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# The Marshall Plan – Global Strategy and Foreign Humanitarian Aid

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Additional information is available at the end of the chapter

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## 1. Introduction

Most political actors have recognized the Marshall Plan, officially named the European Recovery Program (ERP), as the most prolific foreign humanitarian aid program from the United States to Western Europe in history. As the United States Congress began to construct the proposal, it requested that the *Brookings Institute* conduct a comprehensive study and provide recommendations. On January 22, 1948, Brookings produced its findings for structure, focus, and operating procedures of the Marshall Plan, setting the course for the ERP. Brookings' recommendations confirmed the conditions in Europe and affirmed the necessity of relief. The report offered consideration for the construction of a new and separate American agency. Even more, Brookings offered recommendations that an American be appointed to manage the recovery program in each nation-state receiving aid.<sup>1</sup>

As the United States Congress concentrated on identifying nation-states to participate in the recovery program, it was apprehensive on helping Germany, Japan, Italy, and its allies. From 1936 through 1945, Germany, Japan, Italy, and its allies were primarily responsible for establishing an alliance known as the Axis Powers. The Axis Powers consisted of nation-states that had the ability to use their power on a global scale (i.e., Germany, Italy, Japan, Hungary, Romania, Bulgaria) versus Allies (United States, Britain, France, USSR, Australia, Belgium, Brazil, Canada, China, Denmark, Greece, Netherlands, New Zealand, Norway, Poland, South Africa, and Yugoslavia).<sup>2 3 4</sup> The United Nations was hesitant to help the Axis alliance as a result of previous war activities. Figure 1 is a synopsis of the Axis Powers and war campaigns.

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<sup>1</sup> *Brookings Institution*, The Marshall Plan Retrieved on February 2, 2012 from <http://www.brookings.edu/about/History/marshallplan.aspx>

<sup>2</sup> Pre and Post-War (1939-1945). Axis Powers. Info please, Retrieved on February 16, 2012 from <http://www.infoplease.com/ipa/A0001288.html>

<sup>3</sup> Loudon, R. (2007). *Great -Power: The World We Want*. United States of America: *Oxford University Press US*. 187-190 ISBN 0195321375

- 1939 (September 1) Germany attacks Poland and annexes Danzig; Britain and France give Hitler an ultimatum, declare war (September 3); German battleship *Admiral Graf Spee* is destroyed (December 17)
- 1940 Nazis attack the Netherlands Belgium, and Luxembourg (May 10); (June 10) Italy declares war on France and Britain; attacks France (November 10); Nazis attack England
- 1941 Germans launch attack in Balkans; Yugoslavia surrenders to General Mihajilovic, continues guerrilla warfare; Tito leads left-wing guerrillas (April 17); Nazi attacks Athens; remnants of British Army quit Greece (April 27); Soviet Union attacks Russia (June 22); Atlantic Charter: Prime Minister Winston Churchill and President Franklin D. Roosevelt agree on war aims (August 14). Japan attacks Pearl Harbor, Philippines, Guam, forces the United States into war, the United States Pacific fleet crippled (December 7); The United States and Britain declare war on Japan. Germany and Italy declare war on the United States Congress declares war on those nations (December 11)
- 1942 Britain surrenders Singapore to Japan (February 15); the United States forces Bataan Peninsula in Philippines surrender (April 9); the United Nations and Filipino troops on Corregidor Island in Manila Bay unconditionally surrender to Japan (May 6). Village of Lidice in Czechoslovakia razed the Nazis (June 10); The United States and Britain land in French North Africa (November 8)
- 1943 Prime Minister Winston Churchill and President Franklin D. Roosevelt agree on an unconditional surrender objective during the Casablanca Conference (January 14 - 24); German sixth Army surrenders to Stalin in Russia (February 1-2); Nazis trapped on Cape Bon, ending war in Africa (May 12); Mussolini overthrown; Badoglio named premier (July 25); Allied troops land on Italy inland after conquest of Sicily (September 3); Italy surrenders (September 8); Nazis seize Rome (September 10); Cairo Conference: Franklin D. Roosevelt, Winston Churchill, and Chiang Kai-shek pledge to defeat Japan to free Korea November 22-26); Tehran Conference: Franklin D. Roosevelt, Winston Churchill, Stalin agree on invasion plans (November 28-December 1)
- 1944 The United States and British troops land at Anzio on west Italian coastline and hold strategic position (January 22), United States troops enter Rome (June 4); D-Day: Allies launch Normandy invasion (June 6); Paris, France is liberated (August 25); Athens freed by Allies (October 20); America attacks Philippines (October 20); Germans launch counter-offensive in Belgium in the Battle of the Bulge (December 16)
- 1945 Yalta Agreement signed by Franklin D. Roosevelt, Winston Churchill and Stalin to establish plans for occupation of Germany, to return Soviet Union lands taken by Germany and Japan; USSR (Russia) agrees to develop treaty with China (February 11); Mussolini killed at Lake Como (April 28); Admiral Doenitz takes command in Germany; suicide of Hitler is announced (May 1); Berlin is conquered (May 2); Germany signs unconditional surrender terms at Rheims (May 7); Allies declare V-E

**Figure 1.** Shows a Synopsis of the Axis Powers and War Campaigns.<sup>5</sup>

<sup>4</sup>Harrison, M. (2000). *The Economics of World War II: Six Great Powers in International Comparison*. Paperback edition. Cambridge, England, UK: *Cambridge University Press*, 10.

<sup>5</sup> Ibid 2

Moreover, nearly two years following World War II, the proposed Marshall Plan became law in the United States Congress under the Economic Cooperation Act of April 1948. The most conspicuous missed opportunity in constructing the Marshall Plan, by its originators beyond governmental divisions, was the absence of an established budget. At this time, there were no monetary funds allocated for financial budgetary committees' approval, yet, according to the *Brookings Institute*, a few years into Congress' enacting of the ERP, Europe's trade and industry production rose "25 percent exceeding pre-war levels." Further reports indicated their economic market increased by 200 percent within three years.

By the end of 1952, the United States had transferred aid to Europe in excess of \$13 billion in economic and technical assistance grants and loans to stimulate economic growth, political proficiency, and revitalize free trade while avoiding the utopian promises or military menace of communism. European nation-states, which benefitted from ERP, were the Axis Powers and allies (i.e., Austria, Belgium, Denmark, France, West Germany, Great Britain, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, and Turkey). Subsequently, these nation-states formed the Organization for European Economic Cooperation (OEEC). The aim of OEEC was defined as, nation-states needs consistent with the United Nation's objectives on trade and economic cooperation between allies (Alvarez-Cuadrado, 2008).

According to historical archives, the aim of the Marshall Plan was to increase productivity, improve economic growth and economic policies (Cowen, 1985, p. 65). Conceivably, it was the most expensive foreign policy initiative ever attempted in peacetime (Machado, 2008). Still, the perception of the Marshall Plan, post-warfare, varies by most Americans and Europeans from social colonization to unadulterated philanthropy. Conversely, this chapter will not address every historical consistency or inconsistency surrounding the Marshall Plan, it will respond to literature that has defined missed opportunities to obliterate European nation-states from foreign humanitarian assistance dependency.

## 1.1. Origins

In an arduous battle to recover from an imploding financial system, Europe's export/import market was at the brink of collapse. During this weakened state, the Soviet Union, an irrepressible communist nation-state declared its intent to seize Europe. The United States recognized that it had too much to gamble on the outcome of this hostile takeover. If the Soviet Union were to seize Europe, the United Nations' export and import market would implode as well. The susceptibility of misdirected revenue and impending surrender to the Soviet Union's communist regime compelled the United States to action. Subsequently, the United States Congress produced the most quintessential piece of legislation in history to impact global strategy and the modernization of Europe.

The United States Congress advanced the direction and construction of the greatest global strategy project in history. This global strategy aimed "to preserve America's vital tactical interests" in Europe. Congress introduced the strategy as a tactic to "mobilize public and political support" from both Republicans and Democrats, to take immediate action, and re-

establish Europe's sovereignty, and sway bipartisan support. The conventional defense of Marshall Aid was presented as a stratagem to save Europe and to ensure the future of American Civilization.

As stratagems were evolving, on June 5, 1947, at Harvard University, Senator Marshall spoke to graduates at their commencement ceremony. He proclaimed, "The people of this country are distant from the troubled areas of the Earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connections with our efforts to promote peace in the world." The purpose of the plan was to rebuild Europe's war-torn nation-states, to diminish famine and pandemonium in the streets, to promote free trade, and to create democracy for its nation and their allies.

Following months of debate in France, through collaboration of the United States bipartisan and European partisanship, the ERP, Public Law 472, was accepted with 395 votes for acceptance and 75 votes against it (Bossuat, 2008).<sup>6</sup> Thus were born provisions for the European Recovery Program (ERP) and European Cooperation Administration in June 1947, directed by Paul G. Hoffman from Washington, D.C., the groups established the ERP and ECA. After which, the United States implored the Soviet Union and its allies to participate in the Marshall Plan. The Soviet ambassador in Washington assumed that the ERP was a great initiative and persuaded Stalin to consider the plan. At the outset, Stalin too assumed the ERP would benefit all nations of Europe; it seemed a viable resolution for Europeans, until he discerned that credits would be extended only on willingness to accept economic cooperation and that Germany would also be extended aid, which he thought would hamper the Soviets' ability to exercise influence in Western Germany (Wettig, 2008). Further, Stalin surmised that the Eastern Bloc nation-states might defy Soviet directives not to accept the aid, potentially causing a loss of control in the Eastern Bloc. In addition, the most important prerequisite was that every nation-state to join the plan would need to have its economic profile assessed, which the Soviets would not accept (p. 66).

The United States' built-in limited conditional terms on economic collaboration and disclosure of information guaranteed that Stalin and the Soviet Union would never accept the conditions stated in the proposal (Alvarez-Cuadrado, 2008). Stalin struggled to negotiate with the United States. Still, the United States repudiated any notion to either modify or negotiate language (p. 138). Stalin inferred that the plan's stipulations were much too perilous to subscribe. Thereafter calling the United States fascist, pusillanimous, and authoritarian, and then declared its allies as enemies in the plan (p. 139). The Soviet Union refused to accept humanitarian aid (Robert, 2000), thereby prescribing punishment onto "its people to years of depravation under socialist economic schemes and totalitarian régimes." This tumultuous history leads to the central question: Was there a missed opportunity for the United States to cultivate relations to reunify and neutralize all nation-states in Europe?

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<sup>6</sup> Bossuat, G. (2008) *The Marshall Plan: History and Legacy, Chapter 1*, Organization for Economic Co-Operation and Development (OECD), Publications, at [www.oecd.org/publishing/corrigenda](http://www.oecd.org/publishing/corrigenda), 13 -23.

### 1.1.1. *March notes of 1952*

Preceding the “Battle of the Notes,” Stalin drafted a *note* urging the allies of the United States and Europe (United Kingdom, France) to reconsider their objectives to including Germany in NATO. In lieu of the American proposal, in a *second note*, Stalin protested nation states’ alliance with Germany. He urged occupying powers to administer elections and proceedings instead of the United States, and broader delineation be conscripted by the Potsdam Conference. Moreover, prior to the adoption of the European Defense Community (EDC) treaty, Stalin sent a *third note*, citing the Germany Treaty, condemning the purpose of the EDC and its intent to “delay negotiations for a peace treaty.” In addition, he insisted that Eastern Bloc diplomats surrender to occupy powers at the treaty negotiations. In the *last note* sent, Stalin emphasized the Soviet Union’s stance to nullify election proceedings, and treaties that included German powers (Steininger, 1990; Walko, 2002).

These circumstances led to the “Battle of the Notes” between all U.S. aligned nation-states, the Soviet Union, and its allies. Because of language adopted in the EDC, which repudiates the Soviet’s proposal to prevent Eastern Germany from joining NATO, in succession Germany in the Great Patriotic War demolished the Soviet Union (Smyser, 1999). The central question remains: was there a missed opportunity for the United States and its allies to cultivate relations to reunify and neutralize all nation-states in Europe?

### 1.1.2. *Missed opportunity or not?*

The question surrounding whether the United States could have cultivated relations with Stalin and the Soviet Union to reunify and neutralize all nation-states under a NATO agreement is truly debatable for several reasons. (1) Logically, it is impossible to discern the intentions of the Soviet Union; the world will never know whether the Soviet Union would have permitted a neutral, democratic, or unified pact with Germany. (2) For certain, the German Democratic Republic (GDR) produced greater benefits than conceding to Germany as a sovereign state. For example, several of the occupying powers of the Second World War reveled in the prestige of such maneuvers as controlling the Eastern German borders, Czechoslovakia, and Poland. The GDR governance was a vassal of East Germany. Moreover, the Soviet Union easily exploited economic resources from allies and military, with the exclusion of the Austrian government. With its unyielding economic growth and lack of military strategies, the Soviet Union virtually controlled Austria. Finally, scholars have tried to discern whether Germany would have worked collaboratively with the Soviet Union. There is a greater probability that (3) the Soviet Union could have subjugated Germany through reunification efforts; and (4) Stalin could have hostilely seized Western Europe and its allies; however, without integration with all U.S. aligned nation-states, subsequently, West Germany might have been far worse economically (Smyser, 1999).

The argument can be made that the relevance of the March notes in 1952, reflected Stalin’s candor and eagerness to reunify and neutralize all nation-states in Europe, while simultaneously cultivating relations with the United States under the United Nations settlement; creating the possibility of a missed opportunity. Steininger (1990) argued these three points: (1) Stalin’s offer was meant seriously, (2) the Western powers intended to

sound out Stalin's' proposal, and (3) the Adenauer (named after Konrad Adenauer, Chancellor of West Germany from 1949 to 1963) policies [*to secure West Germany sovereignty*] were used to intensify Stalin's momentum to disenfranchise Germany. In opposition, Grami (1977) averred the profusion of notes served no purpose to Western Europe; the Soviet Union's intent was clear. Their intent was to create a diversion so that the integration of the GDR into the Eastern Bloc became more of a reality. The point being there is no conceivable system to discern if either the United States or Western Europe and its allies missed opportunities to cultivate relations during the reunification and neutrality proceedings.

## 2. Appropriations between 1948 and 1952

In France, at the *Hotél Talleyrand*, the ERP Conference ensued excluding the presence of the Soviet Union and its allies. Supportive of the European Recovery Plan, sixteen Western European nation-states and allies along with the United States gathered to construct a plan to rebuild and synthesize atrophied nation-states. After much debate, an agreement was reached and the Europeans sent a reconstruction plan to Washington. At the outset, the Europeans requested \$22 billion in aid. President Truman countered the proposal with \$17 billion for Congressional approval. Stemming from much opposition, the finance appropriations committee initially passed \$5 billion, in succession, with influential bipartisan support to send \$12.5 billion over a span of four years, passed (Grogin, 2001).

As a result of the ERP Conference, and preceding World War II, President Truman signed in to law the Economic Cooperation Act of 1948 (ECA). Austria, Belgium, Denmark, France, West Germany, the United Kingdom, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Sweden Switzerland, Turkey, and the United States, accordingly, signed a bilateral agreement. The bilateral agreement made certain that all nation-states received aid within an egalitarian system. As the threat of the Cold War materialized with the Soviet Union, in conjunction with below par constructs of the bilateral agreement, the United States Congress through the ECA attained power to question new annual fund allocations. As time elapsed, The Marshall Plan (ERP), no longer operable, dissolved about 11 months before its scheduled end date.

In the aftermath of the Post-War and remnants of the Marshall Plan (ERP), the redeployment of military and economic power left two dominant nations, the United States and the Soviet Union. The Axis alliance (i.e., Europe, Asia, Africa, and South America) was ravaged from the war. The dominant nations, with competing objectives, each toiled for world governance. The United States either wanted to concede to the threat of communism, or to an imploding free world. In response to probable security vulnerability, the United States enacted the Mutual Security Act of 1951. The purpose of the act was averting communism. Through the act, the United States could authorize military, economic, and technical assistance to nation-states with the aim of developing their welfare and liberation provisionally in the national interest of the United States.<sup>7</sup> It created a new, independent, agency -the Mutual Security Administration. -Its purpose, to supervise all foreign aid programs including military

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<sup>7</sup> Zusman, L., & Helfand, N. Mutual Security Act (1951). Major Acts of Congress. 2004.

assistance and economic programs that bolstered the defense capability of United States allies (Hogan, 1987). By the end of 1952, the Mutual Security Act (MSA) replaced the ECA. After 1953, there is no more mention of the ERP.<sup>8</sup> One after the other, bilateral, multilateral, and unilateral aid organizations emerged. Figure 2A shows *bilateral development assistance programs*.<sup>9</sup> Bilateral aid programs fostered viable economic progress and social stability in developing nation-states. Figure 2B shows *multilateral aid programs*. Multilateral aid programs were combination resources, the majority of the programs financed with private donations instead of direct government contributions. Unilateral aid funds are direct contributions from one nation to other nation-states experiencing natural disasters. Table 1 shows the top beneficiary scale of aid between 1948 and 1952.

(A) U.S. Agency for International Development (USAID)	Peace Corps (PC)	Inter-American Development Foundation (IADF)
African Development Foundation (ADF)	Trade and Development Agency World Health Organization (TDAWHO)	Millennium Challenge Corporation (MCC)
Official Development Assistance (ODA)	European Union (EU)	Food Assistance (FA)
Development Assistance Committee (DAC)	Foreign Military Financing (FMF)	Organization for Economic Co-operation Development (OECD)
Food for Peace (FFP)	Private Voluntary Organizations (PVOs)	Office of Foreign Disaster Assistance (OFDA)
(B) Non-government organizations	Religious ministries	Foundations
World Bank (WB)	United Nations Development Programs: (UNDP) & United Nations Children’s Fund (UNICEF)	Business Donations (BD)
Multilateral Development Banks (MDB)	United Nation High Commission for Refugees and the International Committee of the Red Cross (UNHCRICRC)	

**Figure 2.** (A) Shows the Level of Development Assistance Programs; (B) shows the Multilateral Aid Program Contributors

<sup>8</sup> *Encyclopedia of American Foreign Policy*, The United States Congress approved about US \$5 Billion for European military security, and US \$1 Billion of defense aid, (2002), 2, 2 - 95

<sup>9</sup> CRS Report for Congress, Foreign Aid: Introductory Overview of U.S. Programs and Policy, April 15, 2004 order code: 98-916 at [www.crs.gov](http://www.crs.gov).



U.S. Economic Assistance Under the European Recovery Program  
April 3, 1948 and June 30, 1952

Country	(in millions of dollars)		
	Total	Grants	Loans
Total for all countries	\$13,325.80	\$11,820.70	\$1,505.10
Austria	67.8	677.8	00
Belgium-Luxembourg	559.3	419.3	68 <sup>a</sup>
Denmark	273	239.7	33.3
France	2,713.60	2,488.00	225.6
Germany, Federal Republic of	1,390.60	1,173.70	216.9 <sup>b</sup>
Greece	706.7	706.7	00
Iceland	29.3	24.3	5.3
Ireland	147.5	19.3	128.2
Italy (including Trieste)	4,508.80	1,413.20	95.6
Netherlands (East Indies) <sup>c</sup>	1,083.50	916.8	166.7
Norway	255.3	216.1	39.2
Portugal	51.2	15.1	36.1
Sweden	107.3	86.9	20.4
Turkey	225.1	140.1	85
United Kingdom	3,189.80	2,805.00	384.8
Regional	407 <sup>d</sup>	407	

**Table 1.** U. S. Economic Assistance under the European Recovery Program between April 3, 1948 and June 30, 1953 (in millions dollars)

The Marshall Plan is touted as the original course that aggrandized European integration. It formed an integral part of the concept of the Euro-Atlantic Alliance Partnership Council (EAPC): A NATO organization and multilateral entity which maintained relations between non-NATO and NATO nation-states. The Export-Import was an official credit agency established in 1934 to provide monetary relief and ease export and imports relations. The United Nation Relief and Rehabilitation Administration (UNRRA) established in 1943 administered the level of relief to victims of war. North Atlantic Treaty Organization's (NATO), post- World War II, major function was to maintain a level of peace and stability in Europe as UNRRA.<sup>10</sup> The World Bank's purpose has been, since 1944, to provide fiscal and technical provision to developing nation-states. The Government and Relief in Occupied Areas' (GARIOA) established around 1946, sole resolve, under directives of the United

<sup>10</sup> Geremek, B.(2008).*The Marshall Plan and European Integration* Chapter 2, Organization for Economic Co-Operation and Development (OECD), Publications, at [www.oecd.org/publishing/corrigenda](http://www.oecd.org/publishing/corrigenda), 43 – 49.

States, was to allocate and supply goods and services to civilians. Interim Aid was used to sustain sovereignty in 1947. Followed by the Treaty of Brussels of 1948, stronger coalitions emerged between Belgium, France Luxembourg, the Netherlands, and the United Kingdom to preserve economic, social, and cultural cooperation.<sup>11</sup> Western European Union's (WEU), established in 1954, purpose was to defend alliances throughout Europe. In spite of everything, these organizations have an unswerving common view: to ease nation-states from circumstances of extreme poverty. The central question being, were there missed opportunities to streamline organizations aiding Europe?

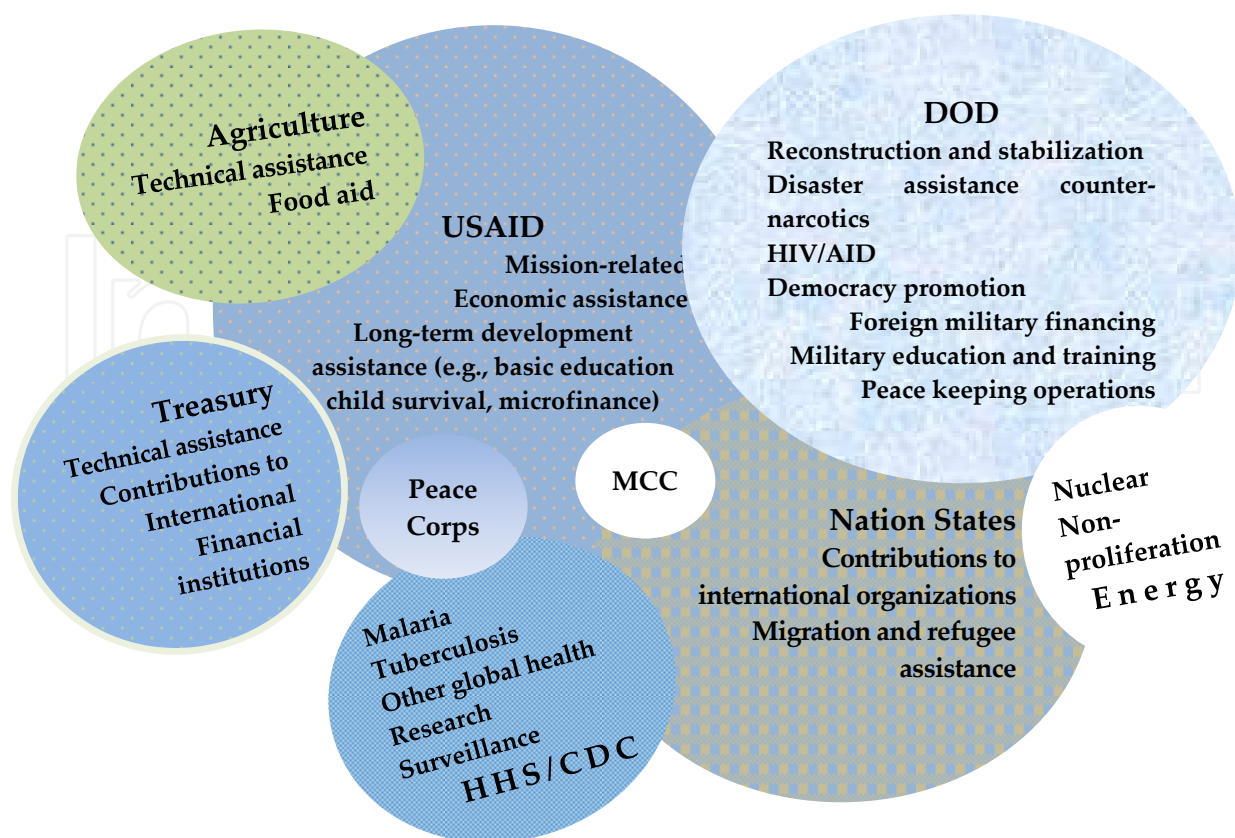
### **2.1. Missed opportunity or not?**

For years, since the passage of the Foreign Assistance Act (FAA) of 1961, the United States Congress has been publicly humiliated for overindulgence based on the perception among people who presumably appreciate government trends and practices. Yet for others the question remains, were there missed opportunities for the United States to streamline organizations aiding Europe? Yes, missed opportunities were ubiquitous. In 2009, the Congressional Research Service (CRS) conducted a study to understand the extent of misappropriations of aid. Sequentially, a CRS report documented multiple substructures of foreign assistance programs and government agencies attributable to the overlapping of foreign aid throughout government agencies. The CRS also, proposed immediate streamlining of governmental agencies that handle foreign aid distributions. Unfortunately, events of September 11, 2001, and the "War on Terror" erupted in flux within departments that were cited for the infractions. Moreover, expenditures increased from \$15 billion in FY2001 to more than \$45 billion in FY2007, including supplemental appropriations from the State Department (State) and, the U.S. Agency for International Development (USAID). The Department of Defense (DOD), the Peace Corps, the Energy and Treasury Departments, the Department of Agriculture, Millennium Challenge Corporation (MMCC) formed in 1951, and finally the Department of Health and Human Services (HHS) and Centers for Disease Control and Prevention (CDC) also had increased expenditures.

In 2007, following a stream of inquiries on how foreign aid disbursements are made, the CRS revealed a number of U.S. government agencies (aforementioned) attested to expending foreign aid to nation-states with parallel objectives. State financial aid officers, conceded that agencies either worked by "cross-purposes" or with intent to duplicate constructs reported as different aid objectives. Equally astonishing, in the twenty-first century, there were no "overarching mechanisms" in place to access the range of output. Consequently, State officers eventually used compendious systems in place among various departments and agencies, such as the U.S. National Security Council policy coordination committee, to generate new information-sharing technology, and inter-agency staff exchanges systems (CRS, 2009). Unfortunately, there remains no innovative processes in place that best improve systems of operations among State departments. Figure 3 shows overlapping agency foreign assistance activities.

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<sup>11</sup> CVCE. The Brussels Treaty of 1948 (n.d.). Retrieved on February 2, 2012 from [http://www.cvce.eu/obj/european\\_navigator-en-3467de5e-9802-4b65-8076-778bc7d164d3](http://www.cvce.eu/obj/european_navigator-en-3467de5e-9802-4b65-8076-778bc7d164d3)



**Figure 3.** Overlapping Agency Foreign Assistance Activities<sup>12</sup>

### 3. Aid implementation between 1948 and 1949

The United States appropriated aid to Western European nation-states annually in the form of grants, food, supplies, and cash transfers. By the end of World War II, the main commodities purchased from ECA were food and fuel. As a condition in the Western Hemisphere, the Economic Cooperation Agency (ECA) only arranged transference of aid and purchases. What the ECA administrators spent in three years, translated into a contemporary dollar equivalence of \$1 billion, an enticement to unlawful activity and speculation (Machado, 2008).

The United States' suppliers were paid in local currency and, sequential dollar amounts were credited against each respective ERP account. These processes generated income called

<sup>12</sup> CRS: The size of circles is not proportional to each agency's share of foreign assistance disbursements, which changes significantly from year to year. An attempt was made to roughly show the average relative size of agencies' foreign aid activities over the last decade. Areas of overlapping agency jurisdiction in the chart can mean two things. They can indicate a joint effort in a particular sector, and/or unrelated agency activities within the same sector. An example of the former is food aid, which is funded through the Department of Agriculture but implemented by USAID. The HIV/AIDS overlap is an example of the latter, with multiple agencies disbursing PEPFAR funds through their own programs. Sometimes both types of overlap occur simultaneously, as with MCC and USAID. MCC implements compact agreements independent of USAID, but compacts generally fund long-term development projects similar to those carried out by USAID, and the MCC threshold program is implemented by USAID. Retrieved on January 31, 2011 from [www.crs.gov](http://www.crs.gov), 24.

counterpart funds. The European government used counterpart funds to reconcile outstanding accounts by crediting counterpart coffers; further, the ECA routed proceeds from local purchases, equivalent to a tax transfer, into local banks which were subsequently, used for debt reduction or domestic investments on behalf of nation-states (p. 43). The United States, for its services received 5% of all counterpart funds to insure ERP administrative expenses were satisfied.

Moreover, aid appropriation was in the context of a USD GDP of \$258 billion in 1948, in excess of \$12 billion in U.S. aid to Europe and counted separately from the Marshall Plan (Milward, 1984). Successive plans, such as the Mutual Security Plan replaced the Marshall Plan mid-1951 (Nicholaus, 2008). The threat of the Korean War compromised security for nation-states, in accordance creating a greater urgency for aid. Inasmuch “Western Europe received \$13 billion to rebuild its military infrastructure.” \$3.4 billion went towards the import of raw materials and semi-manufactured products; \$3.2 billion allocated for food, feed, and fertilizer; \$1.9 billion for machines, vehicles, and equipment; and \$1.6 billion for fuel (Hogan, 1987).

One after the other, multilateral organizations entered the arena (i.e., the United Nations Relief and Rehabilitation (UNRRA), Interim Aid; Government and Relief in Occupied Areas (GARIOA), The Export-Import Bank, and the World Bank (p. 33)) to assist in the Korean War. Figure 4 shows the projected and actual increase in output of selected commodities between 1948 and 1949. Somewhere between FY1946 and FY1953, tabulation for counterpart funds for commodity purchases developed erratically. Noticeably, ambiguous time and information varies from researchers pertaining to constructs surrounding the Marshall Plan. The United States had the latitude to question the amount of commodities: food, and fertilizer, energy, cotton, unprocessed goods, tobacco, machines, and vehicles. Table 2 shows the distribution of aid by commodities purchased from ERP funds delivered to Europe FY1948 and FY1951. The central question: for how many more missed opportunities can the United States the take credit?

### 3.1. Missed opportunity or not?

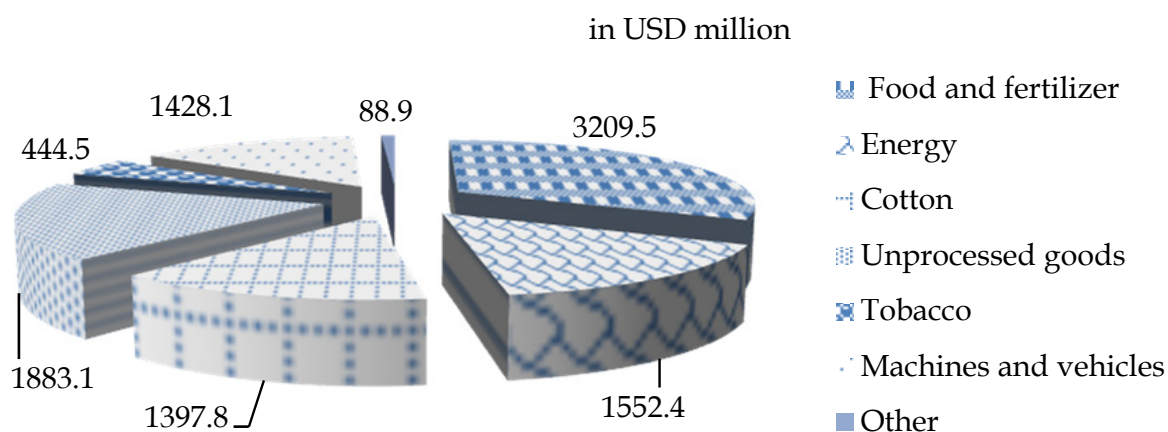
In spite of the Marshall Plan, “rhetoric of aid” to nation-states between 1948 and 1951 there is no methodical evidence to corroborate findings of increased productivity, economic growth, or the proliferation of trade (De Long & Eichengreen, 1993). The point is, because of the lack of time and inadequate statistics, the implementation of aid appropriation is unnoticeable. In opposition, US \$1.7 billion program of grants and loans to European nation-states to purchase U.S. products was an essential factor during West European postwar recovery (Tammen, 1990). The largest portion of Marshall Plan money covered imports of agricultural products, raw materials and semi-finished products (Kostrzewa, 1990).

As aforementioned in *section 3, aid implementation* was at the discretion of Economic Council of Advisors (ECA) with nation-states; whereby, acquisitions and grants for support credits were deposited on counterpart coffers and accounts, subsequently used for debt reduction or domestic investments on behalf of nation-states. Consequently, these reserves enhanced

nation-states capacity to direct profits into local political campaigns, hence reinforcing state control over Western Europe's economies,<sup>13</sup> while at the same time grossly undermining the effect of aid implementation. Simultaneously, the ECA Marshall Plan intensified internal policies of pacification. Further, it became the impelling cause of economic centralism in Germany, Italy, France, Austria, and Greece (Cowen, 1985, p. 66) which affected a propensity for corruption in Greece (p. 69).

Commodity	Projected Increase	Actual increase
Bread grains	46	42.1
Coarse grains	12	16.9
Sugar beets	26	40.1
Coal	14	12.7
Pig iron	68	62.8
Steel	50	46.7
Lead (metal)	78	61
Zinc (metal)	45	25
Tin (ores)	38	52
Aluminum	37	27
Cooper	16	0.9
Electric Power	0.9	0.8

**Figure 4.** Projected and Actual Increase in Output of Selected Commodities 1948 and 1949<sup>14</sup>



**Table 2.** Distribution of Aid by Commodities Purchased from ERP delivery to Europe FY1948 and FY1951

<sup>13</sup> Op. cit.

<sup>14</sup> Wexler, I. (1983). *The Marshall Plan Revisited: The European Recovery Program*. In: *Economic Perspective*. Westport/Comm.: Greenwood Press, 33-75.

Figure 2 illustrates aid-subjugated processes for commodities based on “projected -to - actual” objectives. Originating from the project-to-actual total distributions as coarse grains, sugar beets, and tin (ores), relief volumes shown exceed the anticipated volumes, still the valuations do not support constructs for economic stability. Table 1 neither shows any relationship between nation-state acquisitions, nor grants for fiscal support. Yet, these illustrations point to probable cause of corruptibility from unmanaged policies. For instance, the British Isles, spanning four years, received the utmost subsidy by another nation-state in Europe, perhaps an undermining plan to extend their lifespan of colonialism. Similarly, Greece and Austria, the largest monetary recipients per capita, were inundated with inconsistent trade policies proxy by the United States, thus impeding economic recovery. Even more, Greece experienced an extraneous tobacco export from the United States, in succession losing millions to America’s volatile commercial market (p. 65). At the outset, the tobacco export volumes funded through the Marshall Plan and distributed to Greece dropped from 40 thousand tons to 2500 tons never to recover (p. 68). Unlike Greece, Belgium began to recover economically before the influx of Marshall Plan relief. Belgium actually achieved economic stabilization in the mid-40s; subsequently, it became a contributor to the rest of Europe (p. 66). Table 3 shows the USD balance of payment FY1949 - FY2005.

	1949	1960	1970	1980	1990	2000	2005
<b>Balance on Global Sourcing International (GSI)</b>	38	27	15	20	-63	-391	-650
Exports G+ S+I	96	138	233	649	872	1419	1612
Imports G+S+I	-59	-111	-218	-629	-935	-1809	-2261
<b>Unilateral Transfers</b>	-35	-38	-11	-16	-33	-54	-79
US gov't grants and Pensions	-32	-34	-7	-14	-17	-22	-35
Private gifts	-3	-3	-4	-2	-16	-33	-45
<b>US Assets Abroad</b>	-8	-24	-30	-162	-100	-581	-393
Gov't Assets			-7	-23		-1	16
Foreign Securities			-15	-36	-46	-152	-6
US Bank & other lending			-4	-96	-19	-302	-237
<b>Foreign Asset in US</b>	0	12	22	109	152	1024	1116
Foreign official assets net				29	42	38	164
Foreign private Asset net			22	80	110	987	933
Direct investment				32	60	288	101
US Treasuries				5	-3	-53	184
Other US securities			15	10	2	486	437
US Bank & other Liabilities			7	33	51	266	211

	1949	1960	1970	1980	1990	2000	2005
<b>Residual</b>	-5	-22	-4	-48	-45	-1	-6
<b>GDP at 2000 prices</b>	1634	2471	3747	5133	7061	9708	11091
<b>Price indexes. 2000=1.00</b>	0.17	0.21	0.27	0.53	0.81	1.00	1.09

**Table 3.** Shows the United States Balance of Payments between FY1949 and FY2005<sup>15 16</sup>

By the mid-1950s, relief aimed to upturn European economic growth was destabilized. President Dwight Eisenhower's administration marginalized humanitarian aid, concentrating on security assistance to strategic allies changing the landscape of foreign aid.<sup>17</sup> The Economic Council of Advisors (ECA) instructed Marshall Plan recipients to contribute aid appropriations to a rearmament defense account and further requested a considerable alteration of their own economic resources from civilian to military production to gain reapportionment (Wexler, 1983, p. 69). Finally, the problems attributable to the United States Marshall Plan throughout the implementation process are a result of unmanaged policies and limited capital. Consequently, the idea of the Marshall Plan was to transfer wealth from a technologically advanced nation to unindustrialized nation-states (Bandow, 1994). Table 4 shows the discretionary budget appropriation and trends in Foreign Aid Funding Trends between FY1946 and FY1953; FY 1954 and FY1963; FY 1964 and FY1973; FY1974 and FY1985; FY 1986 and FY1996; FY 1997 and FY2006; FY 2007 and FY2010. The central question here is: were there missed opportunities by ECA to ensure investment egalitarianism between nation-states?

Fiscal Year	Billions of current US\$	Billions of constant 2010\$	As %of GDP	As % of Discretionary Budget Authority	As % of Total Budget Authority
1946	3.08	32.04	1.4	.00	.00
1947	6.54	68.67	2.8	.00	.00
1948	2.87	26.65	1.1	.00	.00
1949	8.00	77.32	2.9	.00	.00
1950	5.92	53.86	2.2	.00	.00

<sup>15</sup> *United States Bureau of the Census, Statistical Abstracts of the United States, Washington, D.C. successive editions 1950-2006.* The table has been indexed against prices to more accurately present the relative size of the flows between 1949 and 2005. Financial flows and foreign trade have grown far faster than GDP or government transfers have in 1950. Section 1: Balance on goods, services, and investments income; Section 2: Unilateral transfers in relationship to gifts including Marshall Aid in 1949; Section 3: Change in US holdings of foreign assets; Section 4: Change in foreign holdings of US assets; Residual: are not included or unexplained, for example gold movement in 1949.

<sup>16</sup> Killick, J. (2008). *The relevance of the Marshall Plan for the 21st Century, Chapter 6*, Organization for Economic Co-Operation and Development (OECD), Publications, at [www.oecd.org/publishing/corrigenda](http://www.oecd.org/publishing/corrigenda), 77 -89.

<sup>17</sup> Bovard, J. (1986). *The Continuing Failure of Foreign Aid*, CATO Policy Analysis, 65, at [www.cato.org/pubs/pas065.html](http://www.cato.org/pubs/pas065.html), 1 -10

<b>Fiscal Year</b>	<b>Billions of current US\$</b>	<b>Billions of constant 2010\$</b>	<b>As % of GDP</b>	<b>As % of Discretionary Budget Authority</b>	<b>As % of Total Budget Authority</b>
1951	7.34	62.36	2.3	.00	.00
1952	6.64	52.16	1.9	.00	.00
1953	4.47	36.59	1.3	.00	.00
1954	4.59	32.45	1.2	.00	.00
1955	3.72	27.89	0.9	.00	.00
1956	4.25	32.00	1.0	.00	.00
1957	3.99	28.83	0.9	.00	.00
1958	3.38	22.89	0.7	.00	.00
1959	4.23	28.97	0.9	.00	.00
1960	4.21	27.66	0.8	.00	.00
1961	4.52	29.13	0.9	.00	.00
1962	5.09	33.21	0.9	.00	.00
1963	5.13	32.24	0.9	.00	.00
1964	4.22	26.16	0.7	.00	.00
1965	4.24	25.82	0.6	.00	.00
1966	5.03	30.29	0.7	.00	.00
1967	4.56	26.79	0.6	.00	.00
1968	4.03	22.98	0.5	.00	.00
1969	3.54	18.90	0.4	.00	.00
1970	3.47	17.93	0.3	.00	.00
1971	4.19	20.04	0.4	.00	.00
1972	4.32	19.89	0.4	.00	.00
1973	4.53	20.11	0.3	.00	.00
1974	6.97	28.46	0.5	.00	.00
1975	5.43	20.31	0.3	.00	.00
1976 <sup>a</sup>	7.94	27.20	0.4	3.3	1.5
1977	7.50	24.23	0.4	3.0	1.6
1978	8.76	26.69	0.4	3.4	1.7
1979	10.86	30.42	0.4	3.9	1.9
1980	10.33	26.21	0.4	3.3	1.5
1981	9.49	21.73	0.3	2.8	1.3
1982	11.34	24.26	0.4	3.2	1.4
1983	12.85	26.20	0.4	3.3	1.5
1984	14.01	27.39	0.4	3.3	1.5



Fiscal Year	Billions of current US\$	Billions of constant 2010\$	As % of GDP	As % of Discretionary Budget Authority	As % of Total Budget Authority
1985	20.23	38.41	0.5	4.4	2.0
1986	14.30	26.36	0.3	3.3	1.4
1987	13.12	23.32	0.3	2.9	1.3
1988	13.62	23.34	0.3	3.0	1.2
1989	12.96	21.39	0.2	2.8	1.1
1990	14.09	22.61	0.2	2.8	1.1
1991	15.84	24.39	0.3	2.9	1.1
1992	13.34	19.65	0.2	2.5	0.9
1993	12.48	17.84	0.2	2.4	0.8
1994	12.23	17.17	0.2	2.4	0.8
1995	12.29	16.78	0.2	2.5	0.8
1996	11.12	14.88	0.1	2.2	0.7
1997	11.11	14.55	0.1	2.2	0.7
1998	12.55	16.32	0.1	2.4	0.7
1999	14.84	19.06	0.2	2.6	0.8
2000	14.50	18.19	0.1	2.5	0.8
2001	14.78	18.10	0.1	2.2	0.8
2002	14.64	17.69	0.1	2.0	0.7
2003	25.17	29.76	0.2	3.0	1.1
2004	38.18	44.02	0.3	4.2	1.6
2005	21.95	24.50	0.2	2.2	0.8
2006	23.60	25.50	0.2	2.4	0.8
2007	26.85	28.30	0.2	2.5	0.9
2008	28.20	28.68	0.2	2.4	0.8
2009	26.42	37.09	0.3	2.4	0.9
2010	39.39	39.39	0.3	3.2	1.1

**Table 4.** The Discretionary Budget Appropriation and Trends between FY 1946 and FY2010<sup>18</sup>

<sup>18</sup> The United States oversees Loans and Grants (Green Book), Office of Management and Budget Historic Budget Tables, FY2011 and FY2012 and beyond annual appropriations legislation and CRS calculations Notes: The data in this table for FY1946-1976 represent obligated funds reported in the USAID Green Book (the most reliable source for pre-1970s data), while FY1977 –FY2010 are budget authority figures from the OMB Historic Budget Tables, reflecting the 151 and 152 budge sub functions. The Green Book accounts included in the total have been selected by CRS to correlate with the function 151 and 152 budget accounts, allowing for accurate comparison over time: (a) FY1976 includes both regular FY1976 and transition quarter (TQ) funding, and the GDP calculation is based on the average FY1976 TQ GDP.

### 3.2. Missed opportunity or not?

The absence of financial independence is not the cause of poverty, it is poverty; therefore, to have financial independence is synonymous with achieving economic wealth, not its precondition (Bauer, 1987). Nevertheless, scholars question whether there were missed opportunities by ECA to ensure investment egalitarianism. Anecdotally, post-World War II investment opportunities were scarce; consequently, the Marshall Plan might be credited for stimulating economic prosperity in Europe. Despite the efforts of the plan, proceeding Europe was destitute with infrequent resources. The level of sustainability lessened, making necessary repair to the railroads, buildings, and equipment utterly impossible. Further, they wanted fiscal reform in France and Italy, moderated by ECA austerity, predicated on the volume of counterpart investments that generated revenue for recipients' nation-states. Conversely, ECA's officials criticized counterpart apportionments to national and public companies (Bossuat, 2008). Nevertheless, propaganda forced ECA's position; within two year's monetary resources were relinquished to French, German, and Italian governments to gather important funds for the primary economic sectors (p. 20). Consequently, these conditions changed Marshall Funds to appropriation according to the Monnet Plan: a sociopolitical plan officially named, the theory of *l'engrenage* provisionally legalized the facilitation of, and redirection of coal-production from Germany's existing coalmines in Ruhr and the Saar area to France.<sup>19</sup>

In summary, ECA ensured investment egalitarianism. Evolution brought with it innovation. Following the implementation of a sociopolitical plan, propaganda further changed bilateral relations between the United States, France, and Germany and its allies. Because of evolution, ECA earmarked \$6 billion grant to fund a revolutionary mechanism (e.g., Intra-European trade), as a means to remove traditional barriers to multilateral trade, constructing all European currencies convertible. Fund allocations aid France, Italy, the U. K., and Belgium's modernization efforts; inevitably, waiving some American rights and weakening its trade proposition. Further, ECA authorized \$4 billion of the grant appropriations to European Payments Union (EPU) to balance payments to nation-states marking the era of a stabilized Europe (Machado, 2008, p. 45).

### 4. Strength

Arguably, the Marshall Plan has had various effects on nation-states; some European officials believe that, "it sped their recovery" in concurrence with its "initial recovery program." Similarly, Americans suggest that the Marshall Plan eradicated famine, poverty, dogmatic anarchy, subverted communist terrorizations, and stabilized European nation-states (Eichengreen, 2008). Literature reviews indicate that the acceptance of "Communist activities gradually decreased" in the years following the Marshall Plan (DeConde & Burns, 2002). The Plan circumvented export- import trade barriers and created inroads that shaped the "North Atlantic Alliance that would persist throughout the Cold War." Further helping

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<sup>19</sup> Mr. Jean Monnet, *The Time*, November 16, 1979

Europeans reclaim confidence in social equipoise (Machado, 2008) and simultaneously reposing the minds of formidable critics. The Marshall Planners were mythical; they collaborated with European governments of the center and far right in Greece, of the center-right in Italy and West Germany, and the left in Norway and the United Kingdom, concurrently cultivating propitious relations with the Royalists, Christian Democrats, Socialists, and Laborites (p. 55).

The George Marshall Plan is ascribed to nationalized modernization in France, as defined in the Monnet Plan, whereby, 90% of funds went to revive the substructures of France, Germany, Britain, and Italy and to stimulate economic growth (Wall, 1993; Behrman, 2007). In addition, the United States contributed in excess of \$12.5 billion in aid, and more than \$500 billion as an equivalent to America's gross national product (GNP) and \$100 billion in grants. The United States worked purposelessly to evade actions contrary to their foremost interests (Marjolin, 1989, p. 180). The Marshall Plan allowed for provisions of military support: tanks, planes, and guns to Britain and the Soviet Union to protect interest in modernization; as well, George Marshall was a principal architect of the D-Day attack of 1944 (Burns, 2008).<sup>20</sup>

In response, the United States ECA ability fostered equalitarianism. The Marshall Plan aided European nation-states into forming the Organization for European Economic Cooperation (OECD) to improve inter-European Trade and multi-lateralizing payments concatenate with the European Payment Union (EPU). The unique function of EPU would expedite the conversion of European currencies to reach convertibility, trade liberation, and extracted trade bilateral practices. Perhaps a missed opportunity in the OECD and the Marshall Plan was the level of difficulty to differentiate between followers and their leaders, as described by Varaschin (2002). Nonetheless, modernization and the most recent American technology produced a model of international relations that produced an exchange of technology instead of one-way imports (Varaschin)

In the wake of the Marshall Plan (ERP), the U.S. has maintained the same philosophy on foreign humanitarian aid: to prevent obdurate nation-states from tumultuous political, economic, and social conditions. In the twenty-first century, however, foreign humanitarian aid has become synonymous with national security, commercial interests, cataclysms, and social conflict. The scope of U.S. foreign humanitarian aid prohibits economic poverty, governance deficiency, incivility, and narcotic manufacturing and trafficking (Tarnoff & Lawson 2009). The question remains: has the Marshall Plan become a metaphor for earmarks, and eccentric government spending in the name of foreign humanitarian aid to persevere American society? To a point, foreign humanitarian aid has become a metaphor for earmarks. Earmarking is the redistribution of revenue used to invest in an explicit domestic or foreign commercial enterprise. Annually, by approval of the Department of State International Affairs, USAID, and other foreign affairs agencies earmark provisions (e.g., social infrastructure and economic substructure) are built-in financial plans as investment allowances from both bilateral and multilateral coffers.

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<sup>20</sup> Burns, N. (2008). Commemorating the 60<sup>th</sup> Anniversary of the Marshall Plan, Chapter 9. *The Marshall Plan: Lessons Learned for the 21<sup>st</sup> Century*.

Case in point, in 2008, agencies' financial plans totaled \$36.2 billion. President Bush's financial plan entreated \$6 billion in extra subsidies for FY2007 to reserve earmarks not funded in the fiscal budget cycle: \$1.18 billion for extra operating costs for the Department of State and other agencies, mainly linked to the wars in Iraq and Afghanistan. Correspondingly, FY2007 subsidies included \$4.81 billion to satisfy foreign aid requirements in Afghanistan, Iraq, and Lebanon, as well as peacekeeping and humanitarian aid in Sudan, Somalia and other indigenous nation-states. Moreover, in FY2008, the government requested \$3.3 billion in war incremental funding for intervention in Iraq and Afghanistan, of which \$1.37 billion was used to satisfy foreign aid and \$1.93 billion for State Department operations. Between FY2001 and FY2008, foreign aid earmarks were contingent upon American society.<sup>21</sup> Table 5 shows foreign humanitarian aid appropriations to the top nation state recipients between FY2001 and FY2010. The summary of U.S. foreign humanitarian aid further illustrates conditions for endowment appropriations to nation-states. Endowments are appropriated to nation-states in the form of cash transfers, equipment, commodities, infrastructure, or technical assistance, and in recent decades, are provided almost exclusively in the form of grants rather than loans (Tarnoff & Lawson 2011). Table 6 shows the top recipients of U.S. foreign humanitarian aid FY 2010.

<b>The Summary of U.S. Foreign Humanitarian Aid</b>											
<b>Top Recipient United States</b>											
<b>(US\$ in millions)</b>											
<b>FY</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>Notes</b>
<b>Israel</b>											
<b>Economic Aid (ESF)</b>	400	781	398	120	240	1,537	477	600	1,080	838	One-third of all US Aid goes to Israel and Egypt - the majority of which pays for armaments, yet neither are developing nation-states
<b>Military Aid (FMF)</b>	2,775	2,550	2,381	2,340	2,280	1,448	2,147	2,100	2,040	1,975	
<b>Total</b>	3,175	3,331	2,779	2,460	2,520	2,985	2,624	2,700	3,120	2,813	
<b>Egypt</b>											
<b>Economic Aid (ESF)</b>	250	200	412	455	495	530	571	615	775	693	One-third of all US Aid goes to Israel and Egypt - the majority of which pays for armaments, yet neither are developing nation-states
<b>Military Aid (FMF)</b>	1,300	1,300	1,289	1,300	1,300	1,289	1,292	1,300	1,300	1,297	
<b>Total</b>	1,550	1,500	1,701	1,755	1,795	1,819	1,863	1,915	2,075	1,990	

<sup>21</sup> Congressional Budget Justification Foreign Operations FY2008 Retrieved on February 21 2012 at [http://pdf.usaid.gov/pdf\\_docs/PCAAB546.pdf](http://pdf.usaid.gov/pdf_docs/PCAAB546.pdf)

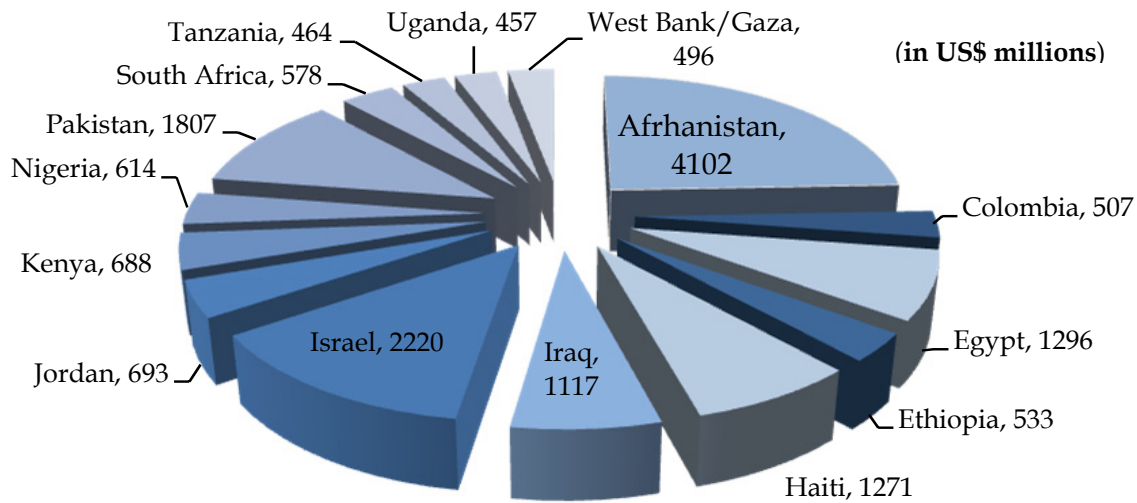
	FY	2007	2006	2005	2004	2003	2002	2001	Notes
	Colombia	561	558	567	574	538	381	49	Drug abatement
	Jordan	458	461	457	559	452	230	228	to leave Israel alone
Data no longer available	Pakistan	734	698	537	387	305	893	3	War on terrorism
Economic Support Fund (ESF) - Millennium Challenge Corporation (MCC)-	Peru	136	133	152	156	189	197	89	Drug abatement
International Military Education and Training (IMET) -	Indonesia	159	158	135	122	131	124	120	Oil reserves
Foreign Military Financing (FMF) -	Kenya	437	213	159	101	52	44	38	Christian Donations
International Narcotics Control and Law Enforcement (INCLE) -	Bolivia	122	122	132	133	137	126	89	Drug abatement
Global Health and Child Survival (GHCS) -	Ukraine	96	115	93	113	166	163	182	
Development Assistance (DA)	India	117	94	92	87	152	79	59	
	Haiti	225	163	125	101	26	31	48	
	Russia	67	52	91	101	157	165	169	
	Ethiopia	474	145	114	74	52	47	40	
	West Bank/Gaza	69	150	74	74	75	72	70	Aim to balance Israel aid
	Liberia	102	89	44	202	7	5	5	
	Bangladesh	84	49	55	61	65	66	59	
	Bosnia	43	51	45	64	53	68	86	Reparations
<b>Source PDF Report</b>	request 122513.pdf	estimate 122513.pdf			2010 122513.pdf		Page 852, 2009	101368.pdf	

**Table 5.** Shows Foreign Humanitarian Aid to the Top United States between FY 2001 and FY 2010.

United States Foreign Operations 2010-2012 (\$US millions)					
	Total enacted 2010	Total enacted 2011	Obama's request for 2012	House Proposal for 2012	Senate Proposal for 2012
USAID Administration	1658.2	1526.9	1744.1	1124	1545
Bilateral Economic Assistance	25028.3	21208.9	23743.5	18899.2	21059.9
Military/Security Assistance	8267.2	8116.7	11322.8	9969.7	10714.8
Multilateral Assistance	2649.7	2302.6	3667.5	1573.9	3218.6

**Table 6.** Shows the Top Recipients of U.S. Foreign Humanitarian Aid FY 2010.<sup>22</sup>

<sup>22</sup> U.S. Department of State, Report of Foreign Operations CBJ FY2002, FY 2011. *Foreign Aid: Introduction to U. S. Programs and Policy*; Congressional Research Service (CRS)-included supplemental and Millennium Challenge



**Figure 5.** Shows the United States Foreign Operations 2010-2012 (\$US millions).

The Marshall Plan European Recovery Program's aim to modernize the European economy and to revitalize free enterprise post-war, found itself in stark contrast, to its intent. By 1952, as funding gradually depleted given the inconclusive economics of recipient nation-states, economists could not differentiate through direct nor indirect appropriation how prosperous Europe might have become without it (Eichengreen, 2008). Particularly in lieu of "the shift to remilitarization after the Korean War," results were even less conclusive (Marchado, 2008). The Marshall Plan was not an isolated strategy of assistance, but rather an exclusive act beginning a sequence of postwar aid that included United Nations Relief and Rehabilitation.

This chapter session presents a critical assessment of the concept of foreign humanitarian assistance programs as defined in "the Marshall Plan," and administered during the post-War to address the following questions:

1. Has the United States missed opportunities to rebuild nation-states through foreign humanitarian aid programs without the presupposition of hopelessness?
2. Has the United States missed opportunities for "workfare rather than welfare systems" to avoid supposition of social imperialism?
3. Has the Marshall Plan's (ERP) reputation outlined its grandeur?
4. Is it possible for the United States to structure modernized programs that will not exceed its resources; whereat stability in education and employment can exist and

wherefore social resilience is enough to obliterate nation-states' dependency on humanitarian assistance programs?

<b>Key International Aid and Humanitarian Aid Accounts for 2011 (US \$ in millions)</b>				
	Total enacted 2011	Obama vs. 2011 spending	House vs. 2011 spending	Senate vs. 2011 spending
Global health and child survival	7829.3	11%	-9%	1%
Development assistance	2520	16%	-18%	1%
International disaster & famine assistance	863.3	0%	-12%	16%
Migration & refugee assistance	1686.6	-4%	-11%	7%
Emergency migration & refugee assistance	49.9	-36%	-36%	-100%
Millennium Challenge Corporation	898	25%	0%	0%
International Narcotics control & law enforcement	1593.8	58%	55%	39%
Nonproliferation, anti-terrorism, demining	738.5	-4%	-4%	-3%
Foreign military financing	5374.2	22%	19%	18%
Peacekeeping operations	304.4	-4%	0%	-4%
World Bank global environmental facility	89.8	60%	-22%	34%
International clean technology fund	184.6	117%	-100%	90%
Strategic climate fund	49.9	281%	-100%	100%
World Bank international development association	1232.5	10%	-24%	10%
Global food security fund	99.8	209%	-100%	100%
International fund for agricultural development	29.5	2%	-33%	2%
International organizations & programs	354.3	-2%	-13%	0%

**Figure 6.** Shows the key International and Humanitarian Aid Accounts for 2011 (US \$ in millions).<sup>23,24</sup>

## 5. The marshall plan criticism

The United States has pontificated on the inevitability of bombastic aid to rebuild nation-states without the presupposition of hopelessness. Virtually sixty-five years later the sequence of deficiency is uninterrupted. According to German political analyst, Werner Abelshauser, the United States was the primary economic imperialist orchestrating

<sup>23</sup> Congressional Research Service, 2011: figures include funds flagged for “overseas contingency operations” (OCO).

<sup>24</sup> Ibid.

humanitarian aid distributions to control Europe. He contends foreign aid was neither Europe's indicator of recovery or sustainability.

For example, the economic recoveries in France, Italy, and Belgium existed before the stream of U.S. aid (Cowen, 1985). Belgium, a nation that depended the most on unrestricted exchanges of economic policies after its liberation in 1944, experienced the fastest recovery, eluded a collapse in its housing market and food scarcities seen in other European nations.<sup>25</sup> Alan Greenspan explicated in his memoir, *The Age of Turbulence*, that Ludwig Erhard's trade and industry strategies accelerated Western European growth. Erhard's modification to trade and industry *modus operandi* legitimized Germany's recovery, and those strategies jumped-started Western Europe and its allies to rebuild institutions and a nation.<sup>26</sup> Conversely, there is an inherent bias of government-to-government aid towards state control and politicization (Bauer, 1981). This session argues the legitimacy of nation-states' foreign humanitarian aid and aid distribution.

The United States' foreign humanitarian aid has become the "opiate" for nation-states. Independent of how inattentive, unscrupulous, or autocratic a nation-state may be, there is always some administration or global agency motivated to supply aid (i.e., bilateral, multilateral, and unilateral benefactors) with a few more million dollars. By subsidizing political and pernicious policies, foreign aid ill serves the worlds' impoverished.<sup>27</sup> For instance, in Indonesia, the government-usurped sharecroppers 'produced for aid-financed irrigation canals. In Mali, sharecroppers were coerced to auction their harvests at bargain prices to joint aid projects and to further Mali government initiatives. In Egypt, Haiti, and elsewhere, the values for sharecroppers harvest plummeted as the United States intervened with aid (p. 2).

Alesina and Weder (1999) said global programs to alleviate poverty (e.g., bilateral aid from richer to poorer nation-states, multilateral aid from international organizations, grants at below market rates, technical assistance, and debt forgiveness) in fact increase the chance of parliamentary exploitation.<sup>28</sup> The Marshall Plan initially perpetuated unscrupulous propagandized schemes.<sup>29</sup> In retort, critics of these programs argue instead that, contrary to the more or less sincere intentions of the donors, corrupt governments received just as much aid as less corrupt ones (p. 3). These issues are perpetual; often-financial assistance does not reach the needy in the developing nations, but instead is wasted on inefficient public consumption.<sup>30</sup> For instance, appropriations given to France and the Netherlands totaled resources used to finance their military forces in Southeast Asia inaugurating the context for the largest sums of private U. S. investments in Europe, creating the groundwork for modern transnational corporations (Chomsky & Ruggiero, 2002, p. 9). Modern transnational

<sup>25</sup> A Marshall Plan for Iraq? (<http://www.cato.org/research/articles/vasquez-030509.html>). CATO Institute, May 9, 2003, by Ian Vasquez. Retrieved February 23, 2012.

<sup>26</sup> Greenspan, A. (2007). *The Age of Turbulence Adventures in a New World*. The Penguin Press New York, ISBN 1-7-4295-4652-2

<sup>27</sup> Ibid 16.

<sup>28</sup> Alesina, A. & Weder, B. (May 1999). Do Corrupt Governments Receive Less foreign Aid? at [http://www.nber.org/papers/w7108.pdf?new\\_window=1](http://www.nber.org/papers/w7108.pdf?new_window=1)

<sup>29</sup> Tucker, J. (1997). The Marshall Plan Myth, *The Free Market*, 15:9.

<sup>30</sup> World Bank 1998 at <http://monthlyreview.org/1998/10/01/the-state-in-a-changing-world>



corporations are estimated as twenty-nine to fifty-one of the world's 100 largest economic entities; the remainders are nations-states excluding the gross domestic production of sub-Saharan Africa whereby its revenues do not equal that of General Motors and Ford collectively.<sup>31</sup> Because corporations and states are commonly represented as having an oppositional relationship, scholars have observed the effects of a new phenomenon of globalization on the process of colonization (McClean, 2004, p. 363). The effect of globalization relative to colonization is not discussed in this chapter.

Accordingly, Kahin (2003) wrote that the Netherlands used a significant portion of the aid it received to re-conquer Indonesia during the Indonesian National Revolution, and then forced them to join the Korean War in 1950 after pressuring them to surrender or lose aid if they did not comply.<sup>32</sup> These examples emphasize an unequivocal contradiction of egalitarianism.

The myriad of foreign aid was created on the premise that foreign government is dedicated to its naturalized citizens' welfare. The premise has proven to be a meager supposition of social imperialism. Suppositions of social imperialism are the remnants of rancorous philosophies on the part of nation-states and foreign aid systems of government that describe the impalpable interest of naturalized citizen.<sup>33</sup> For example, aid projects in Guatemala failed partly because some Guatemalan government officials opposed improving the plight of the rural impoverished.<sup>34</sup> A million people starved in the Sudan in 1985 because the government-owned railroad refused to transport American-donated food.<sup>35</sup> In Africa, where tribal rivalries often still prevail, aid money was used to prop up the reigning factions in the same way that local American political machines use federal grants as slush funds; an increase in the accolades of political conflict in contemporary Africa and less urbanized environments, as described by Bauer (1984). Therefore, there is an outlining presumption that the United States has consciously continued to finance an exorbitant quantity of coffers to entice foreign government to not commit economic suicide.<sup>36</sup>

Generally, foreign investments were interchangeable when outside entities (i.e., multilateral organizations) made cash accessible to recipient governments, consecutively releasing their revenue for other purposes. For instance, Ghana, Brazil, Kenya, and the Ivory Coast spent billions building new capital cities. In addition to alluring industrialized corporations to their nation-states, for example, Mercedes-Benz automobiles were very popular among African government officials; whereby the etymology of Swahili has been changed labeling officials as wabenzi (men of the Mercedes-Benz). The point being, foreign aid has made life more pleasurable for government bureaucrats in impoverished nation-states. At the same

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<sup>31</sup> Dine, J. (2000). *The Governance of Corporation Groups* 151.

<sup>32</sup> Kahin, G. (2003). *Nationalism and Revolution in Indonesia*, Cornell Southeast Asia Program Publications, ISBN 0-87727-734-6, 37-65

<sup>33</sup> Schumpeter, J. (November 2011). *Imperialism and Social Classes: Two Essays (LVMI)* [Kindle Edition], Ludwig von Mises Institute, ASIN B006CR7QC0

<sup>34</sup> Agency for International development, *Local conditions Beyond AIDs Control and Repeated design, Planning and Monitoring Deficiencies Have Seriously Delayed the Implementation of Projects by USAID/Guatemala* (Washington, May 23, 1984), 5.

<sup>35</sup> *Washington Post*, June 24, 1985.

<sup>36</sup> *Ibid*, 17

time, it has done little to promote the proliferation of “workfare rather than welfare systems,” to breed political responsibility, or to encourage nation-states to help themselves.<sup>37</sup> Why has the United States requested taxes from its citizens to fund churlish foreign nations?

The United States is unswerving to the United Nations and to multilateral international relations to safeguard global solidarity. In 2011, the United States earmarked for United Nations Educational, Scientific, and Cultural Organization (UNESCO), to increase most multilateral coffers and accounts, the sum of US \$130 million for Global Environment Facility (GEF). A different earmarked designation for the 2013 proposed budget of US \$1.65 billion to support Global Fund fight on AIDS, TB, and Malaria. In addition, the United States Congress aims to spend US \$250 million for debt relief for the world’s most insolvent nation-states.

In 2012, American taxpayers, for the purpose of the UNESCO, GEF, and Middle East Funding Initiative, provided in excess of US \$1 billion to USAID in response to the “Arab Awakening”<sup>38</sup> in Iraq, Afghanistan, Pakistan, Tunisia, Egypt, Libya, Syria, and Bahrain. The United States assumes the position of securing the sovereignty for Americans, and to support nation-states where tumult has evolved. Both the US House and Senate earmarked \$7 billion dollars from their proposed 2013 budget to create a contingency fund for global war on terror and for administrative support in the Middle East.<sup>39</sup> The question: What is the purpose of the United States overtaxing Americans? Are taxable incomes used to build nation-states? Why are foreign governments given incentives to operate ethically?

As cited previously, the Marshall Plan had been a multilateral approach to problem solving. It was conceived as institution building and nation building, but within the constructs of regional economic integration, appropriations increased from 17 to 149 nation-states, with an expectation of self-governance to eliminate xenophobia. Perhaps this plan was too optimistic rather than pragmatic on the part of the United States. Conversely, in the implementation stage of the Marshall Plan, economists have since observed that not all 16 Arab states in the Middle East were included in planned initiatives. The absence of a single democratic government among them poses a threat to the United States; as a result, the rhetorical question of international reverence and legitimacy has been posed.<sup>40</sup>

## 6. Threats

Arguably, it is difficult to oppose fundamental aid to relieve societies who are currently underprivileged under an authoritarian regime, or struggling to gain the sense of tolerance and prosperity that Americans value. In theory, military means will not suffice when it comes to ending the terrorism that threatens the United States and its allies, or halting the insurgencies that destabilize the Middle East (Etzioni, n.d.). It is fitting in this session to concisely discuss the Middle East’s (i.e., Iraq, Iran, and Afghanistan) social position on foreign aid, and egalitarianism. Moreover, this does not mean that terrorism and insurgency

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<sup>37</sup> Op. cit.

<sup>38</sup> Anitwar.com Retrieved on February 20, 2012 at Original at <http://original.antiwar.com>

<sup>39</sup> Op. cit.

<sup>40</sup> Op. cit.

can end by military means. Instead, it means that nonmilitary means will have to be the primary recourse to ending terrorism rather than methods used following World War II (p. 76) or tactics seen in the twenty-first century.

It is further noteworthy to mention that the Middle East does not oppose financial aid or economic resources from the United States; however, the Middle East does oppose conditions associated with relief from the United States. Including, but not limited to, radical public and political reform and security interference, which has placed these former allies on a very different historical trajectory.<sup>41</sup> For instance, the Pakistani government resented the conditions for building a civil society that were a part of the 2009 Kerry-Lugar Bill. The 2009 Kerry-Lugar Bill mandated \$7.5 billion in aid through 2014. The Egyptian government opposed the United States interference when USAID solicited help for job creation, economic development, and poverty alleviation including civic activism and human rights on behalf of the Middle East.<sup>42</sup> As a result, the Middle East government continued to oppose the United States developmental models as inappropriate for their nation and recommended germane models similar to the Chinese or other relevant models.<sup>43</sup>

As a result, Iranian relations with Afghanistan have been compromised, due to Iran's relationship with the United States. The irony is, every one-share concerns about Iraq's oil politics and Afghanistan's role in the Islamic realm. Accordingly, Iran has repudiated Afghanistan as a peer of the realm. Therefore, although Iran supported the United States' conquest of the Taliban in 2001 and the dethroning Saddam Hussein in Iraq in 2003, the Iranian government has opposed the United States troops left over in both Afghanistan and Iraq, dreading permanent residency and retaliation.<sup>44</sup> To underscore the problems, the Afghan and United States governments remain at odds over strategic intentions of Afghanistan's neighbors and the policies needed to engage them. For Afghanistan, Iran is an ally and Pakistan is an enemy; whereas, for the United States, Iran is an enemy and Pakistan an ally.<sup>45</sup>

## 7. Recommendation

The United States legislative bodies continue to be divided over the legitimacy of foreign humanitarian aid programs and the proportions of the federal investments used to fund them. The divide is between those who want to eliminate foreign aid versus those who want to increase reserve delineation, to improve program proficiency, and to lessen taxpayers' liability. This session of the chapter describes methods to achieve objectives. This process has the proclivity to procure billions in taxable revenue, if desired, to eliminate unnecessary regulations that foster inefficient expenditures. Emmy Simmons, in her manuscript, *Monetization of Food Aid: Reconsidering U.S. Policy and Practice*, describes the following solutions to improve global foreign aid relations:

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<sup>41</sup> Ibid.

<sup>42</sup> Trofimov, Y. Egypt Opposes U. S. 's Democracy Funding, The Wall Street Journal, June 14, 2011, Retrieve on February 11, 2012 from <http://online.wsj.com/article/SB10001424052702304665904576383123301579668.html>

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

## Global Humanitarian

### Foreign Aid

#### Recommendation 1

- Decrease the usage of monetization, thereby developing direct processes that control food aid distribution to the more than one billion hungry people worldwide.<sup>46</sup>
- Modify monetization to the congressionally mandated minimum of 15 percent for Public Law 480 Title II; Section 416(b)<sup>47</sup> nonemergency food aid and Public Law 83-664<sup>48</sup>; reduce earmark from 30 percent to 15 percent to procure food in local markets.
- Eliminate monetization for Food for Progress and McGovern-Dale in International Food for Education and Child Nutrition programs.<sup>49</sup>

#### Recommendation 2

- Keep the budget used to procure U.S food at its current levels for a net increase in direct distribution to assist those in emergencies.
- Appropriate \$280 million in different coffers to the International Affairs 150 account for development assistance.
- Allocate coffers to private volunteer organizations (PVOs) to support food security programs and complementary development activities.<sup>50 51</sup>

Monetization of the United States' in-kind food aid is the sale of food commodities purchased, shipped from the United States, and sold into foreign markets. These processes include assistance from U.S. based non-governmental organizations (NGOs). In accordance, these practices generate revenues on local currencies introduced in the Food Security Act of 1985 as a method to support PVOs in order to recuperate administration, transportation, distribution, and storage costs linked to food aid dissemination.<sup>52</sup> Monetization is a type of food aid, in accordance to World Vision and international NGO, defined as "all food-supported processes aimed at improving the food security of people living in poverty over a time, whether funded by means of international, national, public, or private resources."<sup>53</sup>

Conversely, the process of monetizing can be useful for promoting low-cost, viable food markets by boosting investment in transportation, infrastructure, and human capital (traders, entrepreneurs). Essentially, food aid monetization can improve long-term food security by

<sup>46</sup> 2012 World Hunger and Poverty Facts and Statistics at

<http://www.worldhunger.org/articles/Learn/world%20hunger%20facts%202002.htm>

<sup>47</sup> US Food Aid Programs Description: Public Law 480, Food for Progress and Section 416(b) at

<http://www.fas.usda.gov/excredits/foodaid/title%201/pl480ofst.html>

<sup>48</sup> The Cargo Preference Act of 1954: Public Law 83-664 at

[http://www.marad.dot.gov/ships\\_shipping\\_landing\\_page/cargo\\_preference/cargo\\_humanitarian\\_assistance/Humanitarian\\_Assistance\\_Cargoes.htm](http://www.marad.dot.gov/ships_shipping_landing_page/cargo_preference/cargo_humanitarian_assistance/Humanitarian_Assistance_Cargoes.htm)

<sup>49</sup> McGovern-Dale in International Food for Education and Child Nutrition Programs at

<http://www.fas.usda.gov/excredits/foodaid/ffe/ffe.asp>

<sup>50</sup> Global Agricultural Development Initiative Policy Development Study Series December 2009 at

[http://dyson.cornell.edu/faculty\\_sites/cbb2/Papers/Chicago%20Council%20-%20Policy%20Development%20Study%20on%20Monetization%20-%20December%202009.pdf](http://dyson.cornell.edu/faculty_sites/cbb2/Papers/Chicago%20Council%20-%20Policy%20Development%20Study%20on%20Monetization%20-%20December%202009.pdf)

<sup>51</sup> Afghanistan's Other Neighbors: Iran, Central Asia, and China, Conference Report July 24-26, 2008, Report released February 2009 at [www.bu.edu/aias/reports/aun\\_conference.pdf](http://www.bu.edu/aias/reports/aun_conference.pdf).

<sup>52</sup> Simmons, E. (June 2009). Monetization of Food Aid: Reconsidering U.S. Policy and Practice <http://www.partnership-africa.org/sites/default/files/Monetization%20Report%20Final%20June%202009.pdf>

<sup>53</sup> World Vision, Food Aid: FAQ at [http://www.worldvision.org/content.nsf/about/press-food-aid-FAQ?Open&lpos=lft\\_txt\\_Food-Aid-FAQs](http://www.worldvision.org/content.nsf/about/press-food-aid-FAQ?Open&lpos=lft_txt_Food-Aid-FAQs)

reassuring competitive food marketing systems that have built-in incentives to provide the poor with affordable food.<sup>54</sup> Today the United States reinforced its commitment to food aid and monetization for nonemergency development through the 2008 Farm Bill. As a result, the Farm Bill provides concurrent earmarks for nonemergency Title II programs: \$375 million in FY2009, \$400 million in FY2010, \$425 million in FY2011, \$450 million FY2012 (Section 3021).<sup>55</sup>

Theoretically, expansive subsidy systems foster American sovereignty. In reality, the United States could not be more in control, or secured following the threat of 9/11. Globally, the United States yields the most expensive food of any other multilateral organization without question: It has the capability to eliminate agricultural subsidies. The United States could lessen the impact of subsidies maneuvering for a better position and expurgate appropriations without jeopardizing its market position if it chooses to do so. The adverse effect of Congress' inability to relinquish control impedes aid agencies ability to seize different opportunities to modernize programs or ripostes to global emergencies. Therefore, it stand to reason that neither Europe, nor its allies are incapable of jettisoning humanitarian assistance programs. The central question: is there a need to modernize the Marshall Plan?

## 8. Conclusion

No one can rebut the gist of economic growth, institutional reconstruction, cultivation of external and internal affiliations, or ethicality, of indoctrinating indigenous military and police forces to keep us safe; they are indispensable. Yet, is there a need to modernize the Marshall Plan? Let take a brief look at the Marshall Plan and its impact:

1. It did not provide an economic package that gave nation-states sanguinity beyond current processes.
2. It did not provide long-term centralized processes for implementation.
3. It did not provide political stability or a comprehensive legitimate milieu.
4. It did not provide aid equitably, reconcile global affiliations, or eradicate global deficiency collectively.
5. It has not rectified didactic organizations, yet, it has multiplied in aid agencies (i.e., bilateral, multilateral, unilateral).
6. It has provided prominence of dominating nation-states' socioeconomics and sociolinguistics.
7. It has served as a cushion for reform bills.

Because the United States is the greatest beneficiary of the Marshall Plan, the best ever foreign assistance throughout the developing world proves that aid may be best served, as a cushion for reform; but, it can never substitute the soundness of domestic economic policies.<sup>56</sup> However, one should realize that such resources aim to alleviate immediate suffering; the reconstruction that follows should begin and end at home (Narozhna, 2001, p.7).

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<sup>54</sup> Monetization Field Manual, Office of Food for Peace, P.L. 480 Title II Programs October 1998 Retrieved on February 15, 2012 at [http://www.usaid.gov/our\\_work/humanitarian\\_assistance/ffp/monetiz.htm](http://www.usaid.gov/our_work/humanitarian_assistance/ffp/monetiz.htm)

<sup>55</sup> Food, Conservation, and Energy Act of 2008 (Pub. L. 110-234, H.R. 2419, 122 Stat. 923 enacted May 22, 2008, also known as the 2008 U.S. Farm Bill)

<sup>56</sup> Ibid.

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