall Plan. It certainly played an important role in the shape that response would take. The possibility of the Soviets accepting the American proposal was questionable. Molotov was generally uncooperative during the meeting. His views were from a different position than that of the Western Europeans. Truman had recently issued his doctrine declaring communism the enemy of American foreign policy. Molotov proposed ideas that seemed to be aimed at delaying or complicating the situation. He wanted to

⁴⁷ Mee Jr. p.125.

himself consult with the Americans as to how much they were willing to give in aid, the British and French found this unnecessary. Molotov then went into negotiations over who would be included, most importantly raising the question of whether Germany would be part of the plan. At the third day of these meetings Bevin again assumed leadership. He drafts a proposal that he thinks the French will approve of and is apposed to the Soviet position.⁴⁸ In effect Bevin is forcing the Soviets to agree to the terms that he is proposing, or leave the meeting. The Soviets choose to leave after Bidault and Bevin will not engage in any more negotiations on the situation. This development was likely, but it was of extreme importance regarding the role the British would play. The British and the French had now been solidified as the leaders of the Marshall Plan. They would soon send invitations to the other governments of Europe to join the in August to for the CEEC. Without the Soviets the British and French had secured a large role in the formulation of the response in Europe.⁴⁹ Bevin had continued to fill the role of leader in driving the response while securing confidence from the Americans and French. His actions would be rewarded as the CEEC formed in August.

The CEEC came together on August 12th 1947. Delegates from Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom had responded to invitations from the French and British to meet in Paris and remulate the response that Marshall had requested, regarding a united European aid package.⁵⁰ The committee formed here would in actuality determine if Britain would be able to dominate the response or if they would merely be a player amongst others within the committee. The

⁴⁸ Mee Jr. p.134.

⁴⁹ CEEC Report p. 4

⁵⁰ IBID. p..5

first days of action help support the idea of the British domination. Bevin was elected chairman of the CEEC. His scheme was to have one high ranking committee make decisions. There were various other ad hoc committees to control general functions as well. There was a committee added for the reason of controlling the general function of operations, but it would not take any power from the small Executive Committee.⁵¹ The Executive Committee itself continued to suggest the power role to the British. The member countries of the Executive Committee were, Netherlands, and Norway, Italy, France, and of course Britain.⁵² Bevin had become chairman of the CEEC, but perhaps the most important development in these early stages of the conference came when another Englishman, Sir Oliver Franks, was allowed to head the Executive Committee.⁵³ This meant that the two highest ranking men at the conference were British. Bevin's goal of assuring the British lead was accomplished, if this would bring forward a British agenda was left to be seen.

As the committee progressed the British would continue to play a driving role, but there would be questions about their domination. Where these nearly concessions on the part of the British for the appearance of the general good or was there a limit to the force they had in the European response? The specific ad hoc committees that would collect the relevant data were also Bevin's idea.⁵⁴ The goal of the committees was to appease the French interest enough because they knew if they worked together (The French and British) they would continue to keep their agendas moving and would have to deal relatively little with other nations. A rule was adopted by the CEEC that all decisions

⁵¹ *The American Journal of International Law*, vol 43, No.2. p. 94

⁵² *IBID.* p. 96

⁵³ Clayton, William L. *GAAT, The Marshall Plan, and OECD.* p. 497

⁵⁴ CEEC p. 14

must be unanimous. This rule hurt and helped the British. Now the smaller nations such as Greece and Luxembourg now had the same veto power as the leading nations, a regression in power. This aspect did allow the British to take a firmer line on some of the things they found important. The nations were all on agreement on the theory of multilateralism, but would not prioritize it ahead of domestic well being, the unanimity aspect of the terms allowed for this.⁵⁵ The response to the Marshall Plan was not nearly European. The Americans, despite their insistence that the response come from Europe, did play a large role in dictating terms for the Plan. The initial informal proposal by the Europeans was for \$28.2 billion in aid. Caffery and Lovett were assigned to Paris to help the process move towards American terms. A member of the British diplomatic team said, "we were working with the American... and knew what congress would pass. It was considerably less than the first indications of our requirements. So what we had to do in the program committee was press and press and press and get the requirements down."⁵⁶ These examples show that America controlled the funding, so in reality they held the power as well. The Americans had still not received news of an acceptable number when Marshall himself publicly let his views on the subject be known. He called for as many cuts as possible along with the labeling of the report as preliminary and continuing the CEEC. In this address he also gave the possibility of interim aid because of the urgency of the situation in Europe at the time.⁵⁷ This again shows us the power of the Americans. The actions proposed by Marshall were nearly mirrored by the CEEC. The new American leadership infringed on the power previously held by the British. The effect was

⁵⁵ Shain, p.28

⁵⁶ Hoffman. p. 43

⁵⁷ Mee Jr. p. 200

compounded by the fact that Marshall's reasoning was accepted by 15 other nations.⁵⁸

The smaller nations were hoping for a more multilateral agreement that the Americans wanted, this was largely centered around convertibility. This meant that it would be possible for the small nations to prosper at the British expense. The French on the other hand were swayed by the possibility of interim aid. Bevin was thus left alone and concessions soon followed.

The answer to the question "did the British dominate the European Response" is two layered. In a large part they did. Bevin and the British established the leadership role quickly with early well calculated action. They dealt strategically with the French, disposed of the Soviets, while improving their relationship with the U.S. British ideas were found leading throughout the structure and proposal of the CEEC, which was also dominated by British leadership. The weakness in this argument in the role the Americans played in the European response. With such a roll played, possibly necessarily by the Americans, there may have been no chance for domination. In conclusion, the British played the role of leader in Europe in regards to the response to the Marshall Plan. The British, in large part Ernest Bevins, dominated the initial response to the Americans, in regards to final product the British role is diminished substantially while they remain the leader in Europe.

What did the European response bring to Europe through the plan?

In 1948, Marshall Plan money began flowing into Europe. In total \$13.3 billion was made available to the sixteen participating governments.⁵⁹ The immediate goal of the

⁵⁸ IBID. p. 201

⁵⁹ Marshall Foundation. www.marshallfoundation.org . p. 3

Marshall Plan was to increase production. Increased production did occur. By 1950, prewar levels were met. In many instances these levels were reached far sooner than the goals set.⁶⁰ Though at first observation this seems to defend the causes of the Marshall Plan, it is not necessarily true. Production was so low after the war and economic conditions so dire, they would probably have recovered, at least to some degree regardless of American action. Simply by reallocating the distribution from the military to domestic spending in the post war, gains would be likely. The changes that were most important were those regarding a multilateral Europe. The meant developments economically and politically.

The multilateral question was dealt with in a large degree in the age of the Marshall Plan. The CEEC had set the president of a multilateral organization drawing up economic plans for Europe as a whole. The OEEC, was the name given to the CEEC council after the Marshall Plan actually began. Once the aid was proposed there were serious questions as to whether there would be real multilateral action or whether they plan was more of a combination of shopping lists from member nations. The countries were quick to move towards customs unions and multilateral solutions as long as the terms of actions were left relatively undefined as they were in the CEEC plan.⁶¹ The British were particularly unwilling to give up any of their sovereignty in regards to a multilateral Europe. The biggest development of this era regarding multilateralism was the European Payments Union or EPU. This allowed countries to figure their debts or surpluses in regards to Europe as a whole and decreased the need for bilateral trade

⁶⁰ Marjolin, Robert. *The Economic Recovery of Europe*. p. 3

⁶¹ CEEC General Report. Chapter 2.

agreements.⁶² This idea was a legitimate step toward European integration. The EPU dealt with 3.2 billion in debts and surplus' in its first year (July 1950-June 1951), 2.1 billion of that was dealt with through accounting practices of the EPU, leaving only a third to be dealt with bilaterally.⁶³ The European Coal and Steel Community also referred to as the Sherman Plan, was developed by the French because of their desire to be a leader in the steel industry. For this they needed raw material and they proposed free trade of these goods in a document outside the realm of the OEEC. Six nations joined including Germany and Italy, Britain however did not join. The was another small step towards multilateralism.

The politics in relation to the Marshall Plan are obviously difficult to discern because of all the other events in the world at this time. Actions that are related are not necessarily cause or effect relations to the American aid, but merely related. These political ideas specifically refer to the role of Germany, the Soviets, The Cold War, and Britain's role. Germany had not been included at the CEEC, there numbers were included in the requirements for aid. This was done because it was understood that German production was necessary to a successful European economy.⁶⁴ They had traditionally been trading partners with all of Europe and there would be a hole in the European economy without them. The French understood this position, but were at first skeptical because of what these concessions might mean politically. Bidault was originally very disturbed by the idea of Germany being of central interest to the rebuilding process.⁶⁵ Germany understood that their method of political acceptance would not come in the way

⁶² European Payments Union. First annual report. P. 78.

⁶³ IBID. p. 79

⁶⁴ Mee. Jr. p. 140.

⁶⁵ IBID. p. 133

of economic relationships. This is supported by their inclusion in numerous other smaller economic cooperations. From here the Franco-German relationship has continued to grow.

The Marshall Plan helped define the Cold War. The Soviet exit from the Marshall Plan along with their satellite countries increased the clarity of the polarization that was occurring the years between the end of WWII and Korea. The response to the Marshall Plan put countries into either the American camp or the Soviet camp. They were in reality already there, as the domination of the Soviets in regard to the Eastern European countries acceptance shows, but this drew the line more clearly at a point when that was not easy to do. Also, a possible point of further study would be examining the role the American's played in eliminating the Soviets in their meeting with the French and British. They obviously played a role, but the reasons are not well defined at this point.

Britain had little choice but to accept the Marshall Plan because of its economic situation at home and its international goals; to do both of these they needed money. Britain thus prospered because of the Marshall Plan. Politically they demonstrated that they were still a leader, as they fulfilled that role within the European response. The aid that they received allowed for domestic levels of consumption to stay the same while the economy rebuilt and money was still left for them to pursue their international goals, albeit temporarily. In doing so they also had secured ties with the Americans. This was increasing in likelihood as time passed in the few years after WWII and was finally accepted as completely necessary by Bevin after the 1947 Foreign Secretary meetings. America had needed an ally in Europe and British action regarding the Marshall Plan seemed to give that to them. The Marshall Plan solidified the Anglo-American

relationship upon which both foreign policies continue to be deeply sympathetic to. For evidence of this relationship look no further than the recent events regarding Iraq. Again the Americans lead and the British accepted their view internationally choosing to take the side of the largest economic superpower, hopefully molding it to fit them best.

While the Marshall Plan had several real effects its immediate accomplishments are overshadowed by its groundbreaking for the future. The European response provided a basis from which continued integration could operate. The continuation of the OEEC was a major development as a place for the advancement of multilateral ideas in Europe. Of the first 15 members of the European Union, 13 of them received Marshall Plan aid. The exceptions were Spain and Finland. Turkey is the only country to be part of the Marshall Plan and not a member of the European Union. Finally, only Liechtenstein is a member and not part of the Marshall Plan. There is clearly substantial overlap between the Marshall Plan and the liberalized European economy we know today.

Works Cited

- 1) Block, Fred. *Origins of International Economic Disorder. A Study of United States International Monetary Policy from World War II to the Present. The American Political Science Review*, Vol. 72, No. 4 (Dec., 1978).
- 2) Bullock, Alan. *Ernest Bevin, Foreign Secretary. The Journal of Modern History*. Vol. 58. No.1. (March 1986).
- 3) Committee of European Economic Cooperation, Volume I. *International Organization*. (Nov., 1949)
- 4) Clayton, William L. *GAAT, The Marshall Plan, and OECD*
- 5) European Payments Union. First annual report. 1951-1952.
- 6) Hoffmann, S. & Maier I.S. *The Marshall Plan: A Retrospective*. 1984. Westview Press.
- 7) Marjolin, Robert. *The Economic Recovery of Europe*.
- 8) Marshall Foundation: www.marshallfoundation.org
- 9) Mee, Jr Charles L, *The Marshall Plan: The Launching of the Pax Americana*. Simon & Shuster. 1984
- 10) Melissen, Jan & Zeeman, Bert. *Britain and Western Europe, 1945-51: Opportunities Lost*
Printed in *International Affairs*. Vol. 63, No. 1
- 11) Newton, C.C.S. *The Sterling Crisis of 1947 and the British Response to the Marshall Plan*.
The Economic History Review, Vol. 37, No. 3,
- 12) Schain, Martin A. *The Marshall Plan: Fifty Years After*. Published by Macmillan, 2001.
- 13) Taeuber, Irene B, Postwar Emigration from Germany and Italy, *Annals of the American Academy of Political and Social Science*. Vol. 262.
- 14) *The American Journal of International Law*, vol 43, No.2
- 15) Weiler, Peter. British Labour and the Cold War: The Foreign Policy of the Labour Governments 1945-1951. *The Journal of British Studies*. Vol. 26. No.1.

Justin Marino

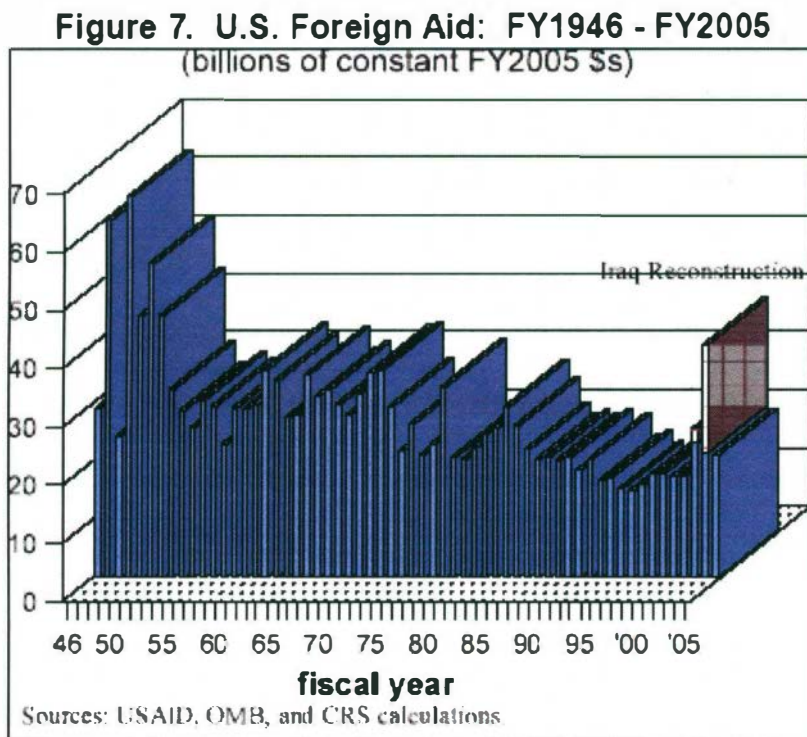
History of United States Foreign
Policy from 1945-Present

Since the conclusion of World War II, the United States has been involved in providing foreign aid to nations in need. In his farewell address, our first President George Washington, provided his thoughts on foreign affairs by saying he “discouraged his successors from getting involved in foreign affairs”. However, he knew of the potential benefits and importance in maintaining positive foreign relations, including offering and accepting foreign aid. This hesitation about becoming involved in foreign affairs has continued over time, though our role in the world has been molded toward becoming more actively involved. Following the end of the Second World War, the United States’ role in the world changed drastically and left the United States a superpower with the ability to influence countries all over the globe with our economic superiority through foreign aid. By definition, foreign aid can be described as “economic, military, technical, and financial assistance given on an international and usually intergovernmental level”.⁶⁶ Although the government occasionally gives the impression that we regularly achieved the desired results anticipated from our foreign spending, the reasons for offering foreign aid have changed considerably in the almost sixty years following the commencement of our foreign spending.

Many advocates for foreign aid seem to lack concrete reasoning as to why foreign aid is so important, yet they continue to push for increased amounts year in and year out. Although the United States has given over \$500 billion in foreign aid since 1946, much of the money given out has been squandered away or spent haphazardly in places such as Vietnam or Iraq. When examining U.S. foreign aid over time one can conclude that the U.S. has two main reasons for providing money to needy countries. Most of the money the U.S. gives out is either given for humanitarian reasons or to help promote the self-

⁶⁶ *Columbia Electronic Encyclopedia*, 6th ed. 2007, Columbia University Press.

interest of the United States, with most of the aid packages falling into the second category.⁶⁷ While exploring the history of U.S. foreign aid over time, it can be concluded that we have gone on different paths with our foreign spending. Presently our foreign aid is being allocated to stabilize Iraq and in my opinion make it a place for a new Marshall Plan in the Middle East. In doing this it would be a comparison to the enormously successful Marshall Plan following World War II. (The trend of U.S. spending can be seen on the graph below, figure 7).⁶⁸



⁶⁷ Packenham, Robert A Foreign Aid and the National Interest.. *Midwest Journal of Political Science*, Vol. 10, No. 2. (May, 1966). Pp. 215

⁶⁸ Tarnoff, Curt and Nowels, Larry Foreign Aid: An Introductory Overview of U. S. Programs and Policy.. CRS Report for Congress. 19 January 2005. Library of Congress. www.fcp.state.gov/documents/organization/45939.pdf

Why Foreign Aid?

Ever since the idea of foreign aid was introduced by the Truman administration, people have asked the question of “why foreign aid?” The American people want to know why their hard earned dollars are being taken from them and shipped to places throughout the world where they cannot see the results of this spending. The government answers the question that foreign aid is needed to “defend U.S interests and promote long-term development abroad”⁶⁹. In doing this, the government hopes to win support for its programs at home and to keep the spending affordable to the general public.⁷⁰ Public support towards foreign aid has varied over time and will continue to when the U.S. spends its money to promote the interests of a few people, such as political officials, while disregarding the ideas of their constituents. The citizens of the United States are overwhelmingly against the conflict in Iraq, yet this continues to move on regardless of what the people want. One economic theorist, Robert Packenham, said this about foreign aid, “It’s a fact of Life”⁷¹. In other words, we should just get used to it. Another economics theorist, Hans Morgenthau states that a foreign policy without foreign aid can be a waste of time and will result in very little change. Therefore, in order to pursue the United States foreign policy, money must be spent.⁷² Ultimately, the amount of money spent on foreign aid is considerably less than people think when looked at in depth.

If you were to examine the amount of money the United States currently gives in foreign aid, you will quickly see that in terms of dollars and cents the U.S. gives the most

⁶⁹ Obey, David R and Lancaster, Carol Funding Foreign Aid.. *Foreign Policy*, No.71. (Summer,1998) p.141

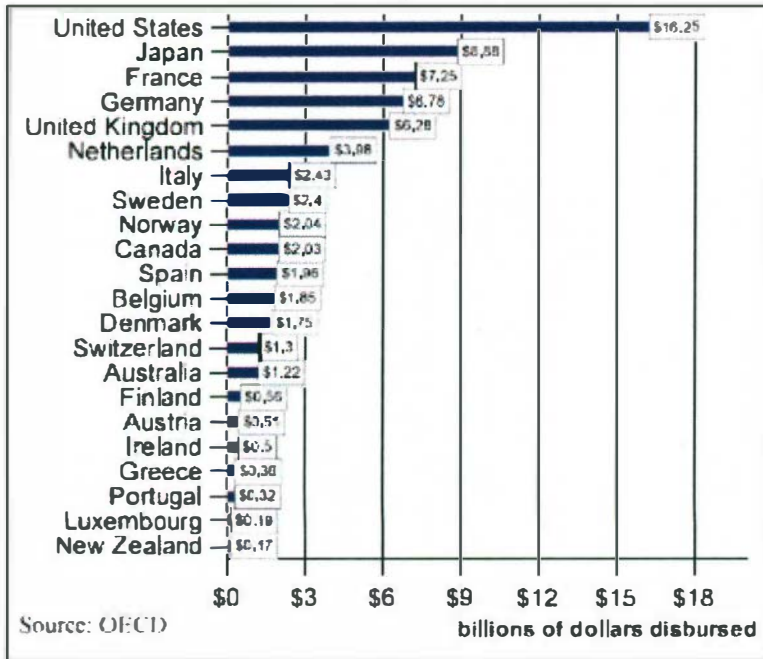
⁷⁰ IBID, p.141

⁷¹ Packenham, Robert A. Foreign Aid and the National Interest. *Midwest Journal of Science*, Vol. 10, No.2, (May 1966) pp. 217.

⁷² Morgenthau, Hans A Political Theory of Foreign Aid.. *The American Political Science Review*, Vol. 56, No. 2. (Jun, 1962). Pp.301.

and is regarded as the world's largest economic donor well ahead of France, Germany and the United Kingdom (figure 11).⁷³

Figure 11. Economic Aid in Dollars from Major Donors, 2003



Upon deeper investigation though, when you factor in the amount the U.S. gives per citizen as compared to other nations we drop to a mere 16th place behind countries such as Denmark, New Zealand, and Luxembourg. In 2004 the U.S. gave approximately \$51 per citizen per year in foreign aid, which puts us well behind the top donor in this category, Denmark, who donates \$381 per citizen.⁷⁴ When measuring aid as a share of a nation's income (Gross Domestic Income-GNI), the U.S ranks even worse among the top 22 donors, placing us dead last at 0.13% of our nation's income allocated to foreign aid.⁷⁵

⁷³ Tamoff, Curt and Nowels, Larry *Foreign Aid: An Introductory Overview of U. S. Programs and Policy.* CRS Report for Congress. 19 January 2005. Library of Congress.

www.fcp.state.gov/documents/organization/45939.pdf

⁷⁴ Radelet, Steven *Think Again: U.S. Foreign Aid.* 2005. *Foreign Policy.* Online edition.

www.foreignpolicy.com/story/cms.php?story_id=2773

⁷⁵ IBID.

This can be seen in figure 12.⁷⁶ A good analogy of the United States spending in comparison with these smaller countries as a percent of the Gross National Income would be like a person making minimum wage giving \$100 dollars of their income while Bill Gates gives \$1.

Figure 12. Economic Aid as % of GNI from Major Donors, 2002



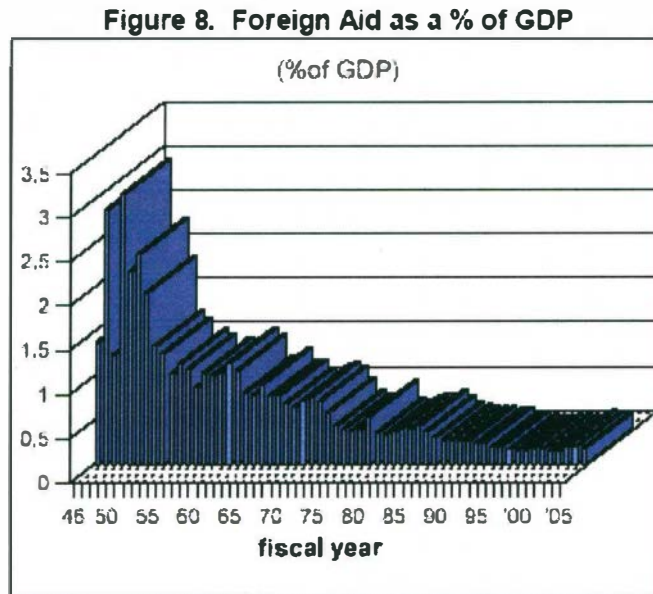
Another interesting observation is that throughout history the percent of our Gross Domestic Product (GDP) spent on foreign aid has dropped since its peak in 1948, when approximately 3% of our GDP was spent on foreign aid.⁷⁷ Most recently, in 2004 our GDP was 0.18%.⁷⁸ The only time that the decline in aid does not hold true was during international conflicts such as Korea and Vietnam, when foreign spending slightly

⁷⁶ Tarnoff, Curt and Nowels, Larry. CRS Report for Congress. 19 January 2005. Library of Congress. www.fcp.state.gov/documents/organization/45939.pdf

⁷⁷ IBID.

⁷⁸ IBID., pp.33

increased. Another time period of significance was following the end of the Cold War in which the U.S. foreign spending drops to record lows. (See figure 8, below)⁷⁹



When examining the time period in which our foreign aid was highest, it is thought that the American people cannot see the results of all this spending. According to Aurelius Morgner, an economist, all of this spending has helped the government promote United States self-interests. This is evident in the foreign aid spending in the early 1950's through the mid 1960's. It can be concluded that all of our foreign aid has done one thing, kept us out of a nuclear war⁸⁰. There are no tangible examples that the American public can see except that the Cold War never fully developed into an active conflict between the U.S. and the Soviet Union. Before examining any further what benefits the foreign

⁷⁹ Tarnoff, Curt and Nowels, Larry. CRS Report for Congress. 19 January 2005. Library of Congress. [Foreign Aid: An Introductory Overview of U. S. Programs and Policy.](http://www.fcp.state.gov/documents/organization/45939.pdf) www.fcp.state.gov/documents/organization/45939.pdf

⁸⁰ Morgner, Aurelius. *The American Foreign Aid Program: Costs, Accomplishments, Alternatives?.. The Review of Politics.* Vol. 29, No.1. (Jan.,1967). Pp. 69

spending has had on our nation, one needs to take a look back to when and where United States foreign policy started.

In the Beginning

The history of the United States' foreign aid began at the end of World War II. Most of Europe was in ruins and the only powers left standing were two competing nations with very different ideas of how to lead a country. The United States and the Soviet Union were left as the two world superpowers and each had conflicting ideologies; democracy in the U.S. and communism/socialism in the Soviet Union. France and Britain, the old world powers were in need of help and restructuring along with the majority of Western Europe. The United States came to their rescue. During a speech to graduates at the commencement for Harvard University on June 5th 1947, Secretary of State George C. Marshall spoke of his goals for post war Europe. From these ideas the Marshall Plan was born. The goal of the Marshall Plan was to provide money to any European nation who requested it in the hopes of reviving Europe's economy and return to pre-World War II production. While providing this plan, the United States asked all interested nations to devise an aid package they felt was acceptable. Marshall felt that the goals and values of the European nations seeking aid were of utmost importance.

In the winter of 1947, one of the coldest and harshest on record, Europe was in dire need of support. In 1948, \$13.3 billion was made available to sixteen participating nations. The results were drastic and by 1950 agricultural and industrial production in Europe was back to pre-World War II levels.⁸¹

⁸¹ Marshall Foundation. www.marshallfoundation.org pg. 3

The contrast between the Marshall Plan and other economic aid plans that the United States became involved in was that unlike most of the places that received aid, the nations that benefited from the Marshall Plan already had an economic structure in place, it just needed to be repaired. In contrast to the current plan for Iraq, we are trying to use our money to improve their economy, but have to re-create an economy before we can move forward. The economy of Iraq is led by their chief export of crude oil. Prior to the Iraq invasion in Kuwait in 1990, which led to the Persian Gulf War, oil production levels were around 3.5 million barrels of oil per day. Following the United Nations invasion of Iraq, the production levels dropped to approximately 300,000 barrels per day. In order to ensure the success of the economy of Iraq, oil production levels needed to return to pre-1990 levels.⁸² Another key issue that needed to be addressed was that Iraq's banking sector and financial system was also in need of serious rebuilding.⁸³

Starting in 1947 with the Marshall Plan or European Recovery Program, the United States began to spend approximately one to three percent of our Gross Domestic Product on foreign aid. The United States felt that helping the countries in need would not only benefit all nations involved, but also it could take the burden off the U.S. as the strongest nation in the world by letting other nations produce goods high in demand. Also, following the end of World War II, the United States was instrumental in beginning the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank). With the creation of both of these organizations, the goal for these groups would be to help with debt relief and economic development of

⁸² Crocker, Bathsheba. Reconstructing Iraq's Economy. *The Washington Quarterly*. Autumn 2004. p.78-80.

⁸³ IBID. pg. 76

Europe. The U.S. hoped to not only assist countries to rebuild following World War II, but also to help in strengthening relationships with the benefiting countries.⁸⁴

During the time period before the implementation of the Marshall Plan, Europe as described by some historians, was in a period of distress. The aftermath of the First World War's post war depression was still fresh in the minds of Europeans. Most European nations were not producing goods at the pre-World War II rate and some people were in a state of panic. Therefore the immediate goal of the Marshall Plan was to increase production throughout Europe while stimulating economic growth. At this time the United States offered and distributed \$13.3 billion dollars of aid to sixteen different recipient nations in a four-year period.⁸⁵ This funding package was well under the proposed aid package originally attempted, which was around \$23 billion dollars.⁸⁶ It is important to note that the dollar amount of the aid package provided by the U.S. was requested by the European nations involved in the Marshall Plan, it was not an amount selected by President Harry S. Truman. It seemed however that Truman expected the cut of his original proposed aid package. In October 1947, Truman commented as to why he allowed then Secretary of State George Marshall to put his name on the plan and not let this plan bear his (Truman's) own name. Truman was quoted, "Can you imagine [the plan's] chances of passage in an election year in a Republican Congress if it is named for Truman and not Marshall?"⁸⁷ Nevertheless, the Marshall Plan moved forward with just over 13 billion dollars in funding available to Europe. It is not surprising to see that of the nations receiving benefits, the top five nations were countries who were economic

⁸⁴ Baltimore County Public Schools. www.bcps.org/offices/lis/models/foreignaid/history.html

⁸⁵ Schain, Martin A. *The Marshall Plan: Fifty Years After*. Pp. 120.

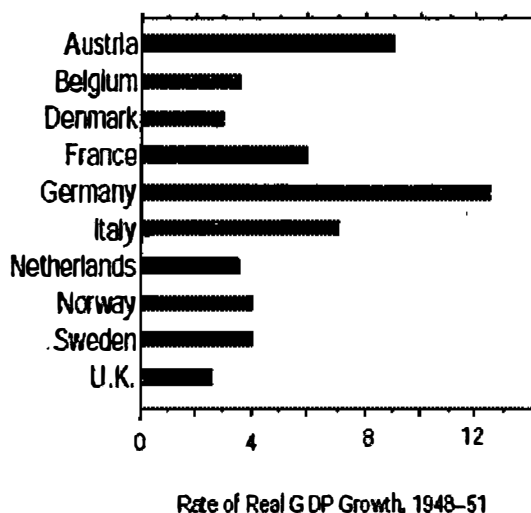
⁸⁶ Crawley, Vincent. *Marshall Plan for Rebuilding Europe Still Echoes After 60 Years*. May 21st, 2007 U.S. Department of State, USINFO. Online Edition. <http://usinfo.state.gov>

⁸⁷ Truman, Harry S. *Political Speech responding to questions of the Marshall Plan funding*. Oct. 1947.

powers prior to World War II and needed to be rebuilt quickly in the eyes of the U.S. The United Kingdom received the most aid with \$3.2 billion, followed by France at \$2.2 billion, Germany at \$1.4, Italy at \$1.2 and The Netherlands at \$1.1 billion ⁸⁸

Following the disbursement of money from the Marshall Plan the economies of the nations of Europe began to grow at an amazing rate. From the years 1948-52 Europe recorded its fastest economic growth ever and by 1952 agricultural and industrial production exceeded pre War levels. There are many disagreements about how large a role the Marshall Plan played in the European recovery. Most historians say at the least that the Marshall Plan provided a jump start to the European economy in the post-World War II time period. ⁸⁹ Figure 2 shows just how much European nations GDP grew in the time after World War II, during the Marshall Plan Years, with Germany and Austria leading the way. ⁹⁰

Figure 2
Economic Growth in European Nations During the Marshall Plan Years



⁸⁸ DeLong, J. Bradford & Eichengreen Barry. The Marshall Plan: History's Most Successful Structural Adjustment Program. October 1991. Pp. 18.

⁸⁹ Crawley, V. Marshall Plan for Rebuilding Europe Still Echoes After 60 Years.

⁹⁰ DeLong, J. Bradford & Eichengreen Barry. The Marshall Plan: History's Most Successful Structural Adjustment Program. pp. 10

Under President Truman, foreign aid increased dramatically. After the success of the Marshall Plan, the United States began to spread its influence throughout other parts of the world, such as Korea, Vietnam and the Middle East. In the eyes of the United States, foreign policy was no longer limited to economic aid, it now was a way to spread our influence and ideologies as well.

Types of Foreign Aid

When looking at the expansion of the U.S. foreign policy and foreign aid in general, the aid given out can be broken down into six main categories. The six different types of aid are humanitarian foreign aid, subsistence foreign aid, military foreign aid, bribery, prestige foreign aid, and foreign aid for economic development.⁹¹ When you look deeper into these different categories, you can conclude that aside from humanitarian foreign aid, the other five are all ways in which the government is promoting its own self-interest.

Humanitarian aid is usually given to nations in need as a result of natural disasters such as hurricanes, floods, and epidemics. Although usually non-political, humanitarian aid can have political effects once the money is given.⁹² Humanitarian aid is widely criticized because outside sources view this type of aid as a way of gaining an element of control over the recipient nation from the donor nation.⁹³ Currently, the most common

⁹¹ Morgenthau, A Political Theory of Foreign Aid. Pp. 301.

⁹² IBID, pp. 302

⁹³ McKinlay, R.D. & Little R. A Foreign Policy Model of U.S. Bilateral Aid Allocation. *World Politics*. October 1977, vol. XXX, No. 1. Princeton University Press. Pp. 59.

instance of the United States giving out humanitarian aid is the money given to combat AIDS in African nations.

The second type of foreign aid is subsistence aid. This type of aid is usually given to foreign governments who are in debt. Subsistence aid is typically given to keep the status quo in the recipient nation. This type of aid can be given when the receiver government doesn't have the funds to provide its people with the necessary resources for instance social programs providing basic necessities such as food and shelter.⁹⁴ Again this type of aid has historically been given to nations of Africa.

Bribery is another type of foreign aid provided. When foreign aid was just beginning to take off, bribery was a great way to help out a nation in need and to also promote the giving nations interests. Morgenthau concluded that much of what has been given out in aid historically by the United States was by nature, a bribe. The bribes could be both economic and political in terms of what the giving nation was trying to achieve. Politically, governments can demand that the receiving nation immediately succumb to their demands or risk losing aid. This was the case in Vietnam and followed the U.S. idea of containment. Economically speaking, countries trying to improve the output of their industry will take bribes to improve machinery and in return they provide the giving nation with preferential trade agreements and low tariffs.⁹⁵

Military aid is another form of foreign aid used. For most countries military aid is the largest share of aid given. It can be concluded that military aid is the most common way that a government promotes its self-interest. Going back in history to the Romans,

⁹⁴ Morgenthau, *A Political Theory of Foreign Aid*. Pp. 302

⁹⁵ *IBID* pp. 302

military aid has always been a way “by which nations buttress their alliances”.⁹⁶ Military aid is primarily exchanged to gain political advantage in a country. By giving out military foreign aid we are doing so in exchange for the receiving country to essentially accept our political views and adapt these views to their own nations. In the early 1990’s the U.S. provided this type of aid to Kuwait to help defend them from Iraq.

Another type of aid, which, like bribery, has hidden meaning, is prestige aid. Prestige aid is aid given to a nation to provide it with advancements that are not necessarily a necessity of that nation, but make the donor nation look better. Examples of such aid are “the unprofitable or idle steel mill, the highway without traffic and leading nowhere, the airline operating with foreign personnel and at a loss, but under the flag of the recipient nation”⁹⁷ All of these examples are great improvements if built at the right time, but a nation in a severe economic depression would have no function for such improvements. Many instances of prestige aid have taken place in underdeveloped and undereducated parts of Latin America and Africa. A question that may arise about this type of aid is: Why provide this aid and waste money if the recipient nation is not benefiting? Morgenthau states that the answer to that question has three parts to it. First, the aid will most likely provide the giver nation with “a specific political advantage in return for the aid”.⁹⁸ Secondly, the prestige aid establishes an exclusive relationship between the generosity of the giver and the increased prestige of the recipient. Lastly, prestige aid comes relatively cheaply to the giver nation, but can give them enormous prestige.

⁹⁶ IBID. pp. 303

⁹⁷ IBID. pp. 303

⁹⁸ IBID. pp. 304

The last and most important type of aid is foreign aid for economic development. The Marshall Plan, which was the most famous instance of U.S. foreign aid, is an example of foreign aid for economic development. The success of the Marshall Plan led the United States and especially President Truman to expand U.S. foreign policy and get the U.S. involved in new locations throughout the world.

Shift in United States Foreign Policy

Following the success of the Marshall Plan, President Truman decided to continue providing aid for economic development, but shifted from rebuilding industrialized nations post World War II to underdeveloped nations. In a short period of time in the early 1950's the United States quickly changed their foreign policy from "aid for reconstruction to aid for development to buttress our military support".⁹⁹ This shift of foreign aid was signed by President Truman on October 10th, 1951 and was called the Mutual Security Act of 1951. This was an extension of the Foreign Economic Assistance Act also signed by Truman, in June of 1950.¹⁰⁰ The Foreign Economic Assistance Act did five things in terms of foreign aid. This act continued the Marshall Plan, continued aid to Korea, southeast Asia, and non-communist China, provided a program of relief and public works to Arab refugees from Palestine, provided technical assistance to help build up economically underdeveloped areas and lastly it continued the United States support for the United Nations.¹⁰¹

⁹⁹ Morgner, Aurelius. The American Foreign Aid Program: Costs, Accomplishment, Alternatives?. Pp. 66.

¹⁰⁰ Truman, Harry S. Statement by the President Upon Signing the Foreign Assistance Act. June 5th, 1950. Taken from *The American Presidency Project* [online] www.presidency.ucsb.edu

¹⁰¹ IBID

The purpose of this new Mutual Security Act was to “assist free peoples around the world who want to develop and safeguard their freedom and maintain the peace.”¹⁰² The Mutual Security Act was to provide military equipment for troops who wanted to defend their homelands, provide natural resources and equipment for factories to build defense weaponry, medical supplies, and many other things for underdeveloped areas who wanted to grow, mainly in South American countries.¹⁰³ This aid was now available to countries close to the Soviet Union and China, a new threat. The Mutual Security Act was extended to Turkey, Pakistan, Taiwan and Korea. The Mutual Security Act was a bust from an economic standpoint. Unlike the aid provided to nations as a part of the Marshall Plan, these nations did not have preexisting economies prior to World War II that were in need of repair. In contrast to the economic results, militarily though the Mutual Security Act was a success in that it provided the above-mentioned nations with needed additional security.¹⁰⁴ The foreign policies of President Truman would help to shape the foreign policy of many of the presidents to succeed him by shaping how foreign aid would be spent in the second half of the twentieth century.

When President Truman ended his two terms in office he was followed by Dwight D. Eisenhower. Throughout the course of his presidency President Eisenhower brought U.S. foreign spending amounts to a new low. Many of the policies that Eisenhower pursued began following the cry that Truman and the Democrats were “soft on communism”¹⁰⁵ With that being their platform, the Eisenhower presidency was hard on

¹⁰² Truman, Harry S. Statement by the President Upon Signing the Mutual Security Act, October 10th, 1951. Taken from *The American Presidency Project* [online] www.presidency.ucsb.edu

¹⁰³ IBID

¹⁰⁴ Morgner, Aurelius. The American Foreign Aid Program: Costs, Accomplishment, Alternatives?. Pp. 66

¹⁰⁵ Rabe, Stephen G. The Eisenhower and Latin America: The Foreign Policy of Anti-Communism. University of North Carolina Press. 1988.

the idea of containment. Eisenhower followed this policy because he believed in the domino theory. This theory said that if one nation fell to communism, everyone around them would fall too. The domino theory especially worried Eisenhower when communist forces defeated French armies in Dien Bien Phu, Vietnam. This conflict ended by the Geneva Convention resulted in the dividing of Vietnam at the 17th parallel. In addition, in the Middle East, conflict arose between Egypt Great Britain over control of the Suez Canal. The U.S. withdrew financial support from the area and before the Soviet Union could come in to muddy the waters even more, the United Nations took control of the crisis and a major war was averted. Lastly, in Eisenhower's attempt towards containment, the U.S. was caught spying on the Soviet Union in the U2 incident. During this time, Eisenhower denied the existence of the spy planes, but once undisputable evidence was presented in the form of Gary Powers, the pilot of the shot down spy plane, Eisenhower told the truth and added to the Cold War conflicts making things even more hostile.

In terms of economic development, Eisenhower was credited for the conversion of the Organization for European Economic Cooperation (O.E.E.C), to the Organization for Economic Cooperation and Development (O.E.C.D.)¹⁰⁶ The purpose of this organization was a continued commitment to democracy and the market economy. This organization is made up of thirty member countries and helped needy nations continue with economic growth. The member nations also helped provide financial stability and assist other countries with economic development in needy nations.¹⁰⁷ Democrat John F. Kennedy who would try to change the foreign policy of the U.S. to fit the new decade, the sixties, followed Eisenhower's eight years in office.

¹⁰⁶ www.oecd.org/history

¹⁰⁷ www.oecd.org/about.

Following the overwhelming support that President Eisenhower received from the House and Senate in regards to foreign aid, President Kennedy had high hopes of support for his campaign towards foreign aid as well¹⁰⁸. JFK sees our need for foreign aid in the interest of keeping up with the Soviet Union and not allowing communism to spread. Kennedy also was able to see all that has gone wrong in U.S. foreign aid over time. In a speech to Congress on March 22nd 1961, Kennedy outlined his plan for future foreign policy. President Kennedy was able to see the inadequate foreign policy of the past by saying “Existing foreign aid programs and concepts are largely unsatisfactory and unsuited to our needs and for the needs of the underdeveloped world as it enters the sixties.”¹⁰⁹ JFK states that as a great power it is our obligation to protect the underdeveloped nations throughout the world, since if we do not help, they will be under communist pressure. The foreign policy of JFK was “in the southern half of the globe as in the north—economic growth and political democracy can develop hand in hand”¹¹⁰. This idea of helping people in the southern hemisphere led President Kennedy to pursue his Alliance for Progress plan. Alliance for Progress was established in 1961 and was created to promote economic cooperation between North and South America. It was intended to counter the perceived emerging communist threat from Cuba and increase the standard of living in South America.¹¹¹ At the time that the Alliance for Progress was passed, the Cuban Missile Crisis had not even begun, yet the President knew Cuba was a threat. President Kennedy knows that this plan would not be easy to accomplish, but

¹⁰⁸ Kennedy, John F. Statement by the President Urging Bipartisan Support for Long-Term Foreign Aid. *The American Presidency Project*. www.presidency.ucsb.edu

¹⁰⁹ Kennedy, John F. Special Message to the Congress on Foreign Aid. *The American Presidency Project*. www.presidency.ucsb.edu. Pp. 1

¹¹⁰ IBID. pp. 2

¹¹¹ Alliance for Progress. *The Columbia Encyclopedia*. (6). 2001.

urged Congress to help him in turning beyond the “troubled history of foreign aid to the underdeveloped world”¹¹² The presidency of John. F. Kennedy was cut short by his assassination; therefore he was never able to see the results of his new foreign policy programs.

Following the assassination of President John F. Kennedy, Lyndon B. Johnson took over the presidency. During his presidency, Johnson will see a decline in foreign aid as a percent of our nations GDP, yet the nation will become more involved in the conflict in Vietnam. This decline in foreign spending was warranted though. During his time as president, Johnson was concentrating on creating programs that would benefit the U.S. citizens through his “Great Society” program. He added new legislation such as Medicare, Medicaid, aid to education, and war on poverty. President Johnson continues the foreign policy of JFK and will carry on Kennedy’s anti-communist movement. Additionally President Johnson would exude his presidential power by issuing the Gulf of Tonkin Resolution in 1964 giving him the power without approval by congress to use military action in Southeast Asia. This controversial resolution gave President Johnson unprecedented power on foreign affairs in a very volatile part of the world. In his foreign budget for 1965, Johnson called for \$1.7 billion dollars to go towards military assistance for eleven countries that border the Communist bloc. The use of these funds was intended to help the nations involved to resist the potential for a Soviet attack. In contrast to presidents before him, Johnson saw the need to solve problems at home and in 1968, proposed the smallest foreign aid budget in the history of foreign policy. He did this because he felt that there were other more important needs at home and conflicts abroad

¹¹² Kennedy, John F. Special Message to the Congress on Foreign Aid. *The American Presidency Project.* www.presidency.ucsb.edu. Pp. 3

that needed help outside economic aid.¹¹³ Throughout the next thirty years our nations % GDP spent towards foreign aid would continue to shrink until it reached its all time low in 1997 at 0.16%.

Present Day Foreign Aid

Throughout time the reasons for United States foreign policies has changed drastically. When comparisons are made between current day foreign policy and past practices there are some similarities between the Marshall Plan following World War II and the current policy of rebuilding Iraq. Although there is still much to be done in Iraq and only time will tell if what the U.S. did there actually benefited the country there are some noteworthy comparisons worth examining. Leading up to the war in Iraq, United States foreign aid had continued on a slight decline since the end of the Cold War. Following the attacks on September 11th, 2001, United States' aid increased with an enlarged amount of money going to Iraq. If you look back a mere 13 years from today, Iraqi spending did not even make the United States list of top 15 nations receiving aid. Yet in 2004 the amount spent in Iraq was more than seven times the closest beneficiary nation. (See figures 3 and 4)¹¹⁴

¹¹³ Johnson, Lyndon B. Recorded Remarks in Support of the Foreign Aid Bill. *The American Presidency Project*. www.presidency.ucsb.edu. Pp. 3

¹¹⁴ Tarnoff, Curt and Nowels, Larry. Foreign Aid: An Introductory Overview of U. S. Programs and Policy. CRS Report for Congress. 19 January 2005. Library of Congress. www.fcp.state.gov/documents/organization/45939.pdf

Figure 3. Top Foreign Aid Recipients, FY1994

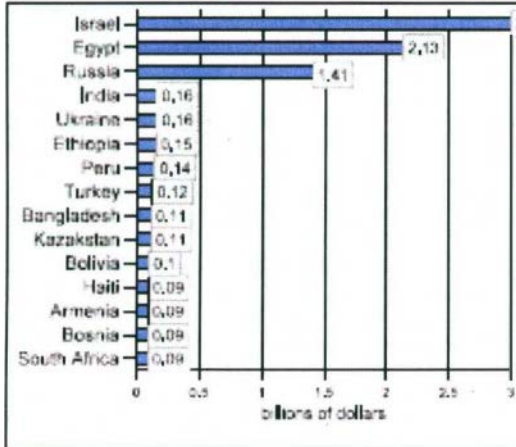
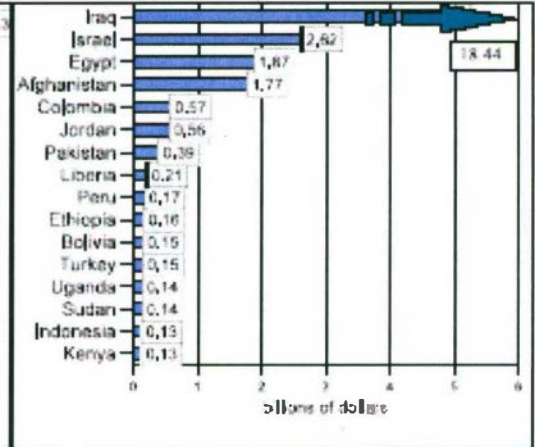


Figure 4. Top Foreign Aid Recipients, FY2004



Sources: USAID and the Department of State.

Following the start of the War in Iraq, the United States estimated the total bill of the war in Iraq to cost in the \$200 billion dollar range, but by the end of 2003 the bill for Iraq was already at a staggering \$79 billion, with President George W. Bush asking for another \$87 billion to continue post war efforts, which put the U.S. budget almost near the total bill estimate within two years of the war beginning. Of this money, much of it was going to maintaining our own troops, with \$65.5 billion going to the armed forces, and an additional \$15 billion toward rebuilding Iraq.¹¹⁵ This \$15 billion dollars just to begin rebuilding Iraq is more than the amount spent on the entire Marshall Plan. (These two amounts can be compared, but it needs to be addressed that the \$13.3 billion spent on the Marshall Plan in 1947-1951, when factored to current amounts would be approximately \$100 billion.) Many people are calling for the United States to turn Iraq

¹¹⁵ Stevenson, Richard W. The Struggle for Iraq: U.S. Budget ; 78% of Bush's Postwar Spending Plan is for Military. *The New York Times*. Online Edition. Pp. 1.

into another Marshall Plan, or the Marshall Plan of the Middle East, but before people go too far there are many reasons why a similar plan will not work in Iraq.

In order for the ideas of the Marshall Plan to be successful in post war Iraq, a myriad of things need to be discussed. First of all the economic, political and social conditions in Iraq are extremely different than that of Europe following World War II. Much of Europe was in a state of disaster, with factories destroyed and housing damaged, but the people were willing to work for their cause, plus people in these countries already had a stable economic and political system.

Politically, Iraq was in shambles following the overthrow of Saddam Hussein, with multiple political factions fighting for power. On a daily basis there are assassinations and bombings between the Shiites and the Sunnis, which make it difficult for any one political group to take power. There is no amount of foreign aid and assistance that the United States can give to rid Iraq of these rival factions. As part of our first military spending bill for Iraq the U.S. included a \$5 billion dollar allotment towards building up Iraqi security forces to help stabilize the nation. Most of the money the U.S. spent militarily in Europe during the Marshall Plan years was to keep a large military presence for safety reasons and in case there was a need to begin battle with the Soviet Union as part of the Cold War. ¹¹⁶ By 1948 in Western Europe, “virtually all of the western European countries had legitimate, functioning governments in place”¹¹⁷; this was something Iraq did not have.

As for the economic status of the cities of Iraq, one government official stated, “it is fair to say that the level of decay and under-investment in the Iraqi infrastructure was

¹¹⁶ IBID. pp.2.

¹¹⁷ Bischof, Gunter & Carafano, Jay. Marshall Plan Won't Work in Iraq. *The Heritage Foundation*. www.heritage.org/press/commentary/ed102303f.cfm?

worse than almost anyone on the outside anticipated”¹¹⁸ As part of the \$87 billion dollar war bill in 2003, \$15 billion was to go towards rebuilding Iraq’s infrastructure, an amount that is in addition to the already \$2.5 billion that was originally thought to be enough to cover most of the costs.¹¹⁹ Following the five years of fighting during World War II, most nations of Europe were badly destroyed, but there were a few nations fared much better than anticipated. Therefore following the end of World War II, most of the money from the Marshall Plan went to fixing preexisting structures and buying raw materials to be used in the factories. Many of the economies in Europe just needed the additional money to “prime their pump” as Truman stated. Their people knew how to run the machines; they just needed to get things going again. This is not the case in Iraq. Since their country was held under the fearful regime of Hussein, many of the factories were not operational or working far below potential. Therefore, in Iraq, factories would need to be built and updated and people needing training on how to work the machines. All this was going to cost money and the bill for Iraq continued to go up. On top of these industrial problems, in order to move forward the government of Iraq needs to also establish a strong money supply, and more importantly remove harsh trade barriers that make it difficult for countries to trade with Iraq. Lastly, work will have to be done to undo what decades of totalitarian leadership under Saddam Hussein has done to the country. A new banking system and financial market will have to be in place if the government wants to succeed in places where failure has occurred before. Furthermore, before any of these economic problems change, a sound and secure government needs to take control and provide some direction for Iraq.

¹¹⁸ Stevenson, Richard W. The Struggle for Iraq: U.S. Budget : 78% of Bush’s Postwar Spending Plan is for Military.. *The New York Times*. Online Edition. Pp. 2.

¹¹⁹ IBID. pp.1.

As for the social conditions in Iraq and Europe, this could be the area where the gap is the largest. Nearly one year after the Marshall Plan began in Europe (1948), most of the chaos of the aftermath of the war was behind the people and they were ready to move forward towards recovery. Marshall declared, “The initiative, I think, must come from Europe”.¹²⁰ With that being said, Marshall thought it would be best if the people, who were receiving the money, should request the sum they feel would appropriately help each nation get back on track. Once the money was given, the people of Europe were to take the initiative, like Marshall said, and be in charge of their own destiny. None of the post-World War II social conditions that existed in Europe exist in Iraq, making this aspect of the rebuilding difficult.

Most recently in late 2007, President Bush has asked congress for an additional \$45.9 billion to cover the 2008 Iraqi war campaign, including rebuilding cities and providing military supplies for the U.S troops. Leaders in congress have not determined if this amount will be approved towards the war that now is estimated to eventually cost U.S. taxpayers over \$650 billion dollars by the time we are through in Iraq.

Throughout the world since the end of World War II, powerful countries like the U.S. and the former Soviet Union have been spreading their ideologies and foreign aid to gain support. The concept of foreign aid began with the creation of the Marshall Plan in 1947 and although the exact model for the Marshall Plan cannot be used to solve economic difficulties in every nation, the idea started here. With our current day situation in Iraq, people need to forget about our past success from the Marshall Plan in Europe and move forward towards a new plan that will fit Iraq, a nation that lacks political, social

¹²⁰ Bischof, Gunter & Carafano, Jay. Marshall Plan Won't Work in Iraq. *The Heritage Foundation*. www.heritage.org/press/commentary/ed102303f.cfm?

and economic unity. The foreign policy of the United States has changed numerous times over the past decade and will change again in the near future. In our ever changing world we need to use the different types of foreign aid and see which best fits each needed situation. The condition of Iraq's economy is a fragile one in which many details need to be decided upon with the people of Iraq's best interests in mind. With the United States spending billions of dollars per year to improve the Iraq economy, as tax payers we should be demanding more results or a change in policy in the years to come.

Works Cited

Alliance for Progress. *The Columbia Encyclopedia*. (6). 2001

Baltimore County Public School. www.bcps.org/offices/lis/models/foreignaid/history.htm

Bischof, Gunter & Carafano, Jay. Marshall Plan Won't Work in Iraq. *The Heritage Foundation*. www.heritage.org/press/commentary/ed102303f.cfm?

Columbia Electronic Encyclopedia, 6th ed. 2007, Columbia University Press.

Crawley, Vincent. Marshall Plan for Rebuilding Europe Still Echoes After 60 Years. May 21st, 2007 U.S. Department of State, USINFO. Online Edition. www.usinfo.state.gov

Crocker, Bathsheba. Reconstructing Iraq's Economy. *The Washington Quarterly*. Autumn 2004.

DeLong, J. Bradford & Eichengreen Barry. The Marshall Plan: History's Most Successful Structural Adjustment Program. October 1991. Pp. 18.

Johnson, Lyndon B. Recorded Remarks in Support of the Foreign Aid Bill. *The American Presidency Project*. www.presidency.ucsb.edu. Pp. 3

Kennedy, John F. Special Message to the Congress on Foreign Aid. *The American Presidency Project*. www.presidency.ucsb.edu. Pp. 1

Kennedy, John. F. Statement by the President Urging Bipartisan Support for Long-Term Foreign Aid. *The American Presidency Project*. www.presidency.ucsb.edu

Obey, David R and Lancaster, Carol Funding Foreign Aid.. *Foreign Policy*, No.71. (Summer,1998) p.141

Packenham, Robert A Foreign Aid and the National Interest.. *Midwest Journal of Political Science*, Vol. 10, No. 2. (May, 1966). Pp. 215

Marshall Foundation. www.marshallfoundation.org. Pp. 3

McKinlay, R.D. & Little R. A Foreign Policy Model of U.S. Bilateral Aid Allocation. *World Politics*. October 1977, vol. 30, No. 1. Princeton University Press. Pp. 59.

Morgenthau, Hans A Political Theory of Foreign Aid.. *The American Political Science Review*, Vol. 56, No. 2. (Jun, 1962). Pp.301.

Morgner, Aurelius. The American Foreign Aid Program: Costs, Accomplishments, Alternatives?.. *The Review of Politics*. Vol. 29, No.1. (Jan.,1967). Pp. 69

- Organization for Economic Cooperation and Development. www.oecd.org/history
www.oecd.org/about.
- Rabe, Stephen G. The Eisenhower and Latin America: The Foreign Policy of Anti-Communism. *University of North Carolina Press*. 1988.
- Radelet, Steven Think Again: U.S. Foreign Aid. 2005. *Foreign Policy*. Online edition.
www.foreignpolicy.com/story/cms.php?story_id=2773
- Schain, Martin A. *The Marshall Plan: Fifty Years After*. Pp. 120
- Stevenson, Richard W. The Struggle for Iraq: U.S. Budget ; 78% of Bush's Postwar Spending Plan is for Military. *The New York Times*. Online Edition. Pp. 1.
- Tarnoff, Curt and Nowels, Larry Foreign Aid: An Introductory Overview of U. S. Programs and Policy. CRS Report for Congress. 19 January 2005. Library of Congress. www.fcp.state.gov/documents/organization/45939.pdf
- Truman, Harry S. Political Speech responding to questions of the Marshall Plan funding. Oct. 1947.
- Truman, Harry S. Statement by the President Upon Signing the Foreign Assistance Act. June 5th, 1950. Taken from *The American Presidency Project* [online]
www.presidency.ucsb.edu
- Truman, Harry S. Statement by the President Upon Signing the Mutual Security Act. October 10th, 1951. Taken from *The American Presidency Project* [online]
www.presidency.ucsb.edu

Part III

Connections to Teaching

Following the conclusion of World War II the United States emerged as a world superpower with very few nations that could challenge them. With this power the United States began to assert its influence and help rebuild Europe to the power it was before the War began. George C. Marshall unveiled his European Recovery Plan on June 5th, 1947 which outlined his vision for economic recovery in Europe. This plan was to bring over 13 billion dollars to European countries in need over the course of four years. The main purpose of this aid was economic, but with the U.S. money came political influence as well. Through the Marshall Plan the U.S. hoped to increase production in European nations involved to pre-World War II levels. A major key to this plan was that the United States offered this to all nations that were in need with no exceptions. Also, the U.S. encouraged each nation to individually determine the necessary amount needed. In the end, sixteen nations received money to help rebuild and increase production. By 1950, the Plan was successful and pre-war levels of production were met. The success of the Marshall Plan thus led to the United States to expand its policy of foreign aid.

Starting with the Marshall Plan, the United States began to use its money to assert its influence throughout the world. Foreign aid amounts have varied from record post World War II levels through current day Iraqi spending. Throughout the history of the United States the programs we support throughout use of foreign aid has shaped our nation. This is specifically true following the conclusion of World War II. While researching what materials on U.S. foreign aid are available to professionals, the need

arose for a document based question (DBQ) for both the Advanced Placement (AP) level as well as for the New York State Regents level. In developing the new DBQ's the focus was on what the U.S. has pursued as its foreign policy since the conclusion of World War II. While looking at these documents students should be able to draw conclusions from examples that span the second half of the twentieth century and make connections to how U.S. foreign aid has been linked to our foreign policy. When assessments are created the use of DBQ's are essential and allow the students to work with multiple perspectives on social studies issues. DBQ's allow students to analyze and evaluate primary source documents, while forming conclusions based on documents and information from outside sources. Lastly, DBQ's encourage students to use the skills of the historian and social scientist by requiring them to read, analyze, apply, synthesize, and evaluate information.

After discussion with numerous professionals it was determined that the need for a Document Based Question that examines United States foreign policy was essential. Therefore by using a variety of documents that allow students to interpret not only written sources, but also political cartoons, charts and graphs they can formulate conclusions and create a well thought out response to the question regarding the changing United States foreign policy.

AP United States History Free-Response Questions

United States History

Section II

Part A

(Suggested Writing Time- 45 Minutes)

Directions: The following question requires you to construct a coherent essay that integrates your interpretation of documents A-I and your knowledge of the period referred to in the question. High scores will be earned only by essays that both cite key pieces of evidence from the documents and draw on outside knowledge of the period.

- 1. Discuss the history of United States Foreign Aid following the conclusion of World War II (1945). How did the Marshall Plan shape U.S. foreign aid during the second half of the twentieth century? What comparisons/conclusions can be made, if any, between the U.S. foreign aid following World War II and currently in Iraq? Assess to the extent in which our foreign aid and foreign policy have influenced one another during these 65 years.**

Use the documents and your knowledge of the time period in constructing your response.

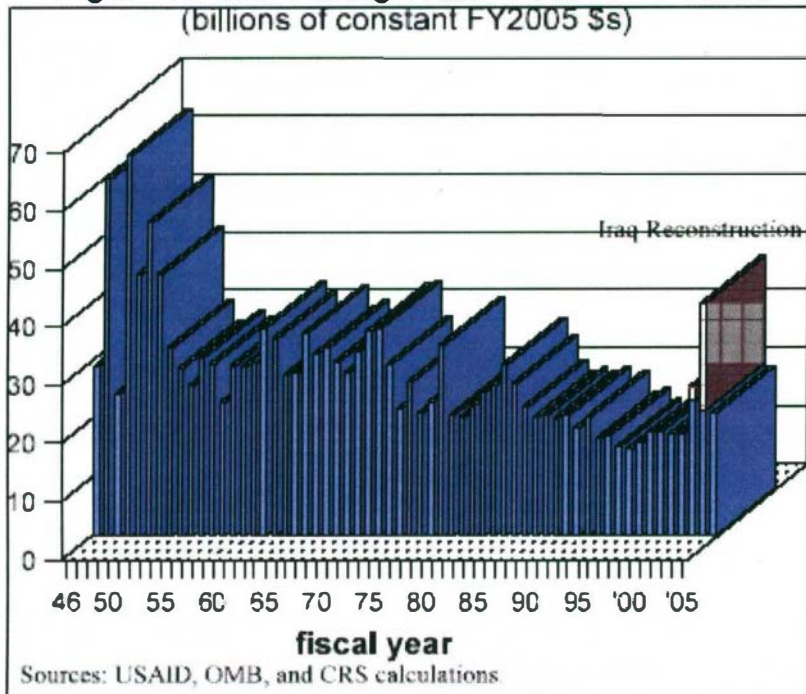
Document A

Source: Speech- George C. Marshall. June 5th, 1947. Marshall Plan

The truth of the matter is that Europe's requirements for the next three or four 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.....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.

Document B

Figure 7. U.S. Foreign Aid: FY1946 - FY2005



Document C

Source: John D. Clare. www.johndclare.net



Source: *Cartoon on the Politics of the 2000s*
"He's finally setting the hang of it."

Document D

Source: "Summary of State Department's Position of European Recovery Plan", August 26, 1947; ERP

Essential elements of proposals must include...Concrete proposals for area wide recovery of agriculture and basic industries—coal, steel, transport, and power - - which are fundamental to viable European economy.

Document E

Figure 3. Top Foreign Aid Recipients, FY1994

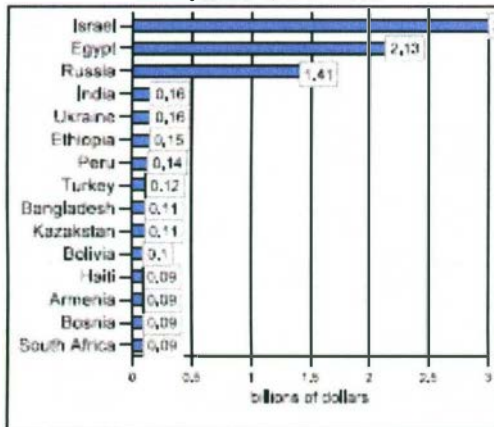
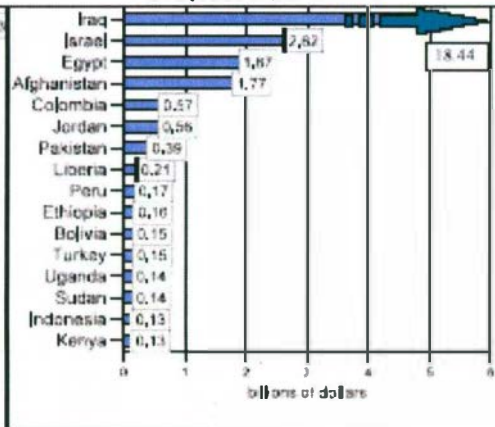


Figure 4. Top Foreign Aid Recipients, FY2004



Sources: USAID and the Department of State.

Document F

Source: Pekka Hirvonen, *Stingy Samaritans: Why Recent Increases in Development Aid Fail to Help the Poor*, Global Policy Forum, August 2005

Recent increases [in foreign aid] do not tell the whole truth about rich countries' generosity, or the lack of it. Measured as a proportion of gross national income (GNI), aid lags far behind the 0.7 percent target the United Nations set 35 years ago. Moreover, development assistance is often of dubious quality. In many cases,

- Aid is primarily designed to serve the strategic and economic interests of the donor countries;
- Or [aid is primarily designed] to benefit powerful domestic interest groups;
- Aid systems based on the interests of donors instead of the needs of recipients' make development assistance inefficient;
- Too little aid reaches countries that most desperately need it; and,
- All too often, aid is wasted on overpriced goods and services from donor countries.

Document G

Source: Amy Belasco. *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*. July 14th 2008.

With enactment of the FY2008 Supplemental and FY2009 Bridge Fund on June 30, 2008, Congress has approved a total of about \$859 billion for military operations, base security, reconstruction, foreign aid, embassy costs, and veterans' health care for the three operations initiated since the 9/11 attacks: Operation Enduring Freedom (OEF) Afghanistan and other counter terror operations; Operation Noble Eagle (ONE), providing enhanced security at military bases; and Operation Iraqi Freedom (OIF).

This \$859 billion total covers all war-related appropriations from FY2001 through part of FY2009 in supplementals, regular appropriations, and continuing resolutions. Of that total, CRS estimates that Iraq will receive about \$653 billion (76%), OEF about \$172 billion (20%), and enhanced base security about \$28 billion (3%), with about \$5 billion that CRS cannot allocate (1%). About 94% of the funds are for DOD, 6% for foreign aid programs and embassy operations, and less than 1% for medical care for veterans. As of April 2008, DOD's monthly obligations for contracts and pay averaged about \$12.1 billion, including \$9.8 billion for Iraq, and \$2.3 billion for Afghanistan.

Document H

Source: The Downs and Ups of Foreign Aid, by Frank Trippett. March 26th, 1979. Time.

There were many intricate reasons for America's subsequent disenchantment with foreign aid, but it became pronounced during the Viet Nam War. It was in 1968 that Congress radically slashed the proposed aid budget—by 40%, to a 21-year low of \$1.75 billion. Since then, the program has been in trouble, chronically confused, steadily losing supporters, widely misunderstood... Jimmy Carter entered office with the hope of doubling U.S. economic development programs by 1982, but he soon curbed this aspiration in the face of a budget-chopping mood. He has pushed some increases through the Congress, with total aid outlays of \$5.1 billion for fiscal 1978 and \$5.9 billion for fiscal 1979. His current budget proposes just over \$6 billion for fiscal 1980, and would have been higher.

Document I

Iraq

Fiscal Year 2006 U.S. Overseas Loans and Grants - Obligations and Loan Authorizations, in \$US millions

	Post-War Relief Period	Marshall Plan Period	Mutual Secy Act Period	Foreign Assistance Act (FAA) Period					Total FAA Period	Total Loans & Grants	Of which Loans	Outstanding Amount as of
	1946-48	1949-52	1953-61	1962-62	2003	2004	2005	2006	1968-06	1946-06	1946-06	1/30/2006
I. Total Economic Assistance	0.9	0.5	21.7	90.3	3,062.2	7,574.3	6,277.7	4,423.7	22,268.1	22,291.2	14.4	
A. USAID and Predecessor		0.5	19.3	2.4	1,870.6	2,374.4	760.1	639.2	5,646.7	5,656.6		
Economic Support Fund/Security Support Assistance					129.7	0.3		360.4	520.4	520.4		
Development Assistance					87.6			13.3	100.8	100.8		
Child Survival & Health					90.0				90.0	90.0		
Other USAID Assistance		0.5	19.3	2.4	1,563.3	2,374.1	760.1	245.5	4,935.4	4,955.2		
B. Department of Agriculture		0.0	2.4	47.7	204.6	0.1	3.0	8.8	262.3	264.7	13.5	
Food Aid Total		0.0	2.4	47.7	204.6		3.0	6.8	262.1	264.8	13.5	
Title I					13.5			6.8	20.3	20.3	13.5	
Title II (USAID implemented)		0.0	2.4	34.2	176.8		3.0		214.0	216.4		
Title III (USAID implemented)												
Section 416(b) Commodity Credit Corporation Food for Progress					27.8				27.8	27.8		
Food for Education												
Other USDA Assistance						0.1			0.1	0.1		
C. State Department				1.4	3.1	952.6	707.8	204.6	1,900.4	1,900.4		
Global HIV/AIDS Initiative												
Narcotics Control					17.0				17.0	17.0		
Migration and Refugee Assistance					13.1	29.2		0.0	41.3	41.3		
Nonproliferation, Anti-Terrorism, Demining & Related					3.0	15.0	1.7	3.7	23.3	23.3		
Other State Assistance				1.4	1.1	909.4	706.1	200.8	1,818.8	1,818.8		
D. Other Economic Assistance	0.9	0.0		39.8	1,667.9	4,347.1	4,966.8	3,573.1	14,459.7	14,439.6	0.9	
Millennium Challenge Corporation												
Peace Corps												
Department of Defense Security Assistance				39.8	1,667.9	4,294.4	4,793.3	3,565.9	14,379.8	14,379.8		
Other Active Grant Programs					5.4	52.8	13.6	7.2	79.0	79.0		
Inactive Programs	0.9	0.0								0.9	0.9	
II. Total Military Assistance			49.3	19.6	142.0	1,113.0	1,474.0	5,439.4	8,188.1	8,237.4		
III. Total Economic & Military Assistance	0.9	0.5	71.0	109.9	3,944.2	8,787.3	7,751.7	9,863.1	30,456.2	30,528.7	14.4	
Non-Concessional U.S. Loans				11.8		116.0	965		226.3	226.3	227.2	53
Export-Import Bank Loans				11.8					11.8	11.8	11.8	
CFC & Other Non-Concessional U.S. Loans						116.0	965		214.5	214.5	215.4	53

In developing your answers to Part III, be sure to keep these general definitions in mind:

(a) describe means “to illustrate something in words or tell about it”

(b) explain means “to make plain or understandable; to give reasons for or causes of; to show the logical development or relationships of”

(c) discuss means “to make observations about something using facts, reasoning, and argument; to present in some detail”

Part III

DOCUMENT-BASED QUESTION

This question is based on the accompanying documents. The question is designed to test your ability to work with historical documents. Some of the documents have been edited for the purposes of the question. As you analyze the documents, take into account the source of each document and any point of view that may be presented in the document.

Historical Context:

The United States has been involved in providing foreign aid since the conclusion of World War II. By providing aid the United States is able to help out nations in need both economically and politically. Since the end of World War II the U.S. has provided aid through the **Marshall Plan**, during **Korea and Vietnam** and most recently during the **Post-Iraqi War** rebuilding.

Task: Using information from the documents and your knowledge of United States history, answer the questions that follow each document in Part A. Your answers to the questions will help you write the Part B essay, in which you will be asked to

Choose *two* instances since the conclusion of World War II that the United States has used foreign aid either politically or economically. For each:

- Describe the historical circumstance that led to the need for aid.
- Explain the details of the aid given
- Discuss the success or failure of the aid given

Part A
Short-Answer Questions

Directions: Analyze the documents and answer the short-answer questions that follow each document in the space provided.

Document 1

Source: Speech- George C. Marshall. June 5th, 1947. Marshall Plan

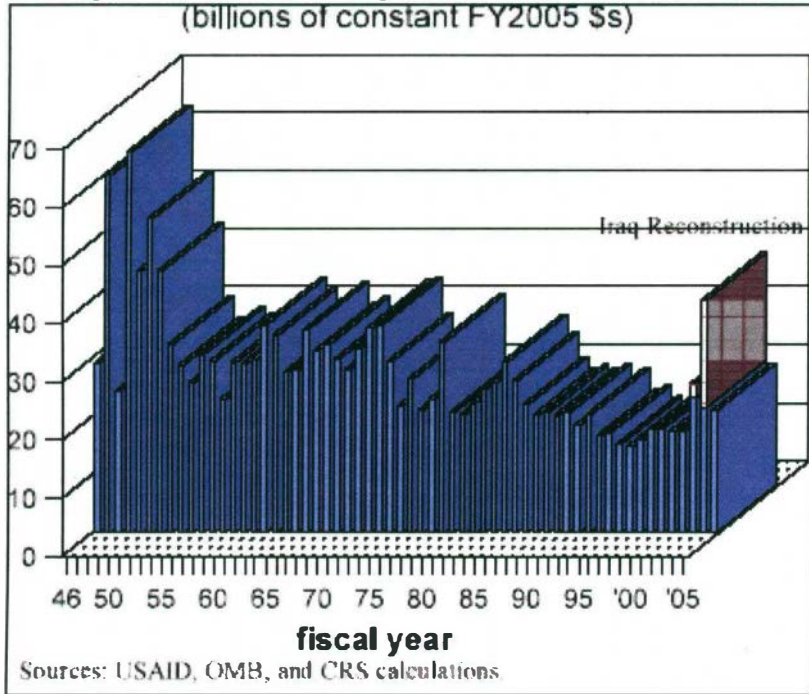
The truth of the matter is that Europe's requirements for the next three or four years of foreign food and other essential products - principally from America - are so much greater than her present ability to pay that she must have substantial additional help or face economic, social, and political deterioration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

1. According to this document what is the purpose of the Marshall Plan? [1]

Score _____

Document 2

Figure 7. U.S. Foreign Aid: FY1946 - FY2005
(billions of constant FY2005 \$s)

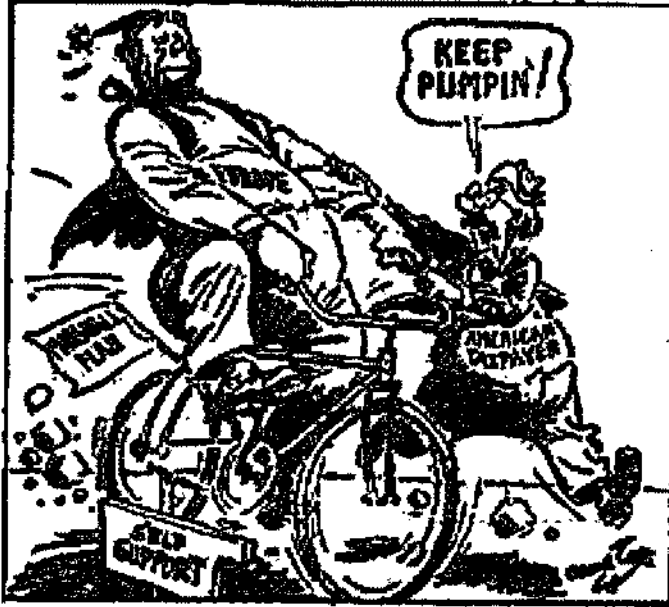


2. According to the document, which year did the U.S. spend the greatest in foreign aid? [1]

Score _____

Document 3

Source: John D. Clare. www.johndclare.net



Source: Adapted by the University of Toronto, 1950.
"It's finally getting the hang of it."

3. According to the cartoon, who was the United States helping with the Marshall Plan? [1]

Score _____

Document 4

Source: "Summary of State Department's Position of European Recovery Plan", August 26, 1947; ERP

Essential elements of proposals must include...Concrete proposals for area wide recovery of agriculture and basic industries—coal, steel, transport, and power - - which are fundamental to viable European economy.

- 4. According to the document, what are *two* specific areas that were focused on by the European Recovery Plan (Marshall Plan)? [2]**

Score _____

Document 5

Figure 3. Top Foreign Aid Recipients, FY1994

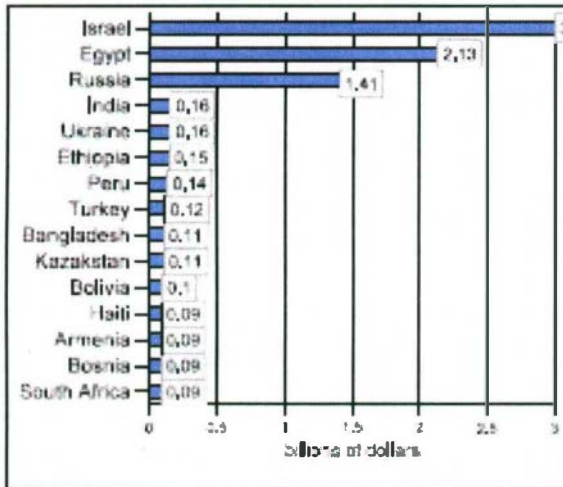
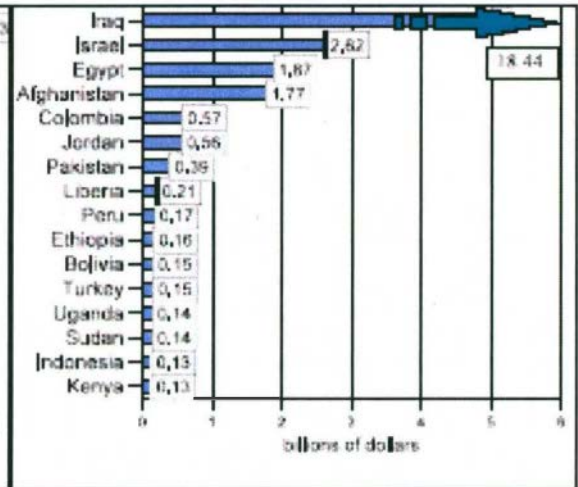


Figure 4. Top Foreign Aid Recipients, FY2004



Sources: USAID and the Department of State.

5. According to the charts, what *two* countries received the most aid from the U.S. in both 1994 and 2004? [2]

Score _____

Document 6

Source: Pekka Hirvonen, [*Stingy Samaritans: Why Recent Increases in Development Aid Fail to Help the Poor*](#), Global Policy Forum, August 2005

Recent increases [in foreign aid] do not tell the whole truth about rich countries' generosity, or the lack of it. Measured as a proportion of gross national income (GNI), aid lags far behind the 0.7 percent target the United Nations set 35 years ago. Moreover, development assistance is often of doubtful quality. In many cases,

- Aid is primarily designed to serve the strategic and economic interests of the donor countries;
- Or [aid is primarily designed] to benefit powerful domestic interest groups;
- Aid systems based on the interests of donors instead of the needs of recipients' make development assistance inefficient;
- Too little aid reaches countries that most desperately need it; and,
- All too often, aid is wasted on overpriced goods and services from donor countries.

6. According to the passage, what is *one* reason discussed for why aid is given?
[1]

Score _____

Document 7

Source: Amy Belasco. The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11. July 14th 2008.

With enactment of the FY2008 Supplemental and FY2009 Bridge Fund on June 30, 2008, Congress has approved a total of about \$859 billion for military operations, base security, reconstruction, foreign aid, embassy costs, and veterans' health care for the three operations initiated since the 9/11 attacks: Operation Enduring Freedom (OEF) Afghanistan and other counter terror operations; Operation Noble Eagle (ONE), providing enhanced security at military bases; and Operation Iraqi Freedom (OIF).

This \$859 billion total covers all war-related appropriations from FY2001 through part of FY2009 in supplementals, regular appropriations, and continuing resolutions. Of that total, CRS estimates that Iraq will receive about \$653 billion (76%), OEF about \$172 billion (20%), and enhanced base security about \$28 billion (3%), with about \$5 billion that CRS cannot allocate (1%). About 94% of the funds are for DOD, 6% for foreign aid programs and embassy operations, and less than 1% for medical care for veterans. As of April 2008, DOD's monthly obligations for contracts and pay averaged about \$12.1 billion, including \$9.8 billion for Iraq, and \$2.3 billion for Afghanistan.

7. According to the document, what are *two* of the examples given for where the approved \$859 billion is going to be spent? [2]

Score _____

Document 8

Source: The Downs and Ups of Foreign Aid, by Frank Trippett. March 26th, 1979. Time.

There were many intricate reasons for America's subsequent disenchantment with foreign aid, but it became pronounced during the Viet Nam War. It was in 1968 that Congress radically slashed the proposed aid budget—by 40%, to a 21-year low of \$1.75 billion. Since then, the program has been in trouble, chronically confused, steadily losing supporters, widely misunderstood....Jimmy Carter entered office with the hope of doubling U.S. economic development programs by 1982, but he soon curbed this aspiration in the face of a budget-chopping mood. He has pushed some increases through the Congress, with total aid outlays of \$5.1 billion for fiscal 1978 and \$5.9 billion for fiscal 1979. His current budget proposes just over \$6 billion for fiscal 1980, and would have been higher.

- 8. According to the document, what trend occurred regarding foreign aid following the Vietnam War? [1]**

Score _____

Part B Essay

Directions:

Write a well-organized essay that includes an introduction, several paragraphs, and a conclusion. Use evidence from *at least four* documents in the body of the essay. Support your response with relevant facts, examples, and details. Include additional outside information.

Historical Context:

The United States has been involved in providing foreign aid since the conclusion of World War II. By providing aid the United States is able to help out nations in need both economically and politically. Since the end of World War II the U.S. has provided aid through the **Marshall Plan**, during **Korea and Vietnam** and most recently during the **Post-Iraqi War** rebuilding.

Task: Using information from the documents and your knowledge of United States history, answer the questions that follow each document in Part A. Your answers to the questions will help you write the Part B essay, in which you will be asked to

Choose *two* instances since the conclusion of World War II that the United States has used foreign aid either politically or economically. For each:

- Describe the historical circumstance that led to the need for aid.
- Explain the details of the aid given
- Discuss the success or failure of the aid given

Guidelines:

In your essay, be sure to

- Develop all aspects of the task
- Incorporate information from *at least four* documents
- Incorporate relevant outside information
- Support the theme with relevant facts, examples, and details
- Use a logical and clear plan of organization, including an introduction and conclusion that are beyond a restatement of the theme