

## ***The Marshall Plan: an exercise in United States hegemonic leadership? Insights from International Political Economy***

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### **ABSTRACT**

International Political economy (IPE) looks at how the interaction between states and markets involve both conflict and cooperation. For IPE theorists, the stability of the International System requires one dominant state to coordinate and oversee the rules of interaction among the leading members of the system. The aim of this article is to use IPE insights to argue that the United States of America acted less as an altruistic actor in the development and implementation of the Marshall Plan but acted rather in the spirit of a patronal hegemonism that produced positive benefits for the US and western Europe alike.

**Keywords:** International Political economy, Marshall Plan, Hegemony.

### ***Marshall Planı: Amerika Birleşik Devletlerin hegemonik liderliğine bir alıştırma mı? Uluslararası Siyasi Ekonomik Bir Kavrayış***

#### **ÖZET**

*Uluslararası Siyasi Ekonomi (IPE) çatışma ve dayanışma içeren hükümet ile piyasa arasındaki etkileşimi gözden geçirmektedir. IPE kuramcılarına göre uluslararası sistemin istikrarı, sistemde yer alan en önemli üyeler arasındaki ilişkinin kurallarını düzene koyacak ve denetleyecek baskın bir devlet gerektirir. Bu makalenin amacı, IPE anlayışından yola çıkarak Amerika Birleşik Devletleri'nin Marshall Planı'nın geliştirilmesi ve uygulanmasında fedakar bir rolden çok, ABD ve benzeri batı Avrupa ülkeleri için olumlu fayda üreten himayeci hegemonizmin ruhuyla hareket ettiği argümanını ortaya koymaktır.*

**Anahtar Kelimeler:** Uluslararası Siyasi Ekonomi , Marshall Planı, hegemonizm.

## **1. INTRODUCTION**

The field of International Political Economy (IPE) focuses on the diverse connections between economics and politics that exist beyond the confines of a single state and looks to the multiple connections between economics and politics in real life (Cohen, 2008:1). Mainstream IPE scholars view states as autonomous sovereign entities that develop their own self-interested decisions in a brute struggle for scarce resources within an anarchic interstate system. At the same time, and in contrast to this zero-sum Hobbesian logic, the world economy is understood in terms of a Smithian logic of market-based cooperation (Rupert and Solomon, 2006:11). The concept of hegemony is one of the key concepts used in international political economy literature to examine the post-war world order. The inception of the Cold War saw the United States (US) emerge as a Western hegemon ready to develop a parallel set of political and economic policies that were mutually reinforcing. The political policy would see the US attempt to lead a Western alliance in the face of the Soviet occupation of Central and Eastern Europe. In economic terms, the US developed a policy of reconstruction for the Western economic system both as a means to provide markets for a US economy dependent on exports, and in part, to reinforce the political aim of rebuilding a strong Western economic system capable of countering the Soviet sphere. Arguably, one of the very first incremental mechanisms in the development of American hegemony was the creation of the Marshall Plan. Predictably enough, perspectives on the purposes and effects of the Marshall Plan can broadly be categorised as falling into two broad schools of thought. The Plan can be portrayed as a singular act of benevolence designed to accelerate the slow pace of economic recovery in Europe and thereby dilute the appeal of communism. Or, alternatively, the Plan can be seen as a cynical attempt to provide the basis for a new postwar international economic order rooted in US hegemony and thereby to fully secure the position of the United States as the world's new hegemonic power. The aim of this article is to suggest that the Marshall Plan provides a text-book example of hegemonic stability theory in action but also argues that the reality of this particular US intervention was one mutually beneficial both to the US and to Western Europeans.

## **2. AMERICAN HEGEMONY AND EUROPE: THEORETICAL CONSIDERATIONS**

After the First World War, the US provided no leadership for the coordinated regulation of the global economy. The US focused instead on the attainment of domestic economic objectives that were rooted in “trusting the market”, and instituted policies that had undesirable consequences for the domestic economic management of other countries (Kindleberger, 1987:289-291). After the Second

World War there was no repeat of the US retreat to isolationism (Much to the understandable relief of Western Europeans who were hardly willing to see any repeat of the political-economic conditions that had characterised interwar Europe). It is vitally important at this juncture to consider the essential features of hegemony for the concept is a contentious one that is frequently misapplied.

Antoniades (2008:3) observed that the concept of hegemony has conventionally been used to describe a disequilibrium of power in the international system, in which one hegemon or hegemonic power is powerful enough to exercise fundamental control over the structures of the international political and economic system. According to Robert Keohane and Joseph Nye (1989: 44) hegemony occurs when ‘...one state is powerful enough to maintain the essential rules governing interstate relations, and willing to do so...’. Realist approaches to International Relations have invariably argued that hegemons can not overcome anarchy while liberal approaches have asserted that hegemons can even be induced to serve as active rulers of the international system in order to preserve its stability. Immanuel Wallerstein’s “World Systems Theory” has denoted hegemony as amounting to less than imperial domination but involving more than just leadership by one unit within the international system. Antoniades (2008:3) has usefully argued that the concept of hegemony should be differentiated from the concept of colonialism and does not include forms of domination such as the annexation, occupation or acquisition of foreign territories. Agnew (2004: 22) also observes that hegemony’s difference from empire lies in its explicit absence of commitment to the territorial organization of power *per se* and (2) its emphasis on persuading or rewarding subordinates rather than coercing them.

The conventional understanding of hegemony has been usefully challenged by Gilpin and Krasner, who have developed what is known as ‘hegemonic stability theory’ (HST). HST modifies the neorealist argument that cooperation is impossible under anarchy, and asserts that cooperation is possible, but only under a unique and short term distribution of power - *hegemonic unipolarity* (Hobson, 2000: 38). The appeal of hegemonic stability theory is that it points out how dominance may be reflected in “leadership” rather than in “dominance” (Snidal, 1985: 612). After 1945, American leaders did ‘...not construct hegemonic regimes simply by commanding their weaker partners to behave in prescribed ways...’ but rather they were obliged ‘...to search for mutual interests with their partners, and they had to make some adjustments themselves in addition to demanding that others conform to their design...’ (Keohane, 2005: 152). In other words, after 1945, the US performed a far-reaching hegemonic role because it was in its interests to do so (Brown, 2001: 181). A critical element of this type of hegemonic impulse is the need to ensure no free-riders when it is the rational position for states to try to be free-riders. The Marshall Plan did not, however, equate to the development of a regime constructed at American diktat but one that was built around a multilateral cooperative process firmly located in debate and consent.

### 3. ORIGINS OF THE MARSHALL PLAN

Winston Churchill's characterisation in mid-May 1947 of Europe as "a rubble heap, a charnel house, a breeding ground for pestilence and hate" was, to put it mildly, an accurate one. De Long and Eichengreen (1991: 16-17) have noted that in the area to the west of the post-World War II Soviet border, perhaps one in twenty of the population were killed during the War –and this figure was close to one in twelve in Central Europe.

During the first-half of 1947, a confluence of factors had encouraged US policy-makers to consider the development of an integrated European aid program. These factors included the deterioration of US-Soviet relations and fears that the communists were exploiting the European crisis; Britain's economic and financial difficulties; Germany's economic stagnation; financial instability in most west European countries; forecasts of a coming American recession; and the belief that balance-of-payments difficulties in Europe could jeopardise unrestricted international trade relationships. (Wexler, 1983: 4). This was the background against which US Secretary of State, George C. Marshall gave a commencement address at Harvard University on the 5th June 1947. The address was concerned with offering an unprecedented programme of American financial assistance to help Western European countries '...in the return of normal economic health in the world, without which there can be no political stability and no assured peace...'. Marshall's address notably excluded any harsh anti-communist rhetoric: '...Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos...'. As Wexler (1983: 5) has rightly commented, the nature of Marshall's suggested undertaking was both a political and an economic effort, i.e, it advanced US policy interests by equipping European countries with the means to pursue specific economic objectives. The Marshall Plan was, according to some researchers, the partial international projection of New Deal ideas abroad in which America's enlightened self-interest in growth would rescue the West European nations from complex economic problems and social discord (Vickers, 2000: 23). Hogan (1987: 89) too notes that for American policy-makers, the goal of the Marshall Plan was to remake Western Europe in the United States' image. J. Bradford De Long and Barry Eichengreen (1991:4-5) rightly observe that the period during which the Marshall Plan program was under discussion was one in which Europe was still dedicated to the development of the "mixed economy". Marshall Plan administrators, however, wanted a more robust play of market competitiveness in the mix and this was the price which America demanded for its aid (De Long and Eichengreen, 1991: p.48). Keohane (2005:150) observes that American hegemonic leadership in the postwar period presupposed a basic consensus in the North Atlantic area on the maintenance of international capitalism, and the establishment of marketplace society as opposed to inward-looking national capitalisms.

Agnew (2004: 127) has argued that what counted to the Americans who formulated the Marshall Plan was ‘...the role of domestic policy performance in creating a “shared political community” that reflected debate and voluntary choice across countries...’. Knorr (1975:25) has referred to this hegemonic process as one of ‘patronal leadership’ characterized by a mutual flow of benefits and the non-existence of coercion exercised by the patronal leader over his client states. From the outset, Marshall made it clear that the aid programme would not be forcibly imposed on Europe. Multilateralism was embedded in the very heart of the aid programme: Britain, France and 14 other nations were invited and not forced to take the initiative in drawing up a programme of recovery. Thus, the United States allowed Europeans enough scope ‘...to leave their imprint on the hegemonic regime...’ (Krige, 2006: 6). The Soviet Union and its Eastern Europe satellites rejected the Marshall Plan negotiations early on. Stalin and Molotov viewed the Marshall Plan as designed not only to unify Western Europe but to actively dissipate Soviet influence in Eastern Europe (Offner, 2002:228). The Soviet Union’s denunciation of the Marshall Plan effectively ensured the economic and political demarcation of Europe (Mason, 1996: 10). In any case, the construction of American hegemony in Western Europe after the Second World War was ‘...undertaken in collusion and in collaboration with sympathetic elites on the Continent, and with a large measure of mass support...’ (Krige, 2006: 4). There was a firm resolve that American aid should be used to secure the integration of western Europe, thereby making it into an area over which certain forms of economic, social, and political conditions proper to the ‘free’ world would hold sway (Milward, 1984: 43).

#### **4. THE DEVELOPMENT AND IMPLEMENTATION OF THE PLAN**

Naturally, hegemony ‘...requires instruments to achieve its objectives and pressure points where they can be applied...’ (Krige, 2006: 9.-10). Such instruments are apparent in the development and execution of the Marshall Plan. The Committee for European Economic Co-operation (CEEC) met in July 1947 to consider a common European response to Marshall’s proposal and to estimate the financial and technical requirements of participating countries. American policy-planners insisted to representatives of the CEEC countries that any European assistance plan should principally seek to create a workable, self-sustaining, European economy, within three to four years, and one that would be independent of special external aid (Wexler, 1983:19). State Department officials were active in working with CEEC technical groups to ensure that US conditions were met, especially in terms of reining in any excessive spending projections drafted by the prospective aid recipients. These principles largely found expression in the final version of the CEEC report which was passed on to the US administration in November 1947 and became the basis for the Economic Recovery Programme (the official name of the Marshall Plan).

The Economic Cooperation Act was enacted by the US Congress in April 1948 and stipulated a recovery plan based on four elements: (1) a strong production effort, (2)

expansion of foreign trade, (3) the creation and maintenance of internal financial stability, (4) the development of European economic cooperation. The Congress approved financial resources of \$12 billion in aid (scaled down from an initial \$17 billion) over four years, approximately \$100 billion in today's dollars, for the recovery of Western Europe. The Marshall Plan legislation provided for the creation of an Economic Cooperation Administration (ECA), to administer the plan. The recipient countries established the Organisation for European Economic Cooperation in mid-April 1948 to jointly oversee the allocation of the aid and to formally commit the participating countries to work in close economic cooperation.

The UK, France, Italy and West Germany were the most important recipients of Marshall Plan funds, accounting for some 65 per cent of the total funds (Torbiorn, 2003: 6). Kunz (1997: 162) has noted that by offering the funds for the recovery of Western Europe, the Marshall Plan '...transformed its beneficiaries from poverty cases into partners...'. Economic life on the continent improved sooner than most experts predicted at the time. After a difficult start, the Marshall Plan was successful in reviving Europe's industrial production. ECA's mission was to improve productivity by instilling American methods of industrial production and management in European economies. By the end of 1951, the index of industrial production for all participating countries registered a 35 percent increase above the 1938 level. Exclusive of West Germany, industrial production exceeded the 1938 level by 45 percent and agricultural production increased 11 percent over prewar levels. (Wexler, 1983:93).

The creation and maintenance of internal financial stability proved more problematic. The Americans repeatedly urged the aid recipients to adopt effective monetary and financial stabilisation measures and to work towards the balancing of government budgets, and the ECA did not hesitate to exert direct or indirect influence on the monetary and fiscal policies of recipient nations (Wexler, 1983:101). ECA policy-makers also urged the CEEC countries to shift from restrictive bilateral to multilateral payments systems in the conduct of intra-European trade. Without such a system in place, intra-European trade liberalisation would have been severely hampered or would even have relapsed into protectionism. This was at a time when '...under America's leadership world trade moved steadily in a more liberal direction...' (Lundestad, 2003:30). In terms of intra-European trade liberalisation the US was also forced to accept, in contrast to its earlier stated position, that serious efforts to liberalise intra-European trade and payments needed to be partially financed by ERP dollars (Wexler, 1983: 133). In 1951, the volume of intra-European trade was 36 per cent above the prewar level. Total exports in constant prices of the participating countries rose at an annual rate of more than 20% between 1947 and 1950. To US interests, which were concerned about a potential decline in exports and a slide into depression in the late 1940s, the ERP represented a successful means to revive world trade (Mason, 1996: 10). Keylor (2006:244) has noted that '...more than two-thirds of the European imports under the plan came from the United States, which meant higher profits for

American firms engaged in the export trade as well as more jobs for the workers they employed...’ The Marshall Plan was designed to ‘...provide the impetus necessary to replace economic nationalism with economic neoliberalism. Amongst the American ‘internationalists’, there was concern that peace would not survive unless the international system was based on a multilateral free trade regime...’ (Vickers, 2000: 24). Overall, Offner (2002: 242) is right to observe that U.S. financial assistance allowed European governments to avoid the need to raise money required to buy necessary imports by lowering wages or engaging in austerity measures that would have provoked their workforces and meant a high political cost.

## **5. THE CONSEQUENCES OF THE PLAN**

De Long and Eichengreen (1991: 43- 54) note that the Marshall Plan program had three main effects: it advanced the restoration of financial stability; it encouraged the operation of market forces; and it shifted Europe in a direction where government, labour and management could take part in the negotiation of the social contract upon which the later phase of long-term growth was founded. Kunz (1997: 2) points to the co-evolution of economic recovery and political stability as the major outputs of the Marshall Plan. Indeed, the effects of the Plan ensured that the appeal of western European communist parties was significantly diluted and incremental but undeniable steps were taken toward West European political and economic integration (Mayers, 1990: 144). Indeed, the Americans actively encouraged any concrete steps towards European integration. An integrated European economy would be expected to strengthen both productivity and defence capabilities (Wexler, 1983: 224). Integration also offered a means of anchoring an emerging West Germany into the wider West European context. The US officially endorsed the Benelux customs union, the European Coal and Steel Community and the European Defence Community. The financial recovery provided by the ERP and the close cooperation that had started among the aid recipients in the framework of the OECC ultimately laid the groundwork for further European integration. From the US perspective, an integrated Europe was always to be inserted into a wider Atlantic framework. Through this “Atlantic framework”, the United States was not only able to preserve its preminent role within the world but was also able to preserve its extensive economic interests (Lundestad, 2003:38). Hobsbawm (1994: 240) notes that neither the British, still committed to their self-image as a world power, nor the French, and their vision of a strong France and a partitioned Germany, appreciated the US plan to impose on the western Europe states its ideal of a single Europe modelled on the US. The Marshall Plan never formally ended but was gradually absorbed in defence activity which developed under the North Atlantic Treaty Organisation. (Kindleberger,1970: 99). Overall, Machado (2008: 59) has rightly argued that Washington’s role was to serve as a “catalytic agent” and never as the “main driving force” in administering the Marshall Plan.

## 6. CONCLUSION

In 1945, the US had the hegemonic capacity to shape the course of events in Western Europe in a manner of its choosing. The developing Cold War ensured that the US was strongly concerned with the maintenance of stable international economic and political relationships and a continuing expansion of a multilateral free trade system. The Marshall Plan was intended to address specific economic problems by providing short-range financial resources. Any survey of the affluent western European economies in the late 1950s shows just how pivotal the Plan was in reconstructing Europe's productive capacity and in replacing persistent conflict with pacific cooperation. The Plan ensured that Western Europe acquired the capacity to develop an integrated single-market and that American corporative-political economy was successfully exported across the Atlantic. Thus, the western European economy was "refashioned" to function harmoniously with the demands and patterns of the emerging US-led international economy. To put it another way, American hegemony was instrumental in laying the foundations for the development of Franco-German accord and the revival of democratic stability and increasing political and economic cooperation in Western Europe. Without the Marshall Plan, Western Europe could very easily have retreated to inward-looking nationalism or submitted to Soviet expansionism. By the same token, the Marshall Plan was not just an altruistic gesture. For IPE theorists, the stability of the international system require one dominant state to express and oversee the rules of interaction among the most important members of the system. The US was more than equipped and willing to fulfill this role in Western Europe during the immediate post-war era.

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