

‘Reconstruction’ before the Marshall Plan

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Introduction

As is often the case when a concept gets a new lease of life in the newspapers there has been a resurrection of interest in recent times in the concept of ‘reconstruction’. The current American administration has now undertaken not one but two major wars that have resulted in the need for reconstruction since 2001 when George W. Bush took up office in the White House. In the previous few years there were major reconstruction efforts undertaken in Bosnia (after the 1995 Dayton Accords) and in Kosovo (after the war of 1999), to name but the most obvious. Historians have to some extent taken up this cue and have been producing edited books and even full length monographs on the ‘lessons’ that we might learn from historical reconstruction efforts.¹ There has also been a great use of conscious historical analogy by President George W. Bush. One classic example of the recent past by President Bush in a speech to the American Enterprise Institute elicited an indignant response from a number of historians in the *Financial Times* on the dangers of historical analogy.²

This article aims to explore how the concept evolved until the practice used in the examples cited by President Bush of Germany and Japan after the Second World War. It will do so by looking at the evolution of ‘reconstruction’ in theory and practice until the Marshall Plan, still widely, if somewhat erroneously, recognised as the first major international effort of its kind. In particular it will look at the evolution of the term from the period of the Boer War, passing by the postwar reconstruction after 1919 (especially by the League of Nations) and then to the way it developed during and just after the Second World War in the United States. In passing it will show how many of the current tensions within the United Nations Security Council over the current reconstruction of Iraq and Afghanistan can be traced back to attitudes developed in the interwar period.

Reconstruction before 1914: ‘carpet bagging’ or imperialism?

We can see one of the intellectual and practical origins of the modern meaning of reconstruction in the rebuilding of the South after the defeat of the Confederacy in 1863. The programme of reconstruction embarked upon by the victorious Union led

¹ One of the best recent examples is: Carl Levy and Mark Roseman (eds.), *Three Postwar Eras in Comparison: Western Europe, 1918–1945–1989* (London: Palgrave, 2002), Part 1. See also Istvan Deak, Jan T. Gross and Tony Judt (eds.), *The Politics of Retribution in Europe: World War II and its Aftermath* (Princeton, MA: Princeton University Press, 2000).

² Cf. President Bush’s speech to the Enterprise Institute, Washington 26 February 2003, letter to the *Financial Times*, 8/9 March 2003.

to accusations of Northern businessmen acting as ‘carpetbaggers’ exploiting federal reconstruction contracts for their own ends.

Reconstruction can also be seen as it was by liberals or imperialists of the same period. For nineteenth-century liberals war was increasingly seen as almost entirely destructive, commerce as the essence of positive thinking and action, and while ‘war could ruin trade, it was powerless to promote it’. This led Richard Cobden and many other nineteenth-century liberals into believing that peace could and should be brought about by arbitration of disputes and a concert of nations, which in some cases amounted to a federal union of European states. In this the British liberals were following a tradition that stretched back to Immanuel Kant and Jeremy Bentham.³ Most significantly, nineteenth century liberals also believed that commerce had a far more profound effect than war in improving states and peoples with them, Cobden’s ‘peaceful penetration’. As Spain and Portugal had conquered by commerce, so had Holland, then Great Britain, and now would the United States.⁴ To ‘reconstruct’ after a war therefore started to take on a more positive economic normative connotation.

However, for the more conservatively-minded in all of the Imperial states the notion of reconstruction came to mean an embedding of British/German/Italian/French power more firmly in the territory that had been dominated. So the erstwhile Liberals Viscount Milner, Joseph Chamberlain *et al.* who were responsible for the Boer War saw reconstruction as consisting in the settling of large numbers of British farmers on the Transvaal and Orange River colonies to ‘anglicise the country districts’. Milner’s ‘Kindergarten’ was a body of bright young administrators recruited to ‘reconstruct’ the Boer territories to make them fit into the new British South Africa.⁵

Before the First World War it is therefore possible to say that reconstruction already had some of the connotations that we now associate with the term. Accusations of reconstruction being either the equivalent of carpetbagging or of imperialism are now commonplace in press reactions to the awarding of contracts after civil and international wars since 1991, as in the recent furore over the award of reconstruction contracts to friends of George W. Bush or even to members of his own family.⁶

Reconstruction in the First World War and its aftermath

While there was very little in Woodrow Wilson’s statements before November 1918 on the ending of the war about what we might call ‘reconstruction’, what is striking in American liberal thinking about the postwar settlement is how much emphasis was

³ William Harbutt Dawson, *Richard Cobden and Foreign Policy* (London: George Allen and Unwin, 1926), chs 1 and 5; Martin Ceadel, *Thinking about Peace and War* (Oxford: Oxford University Press, 1987).

⁴ Dawson, *Richard Cobden*, p. 231.

⁵ John Marlowe, *Milner: Apostle of Empire* (London: Hamish Hamilton, 1976).

⁶ One such accusation links Neil Bush, the President’s brother, to contracts awarded to companies called New Bridge and Crest Investment Co: cf. *Financial Times*, 12 December 2003, and ‘Democrats warn of “profiteering” in reconstruction contracts’, *Independent on Sunday*, 5 October 2003.

put on economic issues in general. John Dewey wrote a series of articles before and immediately after the Armistice in which he railed against the 'cult of irrationality' that thought the war could be won by military means alone. This was an 'obnoxious intellectual influence' that was poisoning American public life by seeing enemies all around, and leading to 'domestic suppression and suspicion' and not only creating an 'irrational submissiveness among the cowardly [and] cultivat[ing] an irrational rebelliousness in others'.⁷ The reactions to which he referred were those of the American state clamping down on rational thought about Russia, but also about sensible ways to end the hostilities in general.

Before, during and after the Paris Peace Conference, Russia loomed as large or larger in the American liberal perspective as the end of the war itself. The debate had several facets. American liberals believed that Russia could be learnt from and also cajoled back into line by economic carrots. In November 1918, just before the Armistice, *The New Republic* was most concerned that Americans understood that '[t]errible as the political situation is [in Russia], the economic situation of Russia is much more terrible and infinitely more significant. The political situation will not improve and cannot improve with the anarchy and chaos prevailing if the economic life of the country is done away with.' Intervention was therefore not the way, but economic help in reconstruction was.

Moreover this was entirely in the self-interest of the United States, for 'the most deplorable result of Allied withdrawal from Russia is the propaganda there is left entirely to the Germans and the anti-Ally Russians'. But Dewey also saw a deeper lesson: 'Russia cannot be conquered. But it can easily be won over. Economic assistance is the best and, probably, the only means of winning Russia over.' It was also the main test case of the Allies' ability to do it: 'In this great struggle for establishing peace upon principles of right and justice, President Wilson will need the moral support of the whole world'.⁸ Russia was thus being seen as a test case for the reconstruction that American liberals saw as increasingly desirable. It was also a test case for American liberals' courage against Dewey's 'cult of irrationality'.

Other aspects of American public life were also explicitly linked to the reconstruction question. Many commentators noted that politics began and ended in the United States not with the big international picture but in pork-barrel politics, as Norman Hapgood noted just after the Armistice. In the end liberals and conservatives alike would have to take up the challenge to ensure the 'industrial freedom and security that radical and clear-minded conservatives deem indispensable'. It had to be 'based ultimately on the all-round building up of the individual'. Now was the time to do it 'before the public hardens into its customary inertia'.⁹ In another article in *New Republic* the 'Meaning of Reconstruction' was developed along similar lines. The danger was that it would just come to mean 'let us make money and have a good time', the logic of the carpetbagger. But it did mean a 'reorganisation of private enterprise' in order to remove the 'uncertainties of tomorrow; bread . . . [and other necessities, which are] . . . enemies of democracies as dangerous as the Kaiser ever was.'¹⁰ Liberals in the United States thus hoped to see a change as dramatic in the

⁷ John Dewey, 'The Cult of Irrationality', *New Republic*, 9 November 1919.

⁸ *New Republic*, 9 November 1918.

⁹ Norman Hapgood, 'A Program of Reconstruction', *New Republic*, 16 November 1918.

¹⁰ *New Republic*, 14 December 1918.

United States itself as Wilson was hoping to achieve in the world of international politics. This was reconstruction of not only economies but of men's minds.

Economic reconstruction after 1918: the domestic emphasis

By the time the Peace Conference opened in Paris, there was a growing feeling in Allied and Axis countries alike that the war had shown that a controlled and centralised economy was the best way to conduct a war. It was considered that this might also be the best way to go in the peace. So one main 'lesson' that was seen as having been learnt from the war in the context of reconstruction was that the organisational power that the state had shown during the war could be carried on into the peace. The other was that there was no clear agreement on how this energy could be so translated. For many in both the United States and Britain 'reconstruction' meant *domestic* reconstruction, best summed up by Lloyd George as the creation of a 'land fit for heroes'. The outpouring of books on the subject in the last part of the war and in the early years of the peace was widely noted but so was the difficulty in agreeing on the 'underlying principles included in the necessary reconstruction rather than the peculiarities in the given situations'.¹¹ One book review in *The Nation* reported that 'books of the most varied quality continue to pour from the presses to meet the demand everywhere for information and guidance in the era of reconstruction which the world is facing'.¹²

Hence it turned out that one of the main lessons that was learnt by many as a result of the First World War paradoxically damaged the cause of liberalism almost beyond repair. Central planning, as promulgated in the Soviet Union, became one of the key economic ideas of the interwar period. Even liberals like Angell had to accept that economic efficiency had to be bought at the cost of more government intervention.¹³ It was also reflected in the way that the word 'reconstruction' was widely used in the 1930s when a young Harold Macmillan was still able to concentrate on the domestic aspects of reconstruction, this time in the wake of the Wall Street Crash.¹⁴

Genoa 1922

By 1922 there was a realisation that the state of the European economy was so bad that drastic measures were needed to try and do something about it, even if what needed to be done about it lacked any real consensus. As *The Nation* had said in a book review of 1919, '[r]econstruction is, of course, a matter of laws and offices and statistics and other coldly practical things. But it is also a matter of ideals, and the greatest calamity that could befall would be the failure of our political and industrial

¹¹ O. W. Knauth, *The Nation*, 10 May 1919.

¹² *The Nation*, 20 September 1919.

¹³ Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (New York: Beacon, 1944).

¹⁴ Harold Macmillan, *Reconstruction: A Plea for a National Policy* (London: Macmillan, 1933).

leaders to be inspired in the coming years by large vision.'¹⁵ Outside the League of Nations the most impressive attempt was the Conference at Genoa of 1922 orchestrated by Liberal British Prime Minister David Lloyd George. Lloyd George was convinced that the only way to restart European trade after the Great War was to bring back the 'pariah states' of Europe, the Soviet Union and Germany, into the 'comity of nations' and to exchange such readmission and the promise of financial help for promises of good behaviour in the future.

The Conference's plans, which were explicitly intended both to find a plan to reconstruct Europe and to bring back into the system the 'pariah states' of Germany and Bolshevik Russia, was an effort which failed dismally, and contributed to Lloyd George's loss of office later in the year. Russia signed a treaty with Germany at Rapallo to the fury of the French who withdrew all cooperation and doomed the conference to failure.¹⁶

It was in Marta Petricioli's understated words, 'a missed opportunity'.¹⁷ Sir John Bradbury, British Representative on the Reparations Commission, went even further, as did many in London. The collapse at Genoa 'ha[s] given an entirely new orientation to the reparation situation'. He predicted the effect would be 'to make inevitable action by the Allied Governments which may easily put back the cause of European reconstruction for a quarter of a century'.¹⁸ He was convinced that violent French action against Germany would now follow 'and by threatening Great Britain and America with a new dislocation of world economics to get from them a writing-off of inter-Allied debt'.¹⁹ Every other attempt at global reconstruction in the interwar years foundered on the growing economic nationalism of the main states and paralysed efforts by the liberal democracies to contain or roll back totalitarianism.

It would be easy to put together the confusion surrounding the stumbling attempts to start the reconstruction of Europe with the divisions of the Allies over economic matters and say that reconstruction in the immediate post World War I period was a dismal failure. That would not be entirely wrong. For unlike in 1945 there was no consensus about what the attitude to a continent-wide proposal for reconstruction should be and no state to give a lead in how it must be done. The disagreements and economic nationalism encountered at Genoa are in stark contrast with what happened at the Bretton Woods Conference in 1944. There President Roosevelt was more than happy to start the process that eventually led to vast amounts of capital being raised to help European states, victors and losers, back onto their feet.

But the important fact is that the novel idea of 'reconstruction' had taken root. One of the first Professors of International Relations, Philip Noel-Baker, complained

¹⁵ *The Nation*, 20 September 1919.

¹⁶ For a more detailed discussion of Genoa, see Carole Fink, *The Genoa Conference* (Chapel Hill, NC: University of Northern Carolina Press, 1984); Stephen White, *The Origins of Detente: the Genoa Conference and Soviet-Western Relations, 1920-1924* (Cambridge: Cambridge University Press, 1985); Carole Fink, Axel Frohn and Jurgen Heideking (eds.), *Genoa, Rapallo and European Reconstruction in 1922* (Cambridge: Cambridge University Press, 1991).

¹⁷ Marta Petricioli (ed.), *A Missed Opportunity? 1922: The Reconstruction of Europe* (Bern: Peter Lang, 1995).

¹⁸ Bradbury to Sir Robert Horne, Chancellor of the Exchequer, 14 December 1921; Bradbury to Blakett, 13 April 1922, T/194/8.

¹⁹ Bradbury to Horne, 8 June 1920, T194/9. For more details see Andrew Williams, 'Sir John Bradbury and the Reparations Commission, 1920-25', *Diplomacy and Statecraft*, 13:3 (2002), pp. 81-102.

that the expression was: 'often used without any clear concept of what is meant. It is a new addition to post-war vocabulary and like many new things it is used indiscriminately and vaguely thought to mean everything that helps the return to the good old days when all were prosperous before the war.' Noel-Baker sought to pin down the concept more clearly to two major elements – the 'restoration of pre-war efficiency [and] . . . reconstruction of the economic mechanisms of manufacture, credit, purchase and sale, transport . . .' This translated, he said, into a necessary involvement of 'citizens of the countries involved . . . [plus] government action . . . [plus] international action by governments working together – this is the real experiment.'²⁰ This was a prototype for the American liberals under Roosevelt's wartime administration of what was to become a New Deal for Europe, one based on political and institutional thinking that we will shortly explore.

The League of Nations and reconstruction

Austria – the first case of international 'reconstruction'

The war had left Austria bereft of its political and economic hinterland, with Vienna in particular as a huge bureaucratic centre of an empire that no longer existed. Unemployment and poverty, even starvation, were widespread as it lost its sources of food. The surrounding states initially allied to prevent the restoration of a Hapsburg monarchy, thus ensuring quasi-isolation. The question of Austria was first seriously raised at a conference held in London in March 1921 chaired by British Foreign Secretary Austen Chamberlain. It was realised that something had to be done 'in such a way as to ensure for Austria a practical economic life for the future'.²¹ The League was allowed to send a fact-finding economic mission to coordinate a resurrection of the economic integration of the area in the interests of all. This effort, directed by Arthur Salter of the British Treasury, which included the future Secretary General of the League of Nations, Joseph Avenol, necessitated what may have been the first in-depth analysis of a state's financial and economic problems by an international organisation.

The findings of the Commission were significant for the whole Versailles settlement, as they argued that without a twenty-year suspension of reparation payments there was no hope of Austria being able to resurrect itself. They also suggested very orthodox economic policies aimed at stabilising the currency and the balance of payments. The hope was once again to make Austria into the financial 'metropolis' it had been in the days of the Empire, serving the whole area as a centre for financial services.²² This implied a measure of political control by the League to ensure the establishment of a more balanced economy. It implied a form of 'financial protectorate' status for Austria, the first time that such a thing had been attempted with the appointment of a High Commissioner appointed by the League and one that

²⁰ Philip Noel Baker, Lecture Notes for 1924/25, NBKR 4/33.

²¹ *Financial Reconstruction of Austria: Report of the Financial Committee of the Council, League of Nations* (Geneva: League of Nations, 1921) [L.N.II.1921.2]. The Conference was held from 12–17 March 1921.

²² *Austria . . . Report of the Financial Committee*, pp. 7–9.

was later used in Germany and other countries after the Second World War and in the Balkans today.²³

For the League itself it presented a chance to prove what it could do – in Noel-Baker's words: '[t]his is a real piece of reconstruction: it is almost the only thing in the world since the war, that is on an important scale, both economically reconstructive and international in character'.²⁴ It was followed by other important actions, most notably in Hungary. This need not detain us, as it was a case rather like Austria's, except that Hungary was a largely agrarian economy that was self-sufficient in food, which Austria was not. It led to the same result, that of a suspension of reparation payments. The leadership role of Britain in this case, from the London Conference of 1921 onwards, was very significant. That the Bank of England also bankrolled most of the efforts of Frijdthof Nansen in repatriating refugees is further evidence that at this stage of the League's life the British were prepared to play a leadership role.

'Reconstruction' in Anatolia, 1922–23

The other 'reconstruction' case that begs our attention during this period is that of the repatriation of ethnic Greeks expelled from Anatolia in 1922–23 after the war with Turkey that culminated in the Treaty of Lausanne. This was also brokered by the British Government by Foreign Secretary Lord Curzon, and by the significant contribution of the Bank of England to the financial settlement. The Treaty 'require[d] members of the Greek Orthodox Church established in Turkey to emigrate to Greece and Moslems established in Greece to emigrate to Turkey'.²⁵ About one million Greeks had fled to the coast of Anatolia in 1922 pursued by the victorious armies of Kemal Ataturk. Many were killed in Smyrna in one of the most notorious massacres of the period. Some of the final total of about one and half million were helped by the Nansen refugee organisation under the auspices of the League of Nations, some by the 'Mixed Exchange Commission' set up under the Treaty. All were destitute and needed money and resources to make a new life in Thrace. The Bank of England was the main guarantor of the £3–6 m needed, supporting the Bank of Greece (at a factor of roughly 39 in current terms, a sum of £117–234 m). The final report was happy to report that '[t]he settlement scheme is the third of the important reconstruction tasks undertaken by the League'.

Nansen's Commission was a main source of disquiet about the evident moral implications of these actions. Nansen dealt with the real consequences of 1.4 m people descending on a country of only 5 m. Charles P. Howland, who chaired the Greek Refugee Settlement Commission, was adamant: 'On the humanitarian side imagination cannot compass the event. Only those can make the effort of understanding who have seen destitution, misery, disease and death in all their possible

²³ I would like to thank the anonymous reviewer of the first draft of this article for pointing out that Danzig was a properly *political* protectorate of the League. The main point here is that Austria was the first case of a '*financial* protectorate'.

²⁴ Philip Noel Baker, *The Financial Reconstruction of Europe* (Geneva: League of Nations, 1922).

²⁵ League of Nations, 'The Settlement of Greek Refugees: Scheme for an International Loan', Geneva, 10 October 1924, Doc. C.524.M.187.1924.II.

forms, and the scale of this disaster was so unprecedented as to demand even from such persons a new vision'. They feared for the future of Greece itself – 'Greece has witnessed the collapse of Hellenism beyond the seas and mountains', even if Greece was now more homogenous than ever before. But they also feared for the future of the whole world if such an event was to become the norm.²⁶

This was the first time an international organisation and a state (Britain) had bankrolled ethnic cleansing. In the British documents of the time no moral problem was expressed although the British Government was split down the middle over its attitude to the Greek exodus for reasons of *realpolitik*, Lloyd George advocating a military expedition that led to the Chanak Crisis of November 1922, which was one of the contributory factors in his downfall (along with Genoa) later that year. The idea of ethnic cleansing had thus been given an official imprimatur by in effect being renamed 'reconstruction'. It was to become a technique used by the Russians in Germany, as well as by the Czechs against Sudeten Germans in 1945, also to no huge international clamour, mainly because in all of these cases the victims were the losers in a war widely seen as being of their own making.

The build-up to the Marshall Plan – thinking on reconstruction, 1942–46

The best known reconstruction effort pre-1990 was of course the Marshall Plan. However we would be wrong to assume that what became the Marshall Plan sprang ready formed out of the ashes of the Second World War. During the war the main effort was directed to winning, as it had been in 1914–18. But there was also a concerted attempt within the Post War Planning sections of the State Department to both better conceptualise and better institutionalise reconstruction efforts after the war had ended. In effect, as a number of writers have pointed out, the Marshall Plan has an interesting 'pre-history'.²⁷ The most important point is that in this war the winning of it was not just seen by the liberal coalition of states that became the 'United Nations'. In the United States in particular the war was seen as being fought for military ends or by military means. This war was seen as having had its roots in economic causes. This war was seen in Washington (and to a lesser extent in London) as one not just of national reconstruction, but one of a global variety.

This was best summed up in the nexus of activity that included the Bretton Woods organisations, and the United Nations' new functional agencies, such as UNRRA. The *New Republic* trumpeted in early 1945 that it was a case of 'Bretton Woods or economic warfare'²⁸; there could be no compromises on reconstruction as there had been in 1919 – now America must take its global responsibilities seriously. Equally the liberal establishment was terrified of a renewed wave of isolationism and recession in the United States once the beneficial economic effects of war had receded. The IMF and the IBRD had to work internationally so that there would not be a severe

²⁶ League of Nations, *Greek Refugee Settlement* (Geneva: League of Nations, 1926), p. xv, and League of Nations C.522.M. 204. 1926. II, 7 September 1926.

²⁷ Levy and Roseman (eds.) *Three Postwar Eras in Comparison*.

²⁸ *New Republic*, March 1945 (Editorial).

Depression in the United States itself.²⁹ This could only be achieved by opening up the world's markets to American goods, and the first step in this was arm in arm with the British. It was enlightened self-interest at its most stark. That this coincided with British (and even French desires) for the United States not to run away as it had after the First World War made reconstruction as an idea and as a practice into a kind of vital cement for the new world that was hopefully to emerge from the ashes of the old. But it cannot be claimed that this consensus just appeared; it was the result of a long process of thinking.

There was in particular an attempt in Washington to try and understand, and if possible head off, the continued French and Russian attraction for again demanding reparations from the defeated states. The imposition of reparations in 1919 was seen by many in the United States as having caused the Second World War. In more general terms the State Department was convinced that the main problems of the Versailles Peace Treaty had been economic. But they also recognised that the Soviet Union did not share this belief, so a long process of attempted diplomatic pressure was applied, one that ultimately failed.

But France was different. It was weak and enfeebled, indeed occupied until 1944, and thus much more pliable. Its intentions were not clear in Washington however and there was some open hostility to France in general in the White House and sections of the State Department.³⁰ The Council on Foreign Relations, which was closely involved in this thinking, received a particularly interesting memorandum to its Peace Aims Group from Crane Brinton, the author of the celebrated *Anatomy of Revolution* (of 1936 and many subsequent editions) and one of the top American experts on France. This is best exemplified by a memo of 4 November 1942, in which he pointed to the fragility of French political life and the need to discover what the French *wanted* after the war. In particular what were their views about the treatment of Germany and what 'punitive measures do the French favour: Dismemberment . . . ? Loss of territory? Trial of war criminals? Reparations?', as well as their views (obviously linked in Brinton's mind) on 'international collaboration' and 'economic reconstruction'.³¹

The United States rightly feared that the French, were they given the chance, might demand a settlement as punitive as Versailles. France would demand 'their slice of the melon' from Germany after the war, especially if other states did. De Gaulle was cited in Brinton's document as having said ' "that France will come out of it [the war] intact as regards everything that belongs to her, credited with all that she has lost"'. And a few French economists and publicists have expressed a belief that France should receive reparations.' If such demand were to be made and to be substantial and of long duration 'elaborate guarantees will probably be required to enforce collection. In this case the employment of force would have to be

²⁹ See for example the *New Republic*, 26 March and 2 April 1945, on the 'Anglo-American Future'. The signature of the Bretton Woods accords dominated the economic pages of all American and British liberal journals at this period.

³⁰ For more on this, see Andrew Williams: 'France and the New World Order, 1940–1947', *Modern and Contemporary France*, 8:2 (May 2000), pp. 191–202.

³¹ Council for Foreign Relations Peace Aims Group memo from Crane Brinton, 'The Political Outlook and the Possibility of Collaborating with Democratic Groups in France and Belgium', 4 November 1942, and 'French Peace Aims', 8 February 1943, Hamilton Fish Armstrong Papers, Box 73, Seeley H. Mudd Memorial Library, Princeton University.

envisaged.³² In other words the United States may have to go to war against France to enforce its version of what the postwar settlement would look like.

To avoid this the document suggested six proposals. Firstly, it was assumed that France will ask for reparations: 'some curbing of reparation demands may be effected by territorial adjustments, as for example the giving to France of the Saar Basin', as had happened in 1919. Secondly, it was assumed that there would be limitations based on 'the *creditors' willingness to receive and to consume nationally* [sic] what the debtors can deliver without creating conditions unfavourable to the interests of the victors. One of France's chief demands will probably be for deliveries of coal.' Thirdly, these payments should be 'liquidated within a relatively short time, perhaps ten years. The formula here might be for payments until physical production in occupied countries had reached pre-war levels [6 or 7 years after 1918]. In order to place emphasis upon this aspect of the case the term *reparations* might be entirely dropped and in its *place funds for reconstruction* employed.' [sic italics]. Fourthly, this would lead to a 'Commission for Reconstruction Funds . . . to study and manage the entire reparations settlement'. Fifthly, reparations and War Debts would have to be linked. This was a vital point for the Americans, for as we have seen these debts were regarded as having been part of the same problem as that of reparations in the 1920s. Sixthly, 'if punitive economic measures are to be taken against the vanquished, they should be clearly differentiated from reparations for reconstruction purposes'.³³

This is one of the clearest indications of American thinking before the end of the Second World War about the links between debt, reparation and even other issues such as war crimes tribunals. 'Reparation' was to be transformed into 'reconstruction'.

OFRRRO and UNRRA, 1942–46

Partly to this end the State Department set up, in early 1942, the Office of Foreign Relief and Rehabilitation (OFRRRO) with a staff of 150 in 1943, which became subsumed into the United Nations Relief and Rehabilitation Administration (UNRRA) from February 1943 under the leadership of Governor Herbert Lehman of New York, a close confidant of President Roosevelt. Lehman reported directly to Roosevelt and to Secretary of State Cordell Hull. He was given the very loose initial remit of coordinating all Federal agencies dealing with rehabilitation both within the State Department and outside it, including with the Allies.³⁴ We would now call him the 'Rehabilitation and Relief Czar'. Lehman's role in UNRRA was thus a vital link in the development of the whole concept of reconstruction and he came to be identified personally as 'one who has such a keen interest in the rehabilitation of the destitute and broken peoples of Europe'.³⁵

³² See n.31 above.

³³ See n.31 above.

³⁴ 'Notes of a Meeting held 10 April 1943' Lehman Papers, C47/64, 'Diary, London, April 1943', pp. 14–15; and War Cabinet Committee on Post-War Commodity Policy and Relief, 14 April 1943, Lehman Papers C47/64, 'Diary, London, April 1943', p. 56.

³⁵ One important source for Lehman on this was Department of World Jewish affairs of the American Jewish Corps and other American Jewish philanthropic organisations like the American Joint Distribution Committee. Lehman Papers, Special files, UNRRA Personal and General C46-48.

UNRRA developed particularly during the latter part of 1944 and into 1945 in the wake of the Allied Armies in Western Europe where it had a European Regional Office, but also to some extent in Eastern Europe. Its biggest operation was in China. At its peak in June 1946 staff numbers rose to 12,893 after which period it started to slowly hand over control of relief and rehabilitation to the United Nations and was wound down by June 1947.³⁶ Its budget in 1943 was put at \$1.8–2 bn of which 90 per cent would be spent on goods and supplies, much of which it was hoped in Washington would be of United States' provenance, but much of which in practice had to be locally generated. A full half of this was to go to China.³⁷ This was truly 'a pioneer international agency' with 'almost complete lack of precedent'.³⁸ But it was very aware that it could not do everything expected of it.

American, British and French thinking about reconstruction and rehabilitation, 1943–44

Again a Wilsonian internationalist effort ran the risk of being overwhelmed by the nationalist instincts of America's Allies. In Britain during the Second World War, as in 1918, the idea of 'reconstruction' essentially meant *national* reconstruction, with some emphasis being put on a revitalised League, or the United Nations after 1942. The British were also very worried about a replay of 1918 when the Americans had left Europe to its own devices.³⁹ The French, and notably Jean Monnet, architect of the first French 'Plan', saw reconstruction as part of a wider desire to bring about European unity from their Algiers exile on, as early as 1943. The French and the British thus interpreted 'reconstruction' to suit their own national predilections. They were not too keen on the UNRRA organisational emphasis: 'The key factor in UNRRA's organisational ability is decentralisation', as Lehman had put it. But 'Planning' was the order of the day in Britain and France and that implied centralisation.

However, in the setting up of UNRRA the United States used its overwhelming power to force the three states to work together. Lehman made two important visits to Britain in 1943 and 1944, meeting French representatives on both occasions. The main purpose of these early contacts was to convert his British (and later his French) Allies to a more American way of doing things. The meetings were not without difficulty, although there was clear desire to 'help' in the then very new idea of 'rehabilitation'. Lehman even attended a session of a Committee of the War Cabinet on 14 April 1943 as well as having extensive further discussions with the British military and civilian authorities. These meetings were the relief equivalent of the

³⁶ There were full-scale missions in Byelorussia, Ukraine, China, Czechoslovakia, Greece, Italy, Poland, Yugoslavia and smaller ones in the Dodecanese islands, Ethiopia, Finland, Hungary, San Marino, Korea and the Philippine Republic. Source Lehman Papers, File 46-2 [Personal correspondence and General Files: Administration and Budget].

³⁷ Moses A. Leavitt (American-Jewish Joint Distribution Committee) to Lehman, 14 September 1945 in a long 'Statement on UNRRA', Lehman papers UNRRA, Personal and General, C46-1.

³⁸ Lehman Papers, C46-2, p. 77.

³⁹ There is a wealth of documentary evidence for this. See Cabinet Papers, CAB/60 and /107 Post War Economic Problems and Anglo-American Cooperation, and CAB/165 Post War Settlement, Public Record Office. See also B. W. E. Alford, Rodney Lowe and Neil Rollings, *Economic Planning: A Guide to Documents in the PRO* (London: PRO, 1992).

meetings between Roosevelt and Churchill on strategic matters. At that War Cabinet Committee Lehman prefaced his remarks by saying that 'the purpose of his visit to London was largely educational', to find out what the British could do to help and to ascertain what the local American and British authorities thought ought to be done after the war in Europe and to prepare the ground for what was to become UNRRA being discussed by Secretary of State Cordell Hull.⁴⁰

Lehman himself admitted that although 'he could envisage the link between UNRRA and OFRRO [he] found it less easy to foresee the liaison between United Nations and United Kingdom organisation'. He was also well aware of the difficulties of actually delivering aid on the ground as the North African experience of 1943 had shown, the first time that Allied forces had delivered help in a concrete way. At this point there was little inter-Allied coordination of any kind on the issue but an 'Inter-Allied Committee' had been set up.⁴¹ This was later to be concretised as the European Advisory Commission (EAC) after the Moscow Inter-Allied Conference of October 1943, as was UNRRA, chaired by US Ambassador to London John Winant.⁴²

The idea of both new initiatives was to coordinate the liberation of Europe so that the continent could be bought back to a stable economic and political existence as rapidly and as coherently as possible. The Americans even initially seem to have wanted the EAC to be the basis of a new pan-European entity, but that was never to be in the increasing tensions of the early Cold War. UNRRA still stands as the main concrete realisation of this period. The logic underlying it from Lehman (and by extension Roosevelt's and Hull's) was because 'it was felt that if relief was bought to the devastated countries in the wake of the armies of liberation, this would shorten the war, and help to bring about stability after the war'.⁴³

But it was never an easy process. There were turf wars between different parts of the American governmental structure as well as between the Allies and there were grave problems of supply and authorisation for funds that had to be cleared through a sceptical Congress. The British Treasury for example wanted UNRRA to be given a very subsidiary role to that of British agencies. The whole idea of an international organisation beyond the control of national governments was as much worry to national bureaucrats in 1943 as it had been in the 1920s. In early 1943 the British and American armies also found it difficult to coordinate what they called a 'civilian relief programme' although there were moves to do so in time for the 'next continental operation' (that is, D-Day).⁴⁴ After D-Day the American military was in effect instructed to help UNRRA, and did so efficiently and in Lehman's words 'cordiall[y]' but with the Military having 'special reservations'.⁴⁵

⁴⁰ War Cabinet Committee on Post-War Commodity Policy and Relief, 14 April 1943, Lehman Papers C47/64, 'Diary, London, April 1943', p. 55.

⁴¹ 'Notes of a Meeting held 10 April 1943', Lehman Papers, C47/64, 'Diary, London, April 1943', p. 12.

⁴² The EAC has generally been assessed to have not been a huge success and to have fallen victim of the infighting between the Allies that developed as the Red army occupied large areas of Eastern Europe.

⁴³ War Cabinet Committee on Post-War Commodity Policy and Relief, 14 April 1943, Lehman Papers C47/64, 'Diary, London, April 1943', p. 57.

⁴⁴ 'Notes of a Meeting held 13 April 1943', Lehman Papers, C47/64, 'Diary, London, April 1943', p. 31.

⁴⁵ Lehman, *Diary of Visits to London and Paris, October–November 1944*, Lehman Papers C47/65, pp. 33–37.

In the end Lehman had to content himself with asking that UNRRA 'should serve as the central channel for the submission of total requirements for the civilian economy of all the liberated areas'. This worked for a curious reason – the British Ministry of Food 'was very taken with the idea of UNRRA serving as a claimant before some other world supply agency, which he clearly visualised as being controlled on an Anglo-American basis'. It was this 'Anglo-American basis' that really appealed in other words. But as the discussion evolved it became clear why – 'he clearly wants us to make the provision as an Anglo-American combine rather than giving the other countries access to world markets in the immediate postwar period'.⁴⁶ To some in London therefore, UNRRA was seen as a convenient excuse for a transatlantic stitch-up of postwar trade. But for the wider liberal agenda of free trade, one being pushed by Cordell Hull since the mid-1930s, it was a carrot that would reinforce the evolving agenda of the Bretton Woods organisations.

The first key theme to emerge from these discussions which essentially conceptualised the Marshall Plan, which was to become the biggest reconstruction effort in history, was therefore that the military and state authorities (both British and American) disliked the idea of any kind of civilian or non-governmental agency involvement in what was a war zone and that they also wanted to retain as much Anglo-American control as they could. In British eyes this can be seen as maintaining as much as possible of British influence over the Americans and also to maintain the increasingly threadbare Imperial Preference that had been the trading equivalent of Empire. UNRRA had the opposite advantage to the United States of tying Britain into its new vision of a world without trade barriers, it was not intended to particularly include anyone else at this point. The 'UN' in UNRRA was to be minimised as much as possible as far as the British were concerned at this point. It got even worse with Lehman describing to Winant by November 1944 'the extremely critical attitude of His Majesty's Government'.⁴⁷ Lehman had much persuading to do as have all his successors in such posts in subsequent wartime situations with many other governments including, and perhaps now especially, that of the United States.

The second key theme that emerges is the feeling that the British and the Americans were the best parties to collaborate on any kind of rehabilitation activities – the French were not trusted. This is part derived from a generalised distrust of the Free French in Washington (Roosevelt's dislike of De Gaulle was legendary). There was the additional problem that the British were themselves short of food even though Leith-Ross thought that 'the British may have to be prepared to reduce their food reserves and their diet a bit further if the reoccupied areas are to be fed'.⁴⁸ There was also the problem of French pride, which translated into them not wanting UNRRA interfering on French soil. As early as November 1944 Lehman was told by French Ambassador to London, René Massigli, 'the French Government can handle everything itself, and that it did not need any special assistance from UNRRA . . .' He added that 'when a man is weak his pride frequently will not permit him to accept assistance. He needs to stand on his own feet. On the other hand, when

⁴⁶ Meeting of 17 April (at 12.30 after the Treasury), C47/65, p. 111.

⁴⁷ Lehman, *Diary of Visits to London and Paris, October–November 1944*, Lehman Papers C47/65, p. 27–29.

⁴⁸ 'Notes of a Meeting held 13 April 1943', Lehman Papers, C47/64, 'Diary, London, April 1943', p. 33.

a man is strong he will accept the cooperation of his friends.'⁴⁹ The liberal press in Washington almost seems to have confirmed French worries at this period of the war – 'Lend-Lease' to France (an extension of the same scheme to Britain) after D-Day was seen as a key 'reconstruction' aid by the *New Republic*,⁵⁰ mainly because it would allow the French to supply American armies in Europe. This nexus of attitudes might serve as a warning to all such endeavours to 'help'.

A third key lesson from this was that there was a difference of emphasis on the motivation of different kinds of actors within the reconstruction process. Firstly there was a potential central contradiction, as occurred in general between the Americans on one side, who favoured much more decentralised organs, and their Allies on the other who were leaning towards ever more nationalisation and central control. This was the tendency that Hayek deplored in the *Road to Serfdom*, even if many liberals on both sides of the Atlantic saw his diagnosis as 'seeing hobgoblins under every bed'.⁵¹ The liberal establishment in London and Washington were not yet ready for the kind of anti-statism of the liberals of the 1990s. At this point it really was believed that a global 'New Deal' was possible, one that allowed for what Stephen Krasner has called the compromises of 'embedded liberalism'. But it would certainly be true to say that the European Allies favoured the role of the state more than did Americans; and that Americans resented the role of the International Organisation when it was seen as impinging on American national interest, as the League of Nations had been in 1920 and virtually every international agency has been since.

Within the US Senate there was strong resistance to UNRRA. A letter from Dewey Anderson to Lehman of March 1945 talks of those in Congress 'whom have shown their hostility towards UNRRA. I have the feeling that some of the able men are gathering material which will give you a mighty tough shredding in the months ahead.'⁵² The main American opposition was 'nationalist' and from food suppliers who wanted aid to be seen as coming from American sources. Opposition to the UN in the United States ever since has tended to come from the smaller business classes, who resent any idea of a strong central state control and even more so of that of foreign international structures. Opposition to such bodies as UNRRA, then and now, also comes from the Army, and the military establishment in general, who resent the involvement of foreign entities in its decision-making processes. This was probably again not helped by the support given by British socialists like Foreign Secretary Ernest Bevin who described UNRRA as 'that great organisation, whose contribution to world recovery will receive its just place in history'.⁵³

The Republican Party had generally led this charge, as they did in the 1920s and in the 1940s, and were to again in the early twenty-first century. In the period between 1920 and 1945 the key figure was Herbert Hoover whose vision of American dominance was far more based on the need to cater for the interests of American corporate capitalism than those of the state, even the American state. But the view expressed by the Truman Administration when UNRRA was closed down in 1946,

⁴⁹ Lehman, Diary of Visits to London and Paris, October–November 1944, Lehman Papers C47/65, pp. 12–13.

⁵⁰ *New Republic*, 19 February 1945.

⁵¹ *New Republic*, Review of the 'Road to Serfdom', 1 April 1945.

⁵² Dewey Anderson to Lehman, 23 March 1945. Anderson was the Executive Secretary of the US Senate Special Committee to Study the Problems of Small Businesses.

⁵³ Bevin to Lehman, 24 December 1947, Lehman Papers, Letters, File 420a.

that 'the gravy train has gone around for the last time', is still widespread when United States tax dollars are spent by international organisations (IOs).⁵⁴ In 1945 this first United Nations agency had to be sold as a buttress to American national interest and trade and it was in that way that it survived as it did. But it must not be forgotten that the United States also closed it down in 1946 when it was seen as having fulfilled that narrow purpose.

Such feeling emerges from a populist and small business consensus that can be seen to have had its origins in the rejection of Wilsonian and Rooseveltian internationalism. But it also illustrates the need for IOs in the process. Republican and corporatist opposition to reconstruction efforts eventually lead to compromises based on practical considerations. So the Army was the main distributor of aid in Europe until 1945, UNRRA's activity was necessarily limited while fighting was taking place, as is the case in Iraq today. But at some point the Army has to give way to civilian bodies. The question is always going to be about the timing and manner of any such hand-over. Lehman's and UNRRA's line to counter such criticism was always that the main aim was '[h]elping people to help themselves, which underlies the programme'.⁵⁵ He worked tirelessly with all of the UNRRA's detractors and it is unlikely that UNRRA would have been given the time of day in London, Paris or beyond had it not been for Roosevelt's personal imprimatur. Each such operation has to have a Lehman fighting its corner in Washington DC and, given the current overwhelming economic and military hegemony of the United States, this is now ultimately far more important than what the rest of the world thinks.

If Europe and the world were to be reconstructed then the question was how, and on whose terms? After the end of the war there was a fear in Europe that the United States would do as it had in 1919 and leave Europe to sort out its own problems of reconstruction. For the British and other internationalist liberals the question was how to tie the United States into European reconstruction. There was widespread recognition that the United States had to be the 'keystone of world prosperity' and that 'if we fail to handle our affairs intelligently we may drag down the world structure, as we did in 1931'.⁵⁶ The British had noted from early on the reticence in some quarters for the United States to stay in Europe after hostilities ceased. A 1943 Chatham House report on Congress stated baldly that '[t]he belief that the United States, in its own interest, should take the lead in promoting economic progress everywhere, was vigorously championed by Mr Wallace [Roosevelt's Vice President], whose speeches gave rise to widely divergent reactions'.⁵⁷

The great historian of the Marshall Plan, Michael Hogan, takes the view that the American commitment to European reconstruction was not clear before the end of the war. Certainly the finally implemented Plan of 1948 was by no means seen as likely until the Cold War began. From his perspective of 1947, before the Marshall Plan was inaugurated by the Foreign Assistance Act in the Spring of 1948, most American attention was concentrated on British plans to create a 'Middle Kingdom'

⁵⁴ Jack Plano and Robert E. Riggs, *Forging World Order: The Politics of International Organization* (New York: Macmillan, 1967), p. 401.

⁵⁵ W. D. Philips (UNRRA staffer) to Lehman, 20 September 1943, Lehman Papers C46-5.

⁵⁶ *New Republic*, 12 February 1945.

⁵⁷ 'United States Memoranda', Foreign Research and Press Service of the Royal Institute of International Affairs, 25 February 1943, no. 158, 'The Great Debate on Peace Aims', Noel Baker Papers, NBKR 4/381.

made up of Western Europe and the British Commonwealth. The Anglo-French Treaty of Dunkirk of 1947 can be seen in this context, for example. As seen from Washington, Britain was thereby trying to distance itself and proximate Europe from the United States and the Soviet Union. But from a British point of view, could the United States be trusted not to abandon Europe? Britain had based most of its wartime policy, as in 1914–18, to making sure that America did not leave after the victory parades. President Truman's policies of 1945–46 seemed to indicate that this was history happening all over again.

Hogan is thus right to say that 1947 was the date for real interest being shown in European integration within the American political elite across the board. But it is also difficult to disagree with his statement that: '... the Marshall Plan can be seen as a logical extension of domestic- and foreign-policy developments going back to the first American effort to reconstruct war-torn Europe [in 1919].' It was the onset of the Cold War that in a real sense 'activated' an already latent American thinking on Europe. Kennan put it characteristically – the Marshall Plan 'finally broke through the confusion of wartime pro-Sovietism, wishful thinking, anglophobia and self-righteous punitivism ... and placed us on what was, and for six years remained, a constructive and sensible path.'

The Marshall Plan certainly excluded the Eastern part of Europe by making the Soviet Union feel excluded. Western historians of the Cold War like Melvyn P. Leffler and Eastern historians like Mikhail Narinskii now agree that Marshall's intention was that 'the east European countries would take part in the rehabilitation programme on the condition that they alter their almost exclusive pro-Soviet economic orientation in favour of broad European integration. Moscow could not accept this, so the Plan signalled 'the failure of peace in Europe' until 1990.⁵⁸ Nonetheless the Marshall Plan provided a paradigm for all post-1945 reconstruction efforts until 1990 and has been evoked since, whenever 'reconstruction' is mentioned. It assumed the need to keep sovereignty intact, although in practice it created client states for the West in all continents, tying Western Europe firmly into an Atlanticist orbit from which it is only now tentatively starting to escape.

Conclusions: the politics of reconstruction in the period 1918–1947

There are many constants in the debate about reconstruction between 1918 and 1947 that has been outlined above: American irritation with Europe and the French in particular; moral ambivalence about the results of reconstruction – as in the case of the Greek 'reconstruction' of 1922 – as well as the practical problems of allowing civilians engaged in reconstruction to wander over a battlefield. Each of these warrant further elucidation but cannot be granted it given the natural brevity of this article, although it could be noted that in each category the same issues have emerged in the debate over Iraq in 2003. Some more general points can be made.

⁵⁸ Mikhail M. Narinskii, 'The Soviet Union and the Marshall Plan', in Antonio Varsari and Elena Calandri, *The Failure of Peace in Europe, 1943–1948* (London: Palgrave 2002), p. 275.

Leadership

The key dilemma after all reconstruction efforts has been, and will continue to be, the question of leadership. In the interwar period Britain and France were divided in giving any leadership in Europe, as Genoa illustrated. Only in the case of Austria and Greece was a successful reconstruction agenda addressed by these two Powers, and delegated to an IO. The key issues still remain about what entity in the international system should lead a reconstruction effort, a state or an IO? These questions are still linked, as they were in 1944–48, to the ongoing clash between conservative negative views on IOs within the Washington (and to a lesser extent London) Establishments and liberal belief in them.

On leadership more generally it has to be remembered that in 1919 American commentators saw Wilson going to Paris because 'European statesmen will need the help of the new world in order to restore the balance of the old'. Had the Paris Peace Conference been held in Washington instead of Paris, perhaps the world would have had a Washington Peace Conference more akin to the Second World War conferences at Bretton Woods, and San Francisco. The United States was able to disown the Versailles Treaty not only because Wilson had not got his way over it, but because it did not feel it had the ownership necessary to sell the idea to American public opinion. A contemporary liberal complaint about the Treaty still makes for interesting reading:

A hundred years from now the young American citizen will study the policy and read the utterances of President Wilson, and his heart will glow with the feeling that in her third time of trial America again gave proof not only of material greatness but of moral grandeur. He will not know that an obscene clamor arose in these great days, demanding that the civil population of a vanquished state be left to perish in famine and anarchy.⁵⁹

In 1999 President Clinton was able to make his claim that the 'most expensive of reconstructions is cheaper than the cheapest of wars' and receive full public recognition for the logic of his remark except from the extreme conservative wing of the Republican Party and the likes of Pat Buchanan, who would oppose any foreign involvement for any reason other than self-defence. In 2002 it was not clear again whether President George W. Bush was happy to get involved in the reconstruction effort in Afghanistan. A commonplace claim in Washington was that 'we do not do nation-building'. Once again there was a witch-hunt around the world for sympathisers of the Taliban as there was in 1918–19 for sympathisers with Bolshevism. The same logics are at work over the years. American leadership in such efforts is essential if they are to succeed; this leadership will be resented even if no alternative is presented; the Americans will be accused of arrogance whatever they do and it will lead to what John Dewey called 'the cult of the irrational' in the United States.

For the legacy of how the liberal West has dealt with troublesome 'rogue' states there is also a painful possible lesson if they confuse their imperialist urges with the conveying of benefit to those they attack. Orwell himself was scathing about what he saw as 'Kipling's jingoism and brutality' in the Boer War but is perspicacious about why Kipling was so wrong about it. 'It is notable that Kipling does not seem to realise . . . that an Empire is a money-making concern. Imperialism as he sees it is a

⁵⁹ Editorial, *New Republic*, 23 November 1918.

sort of forcible evangelising. You turn a Gatling gun on a mob of unarmed “natives”, and then you establish “the Law”, which includes roads, railways and a court-house. He could not foresee, therefore, that the same motives which bought the Empire into existence would end by destroying it.’⁶⁰

We might ask if the ‘reconstruction’ of Afghanistan or Iraq at the end of the twentieth century is so very different than for the Liberal imperialists at the beginning of it. Certainly the neo-conservatives of the 2004 Bush Cabinet show the same certitude in their actions as did Viscount Milner, Cecil Rhodes and Rudyard Kipling in 1900.

⁶⁰ George Orwell, ‘Introduction’ [first published in *Horizon*, February 1942] in *The Works of Rudyard Kipling* (Ware: The Wordsworth Poetry Library, 1994), pp. xviii–xix.