

In the Pursuit of Economic Security

American Post-WWII Economic Objectives and the Origins of the Cold War

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The United States (US) and Soviet Union emerged from the Second World War (WWII) as hegemonic allies with the inherited responsibility of establishing a new world order out of the postwar destruction. However, shortly after the war, as European nations began to vie for relief and recovery funds, as well as programs to help stimulate their recessionary economies, the US and the Soviet spheres of influence began to intersect and conflict with one another, resulting in American and Soviet competition for international dominance and authority over economic relief and postwar reconstruction of their war-torn allies. This competition was easily recognized by both powers as a clearly defined economic and ideological contest between American free-market capitalism and Soviet state-centered communism. This contest translated into concerns over the threat of “expansionist policies” – economic and militaristic – perceived by both the US and the Soviet Union as an immediate security concern to their respective spheres of influence. The American objectives in planning for the postwar world economy were motivated by a self-interested desire to guarantee steady growth, relative stability, and economic security in the postwar US economy. The political and strategic ramifications of America’s post-WWII foreign economic policies, however, established a stark division between the Eastern, Soviet sphere and the Western, American spheres of influence in Europe, Asia, and a number of Third World countries, and contributed to the origins of the Cold War.

Although post-WWII American policies of economic relief and recovery had political and strategic consequences that contributed to the bipolar division of the Cold War world, the objectives of these policies were primarily concerned with the preservation of US

economic security. First, to establish a working basis and to clarify this paper's thesis, traditionalist and revisionist theories of post-war American economic objectives will be briefly outlined, evaluated, and contrasted with this paper's economic security argument. Second, this paper will describe the major developments in American economic policies after WWII, including the Truman Doctrine, bilateral interim relief programs, and the Marshall Plan, as well as the economic events and trends leading to the creation of these policies. By looking at the development of these economic policies, including an exploration of postwar American domestic politics, we can see how objectives for economic security helped to stabilize the postwar international economy, while also leading to bipolar security ties. Lastly, the international political and security consequences of America's economic policies will be explored in order to explain how, and to what extent, these policies contributed to the origins of the Cold War. Due to space limitations, this paper will focus only on American economic objectives in Europe, which was the primary concern of postwar American interest.

Traditionalists, Revisionists, and Economic Security

Traditionalists argue that postwar American economic objectives were a direct reaction to the Soviet Union's adherence to an uncompromising Marxist-Leninist ideology, Joseph Stalin's repressive totalitarianism, and exclusive Soviet state-centered economic policies. This argument maintains the orthodox American view, as originally established by the American government, that postwar economic objectives were in clear defense of "free men" against communist aggression.¹ Soviet action throughout 1945 and 1946, with its

¹ Ronald W. Pruessen, "The Objectives of American Foreign Policy and the Nature of the Cold War," in *Reflections on the Cold War: A Quarter Century of American Foreign Policy*, ed. Lynn H. Miller and Ronald W. Pruessen (Philadelphia: Temple University Press, 1974), 27-28; Stanley Hoffmann, "Revisionism Revisited," in *Reflections on the Cold War: A Quarter Century of American Foreign Policy*, ed. Lynn H. Miller and Ronald W. Pruessen (Philadelphia: Temple University Press, 1974), 5-8; Marxist-Leninist ideology gave Soviet leaders a view of the world according to which all societies were destined to proceed along appointed roads by appointed stages, until they achieved an international classless society. Arthur Schlesinger Jr., "Origins of the Cold War," *Foreign Affairs* 46, no. 1 (1946): 23-24, 46-48.

perceivably uncompromising authoritative grasp over Eastern Europe and its strengthened position in the Middle East, Eastern Mediterranean, and Vietnam, had gradually convinced many American officials that Stalin had no interest in the revival of world trade or collective security. Traditionalists argue that American officials genuinely believed that Soviet behavior signaled the beginning of an unlimited expansionism that threatened the US and its western European allies.² As a result of this expansionist threat, the Marshall Plan, the revival and integration of Western Germany, and the formation of NATO were all established in order to sustain the international balance of power.³ Thus, the United States had no design for a postwar foreign economic system, but was obliged to take a leadership role and contain the growing Soviet expansionist threat as a result of aggressive Soviet behavior.

In contrast to traditionalist theories, revisionists argue that postwar American economic objectives were aggressive, expansionist, and imperialistic. In revisionist interpretations, a “corporate class” of American elites shaped foreign American economic policies to maximize and secure profits of multinational businesses, and to ensure open, non-discriminatory international commerce, including inexpensive raw resources and a stable system for international financial transactions. American policymakers, therefore, used foreign aid, economic collaboration, and reconstruction programs to gain trade, the reformation of the world economy, and American prosperity on behalf of US businesses.⁴ Thus, revisionists argue that US foreign economic policies were not defensive, nor were they established in order to build a peaceful international order. On the contrary, American economic policies were established to further the interests of the US corporate class by

² Gier Lundestad, “American Empire by Invitation? The United States and Western Europe,” *Journal of Peace Research* 23, no. 3 (1986): 264-265; John Lewis Gaddis, *The United States and the Origins of the Cold War, 1941-1947* (New York: Columbia University Press, 1972), 282-284; Robert A. Pollard, *Economic Security and the Origins of the Cold War, 1945-1950* (New York: Columbia University Press, 1985), 33. Traditionalists contend that George F. Kennan’s “Long Telegram” dramatically influenced this view.

³ Melvyn P. Leffler, “The United States and the Strategic Dimensions of the Marshall Plan,” *Diplomatic History* 12, no. 3 (1988): 277-285.

⁴ Joyce and Gabriel Kolko, *The Limits of Power: The World and United States Foreign Policy, 1945-1954* (New York: Harper & Row, 1972), 1-5, 11, 20-24, 709-112; Gaddis, 357-358.

reforming and sustaining world capitalism. Consequently, the aggressive American economic agenda clashed with postwar Soviet planning. The American desire for a world economy reformed along liberal capitalist standards and open to American free enterprise and trade antagonized the economic ideology of the Soviet Union. Moscow had no choice but to defend its own interests and the Great Powers were led into a series of decisions that established Cold War divisions.⁵

Both traditionalist and revisionist arguments are credible in their representations of postwar American economic objectives. However, these arguments tend to oversimplify the delicate interaction of economics, politics, and security concerns in the postwar era. Traditionalist arguments go too far in asserting the threat of Soviet expansion. While the Soviet Union did extend its influence after WWII, these were limited moves that posed little threat to US economic objectives. As revisionists point out, the American tradition of anti-communist and anti-Soviet suspicions played a greater role in creating the Soviet threat than the Soviet Union itself.⁶ Revisionists are correct in noting that the Soviet Union had limited territorial ambitions aside from preventing Germany from becoming a Western preserve, and that the Kremlin was more concerned with domestic Russian issues than with global communism. Further, revisionists are correct in emphasizing the importance of American domestic constraints on US economic policy, but they define these constraints too narrowly. By focusing on domestic American economic constraints, revisionist arguments neglect the impact of domestic politics on America's foreign policy.⁷

The economic security argument resolves traditionalists and revisionist discrepancies by offering a reactive, self-interested, and cautionary theory to explain postwar American economic objectives. American policymakers did, as traditionalists argue, believe that they were being endangered by an ominous Soviet threat, but the official argument of an aggressive communist expansion was more rhetorical than it was rooted in actual Soviet

⁵ Schlesinger, 24-26. Revisionists view Soviet behavior as largely defensive. They stress that the Soviets avoided major confrontations and behaved with prudence in Western Europe by encouraging Communist parties to work in national coalitions. Hoffmann, 8-10.

⁶ Hoffmann, 7-8. Also see "American Domestic Politics" section below.

⁷ Hoffmann, 10-11; Gaddis, 357-358.

motivations. In fact, communist political parties and ideologies became popular in Western Europe, particularly in France and Italy, because of recessionary economic conditions in the postwar period, and not because they were being imposed from the outside.⁸ The US feared a potential decrease of market share in Western Europe if communism was widely adopted, and sought the preservation of its own economy. However, the goals of American economic stability and of rebuilding Western Europe for American economic purposes did not prevent the US from recognizing the importance of these economic objectives in maintaining global stability.⁹ This is confirmed by evidence that American postwar economic objectives were reactive in nature, with little sign of an underlying plan to extend American economic influence to the clear benefit of American commerce. After reviewing economic trends and events from 1945 to 1947, American policymakers began to believe European integration and economic restoration would increase European productivity, raise living standards, and prevent radical political movements from both the left and the right, which would benefit both the United States and the European nations.¹⁰

The Development of Post-WWII American Economic Policies

The World Economy after WWII

As seen in the economic security argument outlined above, the economic objectives of American policymakers were not pursued merely for the interest of preserving and improving economic growth in the US, but in order to ensure global stability and the prevention of future wars. These objectives developed in reaction to global economic recession, the closing of foreign markets, and the ascendancy of radical political groups throughout America's principal market in Europe.

⁸ Pollard, 74-79.

⁹ Pruessen, 29-53; Thomas J. McCormick, *America's Half Century: United States Foreign Policy in the Cold War and After* (Baltimore: Johns Hopkins University Press, 1989), 72-73, 88-98.

¹⁰ Robert E. Wood, "From the Marshall Plan to the Third World," in *Origins of the Cold War: an International History*, ed. Melvyn P. Leffler and David S. Painter (New York: Routledge, 1994), 243-244; Pollard, 7-9, 34-35.

A number of major trends changed the dynamics of the postwar world economy and set the stage for a shift in American economic objectives. Together, these trends created a dollar shortage in Western Europe that was the basis for the global economic crisis in the postwar period. First, the breakdown of trade between Eastern and Western Europe to a third of its wartime level, in addition to the underlying cause of low productivity, resulted in European countries relying on dollar imports from the US to equalize their declining terms of trade. Second, decolonization, such as that in Vietnam, Malay, and Indonesia, led to the decline in colonial sources for dollars sent to Western Europe. Finally, the growing dependence of Western Europe on the US to satisfy its dollar shortage left Western European states susceptible to small fluctuations in the US economy. Since Western Europe was a major center of investment, trade, and financial transactions before WWII, this new vulnerability left the global economy unstable and uncertain.¹¹

Eastern Europe, although of little importance to the US economically, caught the attention of the US as it alerted American policymakers to the potential, yet passive, threat of Soviet influence.¹² In the Soviet Union, security concerns dictated extraordinary measures to control its economic interests in Eastern Europe, to which the Soviet Union believed it was entitled for its efforts in WWII. Although American aid to Eastern Europe was optimistic at first, this aid quickly declined after communist political groups gained popularity and Eastern European trade shifted nearly exclusively to the east.¹³ For American policymakers, the Soviet Union's apparent attempt to create a closed sphere of influence threatened the open and integrated economic order, which was considered necessary for American economic prosperity.¹⁴ Although the Soviet Union did not seek control of states beyond the East European region, the conflict over Eastern Europe created a climate of mutual mistrust that

¹¹ Wood, 231-247; Gaddis, 360; McCormick, 73-75; Pollard, 64--66.

¹² Before the war, American assets in Eastern Europe had amounted to only 560 million USD, 4 percent of US investments worldwide. Pollard, 40.

¹³ Such was the case in Poland and Czechoslovakia after the communist takeover of both governments in 1947 consolidated relations with the Soviet Union. Pollard, 41-47; McCormick, 64--65.

¹⁴ Pollard, 33, 47-49.

would have lasting effects on Soviet-American relations, and which would contribute to the development of Cold War divisions. Soviet policy in Eastern Europe provided the United States with evidence that the Kremlin was unwilling to participate in international multilateral programs, and that the American objective of an open world economy would not be fully realized.¹⁵

With the loss of Eastern Europe, American policymakers soon realized the importance of Western Germany to European economic reconstruction. American perspectives on reparations and German industrial productivity in the postwar period clashed with Soviet opinions and led to the geographical division of Germany into East and West.¹⁶ In addition to Soviet-American tensions over Eastern Europe, conflict over Germany would further contribute to the growing Cold War divisions between both powers. Still, Western Germany, and particularly the Ruhr Valley, was a significant industrial producer that contributed greatly to the recovery and stability of the European economy.¹⁷ Thus, American policymakers concluded that in order for American economic objectives in Europe to be met, special attention would have to be given to the recovery of the Western German economy.¹⁸

As a result of the postwar dollar shortage, the Soviet gain in Eastern Europe, and a general global economic recession, many European states returned to their prewar policies of economic nationalism and resisted American efforts to open their markets. Pressures for economic nationalism grew from domestic politics within Europe, along with growing political support for communist parties throughout Europe. Immediately after WWII, European governments began to regulate their economies, raise labour's share of income, increase tariffs and currency controls, and avert external pressure for deflation and spending cuts.¹⁹ In particular, Britain, France, and Italy – three major economies in Europe – were

¹⁵ Ibid., 56-58.

¹⁶ Pollard, 90-91, 94-97; McCormick, 67-68.

¹⁷ Pollard, 98-99; Michael J. Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western, 1947-1952* (New York: Cambridge University Press, 1987), 29-30.

¹⁸ Hogan, 40-41, 58; Gaddis, 326-332; Alfred Grosser, *The Western Alliance: European American Relations Since 1945* (New York: Continuum Pub. Co., 1980), 61-62.

¹⁹ McCormick, 53-57.

close to insolvency.²⁰ With the Kremlin limiting its activities to Eastern Europe and Northeast Asia, despite the growing popularity of communism throughout Europe,²¹ the US was the sole power in the postwar economic system capable of filling in the dollar gap and leading Western Europe into an era of sustained economic growth and productivity. Thus, out of fear that the unsolved dollar gap would cut off their economic ties with Europe, ruin American postwar productivity, initiate European state economic planning, and allow communist parties in France, Italy, and Britain to gain political leverage, American policymakers resolved to intervene in the economy of postwar Europe.²² However, it would take the crises in Greece and Turkey, and a key telegram from Deputy Head of the US mission to Moscow, George F. Kennan, for the US to receive the tools it needed to enable it to pursue these foreign economic policies.

Crises in Greece and Turkey

Crises in the eastern Mediterranean in 1946 demonstrated the extent to which the US was willing to take action to sustain its economic interests in the postwar world. Both Turkey and Greece faced similar problems; each was experiencing an economic recession in addition to political and military pressure from domestic political groups.²³ As of February 1947, the British, who assumed control over Greece and Turkey after WWII, were experiencing economic problems of their own and became unable to sustain the financial and

²⁰ Grosser, 59-61.

²¹ Melvyn P. Leffler, *The Specter of Communism: The United States and the Origins of the Cold War, 1917-1953* (New York: Hill and Wang, 1994), 50.

²² McCormick, 73-74; Thomas G. Paterson, *On Every Front: the Making of the Cold War* (New York: Norton, 1979), 1-18, 22-25; Hogan, 26-27, 31-33; Pollard, 63-64.

²³ Soviet troops massed along the border of Turkey and demanded the revision of the 1936 Montreux Convention of major territorial concessions. In Greece, the more immediately threatening of the two, internal conflict between traditional rulers and a leftist and communist coalition (KKE) threatened instability in the region as well as future economic access for American economic interests if Greece came under rule of hostile Soviet forces. Pruessen, 32-33; Pollard, 115-119.

military contributions they had been making to ensure the preservation of the contemporary Greek and Turkish governments.²⁴

American policymakers concluded that the appeal of communism in Greece and the interests of the Soviet Union in Turkey directly threatened American economic interests in that region. Although the Kremlin did not directly interfere with the fighting in Greece and did not, in the end, impinge on internal Turkish affairs, American officials believed that a communist victory in the eastern Mediterranean would increase the appeal of Soviet communism in other regions of Western Europe, such as Germany, and thus limit the extent of postwar American economic accessibility and influence.²⁵ However, in order for American policymakers to request the financial resources from Congress to aid Greece and Turkey in their respective disputes and maintain American economic security and interests in Western Europe, they would have to portray these crises as the result of an “expansionist” Soviet Union.

The Truman Doctrine

In February 1946, George F. Kennan’s “long telegram” from Moscow allowed President Harry S. Truman’s administration to make influential and rhetorically radical speeches to rally domestic American politics behind an active foreign policy of containment against the threat of Soviet expansionism. Kennan portrayed Soviet diplomacy as persistently hostile, as Stalin relied on the existence of external threats, such as proclaiming the danger of “antagonistic ‘capitalist encirclement’ with which in the long run there could be no permanent peaceful coexistence,”²⁶ to maintain domestic authority. In summarizing his observations, Kennan advised his Washington superiors that the Soviet Union saw it “desirable and necessary that the internal harmony of [US] society be disrupted, [American] traditional way of life be destroyed, the international authority of [the American] state be

²⁴ Paterson, 55-56.

²⁵ Pollard, 108-116; Pruessen, 33-34.

²⁶ George F. Kennan, “Moscow Embassy Telegram #511, ‘The Long Telegram,’” in *Containment: Documents on American Policy and Strategy, 1945-1950*, ed. John Lewis Gaddis and Thomas H. Etzold (New York: Columbia Press, 1978), 51.

broken, if Soviet power is to be secure.”²⁷ By stressing the importance of internal influences on Soviet diplomacy, Kennan urged his superiors in Washington to approach all issues with the Soviet Union from the perspective of international competition.²⁸

The Truman Doctrine was initiated in March 1947 when President Truman asked Congress to authorize 400 million US dollars (USD) to assist the crises in Greece and Turkey.²⁹ In his speech to Congress, President Truman warned of the importance of resisting the spread of totalitarian regimes throughout the world, and particularly Europe: “It is necessary only to glance at a map to realize that the survival and integrity of the Greek nation are of grave importance to a much wider situation . . . Should we fail to aid Greece and Turkey in this fateful hour, the effect will be far reaching to the West as well as to the East.”³⁰ Furthermore, Truman built on Kennan’s “long telegram” to urge Congress to adopt as the official stance of American foreign policy the containment of regimes such as the Soviet Union, which were characterized as relying on “terror and oppression, a controlled press and radio; fixed elections, and the suppression of personal freedoms.” Truman stated that, “it must be the policy of the US to support free peoples who are resisting attempted subjugation by armed minorities or outside pressures.”³¹ This doctrine of containment enabled the Truman administration to ask for nearly endless financial assistance from the American public for the purpose of containment. Anti-communism resonated deep within American society, and Truman took advantage of this to claim that without support for new commitments and economic programs abroad, basic American freedoms were at stake. Politically, it became impractical for opponents of these programs to resist the

²⁷ Ibid., 61.

²⁸ See Part Five of Kennan, 61-63. Ironically, Kennan himself did not believe that Soviet Union pursued world revolution. To him, Marxism-Leninism was simply a crude means to justify a repressive regime. Leffler, *The Specter of Communism*, 52-55; Gaddis, 302-304, 322, 326.

²⁹ Pruessen, 32-33.

³⁰ “President Harry S. Truman’s Address Before a Joint Session of Congress, March 12, 1947,” in *The Fifteen Weeks (February 21-June 5, 1947)*, ed. Joseph M. Jones (New York: Viking Press, 1955), 273.

³¹ Ibid., 272. McCormick, 77-78; Gaddis, 296-300.

administration's rhetoric, or to question the perceived ideological struggle between contrasting ways of life.³²

The reasons for the US taking action in the world economy had little to do with the Soviet Union. The Soviet Union was certainly not contemplating unprovoked or premeditated military aggression. The global economy was weak in itself and the Soviet Union took advantage of this by blaming the systematic weakness of global capitalism.³³ Rather, American policymakers used the containment doctrine to shock Congress and the American public into supporting economic relief and recovery in Europe, which in turn helped create stability and opportunity for the US economy?³⁴ Thus, in exaggerating the Soviet threat in US domestic politics, the Truman Doctrine would help prepare American politics for future, more concerted American economic objectives, such as the effort to solve the dollar gap and the economic recovery of Germany.³⁵ However, the containment doctrine also trapped US policy in a cycle of rhetoric and responses that restricted the administration's flexibility in dealing with the Soviet Union and exacerbated Cold War bilateralism.

Interim Aid

Between the end of WWII and the start of the Marshall Plan in July 1948, which would supply grants and credits to Western Europe to promote medium-term economic development and productivity,³⁶ The United States supplied Europe with a number of short-term relief loans and grants to begin economic restoration in America's prospective markets. The prerequisites for world peace, American policymakers believed, were early postwar relief programs meant to ensure the reconstruction of a stable, prosperous, and democratic Europe.

³² This is best reflected in Congress's voting record on the issue. The Senate approved the bill on April 22, 1947 by a margin of 67 to 33, and the House followed with a margin of 287 to 107. See Pollard, 25-26, 119-131; Leffler, *The Specter of Communism*, 58-63; Gaddis, 304-112.

³³ Leffler, *The Specter of Communism*, 56-57.

³⁴ Gaddis, 317-321, 351.

³⁵ McCormick, 75-76; Pollard, 128-132.

³⁶ While the Marshall Plan was submitted in September 1947, it was not ready to operate until July 1948. See "The Marshall Plan" section of this essay.

More threatening than Soviet takeover to American policymakers was an inability of states in Europe and the Mediterranean to generate productivity and recovery as a result of state deficits, alienation of labour, and inflationary wage settlements?³⁷ After the 1947 Truman Doctrine, American policymakers were aided in their relief objectives by the rhetorical cover of Soviet containment, allowing policymakers to draw on additional funding.

After WWII, these quick-fix attempts in American foreign economic relief took the form of a variety of bilateral programs. Between July 1945 and June 1947, Britain received 4.4 billion USD, France 1.9 billion USD, Italy 330 million USD, the Benelux states 430 million USD, and the Eastern European states 546 million USD in economic relief and restoration.³⁸ In addition, American policymakers urged their European beneficiaries to revive industry and reform finances, liberalize trade and payments, and build central European organizations of economic coordination. These aid programs were an attempt by American policymakers to quickly restore normal productive activity to protect American economic security.³⁹ Although the official American stance on international economic aid quickly took the line of Soviet containment, American objectives were fundamentally more concerned with guaranteeing access to European economies than with the containment of the Soviet Union, as reflected in America's urging that European states remain open to American investment, trade, and capital movements.⁴⁰

The Marshall Plan

³⁷ Charles S. Maier, "Hegemony and Autonomy within the Western Alliance," in *Origins of the Cold War: an International History*, ed. Melvyn P. Leffler and David S. Painter (New York: Routledge, 1994), 225-226.

³⁸ Lundestad, 269. "Benelux" refers to the countries of Belgium, the Netherlands, and Luxemburg. Eastern European States tried to get more funding but the US was unwilling to grant such assistance to countries dominated by the Soviet Union.

³⁹ Pollard, 25-26, 145-149.

⁴⁰ Hogan, 82-86, 109-117.

With continuing global economic decline, interim aid having few results, and the Bretton Woods institutions not yet ready to operate,⁴¹ American policymakers began to realize that Western European reconstruction could not wait for economic market conditions to become favourable on their own. With this realization, the Truman administration turned its attention to establishing a medium-term program primarily concerned with the economic redevelopment of the Western European economy. In September 1947, a plan for a four-year economic recovery program was submitted to Congress. This plan was based on a speech made by Secretary of State George Marshall, and was officially known as the European Recovery Program (ERP). In his speech, Marshall framed this ambitious economic program in terms of international security: “It is logical that the United States should do whatever it is able to do to assist in the normal economic health in the world, without which there can be no political stability and no assured peace.”⁴² The Marshall Plan supplied grants and credits totaling 13.2 billion USD to the 16 participating European states and established a European Payments Union, through which a supervisory board of experts – the Economic Cooperation Administration – would use administrative controls and market incentives to adjust national monetary and fiscal policies with the aim of European stabilization and integration.⁴³

Having promoted the Truman Doctrine only months before, the Marshall Plan had little problem passing through both the House and Senate. The Truman administration promoted the ERP in the name of anti-communism, and as a national security imperative

⁴¹ In an ambitious program in 1944, American policymakers pursued a number of initiatives with the creation of the multilateral Bretton Woods institutions, including the creation of the International Monetary Fund, International Bank for Reconstruction and Development, and the General Agreement on Tariffs and Trade. These institutions were intended to promote the resumption of international trade, capital movements, and foreign economic development. Bretton Woods emphasized stabilization of financial and monetary markets, which would lead to global economic stability and an increase in American economic production, but would not begin to operate until late 1948. See Pollard, 10-18, 50-53.

⁴² “Secretary of State George C. Marshall’s Address at the Commencement Exercises of Harvard University, Cambridge, Massachusetts, June 5, 1947,” in *The Fifteen Weeks (February 21-June 5, 1947)*, ed. Joseph M. Jones (New York: Viking Press, 1955), 283.

⁴³ Pollard, 79-81, 103-105, 132; Pruessen, 38-44; Leffler, “The United States and the Strategic Dimensions of the Marshall Plan,” 281-284; Wood, 240-244.

against Soviet expansion. In Congress, Truman further charged the Soviets with violating agreements, destroying the independence of Eastern governments, and scheming for political and strategic gains throughout Europe.⁴⁴ Although this strategy was effective in passing the ERP initiative within the US government, and even committed opponents to supporting foreign aid, military spending, and strategic commitments in the future, it further contributed to radicalizing American foreign policy towards the Soviet Union and to reinforcing the diplomatic dichotomy between the US and the Soviet Union.⁴⁵

Despite initial opposition from the British and French,⁴⁶ the ERP helped lay the foundation for economic recovery and achieved the American economic objective of gaining greater access to European markets. The dollar contribution of the ERP was in itself considerable, with Britain and France the largest beneficiaries.⁴⁷ In addition to these funds, the ERP encouraged European states to move away from economic nationalism and toward international cooperation, open trade, and European integration, allowing the US greater access to the Western European economy. Further, the US derived commercial benefits from its economic recovery programs. The majority of goods and services imported to Europe were from the US, which substantially increased profits for American firms and labour.⁴⁸ Thus, established out of reaction to unfavorable economic conditions in Europe, the ERP liberalized trade within Europe and between Europe and the US, and encouraged American investment in developing European industrial enterprises.⁴⁹

Soviet Rejection of the Marshall Plan

⁴⁴ McCormick, 85-86; Pollard, 133-134, 150-152.

⁴⁵ Leffler, *The Specter of Communism*, 77-79.

⁴⁶ Britain opposed the ERP for the implied loss of national sovereignty, dominion over the Sterling bloc, and submission to American hegemonic power, while the French opposed making Western Germany a central industrial power. These objections were settled in negotiations leading up to the initiation of the ERP Grosser, 64-65; Hogan, 215-222, 224-235, 320-327.

⁴⁷ See table in Grosser, 79.

⁴⁸ McCormick, 78-80; Grosser, 78-82.

⁴⁹ Lundestad, 267-268.

American policymakers were initially open to Soviet participation in the ERP, however, this stance was primarily to avoid being accused of dividing Europe, and not because of a genuine interest to include the US's most powerful economic competitor in its largest postwar economic recovery program. American policymakers believed that the Soviet Union would not accept the offer, since in doing so they would be required to provide complete information on their economic and financial situation, as well as allow American industry and influence into Eastern Europe and sacrifice the exclusive economic controls they had established in Eastern Europe.⁵⁰ This is precisely what happened. After a few days at the ERP negotiations, Soviet Foreign Minister Vyacheslav Molotov left abruptly, warning the other participants that the Americans were trying to undermine the sovereignty of individual nations.⁵¹ The Soviet Union boycotted the program, established the Cominform, encouraged local communists to denounce American "imperialist" intentions, and supported protests in France and Italy.⁵² However, the American objective of European integration and reconstruction had become a goal to be pursued with or without the Soviet Union, and the ERP went ahead as planned.⁵³

In time, the ERP polarized Europe into two hostile groups. The Soviet reaction to the plan built a diplomatic barrier between the US and the Soviet Union, confirmed fears in American domestic politics of a hostile communist threat, and created ties of cooperation and trust between Western Europe and North America. The absence of the Soviet Union in the ERP meant that the capitalist West would be less willing or likely to extend future economic, diplomatic, or security relations to the communist East.⁵⁴ The first and most concrete sign of this trend was seen in the creation of the North Atlantic Treaty Organization (NATO).

⁵⁰ Paterson, 59-61; Wood, 239.

⁵¹ McCormick, 80-81; Leffler, *The Specter of Communism*, 65-66; 136-138; Hogan, 40-45.

⁵² Leffler, "The United States and the Strategic Dimensions of the Marshall Plan," 283-285; Hogan, 51-53.

⁵³ Hogan, 202-211.

⁵⁴ *Ibid.*, 295-297; Pollard, 138.

NATO and the Korean War: From Economic Ties to Security Ties, to the End of Economic Security

Established by the North Atlantic Treaty in April 1949, and including the major participants in the ERP, NATO was intended to be a safeguard of Western European resources, investment, and industry. It aimed to bolster confidence, sustain European production, and protect the progress initiated by the ERP. The US assumed military leadership, and institutionalized military aid with a guarantee to assist member countries if they came under threat of aggression.⁵⁵ The security guarantee of NATO was the next logical step in the American containment doctrine, and had the dual purpose of gaining additional support in American domestic politics. The radical, anti-Soviet rhetoric used by American policymakers to justify economic relief and recovery programs created expectations for an organization dedicated to national security and the military containment of the Soviet Union.⁵⁶ The economic security first pursued by the US, and the economic partnerships America formed out of necessity to reach US economic objectives, evolved into an exclusive, militaristic, and security-oriented organization with the implied purpose of containing Soviet influence.

The American objectives of economic security ended with the beginning of the Korean War. The Korean War led American policymakers to assign priority to rearmament over recovery, and defense over foreign aid.⁵⁷ Although the major short- and medium-term postwar American economic relief and recovery programs had ended, their consequences affected international politics and security, and led to the belligerent Cold War divisions between the US, the Soviet Union, and their respective spheres of influence.

East versus West: International Political and Security Consequences of American Economic Policies

⁵⁵ Grosser, 84-87; Paterson, 65-66.

⁵⁶ McCormick, 94-97.

⁵⁷ Hogan, 414-424; Pollard, 240-242.

The deterioration of political relations and the escalation of security concerns between the Soviet-led East and American-led West began with the trend toward ideological separation into two distinct camps. Although in essence reactive, and not necessarily established to be concerned with strategic or geopolitical influence, American economic objectives in Europe hastened this shift in international relations. The Truman Doctrine, interim aid, and the ERP facilitated the rhetorically aggressive American penetration into Europe and prompted the strengthening of the Soviet Union's position in Eastern Europe, as well as the organization of European communist parties. As a result, both the US and the Soviet Union solidified their respective ideologies of capitalism versus communism as not only an economic system, but as a way of life. This ideological bifurcation in international politics drastically limited the possibility of restoring prewar economic and political relations between the Western and the Soviet blocs, as seen in the creation of the antagonistic alliances of NATO and the Cominform.⁵⁸

American policymakers believed that European integration was essential to the success of the ERP. In the absence of Soviet participation in this program, the Western European bloc of nations evolved economically beyond the point where they would be tempted by Soviet pressure or subversion. However, the incorporation of Western Europe into the American sphere of influence appeared to threaten Soviet control in Eastern Europe, leading to a series of Soviet-American conflicts over Germany. Indeed, the division of Germany into Western and Eastern regions was a symbolic representation of the political, economic, and diplomatic separations occurring in Europe at the end of WWII.⁵⁹

Both the US and Soviet Union felt compelled to adopt policies that the other could not help but feel threatened by. In response, each power felt it necessary to pursue defensive policies to protect their particular self-interest and sphere of influence. Each power, in turn, viewed its competitor's defensive measures as aggressive and threatening, which led both powers to further escalate their own defensive measures. For instance, in reaction to American

⁵⁸ Leffler, "The United States and the Strategic Dimensions of the Marshall Plan," 305-306; Paterson, 62; Gaddis, 354-355; Grosser, 66-68.

⁵⁹ Pollard, 103-106; Pruessen, 29-30.

efforts to assert US influence in Eastern Europe, as well as the formation of the American postwar relief and recovery programs, the Soviet Union concluded that America was pursuing a policy of capitalist encirclement intended to lay the foundation for anti-Soviet regimes within the Soviet sphere of influence. These concerns led the Soviet Union to strengthen its control in Eastern Europe, which was interpreted by the US as an expansionist threat. Trapped within the constraints of its own rhetoric of Soviet containment, America was obliged to enforce strict defensive measures through military alliances.⁶⁰

Therefore, as early as 1948, with the launch of the ERP, the European continent was reorganized into two political and economic blocs – one dependent on the US and the other on the Soviet Union – as the result of reactions to ideology, trade, and economic ties. Military alliances soon added to this division, and both the East and West became committed to the military defense of their particular interests. The combination of all of these factors led to the Cold War climate that permeated international politics for nearly half a century.

Conclusion

American economic objectives after WWII were primarily concerned with securing economic security in Europe. While both traditionalist and revisionist theories of American economic objectives provide reasonable, although partial and oversimplified, explanations of American economic objectives, the economic security argument follows more faithfully the reactive, self-interested policy developed by American policymakers. In order to secure economic interests in a declining European economy, American policymakers resolved that immediate aid in the form of relief and reconstruction programs was necessary. The resulting Truman Doctrine, interim aid, and Marshall Plan all exemplified the major American economic programs focused on European development. The Truman administration realized its economic objectives through the means of economic instruments rather than military power. This did not, however, prevent the formation of a Western military alliance, or

⁶⁰ Schlesinger, 44-45; Paterson, 20, 46-49; Gaddis, 352; Hoffmann, 19-20.

American engagement in the Korean War, which symbolized the end of active American pursuit of economic security objectives.

The short period during which the US pursued an active policy of economic security established the principles, policies, and institutions that provided the foundation for American foreign economic policy over the next three decades. The origins of the Cold War emerged out of an interaction between external and internal developments within and between the US and the Soviet Union. External influences were circumstances beyond the control of either power, such as economic recession, the crises in Greece and Turkey, and the formation of economic spheres between the distinctive blocs of East and West. Internal influences, on the other hand, included the search for security, the role of ideology, postwar reconstruction needs, and domestic politics. These influences affected the policy choices of both major powers. Therefore, although not a conscious policy choice in the early post-WWII years, American postwar economic objectives guided their actions both internally and externally and escalated Soviet-American relations into the divisions and aggression of the Cold War.

****Media Editor's Note:** Clear typographic errors and minor grammatical errors were silently rectified. Any errors of information omission that remain result from the original publication and not this transcription.