IV
Implementing the Marshall Plan

Compelling reasons exist for performing careful historical autopsies on nations that once benefited from Marshall Plan aid. After all, distances between intention and effect, as well as between conception and execution, need to be understood. But what countries to select for study? Singled out were ones with the greatest resonance for the challenges of postwar reconstruction and stabilization today. In the first place, three of the four nations chosen had been ravaged by World War II, with two being vanquished enemies in need of political reinvention and economic stability. The third struggled, simultaneously, to rebuild itself, pursue economic development, and fight a bloody civil war against Communist insurgents. The relevance of the fourth was its non-Christian, non-Western culture co-existing with a commitment to modernization. The case studies also possessed the virtues of variety—a western European, two southern or Mediterranean European, and an essentially Middle Eastern society—which promised to reveal the Marshall Plan's practical limits along with the ways weakness could be strength. Finally, all shared at least one characteristic: they experienced "economic miracles" in the 1950s.

The four Marshall Plan countries selected for close examination—Greece, Italy, Turkey, and West Germany—once posed distinctive challenges and special problems to the American specialists whose assignments were to expand their economic production and stabilize their politics. In multiple aspects, each is a reminder of two truths: first, in searching for historical generalizations nothing is quite so universal as the particular; and second, particularism's tendency to run riot must be checked for the sake of the "big picture." The countries will be analyzed on a continuum from the Plan's mixed results in Greece to its outstanding success in West Germany.

Greece then straddled the cultural divide between West and Middle East, as it does today. To a country of eight million people with a feeble political center, Marshall Plan aid was fundamental to national survival. It had to be rescued from both economic collapse and internal aggression. Paul R. Porter, one-time head of ECA's Athens mission, thought that "without American economic and military aid, Greece would have spent the next forty years on the wrong side of the Iron Curtain." The former chief of the mission's Import Program Office agreed: "Greece would have gone down the tube."[1]

In Italy, a nation securely in the West and with a strong political center, any possibility of a violent overthrow of the government ended in the elections of April 1948. By then, the Italian economy was, despite high unemployment, on a generally sound footing. How to rapidly develop a society of forty-five million inhabitants split between a modern north and a traditional south, and against the will and fears of a pro-American government, was the ECA's central dilemma. The difficulty faced in Turkey, a secular Islamic country aspiring to be Western, but one that also remained on the sidelines as a neutral during World War II and experienced no destruction, was how to modulate the economic ambitions of Turkish authorities. As a vital military ally in the Cold War, facing intimidation by the Soviet Union, twenty million Turks needed a stronger, more modern economy. For Marshall Planners, pursuing a national security goal with economic means had its bumper crop of unintended consequences.

Unlike Greece, Italy, and Turkey, which quite often turned out to be contests of ingenuity and will, pitting the ECA mission and the local government against each other over methods or money, West German and American officials generally saw eye-to-eye about reintegrating the Federal Republic back into the European mainstream. As in Athens, from September 1949 until 1952 the ECA dealt with a semisovereign government in Bonn. For the prior fifteen months its relations with the American military governor of Bizonia probably qualified as the most trying in Marshall Plan annals. The reason was simple. The stakes there were the greatest, for the fate of ECA's vision of a "new Western Europe," economically self-sufficient and politically stable, hinged on the outcome of its policies towards World War II's villain. In the design of the Marshall Plan's elaborate structure, West Germany fit as the ironic but critical keystone.

Greece

In a chronology of postwar assistance to Greece, the Marshall Plan stood third in line, a Johnny-come-lately. Before the ECA Mission to Athens arrived in the summer of 1948, UNRRA and the American Mission for Aid to Greece, or AMAG, had been extending a helping hand. UNRRA administered, in effect, first aid, while in 1947 AMAG, a combined military and civilian mission formed under the Truman Doctrine, connected Greece to a life-support system that barely sustained arguably the most devastated country to emerge from World War II. Under the direction of Dwight Griswold, former Governor of Nebraska, AMAG was a full-blown aid program with a $300,000,000 congressional appropriation. Upon finally shutting down, its projects and most of its personnel transferred to ECA Athens. The Marshall Plan's first Chief of Mission in Greece, John Nuveen, described the transition succinctly: "I inherited [Griswold's] staff." By August, when Griswold departed, Nuveen was assembling his own. During the rest of the mission's first year a large turnover in division directors took place, with AMAG holdovers later distinguishing themselves in service to the Marshall Plan.[2]

Despite UNRRA's and AMAG's best efforts, Greece was still bankrupt and convulsed by civil war when they turned their economic and technical assistance programs over to Marshall Planners. Driven by its supreme can-do attitude, ECA strove to transform a basket case living hand-to-mouth into a showcase. The year before ECA replaced AMAG, Greece had attained just 40% of its prewar national income.[3] Seventy percent of all Greeks were then one-crop farmers. The country had virtually no industry, foreign exchange, or exports of manufactured goods. Just eight million arable acres, a token infrastructure, rampant inflation, almost no bank deposits, capital flight, and a currency distrusted by everyone meant that American money was wagered on a long shot. A pervasive national fear worsened the odds. Greece's dread of the future had a golden color and the shape of a British sovereign, preferred by its people over the drachma. Undaunted, Marshall Planners provided Greece with $700,000,000 in grants over the next four years. (See Appendix D.) That was half West Germany's allocation, amounting to 5.5% of all ECA assistance and making Greece the sixth largest recipient.

In spite of some glaring failures, the country mission beat the unfavorable odds, accomplishing more structural reform than ever seemed possible. Moreover, a stabilization program, bent on controlling inflation and halting the sale of gold sovereigns, started in earnest in late October 1951, as the Marshall Plan wound down. The following year, after ECA lost its independence, American-sponsored currency reform finally stabilized Greek finances, ushering in fifteen years of a respected drachma and the so-called "Economic Miracle" of the 1950s and 1960s. Remarkably, Greece's rate of real national per capita income growth rivaled West Germany's over that span. There was a catch, however. American achievements raised Greek expectations unrealistically, laying a groundwork for bitter disappointment ahead. Delayed in its billing, the Marshall Plan's hidden cost was a heavy toll in Greek goodwill.

Like Greece's resistant political culture, inheritances of World War II made ECA's successes problematical from the start. That catastrophe left America's wartime ally in shambles. A former State Department official regarded Greece as the "most thoroughly destroyed, disorganized, and demoralized country in Europe" at war's end. After a half century, a like-minded European historian revised only slightly the sad appraisal: Greece "probably suffered more war damage than any other European economy except Russia." Occupied simultaneously by three Axis powers for four years, the Greek people were truly star-crossed, on a par perhaps with the hapless citizens of Warsaw and Manila. Not only did 8 to 10% of its citizens perish in World War II, but when the Germans, Italians, and Bulgarians finally retreated, they imitated Vandals and Huns, destroying or looting everything they could. Bridges, canals, railroads, tunnels, and harbor facilities lay in ruins. Infrastructure, like the port of Piraeus serving Athens and the three-mile-long Corinth Canal, a shipping artery, was left unusable. Bulgarians added a final indignity. To get their Greek booty home, they built a railroad. When they finished pillaging, they dismantled the railroad and took it across the border.[4]

By the time of Secretary George Marshall's Harvard speech, the situation in Greece was uniquely tragic. A fierce civil war raged, compounding the suffering already inflicted by massive wartime destruction. Since April 1946, when Communist-led insurgents launched an uprising backed actively by Yugoslavia's Marshal Tito, the very survival of a fragile Athens government was in doubt. Calling themselves the Democratic Army of Greece (DSE), rebels had a fighting force of around fifteen thousand and supporters numbering seven hundred thousand, compounded of peasants, workers, intellectuals, and retail merchants. At the end of 1947 one of their Moscow-trained military leaders announced creation of a "free" government that contested the constitutional monarchy's legitimacy.[5]

Why the formidable strength of the Communist insurgency? First of all, World War II had conferred its usual postwar halo on Communists for leading the Resistance movement against the Germans and Italians. But, foremost, with only a tiny middle class, combustible disparities of wealth separated the few and the many in Greece, an injustice exacerbated by widespread tax evasion by the well-to-do. Substantial contributors to the insurgency, principally as aids in recruitment, were also defects in the constitutional monarchy. "Incompetent, reactionary and obstructive," an American-supported, royalist regime alienated a sizeable minority of the population at a time when Embassy personnel regarded Greek politics as national sport, even a wonderland. Actually, it was deadly serious, with the well-being of extended families hanging in the balance. The parliamentary system in place, with its proportional representation and 354 members in a single chamber, rendered effective governance and needed reforms nearly impossible. Amidst an excess of democracy and empty political speeches, thirty to thirty-five splinter parties commonly held parliamentary seats. Queen Frederica confided to George Marshall that her nation's political leadership was simply "hopeless." Like the Corinth Canal, legislative channels in Athens were impossibly clogged after the war, not by debris but by internal dissensions which left holders of power out of touch with most people outside the capital.[6]

The upshot was acute political instability and incapacity to solve fundamental economic problems, particularly the drachma's demise. Between 1944 and the end of 1951, twenty-six different governments held power in Greece, with some ruling coalitions surviving just days or weeks. The dizzying merry-go-round and dance of the cabinet ministers always taxed the

Clearing the Corinth Canal, April 9, 1948.

patience and fortitude of ECA's chiefs of mission and their staffs. Paul R. Porter, who served after Nuveen as Chief for fifteen months, recalled the extra burden he carried in trying to meet Marshall Plan objectives. During his tenure he had to deal with no fewer than seven different governments. The political situation in Athens encouraged disrespect in Washington and Paris.[7]

Remaking Greece depended on a secure environment. Pacification came first. Not until October 1949, with Communists defeated and civil war over, did Marshall Planners shift their highest priority from assisting the war effort and providing for the security craved by people in the countryside to reconstruction, reform, and development. In the meantime, even though ECA tempered its ambitious economic agenda, the country team operated on two tracks and tackled numerous problems. ECA strove to improve economic conditions as the fighting worsened. The mission regulated imports, boosted exports, improved public health, and ameliorated labor relations.

Surrounded by hit-and-run guerrilla attacks, and with the Greek National Army (GNA) commanding a huge chunk of the national budget, the Food and Agriculture branch and road-building corps performed wonders. Mission officials visited villages all over the country coaxing increased production through improved farming methods. For the crop year ending August 31, 1949, farmers produced more food, feed, and fibers than they had averaged during the prewar period, 1935–38. American agricultural specialists also started to mechanize the plains areas of Greece, lowering costs and expanding output. Between 1947 and 1951 over 5,000 tractors were imported under ECA auspices. At the end of World War II only 420 operated in the entire country. Marshall Planners were unsung heroes in keeping a 200,000-man National Army well fed and highly mobile in the field.[8]

The Athens mission was likewise instrumental in solving an enormous refugee problem spawned by civil war, a crisis born of two fathers. An unannounced goal of the Communists in fighting was to eliminate private ownership of farms preparatory to eventual collectivization of agriculture. In this objective their destruction of pro-government villages received unsolicited help from the National Army. Its own deliberate policy of clearing the countryside of potential sources of food, animals, intelligence, and recruits for the DSE led to forced evacuation of thousands of villages. Tactics on both sides left 25% of the population homeless, set in motion a huge internal migration, and bred anarchy in rural areas. In all, between 670,000 and 700,000 villagers were uprooted and relocated out of the war zone and into refugee camps at Lamia and other centers. In the winter of 1948–49 an estimated 2,500,000 Greeks depended on government support of some kind. Two months before fighting ceased, 178,000 farmers, along with their families, still lived in various relocation facilities. By June 1950, just 5,000 had yet to be resettled or repatriated.

Caring for refugees with food rations that included millions of cans of evaporated milk, providing resettlement allowances, and then speedily returning rural folk at great expense to their old villages commanded ECA's biggest commitment during the insurgency. Its valuable work certainly enhanced, indirectly, the war effort and did not end until the camps emptied of all displaced people. It meant too that ECA's efforts were, in a large way, engaged in 1948, 1949, and early 1950 with issues of food, clothing, and housing—and other necessities for refugee survival. About 50% of all counterpart funds during the life of the Marshall Plan went for "care and housing of refugees," social welfare programs on their behalf, and work relief when they returned home. An all-out attack on Greece's seemingly insoluble macroeconomic problems awaited the last provision of humanitarian relief.

Greek workmen grade the street in front of new housing constructed with the help of Marshall Plan funds

Delay had its unfortunate consequences because it put a premium on haste in the Marshall Plan's remaining years.[9]

If the country mission's role in the civil war's outcome has been underappreciated, the military performance of the National Army and the advisory role of the American Army under General James Van Fleet have been generally overplayed. An official American version at the time, that "the Greek people . . . drove Communism from their land," was both misleading and oversimplified. Among decisive factors in the Communist defeat were two internal decisions, along with an equal number made well beyond the battlefield. Changes in tactics and command by insurgents helped to doom their cause. Pressured against his better judgment by Nikos Zahariadis, leader of the Greek Communist Party (KKE), the insurgency's experienced military head since the fall of 1946, Markos Vafiadis, switched from effective guerrilla tactics to conventional warfare that played disastrously into the GNA's strength in firepower. A second mistake was replacing Vafiadis with Zahariadis, a slavish Stalinist whom historian John Iatrides has described as "much more a Soviet agent than a Greek." Both errors left the rebels highly vulnerable to outside events: Stalin's break with Tito, who was expelled from the Cominform, and a revised Cominform line that Macedonia would be a separate nation at the close of hostilities. Unintended consequences of these distant decisions also abbreviated hostilities.[10]

The influence of Tito's heresy on the Greek civil war was probably not as pivotal as the Cominform's new position on the Balkans. When Zahariadis and the KKE eventually sided with Stalin, who first denounced Tito in late June 1948, they in effect committed suicide in Greece's northern mountains. Tito's revenge and retaliation proved as destructive as the new GNA strategy under Field Marshal Alexander Papagos. By shutting the Yugoslav-Greek border in June 1949, denying the rebels sanctuary, and stopping all aid to the insurgents, Tito accelerated their defeat. Neither Albania nor Bulgaria could replace what was lost in materiél. Besides the unexpected actions of the "Luther of the Communist World," the equally surprising announcement in January 1949 by Zahariadis that the KKE favored the Moscow line on an independent Macedonia, one incorporating Greek lands, sealed the fate of his Communist forces. It was, for good measure, a final ruinous blunder, precipitating desertions, weakening morale, and fracturing the revolutionary movement. Opposed to the Macedonian autonomy scheme, a pro-Tito Vafiadis was expelled from the KKE. Its public disclosure transformed a civil war still going badly for the Athens government into a holy, national crusade to save the patrimony, galvanizing Greek patriotism and nationalism. Nine months later, what remained of the revolt fled into Albania and Bulgaria.[11]

Without a switch in enemy tactics and command, and *sans* back-to-back *deus ex machinas* in the first half of 1949, protracted warfare now seemed likely. When Prime Minister Themistocles Sophoulis announced enthusiastically in late August 1948 "the end of the battle of Greece," he was thirteen months premature. As late as December, insurgents still held the upper hand. ECA personnel could not travel more than twenty miles outside Athens without military escort. "By the end of 1948 and the beginning of 1949," according to Field Marshal Papagos, commander of national forces in the conflict's final stage, "the whole situation was deteriorating." Neither Papagos nor General Van Fleet, who headed the American military advisory group, Joint U.S. Military Advisory and Training Group (JUSMAPG), after February 1948, ever gave credit where credit was due. Both always denied the importance of external decisions, simply disregarding the Macedonian factor. Van Fleet viewed closure of the Yugoslav border as a Communist admission of defeat, not a cause of their failure. The claim that Tito's "defection" assured GNA victory struck him as "ridiculous." While JUSMAPG upgraded the training of Greek soldiers, modernized their weaponry, and elevated their morale, such improvements had limited effect. Despite Papagos's and Van Fleet's denials, the Marshall Plan in Greece may never have progressed very far beyond pacification had it not been for fortuitous events in the Communist world. They led, after all, to denial of safe haven to the insurgents in their military operations and the KKE leadership's implosion at rebel headquarters. Once again, the United

Workmen repair a bombed bridge in Macedonia.

States drew a wild card from the Cold War deck, one with "Uncle Joe's" picture on both sides.[12]

With the civil war finally won, internal security achieved, and a little over two years left in the life of the Marshall Plan, ECA turned its full, undivided attention at last to nation building, whose foundations were equated with a modern transportation and communications infrastructure, scientific agriculture, public health and power, a balanced economy, collective bargaining, a sound currency, equitable taxes, and American-style democracy. The mission was in an understandable rush to uplift Greece by, in effect, grafting the New Deal onto an old political economy. Some programs now given priority, like rebuilding Greece's transportation system, had been started by AMAG in collaboration with the U.S. Army Corps of Engineers, with most construction contracted out to American companies on cost-plus bases. Rebuilding and expanding roads, railways, bridges, canals, airports, and port facilities "grew directly and largely out of military needs" but merged with or folded into ECA activities. Picked up and completed by the Athens mission, transportation projects were "mammoth": 13,000 kilometers of roads, with 3,500 rebuilt and paved. New unpaved roads ended forever the isolation of Greek villages. 250 highway bridges were also reconstructed. When completed, Greece's highways formed an integrated national system for the first time. Its damaged railroads were also restored. In all, 2,000 kilometers of trackage were repaired or replaced but with one odd feature: in the drive to completion and in deference to local preferences, three different track gauges were adopted. Another first in Greek history, a genuine national market for farmers and businessmen depended on these major improvements in land transportation.[13]

The Marshall Plan's greatest contribution to Greece's modernization was not, however, upgrades in transportation. Development of a national, state-owned electric power grid earned that honor. A few Marshall Planners considered it a "carrot," or at worst, "nearly a boondoggle," an expensive means to get the Athens government to cooperate on other, more essential matters. But electrification promised to greatly spur economic growth and to diversify the Greek economy, especially by encouraging needed light industry. Inspiration for development of water power resources and production of cheap energy was, of course, the New Deal's Tennessee Valley Authority. Guiding forces behind the $100,000,000 project were AMAG alumnus Ken Iverson and Walker Cisler, President of Detroit Edison, whose advisory role also laid the groundwork for Greece's Public Power Corporation, created in 1951.

The original ECA plans in 1949 called for five major hydroelectric generating stations to end Greece's dependence on expensive oil and coal imports. In July 1950, a scaled-back proposal for a 150,000-volt transmission system for distributing power from four new generating plants—three hydroelectric (cut from five) and one coal-fired—was approved with the main contract given to an American firm, EBASCO. The Greek government was required to defray one-third the cost of the project. Construction got underway the same year. In December 1952 the first power plant came on line. Four months later, a second joined the system. Both did so ahead of schedule. When the whole net was finally completed by 1956, a basic precondition for future Greek industrialization was in place. Electrification ranked as a priceless Marshall Plan legacy and an extraordinary engineering feat as well.[14]

In keeping with its aim of balancing industry and agriculture in an overwhelmingly rural country, the country mission brought Greek farming out of the middle ages and into the second half of the twentieth century. Looking back on his time as a field adviser and head of the Food and Agriculture branch, Brice Mace felt proudest about successfully introducing an American-style agricultural extension service throughout the country. Using the U.S. Department of Agriculture's long-established program as a model, ECA did not offer it as a quick fix but rather phased it in over a two-and-a-half-year period. Its gradual acceptance and adoption guaranteed its permanence in Greek life. The whole undertaking demonstrated yet again that patience in a traditional society is a cardinal virtue. Ultimately, the Greek parliament in 1950 created another government agency to house agricultural extension agents who embodied a novel, imported concept. Its creation fixed a highwater mark in promoting self-help, a virtue more forgotten than remembered in the Athens mission. Mace's accomplishment was exceptional because he overcame the customary self-image of Greek bureaucrats that government officials were "public masters" rather than "public servants." The crucial breakthrough for Mace and his colleagues was persuading a reluctant Greek Minister of Agriculture to do the unthinkable: take to the fields to personally demonstrate proper planting techniques, uses of fertilizer, artificial insemination, and other applications of scientific knowledge. As hoped, the greater agricultural productivity that resulted did benefit all Greeks.[15]

While ECA's well-drilling program qualified as a big success in the countryside, providing villages with potable water, cooperative marketing proved a major failure, largely because long-established buyers controlled markets and resisted reform. Americans did achieve lasting fame and a permanent memorial, though, by bringing to Greek farming practically a brand-new crop. Walter Packard, the mission's irrigation and production specialist and veteran of the California Irrigation Service, is credited with the so-called "Rice Miracle." Under his supervision, ECA undertook a major land reclamation program, converting 82,000 acres of previously worthless, salty soils in river basins and deltas into rice culture. The Marshall Plan turned salt flats into paddies and farmers, whose rice output had been negligible, into producers of a surplus for export. National production expanded from 4,000 metric tons in 1935–38 to 75,000 in 1952. Until Packard's exploits, Greece had imported most of its rice. In the village square of Anthili in central Greece a bust was subsequently erected to honor Packard for his exceptional service to the nation's agriculture. Brice Mace has long deserved one, too.[16]

Seemingly with maximum economic leverage at their disposal, ambitious Marshall Planners prodded Greek politicians to rewrite their income tax laws and reform their governance. Exposing a conception of the social contract very different from their own, their attack on an unfair and unenforceable tax system, and the maldistribution of wealth it shielded, ended in failure. They also targeted national and local political structures, as well as the electoral system. Their push for better government—which meant more decentralized, democratic, and efficient—is a curious story of temporary success, Greek backsliding, and American disappointment, although a few transformations of note did occur. Long-postponed municipal elections, for example, were finally held in April 1951. And parliamentary representation eventually switched from a proportional to a district system with majority rule, a new arrangement that reduced somewhat the chronic instability at the top. The status of some municipal government officials—village presidents and city mayors—also changed from appointive to elective.

Paul Hoffman (center), the Greek government ECA liaison (left), and C. Tyler Wood (right) view a Marshall Plan publicity display, October 1950.

After John O. Walker joined ECA's Civil Government branch in Athens in late 1948, the only division of its kind in the entire Marshall Plan set-up, he and Russell Drake spearheaded an effort to modernize and revitalize local government by decentralizing authority. Emboldened by ECA's other successes, reformers pressed forward at the grassroots, launching an assault on the nomarch system next. Their campaign turned into a battle of wits with defenders of the status quo, interminable delays, and a bewildering encounter with Athenian "psychology" and its allergy to plain speaking.

Pre-Walker Greece had been broken up into forty-seven political divisions, each called a "nomos," roughly comparable to an American county. All were administered by governors, or "nomarchs," who were usually hacks appointed by the Ministry of Interior in a giant spoils auction befitting New York's storied Tammany Hall. With cooperation from sympathetic politicians who passed, after much procrastination, a civil service law in 1952, Walker and Drake managed to depoliticize nomarchs temporarily. Younger, well-trained career men were then appointed on the basis of merit, but fatal flaws in ECA-sponsored legislation soon became apparent. First, cabinet ministers controlling counterpart funds denied the new breed of nomarchs control over public expenditures, weakening thereby the value of decentralization. Second, and more Machiavellian, politicians created a new class of political appointees called governors-general. By placing them directly over nomarchs, Athens checkmated the Americans. Old political habits were indeed resilient, as the toppled patronage system slowly reconstituted itself. In December 1952, government appointees replaced once again elected mayors. Two years later, the Ministry of Interior rescinded the "career nomarch" legislation, dismissing careerists and reviving the spoils system. In the end, reform backfired, leaving behind two stifling layers of centralization instead of one. The civil service remained woefully bloated and inefficient. And American-style democracy was still an elusive goal. Perhaps Greece's central statistical bureau, which facilitated reliable agricultural and national censuses and made possible the first national budget on record, qualified as ECA's most lasting achievement in governmental and administrative reform. One imposing monument to America's four-year presence was scientific budgeting. Like the agricultural extension service and the big rice crop, it had never been a feature of Greek life prior to the Marshall Plan.[17]

Also transforming traditional ways of transacting business in Greece were non-Communist trade unions, masterminded largely by a former official of the United Auto Workers, Douglas A. Strachan. Head of the Labor and Manpower Division and AMAG holdover, Strachan stood apart as the mission's senior member. Since his hiring in July 1948, he worked tirelessly for four years, with partial success, to build "a real labor movement." To Strachan, an old Socialist, "real" meant anti-Communist and independent. A hatred in Greece for Communist labor organizers insured him substantial local cooperation. Once again, Communists behaved as their own worst enemy. Prior to the outbreak of civil war, and in preparation for an eventual takeover of government, they had assassinated well over one hundred trade union leaders. "Real" also meant that Strachan strove to organize his fledgling Greek unions in the image of America's AFL and CIO—and on the basis of their antiideological, bread-and-butter philosophy. Despite his persistence, Greece's labor movement rid itself of Communist influence but not of its government control.[18]

One other extraordinary American achievement and legacy involved the Public Health Division's four-year campaign against malaria, which ended in the 100% eradication of the mosquitoes carrying the parasites that caused it. Later a villain of the environmental movement in the United States, the real hero then was DDT. The antimalaria campaign began under UNRRA and was inherited by ECA. Before the disease was targeted by UNRRA and the mission team headed by Dr. Oswald Hedley, another AMAG alumnus, roughly half the Greek population suffered from its periodic attacks of chills and fever. Although they failed to reform health care administration, public health officials battled tuberculosis, launched a nursing profession, and modernized hospitals and clinics.[19]

Greek Army minesweeper.

When time ran out on the Marshall Plan, Greece still had a worthless currency and an unemployment rate around 17%—and was nowhere near the goal of a self-sustaining economy. But the changes in Greek society were immense nonetheless. The Plan helped to derail a Communist revolution, promoted market farming, improved agriculture and public health, rebuilt infrastructure, brought electrical power to the country, improved to some degree political structures and administration, founded a non-Communist trade movement, and provided more aid per capita than in any other Marshall Plan country. Moreover, chances for homegrown development turned especially favorable in 1952 when currency stabilization succeeded in dulling at long last the British gold sovereign's luster. Between 1953 and 1968 Greece experienced "almost the highest rate of real per capita economic growth of any country in the OECD, save Germany and Japan."[20] Why, then, were so many Greeks, both leaders and plain folk, either ambivalent about Americans or else downright anti-American, by the mid-1950s?[21]

An American aid official in Greece from 1947 until l949, John O. Coppock, has shed light on the paradox. In his judgment Marshall Planners lost their way and abandoned their credo in Greece. A violation of George Marshall's First Commandment—Europe Shall Save Itself—was committed inasmuch as the Plan functioned as the "main driving force" it was never supposed to be. For one thing, the Yankee presence was simply too big, too visible, too intrusive, and too deeply involved in governmental affairs to constitute a genuine partnership. Statistics reveal the magnitude of American domination: its aid was 25% of Greece's GNP, financing 67% of all Greek imports.

The sheer bulk of the Athens mission on Churchill Street reflected its oversized influence. To a gathering of ECA mission chiefs in February 1949, John Nuveen avowed that "by a strange anomaly I represent the smallest country but the largest mission." His country team fluctuated in size between 183 Americans (and 523 Greeks) inherited as civilian personnel from AMAG and 131 a year later. But at the time Paul R. Porter replaced him in September 1949, with the civil war's end in sight, the American staff had ballooned to 240 people, three times the size of the Italian mission and nearly

Greek Army engineers repair a road.

five times its Turkish counterpart. The passage of fifty years apparently fogged Porter's memory, for in 1998 he wrote that "at the peak" ECA Athens employed 181 Americans and 48 Greeks. He was mistaken. Even in ECA's last year of operation, 1951, its staff continued to number 215 Americans and 410 locals, presenting an overwhelming physical reminder of a sovereignty more forfeited than abridged. Such mass and visibility were never Washington's intention. The report which called forth AMAG had recommended a mission of "modest size," with no more than 50 people plus a single chief. Its author, Paul A. Porter, proved prescient. "The Greek public, whatever its initial reaction, would probably not take kindly," he predicted, "to an overly large group of Americans." Except for the single chief, nobody heeded his advice.[22]

To Coppock, the Athens mission evolved as "a thing apart," described by some as either a shadow government or how one of many ambivalent Greek officials during the Marshall Plan years, the Minister for Coordination and Economic Planning, Spyros Markezinis, referred to it: "an American supergovernment." Another member of the American team likened his role to that of a proconsul. Many years later, Coppock's boss swept aside euphemisms, downplaying the genuine partnerships personified by Packard, Mace, and other missionaries from across the Atlantic. What Greece experienced from 1948 until 1951, in John Nuveen's opinion, was "the four-year dictatorship of an American junta," composed of the American Ambassador, the head of JUSMAPG, and ECA's chief of mission. By replacing euphemism with exaggeration, the Chicago investment banker missed a key point. American domination was as much perception as reality, for in truth a temporary deal or bargain had been struck. ECA Athens never wielded plenary powers. Instead of usurping authority, desperate Greeks thrust it upon Americans in a national emergency. In the lawful provisions of the bilateral ECA treaty, a member nation diminished its own sovereignty to avoid its own financial disintegration and a Communist takeover. Constantin Tsatsos, a critical Greek government official, was correct: "everything the Americans wanted was given."[23]

As terms of the deal, highly visible Marshall Planners did exercise indirect and partial control over exports and imports. They modified prices for major commodities and interest rates on loans. They also oversaw currency and money supply, and ratified bank credits. The American steamroller even ran government bureaus, including finance, foreign trade, and public works. Before Paul R. Porter's tenure as mission chief ended, he had removed all but two Americans overseeing government bureaus. By then, though, considerable damage to Greek pride and self-respect had already been inflicted. The public, as Paul R. Porter once foretold, had not "taken kindly." But the extent of offended sensibilities and ill will can be overstated. Greece had a long history of political intervention by outsiders. "Greece is by her nature a dependent country," observed an American journalist in 1949, "a poorer south Italy without north Italy to draw on." What probably mattered most were the elevated expectations which America's proconsulship instilled in many Greeks. Fulfilling its end of the bargain entailed a new role as godfather, or "nonos," with unspecified future responsibilities for Washington.[24]

In his memoirs Paul R. Porter fondly remembered the remarkable improvements and transformations that occurred during his time in Greece. He also expressed regret that the ECA was guilty of a serious misjudgment. Americans should have been more patient in fostering self-help among Greeks. They did way too much, breaking George Marshall's bedrock rule that "only Europeans can save Europe." No matter what American motives were, a heavy-handedness characterized the treatment of host by guest. Threats of withholding or cutting off Marshall Plan aid actually forced government resignations, toppling Prime Minister Sophocles Venizelos and his cabinet in 1950. In a letter to George Marshall, dating the nadir of Greek-American relations under the Marshall Plan, Queen Frederica accused Ambassador Henry Grady of "imposing" on her people the "unspeakably awful" government of Nikolaos Plastiras as Venizelos's successor.[25]

With the sterling intentions of do-gooders in a hurry, the Athens mission overreached itself, compromising national sovereignty and providing unfriendly Greek politicians with an all-purpose "American card." Thereafter, it could always be played when their chronic failings required a handy scapegoat. Bent on liberating Greeks from economic and political backwardness, as well as ending the rule of a swollen bureaucracy and its bad administration, Marshall Planners eagerly accepted an invitation to rebuild and defend a shattered nation. They hoped to make Greece over "in their own image." Indeed, Greece provided the setting for the most comprehensive effort to Americanize a European nation under Marshall Plan auspices.

But Greek culture strongly resisted American-sponsored change. Its Byzantine politics, for example, was simply unfathomable. Its methods for outfoxing foreign missionaries like John O. Walker and Russell Drake could be ingenious. More Eastern than Western, some Greeks even equated aid with domination, obviating any appreciation on their part. Trying to come to terms for the first time with a country straddling West and East, Marshall Planners unwittingly planted seeds of anti-Americanism. In late 1954 and 1955, when Washington failed to discharge its duties as "nonos" by siding with London on the Cyprus Question, America reaped the whirlwind. Its opposition to a union of Cyprus with Greece, or "enosis," crushed Greek anticipation of a special relationship with the country of the Marshall Planners. Thereafter, a popular sentiment of betrayal exposed, tapped into, and magnified latent resentments. A patron state had entitlements, but to clients in Athens disloyalty was not among them. The Plan's creators had neither wanted nor expected what Will Clayton once belittled as "hosannas of gratitude." But they never imagined the nationalist backlash that swept a society historian William McNeill discovered in the mid-1950s as, supposedly, full of "anarchists and individualists at heart."[26]

"We were guilty," remembered James Warren, "of a little bit of hubris." His open confession is a "bit" of an understatement. Arriving in Greece knowing "very little of Greek society" and almost nothing of the Greek language, Americans still felt that the American Way was the "only acceptable" solution to Greece's problems. A local government specialist in the Athens mission, Harold Alderfer, decided belatedly that "the real Greece cannot be understood in Western terms." As a result, Greek sensitivities about their culture, traditions, and history went frequently unrecognized. In an especially revealing comment in his rich oral history, Warren admitted that Americans were "tied umbilically to our interpreters who were with us in every circumstance." Supposedly to minimize misunderstanding, professional interpreters handled all ECA business. Since the American embassy provided no Greek language training, Marshall Planners who wished to cut the umbilical cord hired tutors at their own expense. Apparently, not many did. Understanding was thus compromised.

A striking weakness of the ECA in Greece was its lack of individual language facility, which elevated local interpreters into wielders of inordinate power. Of necessity, reality was almost always mediated by a third party and seldom experienced directly. One Greek official thought that the Americans were "surrounded too much by [Greeks] who had a language advantage" but were without the best knowledge or good judgment. The same problem surfaced in Turkey. The head of the Turkish Central Statistics Office also commented on the tyranny of English wherever the ECA operated. He detected "a tendency to [hire] very nice fellows speaking English" while the ablest men went unutilized. Badly needed, American clones of Vernon Walters remained in short supply. Genuine appreciation of the characteristics of an older civilization suffered as a result.[27]

Italy

In the Italian case, ECA revealed greater flexibility than it did in Greece, adapting its goals to Italy's priorities and peculiarities. Italy perhaps best illustrated the Marshall Plan's basic heterogeneity. Its ordering of specific objectives varied from recipient to recipient, with their selection depending on each country's distinctiveness. The Procrustean bed into which Greece was tucked proved the exception, for no other Marshall Plan country except West Germany was as acutely vulnerable to a fundamental makeover as was Greece. By contrast, the Italian government, much better able to uphold and defend its sovereignty, tested the limits of America's cooperative spirit. Generally a keen first-hand observer of postwar European affairs, Theodore White did distort an episode in his autobiography, claiming that "Italy was then one of the most docile and obedient partners in the Marshall Plan." Rather, Rome understood fully well that in Washington support for an enthusiastically anti-Communist regime took precedence over unwanted economic reforms. A recent wartime enemy thus received $1,500,000,000 in Marshall Plan aid, 12% of total disbursements, largely on its own terms, not like Greece, as a semiresentful supplicant. Stalemated, the ECA mission did not get very far in pushing its reform agenda in Italy.

Like Greece, Italy's domestic politics and a pervasive fear presented big hurdles that had to be overcome. Alcide de Gasperi's Christian Democrats (DC), the party of a sound lira, financial stability, the Vatican, women, the elderly, and the middle class, greatly feared inflation's destructive power. The country's terrible postwar inflation, when wholesale prices surged to more than fifty times their 1938 levels, was not capped until 1947. The experience left its scars and instilled a dread among centrist politicians equal to their anxiety over internal Communist subversion. As a direct consequence, they were loathe to use counterpart funds for large-scale developmental purposes advocated by ECA. Italian-American disagreement on this subject resided in the marrow of economics. To the ruling Christian Democrats, as well as the International Monetary Fund, the greatest good was in stabilizing the lira, controlling inflation, and regulating money in circulation. Marshall Planners disagreed. Each side regarded the other as taking or advocating serious missteps. Italian historian Vera Zamagni has revealed that ECA Rome "notoriously distrusted the Italian administration" for rejecting reforms tied to Keynesian measures.

Postwar Italian industry provoked a debate about the appropriateness of the Keynesian tools favored by Americans. Surplus capacity coexisted during those years with sluggish production and high unemployment. Surprisingly, World War II had destroyed only about 8% of Italy's industrial plant, sparing Milan, Turin, and Genoa heavy damage and leaving untouched its electric power network. The surviving 92% meant that, unlike other belligerents, its industrial capacity prior to ECA's creation already surpassed 1938 levels by 37%. The rub was that industrial production still remained 43% below prewar output. To ECA's Rome mission, the country's economic problems could never be solved without recourse to Keynesian countermeasures, particularly greater investment in productive industries that raised GNP and reduced worrisome unemployment figures. Amidst excess plant,

ECA Administrator Paul Hoffman meets with Italian Prime Minister Alcide de Gasperi, October 1950.

two million Italians went jobless, 10% of the labor force. "About just as many workers [were] unproductively underemployed" as well, in historian Federico Romero's estimation. At twice its prewar level in October 1948, Marshall Planners tagged unemployment as Italy's Number One Problem.[28] However, to de Gasperi's financial advisers, especially Giuseppe Pella, rapid industrialization, higher wages, and lower unemployment risked another round of uncontrollable inflation. That was unacceptable. In the view of Italian banker and delegate to the OEEC Giovanni Malagodi, ECA policy was wrong-headed and a "mistake," especially in light of Italy's "enormous pressure of population against resources."[29]

Over a barrel, given the Christian Democrats' otherwise impeccably pro-American, anti-Communist credentials, Marshall Planners adjusted and accommodated to Rome's deflationary policies. Faced with an Italian government accepting of high unemployment and stagnant wages, Marshall Planners turned to indirect methods for broadening the country's consumer base and battling unemployment. They pressured, for instance, for the elimination of both gasoline and horsepower taxes. They also encouraged Fiat to develop and market a car for the Italian masses—small and inexpensive. But they were at their most philosophical in encouraging large-scale emigration.

In the early days of the Marshall Plan the Italian government expressed concern about its "surplus population with no opportunities to emigrate," classifying it as a vexation "with no foreseeable solution." By 1949, ECA was publicly defining overpopulation as a "most basic problem in Italian economic life." Galloping population growth in southern Italy produced "too many people for the number of jobs," necessitating emigration on a "mass scale." In deference to Catholic sensibilities on the part of Protestant policymakers and a Jewish Chief of Mission, James D. Zellerbach, birth control as a long-range answer was never discussed.[30]

As promising locations for an Italian exodus, Americans pointed to Argentina and Brazil in South America. The United States, however, never offered itself as a destination. Limits to American generosity and congressional cooperation existed. In solving this particular question, Marshall Planners chose not to get out in front and lead by example, honoring the Plan's purpose to promote European cooperation within a regional framework. Without ECA lobbying, Congress left America's annual immigration quota for Italians at a paltry 5,800, refusing to revise it upwards, despite pressure from the Italian government. Existing legal restrictions on Italian entry into the United States troubled de Gasperi's advisers "very much." Giovanni Malagodi thought the Americans should have increased their quota tenfold, to 50,000 per year. To him, opposition on Capitol Hill was "unjustified." In December 1949 Averell Harriman and Milton Katz met with Finance Minister Guiseppe Pella in Paris to discuss the matter. Pella recommended a bilateral approach, a "Special American-Italian Commission" to study the problem, but was rebuffed. Harriman and Katz wanted instead a strictly European solution worked out at the OEEC rather than a unilateral American one that defeated the Marshall Plan's rationale. They had not forgotten their intention to be "catalytic agents" of change.[31]

Since shipping was then inadequate, and commercial aviation still in its infancy, ECA did agree to fund more Italian shipbuilding to break the bottleneck and help move surplus nationals overseas. Initial results from dumping the jobless abroad were encouraging. Between 1947 and 1949, intercontinental emigration figures trebled, reaching 150,000 in 1949. By 1951, however, an American correspondent in Italy reported that "today no foreign country seems willing to absorb Italian labor." Denied greater access to the American labor market and with the flow of intercontinental emigration peaking in the mid-1950s, the Italian government adopted an intra-European remedy. Italy's single, male, unemployed workers became a source of manpower for nearby construction, mining, and manufacturing industries in France, Belgium, and Switzerland. Sanctioned by bilateral agreements, a system of quotas, temporary contracts, bans on permanent settlement, and unregulated remittances came into existence. Throughout the 1950s Italy's national emigration policy, deemed "a vital necessity," fell consistently short of its goal of 200,000 net emigrants per year. By decade's end, its unemployment problem seemed as intractable as ever, but its predicament had become a regional concern.[32]

For the first two years of the Marshall Plan, an American goal of higher standards of living for the Italian people through economic development was put on hold. To temper the inflationary potential of their primary objectives, Marshall Planners pushed instead for industrial expansion that generated increased foreign trade. Rather than national growth driven by increases in domestic demand and consumption flowing from more employees with higher wages on the American model, boosting GNP would depend on liberalized intra-European trade and greater international demand for competitive Italian products.[33]

Until 1950, when economic growth accelerated, caution and a hard-money policy prevailed. Frustrated by governmental stubbornness and fears about runaway inflation thought to be unreasonable, the ECA substituted words and images for actions in its quest for worker and peasant support. To the average Italian whose standard of living remained largely unchanged during the Marshall Plan's first two years, the Information Division preached a gospel of rising expectations. Unable either to reduce unemployment or to raise wages, ECA elevated hopes instead. To Andrew Berding, a man equal to his task, went the assignment to monetize expectations.

Out of the Rome mission, the forty-six-year-old Berding ran the Marshall Plan's biggest and best propaganda operation, and the one most highly respected by Alfred Friendly, his first boss. Berding came to his position with ideal qualifications. A graduate of Cincinnati's Xavier University, he studied at Oxford for two years, receiving his BA and MA in English literature before moving to Europe, where he lived for the next five years. In 1933, the Associated Press hired him as a correspondent and then as Chief of its Rome bureau, a position he held until 1937. That year he returned to the States as chief Associated Press correspondent covering the State Department.

Before the United States entered World War II, Berding had been a newspaperman for nearly a decade, had lived in England for two years, and on the continent for nine more, including four in Italy where he acquired fluency in Italian. During the war he joined the Office of Strategic Services (OSS), rising to Chief of Counterintelligence in both Italy and Germany with his intelligence duties taking him regularly to London. Experienced in the ways of Europe, Berding quickly set the bar for other information divisions. His innovations included a daily survey of the local press, working arrangements with all media agencies, a documentary film capability, contracts with the national radio network for weekly broadcasts, a mobile film unit, and even a traveling puppet show. With Moscow subsidizing every Communist newspaper in Italy, then roughly 20% of the country's press, and with the Italian Communist Party (PCI) publishing four dailies in Rome alone, Berding's novelties exploited his adversary's weaknesses. David Ellwood has inferred that

Reclaiming land near Svona, Italy, using Marshall Plan–supplied equipment.

the PCI "failed to understand in time that audio-visual mass media [the cinema] possessed capacities of communication and penetration far superior to those of the printed page."[34]

Berding's education, background, language proficiency, and professionalism recommended him as the ideal person to sell the Marshall Plan's messages to the struggling Italian in the village, the factory, and the field. Instead of elites, he targeted workers, women, and children. Knowledgeable about the local culture and people, particularly about pockets of illiteracy among the masses throughout the country, he turned to the visual arts rather than the written word as his most effective medium of persuasion. In a subversive strategy that reached millions at the grassroots, Berding organized a mass program that carried Marshall Plan messages and slogans right to the people and over the heads of those resistant to significant reform—the national government, big businessmen, and large landowners.

Berding commanded a vast arsenal of visual propaganda weapons: the radio (a mighty conjurer of mental images), photographs, posters, newsreels, documentaries, displays, and exhibitions. His most creative instrument was the mobile cinema show with its "fleet of twenty-six mobile projection units" that played Marshall films in the remotest villages. Others included concerts, cartoon strips, puppet shows, and animated films. Beginning with the Bari Fair that stretched over seventeen days in September 1948, the

ECA participated with exhibits in every local fair in Italy. With a million visitors from around Europe, the Milan Fair eclipsed all others in importance. Berding had a special ECA Exhibit housed there in its own pavilion. He invested his greatest faith, however, in conventional documentaries. A disproportionate number of Marshall Plan films were authorized for Italian audiences. Indeed, the largest percentage was made about Italy, the most heavily targeted country in Europe, with forty out of a grand total of three hundred films, or 13%. Subjects ranged, for example, from land reclamation in Apulia to land reform in Calabria; from the reconstruction of shipping, rail lines, and an oil refinery in Trieste to construction of Rome's new railroad station and the reconstruction of Monte Cassino. And regional films highlighted Sicily, Tuscany, Emilia, and Maniago.[35]

Linking much of the subject matter were Berding's themes. Economic prosperity and growth would transform Italians into freer Europeans. The Marshall Plan translated into a higher standard of living, maximum employment, greater production, and a more credible government. By his various methods of communication, Berding estimated that he had reached thirty million Italians after two years of selling the Marshall Plan. By then, 52% of all Italians favored the Plan while only 11% opposed it. Salesman Willy Loman in his prime could not have done much better.[36]

Berding's campaign of outreach was supplemented by the work of the mission's Labor Division, which also swam against a powerful current in Italy. The Labor Division's difficulty was akin to the Information Division's. Without help from the central government, how does one contain or weaken labor radicalism when throughout the Marshall Plan years Italy's jobless remained around two million, averaging over 8.5% annually and the highest rate in Europe?[37] Keeping with larger objectives of enfeebling the Communist-dominated World Federation of Trade Unions (WFTU), regarded as an "instrument of Soviet foreign policy," and creating a new anti-Communist international organization, the strategy adopted was to split the Italian labor movement to isolate the Communists. The Rome mission's euphemism was "special expanded activities." Leading the American effort was a lieutenant colonel in the U.S. Army on loan to ECA and fluent in Italian, Thomas Lane. Averell Harriman thought Lane irreplaceable. In early 1949, he even wrote personally to Secretary of Defense James Forrestal, requesting that Lane's reassignment be rescinded. Forrestal complied and changed his orders; in late 1951 the colonel was still detailed to the Labor Division. By then, he had been promoted to head.[38]

In Italy at the end of World War II, Lane had befriended Giulio Pastore and other anti-Communist trade unionists who he now sought to use to loosen the Communist grip on Italian workers. He needed their help, and they enthusiastically cooperated. In April 1949 Lane and his labor information officer, James Toughill, along with Pastore, Giovanni Canini, and Appio Rocchi, visited the United States for talks with the leadership of the AFL and CIO about the benefits of American labor-management relations. Important contacts were made and, subsequently, American money poured into Pastore's coffers. Lane and Pastore, both devout Catholics, made an effective team and were midwives at the birth of non-Communist, nonpolitical labor organizations that rejected class struggle and embraced collective bargaining.[39]

Using a large budget made possible by the 5% levy on counterpart funds, Toughill attacked Communist unions in his own media offensive. His principal targets for propaganda were industrial workers in Turin and Milan. Every month his staff in Rome published its own trade union journal, while also broadcasting five programs per week over state-run radio. In addition, he released a documentary film every month for commercial distribution around the country in local cinemas. To tout the virtues of greater productivity and assail the vice of class hatred, Toughill's office arranged for visits from American labor leaders and their representatives. People-to-people diplomacy helped to win some converts away from the Red banner, but Communist solidarity generally absorbed the assault.[40]

ECA's efforts on the labor front bore considerable fruit among Catholic workers. At the end of 1948 the Communist-dominated labor organization, the CGIL, had 6 million members, while the non-Communist but sectarian LCGIL had 1.5 million members. After creation of the new non-Communist CISL in May 1950, with Pastore as its general secretary, the former preeminence of the Communist unions weakened into mere dominance of the Italian labor movement. By 1953, the CGIL membership was cut in half, down to 3 million followers while CISL counted 1.75 million supporters. The rank-and-file laborer in Italy was still likely to wave red flags until the end of the 1950s, but an earlier stranglehold had been broken by the Marshall Plan. ECA's partial success, though, owed nothing to the fiscal and labor policies of the Christian Democrats.

In crucial aspects, ECA's labor activities failed. Besides weakening Communists, Marshall Planners aimed to advance industrial democracy in Italy and promote a "New Deal" for its working class. That goal was not realized. Their legacy was not a unified, non-Communist national union, but three separate labor federations, a greatly strengthened big business, and virtually no improvements in traditional labor-management relations. Unintentionally, they ushered in a long era of fragmented, ineffectual unions, together with low wages and the authoritarian management practices that usually accompany them. Italy's chronically large labor surplus only sapped the old vitality of the labor movement further. Between 1950 and 1960, unionization of Italian industry fell from 47% to 19%, which coincided with CGIL's demise. By 1965, the Communist-led union had lost 50% of its 1950 members. Higher company profits, as well as competitive goods in world markets, flowed from labor's loss of power on the shop floor.[41]

Beginning in 1950, the Italian government—prodded at times publicly by Leon Dayton, second Chief of Mission—increasingly utilized its counter-

Italian apartment building developed by Marshall Plan funds.

part funds for major development projects. Indicative of ECA's persistent flexibility, Rome was allowed to make large-scale investments without benefit of the requisite four-year master plan. Back in June 1948 Italian officials had told Harriman in a private meeting that they intended to use the "lira fund" for soil conservation, irrigation in the South, hydroelectric power, shipbuilding, and railroad improvements. Their intentions were never formalized in a coherent plan, as called for in the bilateral agreement. But by the end of the Marshall Plan one-fifth of the fund had been invested in agriculture and one-fourth in modernizing the rail system.[42]

As the Christian Democrats overcame their deep-seated fears of runaway inflation, and undertook some basic reforms long recommended by the Americans, they found themselves whipsawed by the Left and the Right. The ECA had churned up their political lives. Caught in the middle between

The power plant at Lardarello, Italy.

Communists bent on "perpetual unrest" and agitation against the government and the hostility of the "wealthier classes" upset that their "special interests" were disregarded by reformers and do-gooders, the Christian Democrats soon understood the high political price of greater social justice. Especially disturbing was the fact that some of their strident opponents on the Right controlled Italy's non-Communist newspapers. Harriman regarded the political fallout stemming from ECA pressure as a "tragedy." In perhaps a self-congratulatory outburst, the multimillionaire railed against the "shortsightedness" of wealthier Italians on the Far Right who refused to bear the financial burden "equitably" and thus lent credibility to Togliatti and the Communists.[43]

Probably the most controversial of the economic developments was an agrarian reform and regional development program that failed. Initially, Chief of Mission Zellerbach opposed it as worsening Italy's inefficient production. Since half the Italian population engaged in agriculture, an understandably keen interest existed in how the Marshall Plan might improve the lot of farmers and peasants, especially in the country's southern region known as the "Mezzogiorno." The largest chunk of the Food and Agriculture Division's budget went for land reclamation projects, particularly swamp drainage. But a significant amount of the Lire Fund helped to finance creation of an unprecedented public agency whose express purpose was regional development. Its potential impact on village life was enormous. In August 1950, *Cassa per il Mezzogiorno* (CASA, the Southern Fund) was established and given a ten-year assignment to close the economic gap between the industrial North and the poor, agricultural South. An American correspondent described the country's sectional split in the late 1940s thusly: "Northern Italy creates all Italy's wealth [while] Southern Italy parasitically consumes it."[44]

ECA Rome's technicians and economic analysts, particularly a future Chief Economist at the World Bank, Hollis Chenery, played leading roles in planning an end to the Mezzogiorno's poverty, parasitism, and backwardness. Lincoln Gordon had recruited Chenery out of Harvard's doctoral program. His mentor, Wassily Leontief, subsequently won a Nobel Prize in Economics for pioneering the "input-output" method. The thirty-year-old graduate student, who received his Ph.D. while on ECA's payroll, looked upon southern Italy as an ideal place to test his training in input-output analysis. From 1950 until 1952 he expounded a system for how best to invest counterpart funds in development projects that also improved Italy's overall balance of payments situation. To continue his methods, Chenery organized a team of young Italian economists to apply Leontief's principles to economic problems in the Mezzogiorno after his American disciple left Rome.

Wisely, Chenery and his protégés realized that CASA could be no quick fix. Beginning with improvements in infrastructure—roads, water lines, sewers, railroads—it also offered tax incentives and low-interest loans to companies to invest in the South. After six years, CASA had not narrowed the per capita income gap between the two regions. In 1964 the Italian writer Luigi Barzini referred to the Mezzogiorno as "still by far the most miserable region" of Italy. "In spite of the vast sums invested by the government over the past decade," he observed, its poverty was only slightly better than North Africa's. Unfortunately, by the early 1980s the verdict had not changed. CASA had "fail[ed] to solve the unemployment problem in the South," necessitating the safety valve of large-scale emigration to northern Europe. By the 1990s poverty and unemployment rates were both three times those of northern Italy. Not only had the spread in per capita GDP between North and South actually widened, it was greater in fact than the

Repairing the road to Palermo.

separation in the 1950s when Marshall Planners first proferred a remedy for Italy's biggest economic headache. An award-winning theory ultimately flunked its test.

With Marshall Planners pressuring for an expansion in the ranks of small landholders, the Italian parliament passed two laws in May and October 1950 authorizing expropriation, reclamation, and transfer of uncultivated lands. In the Sila Highlands and nearby Ionian territories peasants received land from the breakup and redistribution of big estates by the government. In all, 800,000 acres were expropriated. Roughly 500,000 were resold to peasants who obligated themselves to pay for their acquisitions in thirty year installments. By mid-1956, 100,000 Italian peasants had been allotted small holdings linked together in a network of marketing cooperatives.[45]

In hindsight, the Marshall Plan constructed both intentionally and accidentally a strong foundation for Italy's subsequent economic prosperity. Though the Rome mission thought the Italian government's fear of hyperinflation unrealistic, prices were stabilized and inflation was successfully contained from 1947 until 1952. Italian budget deficits were shrunk. In the crucial first year of its existence, the Marshall Plan paid for 40% of Italy's imports, releasing funds for other purposes. Well before its Greek counterpart, the drachma, the lira gained respect and bank deposits grew after 1947. By committing itself to trade liberalization, mainly abolition of quotas with other EPU countries, and upholding thereby the Marshall Plan principle of multilateralism, Italy promoted its own economic growth through expanded exports. Between 1951 and 1962 Italy's annual rate of growth surprised almost everyone, reaching 6%.

During the Marshall Plan, Italy imported American technology in its oil, automobile, and textile industries. With Fiat, the country's largest employer, in the lead, industrial production doubled between 1938 and 1953. Car production, in fact, broke all records. New American-style industrial practices, especially conveyor-belt technology, spurred productivity, which, according to Anthony Carew, "rose faster in Italy in the 1950s than in almost any other Western economy." Then again, breaking with a sluggish past had its downside. Increased productivity and profits were not accompanied by either higher salaries, increased domestic consumption, or lower tariffs. Italian mass production and mass consumption were not yet in tandem. With 15% unemployment in metal working and big layoffs in the steel industry, and with workers' wages lagging behind, foreign sales drove the economy. These were imbalances that post–Marshall Plan policymakers needed to address.[46]

America's promotion of increased productivity and economic growth did not translate into an automatic embrace of American attitudes and values by Italians. The Marshall Plan in Italy was a partnership of expedience rather than genuine preference. A Stalinist menace and a shared anticommunism muted serious reservations that Christian Democrats held about American ideas. As Pope Pius XII's "political arm" and beholden to an authoritarian church, the DC's attachment to American-style democracy was questionable. When critics referred to it as the "American Party," they used words more for their emotive than their descriptive power. Cultural and religious tensions often unsettled Italian-American relations. Like the Greeks, Italians were ambivalent about the gospel of the American missionaries. Like the hierarchy of France's Catholic Church, Italian bishops scorned capitalism, considering its materialism as un-Christian.

Guided by the teachings of a Catholic Church as suspicious of Protestant America and its liberal, secular culture as it was of Soviet communism, Italians generally resisted what they regarded as Hollywood values. The Vatican believed that "a godless ideology" shaped the American Way. Indeed, the Italian writer Luigi Barzini could yet remark in the mid-1960s that "the contemporary capitalistic world is still almost incomprehensible to most Italians" even though they seemed reconciled to it by then. Beneath ECA fanfare the Christian Democrats of Alcide de Gasperi, a former Vatican librarian, were committed primarily to traditional Catholic values and teachings, and to a Catholic "Third Way," an alternative to Moscow and Washington. During the Marshall Plan years much about American culture was unwelcome in Italy, a country that exhibited no shortage of un-American traits. Consider, for example, just two: ridiculing Catholicism or publicly insulting the Pope were then crimes in Italy, and Protestant evangelicals, especially members of the Church of Christ, were persecuted for their faith by authorities. Italian authorities did gratefully accept $1,500,000,000 in American assistance, 94% of it in grants, but they also kept Americanization at bay as long as they could.[47]

Turkey

After World War II, the Soviet Union demanded bases and privileges from Turkey. Sharing both the Black Sea and its eastern border with the Russians, Ankara refused to be intimidated. Throughout 1946 the Turkish Army mobilized for war because of recurring threats to its eastern provinces. To bolster resistance, "interim" American military and economic aid, authorized under the Truman Doctrine, arrived the following year. As in Greece, when the Marshall Plan commenced operations in Turkey in mid-1948, it was a tack-on to an existing aid program. In fact, an American military commission had already begun a $5,000,000 road construction project for purely defensive reasons.

Unlike Italy and Greece, American fears that led to Turkey's inclusion in the Marshall Plan were aroused solely by an external Communist threat. Foreign Minister Necmeddin Sadak informed Washington officials throughout the late 1940s that domestic communism posed no significant internal danger. While Socialist parties were outlawed in late 1946, a politically stable Turkey imposed no similar ban on Communist Party activities. "In Turkey," a visiting American noted, "it was not and is not safe to be known as a Communist." More than Islam, Turkish nationalism provided a powerful social adhesive, and a labor force near full employment also acted as a deterrent to Communist inroads. A Department of State "Policy Statement" in May 1949 described Turkey as the "only country" in the area in which communism "has made no headway." Turkey's general suspiciousness of outsiders, and its opposition to too many foreigners in residence, were cultural facts of life to which Marshall Planners had to adapt.[48]

When Russell Dorr, a New York lawyer, member of the Council on Foreign Relations, and diplomat took up residence in Ankara for a nearly four-year appointment as Chief of the ECA's fifty-man mission, OSR in Paris expected that Turkey would not require much economic aid. As George Harris has noted, "the Marshall Plan was not designed to deal with Turkey's particular situation." After all, no "recovery" or "reconstruction" of wartime damage was needed. Unlike Western Europe, Turkey struggled with neither a balance of payments problem nor a dollar gap. Ankara, however, strongly disagreed. Latter-day disciples of Kemal Ataturk did not want to squander an opportunity for Westernization which promised creation of a unified home market.

Despite over 40,000 villages tied to a subsistence economy and 60% of its population still illiterate—weak foundations to support either economic development or democratization—Turkish officials had great expectations. Insisting that their costly position in the Cold War's front lines warranted substantial American subsidies and technical assistance, leading politicians and newspapers soon established a pattern that persisted for the life of the Marshall Plan. On July 1, 1948, President Ismet Inonu told C. L. Sulzberger of the *New York Times* that his country was "getting a very stingy allotment under the Marshall Plan."[49] With the amount of ECA aid as well as its apportionment, the Turks were chronically disappointed. In their initial dealings with Turkish authorities, Marshall Planners operated under a major constraint: all neutrals in World War II were ineligible for grants. It was a "clear rule" of policy that Washington revised in later years to accommodate the Turks. Nevertheless, the Istanbul press served up allegations of American stinginess as common fare. Its general unhappiness intensified after Ankara dispatched combat units to Korea, a brigade of 4,500 men that suffered large casualties.

Because a typical aid package was 90 to 10, grants-to-loans, and because loans generated no counterpart, Turkey received considerably less economic stimulus per dollar than nearly all other OEEC members. Only Ireland's and Portugal's packages were less attractive. (See Appendix D.) In the Marshall Plan's first year, for instance, instead of outright grants—the American stock-in-trade—Turkey received 100% of its $35,000,000 in loans carrying a 2.5% interest rate. In the second year its allocation more than doubled, with 50% in the form of loans. Aid for the third year amounted to $50,000,000, and the percentage of loans continued to drop, down to 33%. Much of Turkey's grant money was also conditional, requiring negotiation of drawing rights with western European exporters. Thus, notwithstanding receipt of over $225,000,000 in aid by June 1952, 62% in grants, Ankara always felt shortchanged by Washington. In truth, they were treated differently. From their point of view, they were entitled to see themselves as second-class participants in the Marshall Plan.[50]

Towards the end of his long tour of duty, a perplexed Russell Dorr looked back and described the Marshall Plan in Turkey as the target of a "continuous campaign of belittling" and "ignoring [its] very real benefits." He even condemned some editorial attacks as "insidious." The principal complainers had been the Turkish press and high-ranking government officials, particularly Prime Minister Adnan Menderes and Foreign Minister Fatin Zorlu. Son of a trustee of Istanbul's Robert College, who implanted in him a love of the country, Dorr never supposed that as an agent of its modernization his task would be a largely thankless one.[51]

As a result of Turkey's unusual circumstances, Dorr presided over a development program mainly consisting of capital goods, with primary emphasis on modernizing agriculture. He adopted different criteria for determining success, with economic "viability"—in all its ambiguity—high on his list. Means to its attainment were cultivation of new lands; development of mining and mineral resources, particularly strategic metals like chromium; promotion of private enterprise and foreign investment for manufacturing; and new farming methods and machinery, along with easy credit for farmers. This is what the Ankara Mission meant by a more balanced, diversified, productive Turkish economy. Initially, $35,000,000 were earmarked for a broad range of improvements, a figure that grew under constant Turkish complaints to over $225,000,000 before MSA absorbed ECA.[52]

Fortunately, Dorr and Turkish authorities did agree that agriculture deserved highest priority in the aid program. In 1948–49, 50% of ECA's allocation went for agricultural machinery. Between 1948 and 1952, agriculture obtained 60% of all assistance. The reason was fairly obvious. Farmers comprised 80% of the nation's population and their habits and techniques were centuries old. Their three to four months of idle time, as well as ox carts and wooden plows dating to the Hittites, mystified Americans. Dorr's top-level understanding conveniently ratified ECA's fundamental thinking about how to integrate Turkey into the larger western European economy. OSR Paris expected Ankara to target farm commodities and raw materials for export to other Marshall Plan countries. Turkey's economy, in other words, was to be "complementary," a policy predicated on the classical liberal concept of comparative advantage. Heavy emphasis on agriculture and raw material exploitation fostered the impression by some Turks, particularly in the press, that the United States wished to confine Turkey to a mercantilist system, a mere producer of foodstuffs and minerals for an industrialized western Europe. Over the years, criticism mounted that mercantilism had returned under a new name. Their country, some nationalists claimed, still served as an economic colony for a western European metropolis. Such oversimplifications appealed to many Turks unable to forget the so-called Ottoman capitulations to the European powers.[53]

In its agricultural work, the Ankara mission went straight to the grassroots, where raising and diversifying output per man and per acre competed strenuously. But its overriding aim was to dramatically increase total agricultural supply through various means. New and reclaimed lands, principally marginal areas in the dry central Anatolian plateau, were brought under wheat cultivation. For the first time on record Turkey harvested an exportable surplus of wheat. In the Marshall Plan's second year it also produced the largest cotton crop in its history, and increases in cotton production were labeled "phenomenal."[54]

One mission official attributed the remarkable gains "almost wholly to the increased land" being farmed. For better harvests, however, consider-

Explaining new equipment to Turkish farmers at Ankara Agricultural School.

able credit must go to the adoption for the first time of farm machinery. Marshall Plan tractors played their role in expanding wheat output. By 1950, Turkey had imported from the United States over 4,000 tractors, 2,000 disc harrows, and around 500 combines. Another 400 tractors originated in England and Germany. Under the Plan's auspices the number of tractors increased from 2,200 in 1948 to 26,000 in early 1952, more than one for every two villages. A significant turning point occurred in early 1949 when Turkish officials also asked for American technical assistance and training. They, too, proved valuable. Russell Dorr later extolled ECA's agricultural program as a great success, as did most Turkish politicians. In fact, according to Dorr, "in a way [it was] too successful," because the host government allegedly went on to overextend the objectives of Marshall Planners. Dorr's praise calls for other qualifications. His own program, it should be admitted, was as much Potemkin Village as it was agricultural miracle.[55]

Ironically, before the country team invested broadly in Turkish agriculture, two published reports already circulated in early 1949 with warnings of potential dangers. The Twentieth Century Fund had commissioned an extensive economic survey of Turkey by a team of American specialists headed by Max Thornburg, a no-nonsense oilman in charge of Standard Oil of

California's Middle East operations. Among his many pointed observations, Thornburg reminded would-be agricultural reformers about the "heavy costs of mistaken planning" in Turkey's past. Back in 1946, for example, "thousands of tons of cereals had to be left rotting in the central plateau" because railroads gave priority to coal and ore shipments at farmers' expense. The Ankara mission also had available its very own country study which spotlighted past inefficiencies in Turkish agriculture, particularly in marketing cereals. ECA's research had revealed that waste and spoilage often consumed an astounding 50% of total output in years of good harvests. It identified two principal culprits: a primitive transportation network, with which Thornburg agreed, and an inferior system for grading, packing, and storing grains. Silos and grain elevators had also been in short supply. Both reports clearly implied that any major push for greater yield, expanded irrigation, and mechanization among grain farmers carried big risks unless Marshall Planners carefully coordinated their separate projects.[56]

Forewarned, ECA decided to hang its reputation on the many agricultural technical assistance programs that proliferated in Turkey. By the end of 1952, twenty such projects were still underway with the "Big Story" being the acclaimed work of internationally famous Elmer A. Starch, Chief of the Agricultural Advisory Group at the Ankara Mission, and his team of eight agricultural specialists. Before the farm economist with the perfect Dickensian name headed off for his Turkish assignment, he had established himself in the United States as an expert on the semiarid American West, acquiring within the U.S. Department of Agriculture the nickname "Mr. Great Plains." Arriving in February 1950 as one of the country team's highest paid members, Starch worked out of the "Technical Assistance Division," which stood apart from the "Food and Agriculture Division." In a radio and television address in early March 1952, President Harry Truman spoke of a "veritable agricultural revolution" that had occurred in Turkey during the previous three years. Grain production, the President boasted, had risen by over 50% and cotton yield had tripled. Truman lionized a homespun miracle worker as simply "Elmer Starch of Lincoln, Nebraska." The President's was a deft, understated riposte to fellow Nebraskans Howard Buffett and Kenneth Wherry, who had earlier condemned ECA in Congress as "Operation Rathole." While certainly priceless publicity for the Marshall Plan in Turkey, the White House reference was also highly selective in its disclosures.[57]

Amidst recollections of his years in Turkey as American Ambassador, George McGhee made a point that Turkish farm experts contributed in equally important ways to the agricultural revolution. He especially remembered the Turkish cotton specialist as more knowledgeable than his American counterpart. And he cautioned, as if providing a belated rejoinder to President Truman's 1952 televised speech, that Americans must "avoid exaggeration" in talking about the exploits of Nebraska's Elmer Starch and his team of reputed revolutionaries. His was excellent advice.[58]

What actually happened during the "agricultural revolution" was more complicated than President Truman's radio and television audience realized. There was, to be sure, an increase of four million tons of wheat, but as an inducement to greater production the Turkish government had set and paid a price well above the world market rate. Worse, a baffling and abysmal lack of coordination by the Ankara mission caused great waste. Increases in grain production, in Brice Mace's informed view, were "nothing more or less than the utilization of hitherto unexploited fertile and abundant agricultural lands." Putting plow to virgin soil was the central feature of the success story. An equally significant aspect—what President Truman omitted and Ambassador McGhee hinted at—was that in new wheat regions that were opened up, a disturbing amount of what was harvested never made it to the consumer. Neither the road system nor the available trucks could handle greatly expanded output. What managed to get to market found inadequate storage facilities. The result was a debacle: a perishable commodity stored in Ankara's unfinished Parliament building, buried underground, or else deposited behind false partitions at railroad depots. A national transportation infrastructure of roads and rail lines was not yet finished when bumper crops made their appearance. Turkey could not distribute and market much of what it now grew in abundance: 1946 had repeated itself. That next round of waste and spoilage that Max Thornburg and ECA Ankara once feared eventually materialized. Turkish agricultural progress thus had its illusory quality.

Apparently, the legendary Professor Starch—he chaired Montana State University's Economics Department in the 1930s—and his band of experts operated outside the Ankara mission's strict control and without any sense of *déjà vu*. A "unique situation" was allowed to develop. The celebrated "Starch Group" affiliated itself in effect with Turkey's Ministry of Agriculture, undertaking projects financed by counterpart funds. With a nose for lemons as well as grains, Brice Mace has described him as "the perfect absent-minded professor." The maverick director's administrative skills were so poor that he "never knew from one day to the next what his group was up to." Starch earned high marks from Mace only in the art of self-promotion and for his considerable accomplishments in self-dramatization back at ECA Washington.

The final component of Mace's critique involved the trade-offs that accompanied modernizing Turkish farming. In his report to the Twentieth Century Fund, Max Thornburg had also cautioned about the risks of both mechanization and losing sight of crucial bottlenecks. "The use of tractors," he explained, "requires facilities for their repair, which are to be found nowhere in Turkey today." Instead of buying tractors, Turkey needed, first and foremost, to develop reliable transportation and communication systems. Thornburg's caveat constituted a second instance of prophecy spurned. By mid-1951, Turkish farmers operated around 10,000 tractors. Of those, Turkey imported 136 different makes, for which there then existed in

Paul Hoffman (right) confers with Turkey's Minister of Agriculture, Ankara, October 1950.

the entire country commercial service for just 4 models, and nationwide maintenance for only two foreign manufacturers. After four years of the Marshall Plan, Turkey experienced acute imbalances in the agricultural sector of its economy, despite the Plan's original purpose to promote balanced economies in recipient nations. Agricultural production had raced ahead of infrastructure, even though road building was a definite ECA priority. A "Road Revolution" simply failed to keep pace with an "Agricultural Revolution." Consumption of farm machinery had also outpaced its service and maintenance.[59]

In 1948, with fewer than 380 miles of asphalt roads and the rest impassable after rain, Turkey really had no state roadway system. Its highway to the future started practically from scratch. Launched for military purposes the prior year as part of the Interim Aid package, Turkey's "Road Revolution" was the handiwork of American civil engineers and Turkish laborers. The U.S. Public Roads Group designed new roads, and road-building machinery purchased in the United States was essential to their construction. Under the Marshall Plan, road building was regarded as absolutely vital to homegrown economic development. Ultimately, 20% of all dollar aid to Turkey went into expanding, improving, and linking roads. They were perceived as liberators of farmers, arteries by which their improved crop yields flowed into a single national market and their purchasing power multiplied. Not only did all-weather highways increase to around 10,000 miles, but the entire network of roads expanded from just 1,500 miles to between 25,000 and 30,000 miles under Marshall Plan direction. Committed to sustaining such physical improvements, Turkish authorities sent many of the nation's best engineering students to the United States under the technical assistance program to study road-building methods. The editor of the Istanbul newspaper *Vatan* thought that "the road program made a country" out of Turkey.[60]

The Marshall Plan pushed industrialization in Turkey on a smaller scale than in most recipient countries and only on condition that it "contribute to general European recovery." Regionalism and multilateralism certainly operated as Dorr's guiding principles. But with two large-scale white elephants, Turkey possessed disincentives all its own. In the giant Zonguldak coal complex and Karabuk steel plant the Ankara mission encountered ill-advised industrial installations dating from before World War II. An inefficient layout, absurdly high production costs, wasteful management, and domestic subsidies left Zonguldak an economic mess producing coal unable to compete in the world market. After inspecting Karabuk, the country's only steel mill, Max Thornburg called it an "economic monstrosity" and "industrial moloch." Under the circumstances, ECA Ankara seems to have struck a compromise about industrial development: help salvage Zonguldak, put Karabuk basically off-limits, and promote small projects on their prospects for "assist[ing] the other participating countries."

Except for Zonguldak, the litmus test for American approval was whether projects were advantageous for Turkey as well as "directly or indirectly helpful" to other Marshall Plan nations. Though Turkish officials wanted better steel mills as much as better harvests, ECA extended only token aid to Karabuk. To help with local construction projects, ECA did fund, for example, a new cement plant in Izmir and expanded an old one in Istanbul. But for many other projects, Harriman referred the Turks to the World Bank, recommending that they make "full use" of its services. Prior to the outbreak of the Korean War, however, the World Bank turned down loan requests from the Turkish government because it refused to put up its gold reserves as collateral. Without gold backing, bank officials invoked their own catch-22, deeming any loan as too risky because of Turkey's proximity to the Soviet Union. More promising, Harriman suggested that a favorable investment climate would attract private American capital.[61]

In mining, the Ankara mission made some notable exceptions. Plagued by cost overruns, its big-ticket items involved modernizing and improving productivity at Turkish mines through joint Turkish-American ventures. Because Turkey was an aberration in the Middle East, without a single producing oil field, coal remained the nation's monarch of energy. Consequently, for improvements in equipment, port facilities, and washeries the Marshall Plan invested $16,000,000 in the government-run Zonguldak mining complex on the shores of the Black Sea. Americans paid $12,000,000 of the $55,000,000 cost for upgrading the nation's biggest coal mines and $4,000,000 of the $9,000,000 for improving its harbor installations. According to a World Bank report, salvaging Zonguldak ranked as "probably the largest investment project ever undertaken in Turkey." Iron ore and lignite mines attracted additional American investment, while ECA money funded oil drilling in south-central Turkey.

Public power never acquired the prominence on ECA's agenda in Turkey that it did in neighboring Greece, even though in the late 1940s Turkey had a per capita use of electricity lower than Greece and Bulgaria. In all, roughly $25,000,000, or one-fourth Greek expenditures, went for power-related developments. Russell Dorr considered as "essential" a major long-range project, the Sariyar Dam and hydroelectric power station on the Sakarya River. With transmission lines to Istanbul and Ankara, its 80,000 kilowatts of electricity promised accelerated economic growth in northwest Anatolia.

To the projected final cost of $47,000,000, ECA contributed $27,000,000, or 57%. Although hampered by frustrating delays, with its date of completion rescheduled from 1953 to 1955, the six-year Sariyar Project served as centerpiece and symbol of Turkey's ambitious plans for Western-style development and as the envy of nationalists throughout the Middle East.[62]

Long before the Korean War, Averell Harriman justified Marshall Plan aid to Turkey on the grounds that by strengthening its economy, Ankara could support a large military establishment. He wanted a more prosperous Turkey as an "effective deterrent to Soviet aggression." "They must expand their economy to support their Army," Harriman insisted in early 1949, "principally in agriculture and mining."[63] But what was acceptable expansion? When Turkish authorities submitted an overly ambitious investment program to Chief of Mission Dorr a year later, one that threatened to unbalance the government's budget, Dorr exercised his veto on the counterpart fund to restrain them from expanding their economy too quickly. Frustrated, the Turkish government grumbled, and its sense of mistreatment simmered.[64]

On the front lines of the Cold War, Turkey in the late 1940s and early 1950s spent around half its national budget on defense and was sensitive to the special burden it alone carried. Very much aware that other Marshall Plan countries not bordering the Soviet Union appropriated considerably less for their security than Turkey did, Turkish officials fully expected economic rewards commensurate with their sacrifices. Foreign Minister Sadak bluntly informed Averell Harriman and Paul Hoffman at the Turkish Embassy in Paris in February 1950 that Belgium spent only 8% of its budget on national defense and France around 18%, far less than did Turkey. For fiscal year 1950–51, Italy spent 4.4% on defense; the U.K., 7.5%; and the Netherlands, 10%. All twelve NATO countries spent, on average, 6.6%. Turkey was not only at the head of the ECA class, it was clearly in a class by itself. In early 1951, with its press again attacking the supposed close-fistedness of Marshall Planners, Turkey requested $100,000,000 in additional economic aid. Russell Dorr in Ankara approved $75,000,000, but ECA Washington refused at first to support more than $30,000,000 for fiscal year 1951–52. Ultimately, Turkey received $70,000,000. Its self-image guaranteed disappointment and resentment whenever Washington provided less than they felt they deserved. Instead of forming a "bond" between Turkey and the United States, the Marshall Plan turned into a point of "grievance and misunderstanding."[65]

Unlike Greece, where political life approached the pathological, Turkey was a country of political stability throughout the Marshall Plan years. Dictatorship was Turkey's long political tradition rather than an excess of democracy. Turkey faced and weathered its toughest political test in May 1950 when, after a revision in election laws, the political party of the revered Kemal Ataturk, the People's Party, lost in the national election for the first time since 1923. The incumbent President, Ismet Inonu, was ousted in an unexpected landslide that put a new party, the Democratic Party, in control. The peaceful transfer of power staggered Russell Dorr. “The only case I know in history,” he declared, “where a dictatorship has voluntarily accepted a transition to democracy.”[66]

According to Leon Dayton, Dorr’s replacement as Chief of Mission, it was really the Marshall Plan that made possible the victory of the darkhorse challenger. Its candidates had put ECA programs to good advantage, promoting policies impossible without American aid. The ECA’s Information Division in Ankara took a low-key approach to the demise of the Inonu dictatorship. “We [didn’t] want to be over-dramatic toward building up democracy,” the division head later explained. When the new party came into office, its leaders enlarged the Marshall Plan’s benefits to the Turkish people. When the ECA first arrived in Turkey, most businesses were state-owned. The victorious Democratic Party promoted private enterprise and improved the climate for foreign investment. The Marshall Plan’s influence on Turkey’s political culture remains one of the lesser-known by-products of using economic aid to deter Soviet ambitions.[67]

Narrowly interpreted, the Marshall Plan as “catalyst” was a great economic success in Turkey. GNP surged, increasing 7% annually, on average, and jumping 21% from 1948 until 1951, and 40% from 1950 until 1952. By then, cotton had replaced tobacco as the nation’s most valuable export, and Turkey promised to supplant eastern Europe as western Europe’s breadbasket. With ECA help, imports also grew 45%.[68] Prior to the Marshall Plan, Turkey’s economy was a curious blend of state socialism and free enterprise, with a great income gap between the far western part of the country and other regions. Afterwards, more free enterprise, greater free trade, and a more prosperous agriculture could be detected. Like Italy, the sectional disparity persisted. Perhaps the administration of national government underwent the most exceptional changes. Permanent legacies of the four-year ECA presence were six new government bureaus: Bureau of Reclamation, Market Research Agency, Ports Administration Authority, Public Roads Bureau, Agricultural Extension Service, and the emblem of modernity, the Central Statistics Bureau.[69]

Along with the latest IBM equipment and reliable censuses, Marshall Planners left behind new values that undermined a traditional society. According to the head of Turkey’s Central Statistics in the 1950s, Sefik Bilkur, they taught Turks to be “data-minded” and “statistics-minded.” To preserve a new approach to governance, the Marshall Plan paid for Turkish students in statistical fields to study in the United States. The Westernization of Turkey, the true legacies of Kemal Ataturk and the Marshall Plan, would be a continuous process. Between 1948 and 1952 America’s first serious encounter with a Middle Eastern state aspiring to be Western revealed just how easily mutual misunderstanding afflicted good intentions. In March 1950, an old Turkish friend told an American journalist on his visit to Ankara that “the Americans were not too popular” is his country. If past is prologue, then gratitude was the improbable reward awaiting future outside agents of macroeconomic change in Turkey and disagreement the probable essence of Turkish-American relations.[70]

Bizonia and West Germany

In contrast to Turkey, an undamaged wartime neutral devoid of guilt, West Germany's ascent from postwar hopelessness to economic dynamo left its politicians and people profoundly grateful for the Marshall Plan's contribution to their remarkable turnaround. Indeed, it might be argued that, both then and ever since, Germans have overwhelmed their American partners in recovery with an appreciation nearly as puzzling as the underwhelming thankfulness of the Turks. More so than other recipients, West Germany's state of mind during the Marshall Plan years was paramount. Hence, the Federal Republic's leaders in Bonn grasped the economic, political, and psychological nature of George C. Marshall's countervision, judging its political and psychological aspects as its most valuable assets. How different mentalities and perceptions were in Adana and Istanbul. Turkey's elite approached the Marshall Plan as essentially a glorified bazaar.

For three years after its unconditional surrender, a vanquished Germany paid an additional grievous price for its military failure. Although students of Greece's postwar misery might object, the historian Michael Hogan has reckoned economic conditions in Germany "the worst in Europe."[71] Dismemberment and partition into four zones of Allied military occupation—American, British, and French in the west and Soviet in the east—traced out a victors' harsh peace. Poland received German land east of the Oder and Western Neisse rivers, an amputation of the nation's traditional breadbasket that imposed great hardship. In all, Germany lost one-fourth of its former territory, compelling the western zones to import 40% of their food requirements.

As domestic markets stopped working, normal food distribution broke down. Shortages and undernourishment became commonplace. As millions of refugees and expellees flooded into a truncated country, homelessness taxed resources as well. Thanks chiefly to GARIOA, Government and Relief in Occupied Areas, a relief fund set up by Congress in 1946 and administered by the War Department, the wolf of starvation was barely kept in the wild. Prior to arrival of Marshall Plan aid in mid-1948, GARIOA provided $840,000,000 in food, medicine and fuel for the hungry, sick, and needy. In fact, America's first safety net for the German people cost $1,600,000,000 by 1950, exceeding ECA aid of $1,500,000,000 by 1952.[72]

Primitive conditions of barter, hoarding, and black markets also spread widely after the surrender. And because the Soviets debased a loser's currency by printing mountains of virtually worthless reichsmarks in their zone, a modern absurdity humiliated a proud people: cigarettes substituted for legal tender. With its monetary system in shambles, its inflation terrible, its economy debilitated and makeshift, its governance segmented, and its mood grimly fatalistic, Germany's problems and demoralization seemed insoluble. As long as the dire situation persisted, it encouraged Josef Stalin's belief that he might split the West over Germany. A first halting step towards recovery and reconstruction finally occurred on January 1, 1947, when British and American zones merged into Bizonia, a single economic area with forty million people. The following year, the French zone incorporated itself economically into Bizonia. Not until June 20, 1948, however, was a true turning point reached, at last. On that day western Germany crossed a "demarcation line." Once on the other side the German people positioned themselves to use Marshall Plan aid effectively.[73]

Placed in charge of Bizonia was the commander of American forces in Europe, head of OMGUS (Office of Military Government, U.S.) and former military governor of the American zone, General Lucius Clay. As an Army engineer, the military's most political branch, Clay understood how Congress worked. His appointment surely attested to one individual's importance in history and to just how much personalities count. Milton Katz, who had known him since their days together at the War Production Board, once attempted to take the measure of the professional soldier. The general struck him as an exceptional public servant with a first-rate mind but also a "fiery man who sometimes seemed to run an emotional temperature of 104." "Resolved on a course of action," Lincoln Gordon later marveled, "he was like a D-8 bulldozer."[74]

A career officer with wartime experience in supply and logistics, but not combat, Lucius Clay operated without any helpful precedents. Before 1945, America had never occupied a defeated world power whose central government had simply dissolved. The military governor also discharged his duties without benefit, in his own words, of "a clear definition of policy," leaving voids which he filled. His was a broad mandate from the War Department. Consequently, and by his own admission, Bizonia emerged as largely his "show," a constant challenge to his powers of improvisation and his sense of right and wrong. On his economic chief, Major General William Draper, he came to depend heavily. Wielding enormous discretionary authority, at least the equal of General of the Army Douglas MacArthur's in occupied Japan, General Clay found himself in the middle of chronic interagency conflicts as well as inter-Allied feuds in exercising his powers.

In hindsight, OMGUS's assignment was infinitely more difficult than MacArthur's in Japan. Three tributaries fed a river of friction and quarrels that regularly jumped its banks in postwar Germany. The first originated in Clay's discordant instructions formulated in and forwarded from Washington. Truman's administrators refused to speak with one voice on how to deal with a prostrate Germany. The source of the second was the intolerable conduct of a one-time ally carrying out Josef Stalin's nonnego-


At the Deutsche Werft Shipyard in Hamburg, a shipyard worker shades his eyes as he uses a welding tool. In the background are two new ships under construction.

tiable orders about how to treat a fallen enemy. The third stream sprang from undiminished hatred for Germany in European countries overrun, subjugated, and brutalized by Hitler's armed forces and Gestapo. They opposed rebuilding an aggressor, fearing German revanchism.

Until his showdown with Averell Harriman in early 1949, Clay's official guidelines for administering postwar Germany embroiled him in recurring military-civilian controversy. His boss, the U.S. Army, and its State Department rival disagreed fundamentally about his priorities, rendering JCS 1067 a divisive blueprint for its executor. Clay understood his top responsibilities to be his zone's rapid restoration to economic self-sufficiency and elimination of the financial burden on American taxpayers as soon as possible. Unfortunately, his original charge was conceived in theories that later ran aground of unforeseen European realities. If applied literally, they threatened to undermine the multilateralism and regional planning on which the Marshall Plan was based. OMGUS and the State Department battled specifically over how long and at what cost Americans should prop up Bizonia. By relaxing the cap imposed on German output so as to expand their revenue-generating exports, Clay felt he was doing what was best for both Germans and Americans. Western Europe was simply not his worry. In this spirit, he instituted in August 1947 a new "level of industry" plan, lifting Bizonia's industrial production ceiling from 50% to 75% of prewar levels while cutting the number of plants to be dismantled from 1,800 to 858. Clay's order exposed a profound dilemma in American foreign policy.[75]

Unlike Clay, State Department officials worried chiefly about how best to devise a peaceful future for a western Europe with western Germany its peaceful economic powerhouse. Especially did they dread an unpunished

Deutsche Werft Shipyard was reconditioned with the help of Marshall Plan aid.

and unbowed industrial phoenix rising quickly from war's ashes, threatening once again its neighbors. Ultra-sensitive to French anxiety over her postwar security and economic ambitions, concerns enmeshed with Paris's domestic political tensions, they perceived a hasty German revival as strengthening a growing Communist movement inside France. As Prime Minister Georges Bidault liked to educate his listeners that "we have 180 Communists in the French Parliament who say 'the Marshall Plan means Germany First.'" French sensibilities could be easily bruised on the subject of Germany. Thus, in 1947 and again in 1948 General Clay received explicit directives that the German standard of living could not exceed France's.[76]

State wanted protections in place, and a "level of industry" restraint, which Clay proposed to scrap entirely, was its most trusted safeguard. Besides, economic improvement in Germany had to wait its turn behind political reform. Ironically, the decision to reshape the former enemy's political culture from the bottom up was Clay's. On his own authority, and *sans* guidance from Washington, he turned over villages, towns, and cities under his control almost immediately to local citizens to elect their own officials. State and national elections required more preparation. The State Department preferred more time for seeds of democratic governance which OMGUS itself had planted to germinate and root securely. At that point they then expected economic growth to solidify political gains. Denazification and supplanting totalitarian institutions with democratic ones took precedence and time. Traditional political parties, like the Christian Democratic Union (CDU) and the Social Democratic Party (SPD), had to be revived. A whole new national system had to develop from the grassroots. State's Charles Kindleberger, who worked on German affairs after World War II, condensed his department's policy towards defeated Germany, identifying its "first objective" as "building a solid base for political democracy." For its proponents, only economic measures politically acceptable to other Europeans should be adopted in Frankfurt by OMGUS. In a rush, Clay had other constituents, ideas, and problems to worry about.[77]

Clay's troubles with the Russians sped up his "chipping away" at State's alternate German policy. Moscow simply ignored provisions in the Potsdam Conference accords, refusing to play by the rules of summitry. In seizing reparations from their eastern zone, the Soviets not only dismantled and removed plants and machinery without any accounting, as required, but they also demanded immediate transfer of their share from the western zones, regardless of consequences for German recovery. In Clay's view, Stalin had transformed reparations gathering into plundering. On his own authority, in mid-1946 he stopped shipments out of his zone to the East of all new commitments while continuing the old ones. Avoiding public confrontation was never his personal style.

When arguments with his own State Department and Soviet authorities were not bedeviling Clay's staff, Bizonia's economic woes were. From war's end until mid-1948 western Germany needed desperately a sound currency. In June, OMGUS gambled on a socially risky experiment, resorting to a "drastic contraction of the money supply": 93.5% of the old currency was withdrawn from circulation. Brainchild of Edward Tenenbaum, a brilliant twenty-five-year-old lieutenant in the Army Air Forces and Special Assistant to OMGUS's Finance Adviser, the switch from reichsmark to deutschmark involved slashing bank deposits and personal savings accounts to 6.5% of their original value. Especially hard hit, workers who had entrusted their savings to safekeeping had them wiped out in a changeover that seemed to offer a choice between national prosperity and social equality. In truth, only those Germans foolish enough to have kept savings in paper currency rather than goods suffered. Moreover, although the changeover briefly raised real prices, it greatly aided the poor by wiping out inflation, an extra tax on all their purchases.

More in theory than in practice, the effect of reform appeared fundamentally unfair because "it took away liquid assets" while treating more considerately factory owners and large real estate owners with illiquid assets. Their personal sacrifices were, in fact, minimal. For a larger good, some Germans did voluntarily empty their pockets and further tightened their belts in the short run only to benefit in the long run. One can perhaps date West Germany's economic resurgence from the moment Bizonia's trade unions under Hans Boeckler's leadership made peace with a necessary but radical measure. The remarkable success of currency reform owed much to the absence of a militant response by labor.[78]

Despite its inequities, currency reform had an immediate "tonic effect." The deutschmark, after all, had purchasing power. Black markets and hoarding largely ceased. Industrial output and supplies of retail goods rose dramatically. Such rapid improvements resulted in part because OMGUS had the good economic sense to time its hardening of the currency with a much larger liberalization program masterminded by Ludwig Erhard, then head of Bizonia's economic administration and a virtual one-man trauma team from

Bavaria. To their mutual benefit, "a purely American measure" combined with an unconventional German economist's wide array of reforms. Together, they set in motion forces accelerated by the Marshall Plan and culminating in the 1950s in West Germany's "economic miracle." Returning to classical liberal ideas about how markets function, Erhard, who never attended college, rejected Keynesian orthodoxy for *laissez faire* doctrines. In agreement with General Clay, he emphasized limiting government's role in the marketplace.[79]

Some of Erhard's most important non-Keynesian methods included freer trade, reductions in individual and corporate income taxes, abolition of price controls and rationing, tax incentives to boost savings and wring greater production out of existing capabilities, lower tax rates on reinvested profits, and a credit freeze to fight inflation. His incentives generated the predicted surge in levels of private investment. Of course, the supreme irony in this homespun package of economic reforms was, according to German historian Holger Wolf, that its German author "favored supply-side policies that often were the direct antithesis of the postwar Keynesian recipe for rapid growth," an orthodoxy prevailing among Marshall Plan economists in Washington and Paris.

It would be a big mistake, however, to attribute the subsequent "economic miracle" exclusively to the admixture of OMGUS's monetary reform and supply-side economics, albeit in an extra-large dose. Each made its heavy contribution as inspired jolts to an ailing economy. Each was essential preparation for the Marshall Plan's constructive impact, establishing the requisite stable economic foundation on which it built. The "miracle" was, in truth, a compelling example of polygenesis. Internal and external determinants were many. Holger Wolf has even suggested that fortuitous events, both inside and outside Germany, were vital contemporaries of those celebrated reforms, one external stimulant being ECA after mid-1948. Amalgamated, they all steadily boosted West German industrial production: to 51% of prewar levels in 1948; 72% in 1949; 94% in 1950, and 167% by 1955.[80]

Maybe the luckiest occurrences from which Erhard's policies benefited were supply-and-demand shocks that complicate judgments about the efficacy of a purely supply-side cure for West Germany's economic malaise. In the first place, a painful but valuable transfer of human capital took place during the late 1940s. Ten million refugees and released prisoners of war flooded into the western zones. Czechoslovakia expelled a few million Sudetens. Hungary kicked out their Swabians. Also pouring in were East Prussians, Pomeranians, Upper Silesians, and East Germans. Among the millions of displaced workers filling Bizonia's manpower pool, an estimated twenty thousand newcomers were highly trained engineers and technicians. Exactly when their production took off, industrialists had available a surplus of skilled and motivated laborers with an ethic of hard work and a demand for a high standard of living. With their productivity outpacing their real wages for the next few years, workers energized national recovery.

Moreover, the bulging labor market, with its chronically high unemployment rates, helped to suppress trade union militancy. The years 1948 to 1952 were marked by wage moderation, acquiescent union behavior, and a deemphasis of the Social Democrats' redistribution schemes, all of which further encouraged business investment. Unlike in France, relatively peaceful labor-management relations characterized the era. Thus, a serious potential for instability and extremism manifested instead as a boon, indeed a godsend, for German industry.[81]

General Clay's decision to extend the new deutschmark to West Berlin provoked Josef Stalin into another ill-advised Cold War escalation that unified his squabbling adversaries. With Stalin's timely antics, and American C-54s taking off from its airport every three minutes, who needed the German-born Lothar Wolff and his creative Documentary Film Division at Frankfurt's ECA headquarters? The best propaganda for the Marshall Plan now filled morning newspapers in Munich and Cologne. A Soviet military blockade of West Berlin, and the lengthy American and British airlift, lasting from June 1948 until May 1949 and involving over 275,000 flights, not only convinced the German people of America's seriousness of purpose but, in a symbolic sense, terminated their pariah status in the eyes of their former western European victims. Whereas currency reform hardened Germany's legal tender, the Berlin Blockade hardened its anticommunism while at the same time softening anti-German feelings in the West. As General Clay remembered the crisis, hardly a western German was brave enough to be a Communist in public after the Soviet siege.[82] Enhanced American credibility translated into a more resolute German political will to reconstruct on democratic foundations. Another upshot was a greater readiness on the part of the French and British to put the painful recent past to rest. In their dealings with West Germany, both proved more cooperative thereafter. About a year after Stalin ended his futile gambit, the Korean War erupted. Its outbreak sped up rearmament in NATO countries, ultimately triggering in West Germany an export boom which absorbed excess manufacturing capacity. Afterwards, a Cold War–driven movement to defend the West boosted demand for German finished goods even further.[83]

The final major assurance of the long-term success of currency reform and Erhard's supply-side innovations was the Marshall Plan itself. Like paddles to an arrhythmic heart, OMGUS and Erhardian stimuli restored Bizonia's heartbeat to near normal. The Marshall Plan then improved the patient's health in several ways. From his perspective as Counselor at the Marshall Plan Ministry in Bonn, Hans-Georg Sachs believed that currency reform risked stillbirth had it not taken place on the eve of ECA assistance. The two, he argued, reinforced one another. As a supporter of the polygenetic interpretation, Sachs shares company with numerous economic historians and economists.[84]

When the Marshall Plan finally arrived in the summer of 1948, its implementers also inherited two unenviable predicaments: how to reconcile

Above: *Entire families form crews of builders working on an ECA-aided block of apartments in Berlin.* Below: *Housing under construction in Nürnberg.*

OMGUS and State Department versions of America's German policy and, excepting Moscow and its satellites, how to reconcile Germany's wartime enemies to a new democratic West Germany. For fifteen months, until General Clay and OMGUS turned their authority over to a civilian organization, the U.S. High Commission for Germany, or HICOG, in the summer of 1949, ECA's search for solutions to its twin dilemmas produced for a time one last interagency clash in occupied Germany, noisily pitting OMGUS against ECA.

The overlap of OMGUS and ECA witnessed a messy organizational overload. "At first," Milton Katz observed," relations were "confused and muddled and full of tensions." The two agencies labored until early 1949 at cross-purposes, with General Clay bent, foremost, on "liquidating World War II" by reducing the "dollar load" on his occupation administration. In vintage Harvard law professor diction, Katz classified the bureaucratic tangle as "an intricate problem of interrelationship." More plainly put, a cantankerous military governor, used to getting his way, resented civilian interlopers telling him how to run his European command post. To defend his authority, he treated ECA personnel heavy-handedly, resisted their separate mission and policies, and often seemed more foe than friend or fellow American.

Because Clay resented ECA's presence in Bizonia, he demanded the impossible: that Averell Harriman serve as Chief of Mission in Frankfurt. Refusing to leave OSR, Paris, Harriman sent instead a representative, Norman Harvey Collisson, to run ECA operations as *de facto* head of mission. For many months, Collisson endured Clay's displeasure and lack of cooperation, forced to conduct business without administrative support staff. Denied independent means of communications, his cables passed through OMGUS headquarters. He was also barred from formulating zonal policies, being consulted only after their establishment. Nor was Harriman's man permitted contact with German officials. Collisson was, in other words, hamstrung in conducting Marshall Plan affairs.[85]

After humiliating their delegate, General Clay embarrassed Harriman and Hoffman in the eyes of their European partners. Such conduct should have come as no surprise, since the military governor had already rebuffed the CEEC's attempt to review Bizonia's recovery plans. In August 1948, amidst the tense Berlin Blockade, Clay refused to accept OEEC's proposed allocation of $364,000,000 to Bizonia. According to Lincoln Gordon, "he raised the roof" over the amount. Grumbling about its inadequacy and unfairness, he accused the organization's member countries of "still look[ing] upon Germany as an enemy." Like the Soviets in their confrontation with Clay, the OEEC blinked too, upping his share another $50,000,000. Unlike Stalin, the general had important friends and supporters in the Pentagon and on Capitol Hill. Perhaps they instilled an overconfidence because he soon overreached himself, lecturing Harriman that Europeans were content to let Uncle Sam "support Germany indefinitely," an attitude he refused to abide. As a result of Clay's misbehavior, the comment that "the least cooperative member of the OEEC was the US occupation zone in Germany" circulated widely in official Washington.[86]

As historian Thomas Schwartz has pointed out, Clay regulated economic affairs in his occupation zone in such a way as to "sharply discourage European trade with Germany." This was anathema to OSR Paris. The general wanted to receive payment in dollars, raise export prices, and limit dollar expenditures to "essentials," undermining thereby the broader purpose of promoting intra-European dependency. ECA was always more troubled by the total dollar load in western Europe. Before 1948 ended, Clay and the ECA clashed over two more issues: East-West trade and the price of Bizonian coal. ECA policy, established in November, called for restrictions on trade between Marshall Plan recipients and eastern Europe countries. When Clay ignored ECA by entering into agreements with several Communist countries in violation of the "permissible volume" stricture, Harriman erupted. The two squared off in a test of wills. Prickly and defensive, Clay responded to Harriman's attack on his independence with pointed reminders. His first retaliatory blow was that Bizonia was not Europe's "whipping post" solely because Clay would not permit it. The second, a most powerful counterpunch that rocked a pillar of the Marshall Plan, was that he took his orders from the Secretary of the Army, not ECA.[87]

During the holiday season Clay further blackened Harriman's mood by depositing an overpriced lump of coal in his Christmas stocking. Their dispute over pricing German coal exports brought matters to a head. It spotlighted how Marshall Planners always walked a tightrope strung across Europe. For some time Clay had been "disgusted" with ECA over its attitude towards both the Ruhr Authority and the conversion of sterling balances. In turn, Harriman simmered over the fact that Clay wanted German coal exported throughout Europe for dollars instead of for local currencies. But since the coal sold at the low price of ten to fifteen dollars per ton, Harriman bit the bullet. In late December, however, he swallowed the cartridge. That month an increase of five dollars per ton in the price of coal, authorized by the Secretary of the Army and scheduled to take effect on New Year's Day, was announced by Clay as a purported means to reduce OMGUS's costs of occupation. Projections indicated that the price rise would generate an additional $80–100,000,000 annually in Bizonian revenues.

The central problem with Clay's coal policy was its conflict with ECA's policy that low-priced Ruhr exports would facilitate a greater western European recovery. Whereas Clay wanted Bizonians and American taxpayers to benefit from German production, Harriman's interests were not nearly so narrow. A higher German price came at the expense of France, Luxembourg, the Netherlands, Italy, and Austria. In Harriman's view, it guaranteed a "devastating effect." Why? Because the cost of steel and transportation throughout western Europe would then jump, triggering a general inflation as well as undercutting ECA's efforts to lower the price of coal in the United Kingdom. In addition, OMGUS had tossed political dynamite westward, lending plausibility to Allied charges of favoritism—that the United States put recovery of World War II's perpetrator ahead of its victims. With so much emotion churning, Harriman advised Secretary of State Marshall during his last days in office that ECA planned to reduce aid to Bizonia the exact amount that the price rise generated as well as increase aid to coal-importing countries, like France, as compensation for their added costs. The net result would be yet another American payment to France for not obstructing German recovery.[88]

As his next countermove in his struggle with Clay, Harriman appealed to Marshall's right-hand man, Robert Lovett, for redress of grievance. Complaining that Washington had allowed Bizonia's "economic management" to get out of sync with ECA's overall European design, he called for limitations on Clay's powers and responsibilities. Eventually, the showdown ended with Harriman victorious and private German management running mines in the Ruhr. After Harriman's old friend and World Bank president, John J. McCloy, was chosen in June 1949 as U.S. High Commissioner in Germany, and agreed to wear two hats in Bonn, doubling as ECA's Chief of Mission, peace and cooperation at long last marked interagency relations in West Germany. Economic difficulties did not disappear, however. Akin to the Italian workplace, the most intractable problem faced by McCloy's staff until late 1950 was mass unemployment. The jobless rate shot up in late 1948 in the aftermath of the Erhardian reforms and the huge influx of refugees. From 4.5% it climbed inexorably to its zenith of 12% in March 1950, dropping to 11% at year's end. At one point, a troubled McCloy even threatened Chancellor Konrad Adenauer and Economics Minister Ludwig Erhard with suspension of Marshall Plan aid unless they modified their laissez faire policies to lower their unemployment figures. In 1951, West Germany's surging export economy started absorbing surplus workers. The jobless rate then steadily plunged until 1960, when it reached 1.3%. Erhard's non-Keynesian faith was vindicated.[89]

In its very first country study in February 1949, after the donnybrook with OMGUS, ECA Washington publicly described its purposes in "Western Germany" as, in order, "avoid[ing] the political dangers which might well resolve from economic distress" and "enabl[ing] it to become economically self-supporting."[90] Seldom have institutional aims so grand in conception been so blandly represented. Germany, in fact, occupied the nucleus of Hoffman's and Harriman's thinking about postwar Europe. Harriman confided to Ludwig Erhard that his government attached "great importance" to German economic integration into western Europe because its success meant that there was a good chance that political integration would follow. Marshall Planners envisioned a reconstructed West Germany as "workshop for Europe's recovery." They wanted revitalization of its economy in order to substitute West Germany for the United States as "main supplier of the capital goods needed for [European] recovery." Besides lifting the onus from

These German coal miners were a key link in West Europe's energy economy.

the American taxpayer, a German rebound meant that America no longer had to supply “food to Germany, capital goods to Western Europe, and dollars to all of them.” Their strategy’s linchpin was encouragement to industrialists to give exports primacy in the marketplace. The workings of the Plan then “enabled Germany to commit itself to free trade and to stick to this commitment.” In myriad ways, in fact, the Marshall Plan functioned as the Great Enabler in West Germany’s revival, which in turn made possible western Europe’s economic self-sufficiency and political stability.[91]

The Marshall Plan moved Bizonian revival along in several stages. It first targeted the “food bottleneck” and near starvation. After the war the daily diet in the American and British zones averaged only 1,300 to 1,400 calories per person, even less in the French zone. German nutrition had improved but little by the time the inaugural shipments of grain, canned beef, and potatoes arrived in June 1949. By year’s end, 78% of all ECA exports—valued at $478,000,000—were food. Raising per capita caloric intake above the danger level was the Frankfurt mission’s overriding humane concern. By joining GARIOA in relief efforts, ECA immediately reduced hunger and malnutrition while removing one obstacle to greater worker productivity. Because of essential food purchases, Bizonia under OMGUS had run a large trade deficit with the Western Hemisphere. ECA food imports helped to balance dollar accounts. Only later in the year did deliveries of vital raw materials, like cotton, swell the flow of imported commodities. Overall, the Marshall Plan impacted western Germany’s economy with $1,400,000,000 in commodities and services and another $1,350,000,000 in counterpart funds. The initial release of counterpart followed the emergence in September 1949 of the Federal Republic of Germany with Konrad Adenauer, a Christian Democrat, as Chancellor. In 1949, counterpart constituted 5.8% of West Germany’s aggregate fixed investment, rising to 7.8% the following year before dropping back to 4.1% in 1951. The infusions proved invaluable to a robust national recovery.[92]

Ten million refugees in a population of forty-seven million constituted a second humanitarian crisis in need of full attention. In early 1950, at a dinner with Averell Harriman and Vernon Walters, Vice Chancellor Franz Blücher referred to their “present misery” as a “tremendous” problem which threatened his country’s social and political stability and was therefore “very serious for all of Europe.” He advised Harriman that expanded domestic production in Germany was the best permanent solution to the unfortunate situation. In response, OSR, Paris pursued both short-term relief and long-run remedies.[93]

To reduce human suffering, refugee assistance commanded a considerable slice of both regular and counterpart monies. Resettlement and housing construction, particularly in Schleswig-Holstein, Lower Saxony, and Bavaria, were heavily subsidized. In the February 1949 country study, Marshall Planners had already identified housing as the German people’s “most acute need.” In all, ECA funds built 125,000 dwellings throughout

West Germany. Marshall Plan officials also created a "refugee bank" for providing credits and loans with 127,000,000 deutschmark in counterpart. The rest of the counterpart fund was directed into investment rather than debt payment. Americans focused on West Germany's transportation and communication infrastructure, along with its industrial plant. But their biggest, most ambitious, and wisest investment went into electric generating capacity, the "power bottleneck" limiting future industrial expansion and which was beyond the capability of private capital markets to break. Eighteen percent of the over $1,000,000,000 in counterpart, or around $240,000,000, ultimately financed power development. With its most publicized in West Berlin, ECA sponsored energy projects nationwide. They encompassed sixty-seven new power stations supplying nearly one-fourth of the country's electricity requirements. Railroad reconstruction and coal mines in the Ruhr were two other specific beneficiaries. Railway transport received over 1,500 new locomotives and 70,000 freight cars. Improvements in mining depended on nearly 10% of counterpart funds. All answered, in effect, Blücher's call for expanded domestic output. According to the head of Kreditanstalt bank, the Marshall Plan also enabled West Germany "to negotiate its debts, including both the pre-war debts . . . and the postwar debts."[94]

Surprisingly, West Germany received more Marshall Plan aid in proportion to GDP than did Great Britain. Such a statistic can be misleading. Because Germany's economic recovery was already underway (an industrial plant, like Italy's, less damaged than imagined), and because of the relatively modest amount of assistance—annual percentage of national income ranged from a high of 5.3% in 1948 to a low of 1.6% in 1951—the Plan's direct economic impact was probably minor. At least one significant indirect benefit spurred economic growth. Holger Wolf has concluded that "by prodding more interventionist governments towards liberalization," Marshall Planners "increased the payoff to the liberal policies adopted by Germany" in advance of ECA programs.[95] Decisive political and psychological antecedents to the "economic miracle" of 8% annual growth, on average, throughout the 1950s can be traced straight to the Marshall Plan. Leading German public officials have thought so. Soon after the Plan expired, Vice Chancellor Franz Blücher dwelled on the interrelatedness of economic and political factors. Besides permitting West Germany to purchase badly needed raw materials while directing counterpart into productive investments, ECA had rechanneled an outcast nation back into the European mainstream. Apparently, international respectability, especially the West's reacceptance of the German people, rivaled currency reform as a national "demarcation line."[96]

Twelve years later, former Information Officer at the Marshall Plan Ministry in Bonn, Gustav Sonnenhol, and former Chancellor Konrad Adenauer underscored Blücher's final point. Sonnenhol stressed the great psychological value of the Federal Republic's first postwar diplomatic missions—to the

OEEC in Paris and the ECA in Washington—and its first postwar treaty, a 1949 bilateral agreement with ECA. Adenauer noted his countrymen's improvements in mood and morale that followed, telling an interviewer that ERP supplied "hope" along with "provisions." In his estimation, "extension of the Marshall Plan to Germany was first of all a deed of extremely great political significance" because "in spite of her past, Germany was placed . . . on an equal footing with other suffering countries." Equality of treatment had an "extraordinarily good psychological effect." The clearest evidence of a new "European solidarity," according to Karl Albrecht of the Marshall Plan Ministry, was the "$120 million in credits . . . granted to Germany by the European countries [EPU in 1950] without US participation." The Marshall Plan had returned a nation's self-respect, a precondition for the economic achievements, extraordinary prosperity, and a new European order that ensued.[97]

Marshall Planners succeeded politically and psychologically in their German policy. By situating West Germany within a framework of western European economic cooperation, interdependence, and mutual benefit, they diluted anti-German feelings and tamed French security fears. Generous Marshall Plan aid to both France and Britain also staunched a hemorrhaging Bizonian economy, eliminating a powerful disincentive to rebuild by helping to silence demands for a continuation of war reparations.[98] In belatedly unleashing German industrial might within an existing regional system of mutual assistance, most clearly demonstrated in the enlightened policies of the OEEC and European Payments Union during Bonn's balance of payments crisis of 1950–51, and with some unintentional help from Josef Stalin, they solved the difficult "German Question." What had poisoned relations between OMGUS and the State Department, and among the western Allies, lost its potency. The antidote was the Marshall Plan.

PART TWO: A CONTINGENT AND RELEVANT PAST