Social Security and National Security in a Cold War World

An Exploratory Study of the Cold War
International Context as an Exogenous
Variable Influencing Elite Consent to Postwar
Social Welfare Development

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University of Michigan
Prof. Michael Kennedy

Michael A. Dover
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This central tenet of corporate liberal theory is used by Eakins to describe the evolution of the Marshall Plan and foreign economic policy after World War II (Eakins 1966: 385-6):

The offices of the Committee for Economic Development had not only helped formulate the Marshall Plan, but also they were almost uniquely responsible for its implementation....the line between government policy maker and businessman was blurred, or even non-existent, in some areas.

But Eakins recognized that both business and labor and academic leaders participated in the various influential organizations of the period. Corporate liberal theory was not a theory that attributed power solely to one’s position in a business corporation. Eakins explicitly pointed out that the corporate liberal “is not defined as a corporation businessman” (p 514). Reforms, he pointed out, came out of political liberalism and other sources of social reform ideas as much as out of corporations themselves.

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Cold War historiography

We have seen that from an ideal-typical standpoint there were two master narratives of postwar social welfare development, one approach which posits a key macro-structural variable - industrialization - and an approach which stresses the varying outcomes of conflict among masses and elites within nation-states. Neither approach gives a good deal of stress to exogenous factors affecting national social welfare development, or provides an analysis of the Cold War context, except to stress the limits which military spending placed on social welfare growth. There have also been two broadly-defined master narratives of Cold War origins and development - the traditionalist/orthodox and the revisionist approaches (Anderson 1981; Crockatt 1995). The traditionalist approach tended to stress the responsibility of the Soviets for the Cold War. The revisionist approach, which attempted to consider evidence for Western culpability, is represented by the work of Alperovitz (1965); Horowitz (1967, 1971); Oglesby and Shaull (1967); Kolko (1969); Gardner
The revisionist approach is available in collections edited by Horowitz (1969) and is critiqued by Maddox (1973). Crockatt stressed, however, that there were many varieties of emphasis in these two approaches (Crockatt 1995), but that both tended to be voluntarist in outlook, unlike Halle (1967), who stressed the historical necessity of the conflict.

A number of authors have attempted histories of the period, notably Fleming (1961), from an unabashed Wilsonian internationalist point of view, Walker (1993), McCormick (1989), from a world systems/elite hegemony perspective, as well as the two-volume study by Andre Fontaine (1968 (1965)). One historian has specialized consistently on research in this area (Gaddis 1972; Gaddis 1987). Recently, several post-Cold War studies have become available (Crockatt 1995; Allin 1995; Gaddis 1992; Johnson 1994; Levering 1994; Marullo 1993; McCormick 1995; Schaffer 1993), and it is likely there will be a considerable literature which retrospectively examines the Cold War, especially now that there is limited access to Soviet archives.

Common to both the traditionalist and revisionist accounts, however, has been a relatively similar description of the nature of a Cold War consensus that centered around an evolving conception of containment (Gaddis 1982; Etzold and Gaddis 1978). In general, the consensus of both Cold War hawks and doves has been that containment was largely a strategic policy which relied primarily upon military strength, foreign economic and military aid, and strident anti-Communism. Where the social welfare activities of the nation-state came into Cold War historiography, they were largely viewed by traditionalists and revisionists both as having been diminished due to Cold War military priorities.

**An alternative narrative**

But an alternative narrative can be constructed from an examination of the secondary material and some examination of key documents, memoirs, etc.. Such a narrative would attempt to ascertain the connections between domestic and foreign policy, in light of the possibility that the Cold War foreign policy determination process was influenced by and had an impact upon postwar social welfare development.

What has been called the Cold War consensus emerged in the years following World War II, but had its origins during the last few years of World War II. In 1943, Hobsbawm argued, U.S. policy makers were pre-occupied with the need for
economic, political and social stability in the postwar world, in order to prevent a disastrous repeat of the Depression (Hobsbawm 1994: 232 citing Kolko 1969). Containment of Soviet influence within areas that did not threaten vital U.S. interests was a key component of such a foreign policy of stability. Containment was key to a growth-oriented domestic economy, because growth depended upon access to growing, not shrinking, foreign markets. As Eakins put it, New Dealers recognized the importance of the attainment of New Frontiers abroad as a solution to overproduction and unemployment at home (Eakins 1969). Isolationism would not save capitalism, and by 1948 an entire book, entitled *Saving American Capitalism* was issued by New Dealers eager to extend their influence in the Cold War era (Harris 1948).

A key argument of the book was one made by Chester Bowles, a New Dealer who became a key Cold War player: that communism can easily appeal to desperate, underprivileged people, and that “the most effective means of opposing Communism is a bold, dynamic program of economic, social and political reform” (Bowles, writing in Harris 1948: 19). As a product of the growing split between liberals and progressives which arose during this period (Walton 1976; Schaffer 1993), Eakins described a growing working relationship among a corps of businessmen, government officials, academics and labor officials who forged a Cold War consensus (Eakins 1969: 143):

> To these men reform meant government-supported economic growth and an end to depression and class warfare; it meant a corporatist cooperation among government, business, farmers and labor.

This cohort of planners, referred to as corporate liberals by Eakins and moderate conservatives by Domhoff (1987-88), knew that both domestic and foreign policy measures were necessary in order to address domestic problems. Neither could be relied upon in isolation from the other. Nor would this cohort of planners easily cave in to the vociferous advocates of more militaristic policies.

**Containment militarism**

With the advent of the Eisenhower administration, there was overwhelming support from the public for Truman’s policy of containment, and for the international military and economic obligations seen as part and parcel of that policy. As Sanders puts it, national political ideology and foreign policy doctrine had dovetailed (Sanders 1980). This policy was only partially modified by John Foster Dulles for
the Eisenhower administration. Dulles wrote for public consumption that the Republican difference would be the use of moral resources in world affairs and support for the principle of liberation of captive nations in the Soviet bloc, rather than merely containment. But just as Hans Morgenthau described McCarthy’s policy as one of blaming treason in order to reconcile delusionary omnipotence with limited power (quoted by Graebner 1985: 64), so Dulles’s version of liberation was equated with the illusory potential of the ascendance or survival of Chiang Kai-shek, Bo Dai, and various Eastern European nationalist movements. The use of such language was consistent with Republican campaign rhetoric, but was never fully operationalized except in covert actions, many of which had previously been authorized under Truman. Dulles’ introduction of “massive retaliation” as a policy in 1954 was no more than an H-bomb era version of the mutual assured destruction policy which issued from the Truman years. Dulles’ stance has been referred to as “speak loudly and carry a soft stick” (Brands 1988). Moreover, his use of a term such as moral resources can be considered his version of the “holy pretense” of Dean Acheson described by Lloyd Gardner (Gardner 1970). As far as Europe was concerned, Eisenhower basically reaffirmed the Truman containment policy (Graebner 1985: 69). Inter-elite conflict over foreign policy during the Cold War was often framed within the containment policy consensus as a form which has been described as “containment militarism” (Sanders 1980) or the “militarization of containment” (Crockatt 1995). Elite factions around the original Committee on the Present Danger organized for a position which matched the conclusions of NSC-68 (Sanders 1980). However, as will be seen, other elites opposed the NSC-68 stress on reducing non-military expenditures, and the commonly accepted view that NSC-68 became the dominant outlook is not accurate (Sanders 1980: 84). As Sanders points out, both left and right have assumed that the public rhetoric of the post-NSC-68 period accurately reflected policy (Sanders 1980), but actual administration activities under both Truman and Eisenhower were far more complex, especially in Europe.

Containment militarism was in many respects a Korean-wartime, incremental change in personnel, emphasis and rhetoric, rather than a fundamental shift in policy, especially with respect to social welfare policies, which continued to play a central role in both the U.S. and Western Europe despite increased military spending.

**Containment and a “third force” in Western Europe**

But, as Allin has also argued, there were two varieties of containment, one more
focused on military aspects than the other. Both were united on the need to maintain
the balance of power in Europe, although Kennan saw it as stable and Acheson
stressed its potential instability (Allin 1995: 15). The most doctrinaire neo-
conservatives....(Allin 1995: 135-6):

...were ready to cast European Socialists as Soviet dupes and fellow travellers.
Yet the truth is that West European Socialism was among the bulwarks of
anti-Soviet containment. The social-Democratic welfare state, derided by
neoconservatives for allegedly sapping Western will, was in fact the West’s
secret weapon. The most plausible Soviet threat, very real in the first years
after World War II, was the extension of Stalinist power by political
means...“Social Democracy” can be a slippery term, and it is true that the
European welfare state was also in large measure the creation of conservative
parties: Gaullists in France and Christian Democrats in West Germany and
Italy.

But Allin noted that the Western European welfare state also reflected not only the
socialist vision of Eduard Bernstein but also that of a coalition of people (across
ideological lines) who had feared and resisted Nazism. The social democrats within
this coalition, especially after the February 1948 coup in Czechoslovakia and the
estrangement of Yugoslavia, now feared that Soviet strength was a threat to
democratic socialism’s future within autonomous nation-states (Braunthal 1949).
The changed outlook smoothed acceptance of the Marshall Plan, passed by Congress
shortly after the coup.

But to what extent were elite policy makers of the same opinion regarding the
centrality of postwar social democratic and welfare state measures to containment?
To restate the central argument of this section, if exogenous factors stemming from
the Cold War context influenced national decisions about social welfare expenditures,
there should be evidence in the history of Cold War foreign and domestic policies
that this was the case, for the United States and perhaps as well for other N.A.T.O.
countries. In other words, there should be evidence that key policy makers explicitly
considered the value of social welfare expenditures in fighting the Cold War.

Marullo’s observations help to address the question of the role of exogenous
influences. Marullo defined the Cold War as a "complex set of policies and
institutional arrangements that arose over a forty-year period" (p. ix) which aren't
likely to change merely because of a reduced external threat. Marullo stressed "the
systemic and comprehensive nature of the cold war’s incorporation into the policy
making process” (p. x). Nor should militarism be understood only in terms of
weapons and armed conflict. Rather, Marullo’s book examined the (p. 5):
“operations of the military, economic, political, and other social institutions that
sustain militarism....” Thus, at one and the same time, everyday life may be both
more militarized than we realize, and seem more dominated by war than it really is.
Periods of “negative peace” between wars are equally important to understand,
Marullo argued.

Marullo described two macro-levels of social organization: the national and
international. At the international level, Marullo viewed nation-states as (p. 11)
“fairly autonomous nation-states that are only loosely integrated into a global order
which has few mechanisms of conflict resolution. The present analysis would not
concur with that conclusion, as it stresses exogenous influences which
delimit nation-state policy autonomy. Moreover, an approach which stresses the key influence of established institutions can miss the people who shaped the events which came to be institutionalized in established patterns of state policy and practice. But Marullo’s main concern is with the cold war at home (P. 11):

At the national level, the cold war has facilitated the creation of a military-industrial complex that has institutionalized itself in the economy, the political system, and the education system. Further, it has produced a set of cultural beliefs that sustains its operations. This is probably the greatest challenge we now face: deconstructing the domestic institutional operations and beliefs that sustain militarism.

Still, such an outlook is consistent with the revisionist version of the Cold War master narrative: namely, that there was a zero sum relationship between military and social spending. But looking at the origins of Cold War, Marullo pointed out that there were two alternatives to the containment doctrine: the rollback doctrine (Curtis LeMay) and a third view, advocated by State Department Soviet expert Charles Bohlen, which was “to promote a strong, independent Europe to serve as a third force to counter the Soviet threat" (p. 45). While the containment policy was officially adopted through National Security Council Directive-20 (NSC-20), Marullo pointed out that the Marshall Plan’s intent was to reshape Europe into a third force. Moreover, this third force was made up of nations that were increasingly under social democratic influence. As Braunthal had reminded the readers of *Foreign Affairs* in 1949 (Braunthal 1949: 600):

...nearly all European countries outside the Russian orbit are governed by Social Democrats or by governments in which Socialists participate.

Seen as a bulwark against the Soviet Union, a social-democratic Western Europe as a third force was not anathema to the isolationists and liberals who Marullo argued supported the third force policy. By July 1947, Kennan himself had moved away from a strict “perimeter” defense conception of containment to a “strongpoint” defense posture, one which emphasized those regions of the world where U.S. interests were most essential (Gaddis 1982: 57-58). In March of that year, NSC-7 had already recommended giving first priority to Western Europe by implementing a European Recovery Program (later called the Marshall Plan). NSC-7 went so far as to endorse the Western European Union’s development as an “anti-communist association of states” (Etzold and Gaddis 1978: 168). Within such an association, the U.S. would tolerate social democracy, but would draw the line on communist
participation where possible. These nations would not be considered a U.S. sphere of influence, but rather a politically independent center of power in Western Europe (Gaddis 1982: 63), albeit one under the emerging N.A.T.O. umbrella. Marullo himself concluded (1993: 48):

From our perspective today, however, after the end of the cold war, we can see that it was the third alternative - creating an independent force in Europe based on political pluralism and mixed social welfare-capitalist economics - that has proved to be the bedrock of U.S. security since World War II. The positive effects of the Marshall Plan in helping to rebuild western European economies, create pluralist political systems, and develop civil societies rich with voluntary associations has been a source of stability and prosperity in what is now the emerging European Community. In short, hindsight indicates that the third path has proved to be the effective agent of change throughout Europe and the former Soviet Union.

This insight by Marullo, based upon observations by Gaddis, has important implications for the present thesis. For it means that key elite figures involved in formulating foreign policy were aware of the importance of social democratic policies in forging anti-Communist alliances by and with Western European capitalist democracies. This is not to say that U.S. policy was to support social democrats over Christian democrats, but it is to say that U.S. foreign policymakers were cognizant of such a strategy.

This was particularly the case for advocates of a third force such as Charles Bohlen. Bohlen had originally been suggested as a State Department special liaison officer to the White House by New Deal domestic policy figure Harry Hopkins, early in 1945. As Undersecretary of State from 1945-1947, Acheson’s Nine-Thirty Club included Bohlen (along with Alger Hiss, George Kennan, Dean Rusk and others). When Kennan left the NSC, and Acheson left State, Bohlen remained at State. Bohlen’s voice had long been heard as an expert on Soviet affairs. He had warned as early as May 1943 against Soviet embassy activities in Latin America (Gaddis 1972: 51). He was Marshall’s translator at meetings with Stalin (McClellan 1976). He shared the view of Acheson and Kennan that the Soviet Union “must have given the North Koreans the go-ahead signal” (McClellan 1976: 275). Bohlen later become influential with Kennedy (Gaddis 1982: 200).

There is little doubt that, as much as Bohlen and others were concerned with the hot war in Korea, they never lost sight of the social democratically inclined third force in Europe. The onset of the Korean war had led to increased domestic political
pressure on Washington to cut back military and economic aid to Europe, due to
increased costs associated with the Korean conflict. But this occurred at the same
time as economic crisis in Western Europe was making its own military
commitments (including Korea) prohibitively expensive. As early as July 1950, the
Pentagon was opposing proposals to extend the Marshall Plan beyond 1952, and
demanding that the military aspects of the plan be placed in the Department of
Defense, not the State Department. European members of N.A.T.O., responding to
the crisis, increased military spending by approximately fifty percent, but this
rearmament created political crises in Europe. In the United Kingdom, a cabinet
member in the Labor government resigned in the Summer of 1951, charging the
welfare program was being sacrificed due to rearmament. In France (which had
expenses of its own in Vietnam), there was also dissent over such increased N.A.T.O.
expenses.

A multinational approach to this dilemma was soon in the offing. In July and
August 1951, Acheson, Harriman, Nitze, and Bohlen met to “discuss ways and means
of easing the European economic crisis and at the same time coordinate the
competing demands upon the national budgets of the various N.A.T.O. members
before disaster engulfed the entire enterprise” (McClellan 1976: 353). Soon,
however, a more stable (albeit temporary) mechanism for such coordination was
established following a proposal by French Foreign Minister Robert Schumann and
Finance Minister Rene Mayer. The Temporary Council Committee (TCC) was
established at an Ottawa meeting of N.A.T.O., with marching orders to get to the
bottom of European military and economic capabilities. This transnational body was
a clear-cut exogenous factor influencing subsequent budgetary decisions in N.A.T.O.
countries (McClellan 1976: 353):

In effect what Acheson hoped to do with TCC was to have an organ of
N.A.T.O. break through the traditional barriers of each member’s national
sovereignty and make authoritative recommendations concerning the
allocation and improved utilization of their economic, financial, and military
resources.

While all N.A.T.O. countries belonged, three (U.S., Britain and France) were given
carte blanche to “examine each member’s economic and fiscal resources and to
redirect the allocation of its resources” (p. 354). The decisions involved both
military and social expenditures, including housing policy, etc.: “Never before had
such intimate coordination and direction of twelve countries’ economic and political
life been attained in time of peace” (p. 354). Ultimately, TCC collapsed concurrently with the 1954 French decision to sign the Geneva Accords on Vietnam and then reject the formation of the European Defence Community (EDC). The EDC was an effort supported by Adenauer, Britain and the U.S. to form a united European defense force alongside N.A.T.O. A more detailed examination of the policy deliberations of TCC would provide further evidence of the nature of U.S. policy towards the growth of the welfare state in Western Europe.

**Domestic policy and National Security Memo #68**

Did the U.S. propose that in Western Europe a policy be followed such as recommended by Nitze (in NSC-68) for the United States (i.e. reduced non-military expenditures)? Or did other key policy makers support the European equivalent of the understanding expressed by members of the Council of Economic Advisers and the budget office, who opposed that aspect of Nitze’s policies? This question was partially examined used a combination of primary and secondary sources. Nitze had argued in NSC-68 for...:

...reduction of federal expenditures for purposes other than defense and foreign assistance, if necessary by the deferment of certain desirable programs. This would likewise be a matter for consideration by the White house, the Bureau of the Budget, and Council of Economic Advisers, and the National Security Resources Board. (Foreign Relations of the United States, 1950, Volume One)

Representatives of each of these offices received the NSC-68 memorandum. A subsequent memorandum by William F. Schaub, Deputy Chief of the Division of Estimates, Bureau of the Budget, May 8, 1950, argued (Foreign Relations of the United States, 1950, Volume One, pp. 298-306):

If our danger is from Soviet influence on vulnerable segments of society - generally large masses of subjugated, uneducated peoples - what is our program to reach these masses and prevent Soviet influence? How do you promise them and insure them a chance for freedom and improvement?...The gravest error of NSC-68 is that it vastly underplays the role of economic and social change as a factor in the 'underlying conflict'...The test of survival for an established civilization is its ability, not only to defend itself in a military sense, but also to handle these pressures by removing or alleviating the causes - a most difficult task since it frequently requires removal of ruling groups or injury to vested interests. One might generalize that the degree of underlying success in the cold war to date has been in direct ratio to the success in
adjusting social and economic structures to the twentieth century wave of economic egalitarianism - even though the methods have frequently been inept and have violated our concepts of a desirable and efficient economic system....There is no follow-through [in NSC-68] on the social and economic schisms which today provide the basic groundswell for disorder and weakness, which make our task so difficult, and for which we have not developed guidelines and techniques adequate to cope with the vicious ‘ideological pretensions’ and methods of the Communists. A revolutionary movement taking advantage, however cynically, of real elements of dissatisfaction cannot be stopped by the threat of force alone....At the moment there are some 3 ½ million unemployed...The document [NSC-68], however, is subject to criticism for inconsistency in proposing that higher security expenditures be counteracted by increased taxes and a curtailment of domestic programs. This seems hardly a program for stimulating economic growth. It is suggested that as a general guideline that any security program which requires either a significant increase in the tax base or the curtailment of domestic programs which have an investment or developmental effect, should be considered as raising serious questions on the economic side.

Also dissenting from the implications of NSC-68 were Hamilton Q. Dearborn, representing the Council of Economic Advisors, whose memo was approved by Leon H. Keyserling (Foreign Relations of the United States, 1950, Volume One, pp. 306-311):

In the Council’s view, the United States economy’s capacity for growth is such that substantial new [military] programs could be undertaken without serious threat to our standards of living, and without risking a transformation of the free character of our economy. Yet the adoption of such programs would create major problems of economic and social policy. Unless carefully and imaginatively prepared, their adoption could create concerns on the part of the Congress and the public which could ultimately threaten their success...

Although the problems they anticipated were broader than merely social welfare policy (they concerned problems of taxation, regulation, inflation, unemployment, etc..), it is clear that the Council shared concerns about a move away from social expenditures in general.

Thus, the recognition of the value of social democratic policies in fighting the Cold War was not restricted entirely to Western Europe. The Cold War at home required more than merely anti-Communist hysteria and militarization. In order to achieve what Kennan later called “national greatness” (Kennan 1951), a variety of domestic policies were needed. In fact, in the famous “long telegram”, Kennan had set the tone for the wisdom of such a connection between foreign policy and domestic
Much depends on health and vigor of our own society. World communism is like a malignant parasite which feeds only on diseased tissue. This is the point at which domestic and foreign policies meet. Every courageous and incisive measure to solve internal problems of our own society, to improve self-confidence, discipline, morale and community spirit of our own people, is a diplomatic victory over Moscow worth a thousand diplomatic notes and joint communiques. If we cannot abandon fatalism and indifference in face of deficiencies of our own society, Moscow will profit - Moscow cannot help profiting by them in its foreign policies.

Thus, early on in the Cold War, one of the careerist and inner-and-outer elites which McCormick (1989) saw as having dominated Cold War foreign policy fully recognized that both military and social welfare policies were needed on the part of the West in order to contain communism in the postwar world. Traditionalist and revisionist narratives, however, have not stressed this motivational aspect of Cold War elite policy making. In order to understand the extent to which these elites also influence domestic policy in other nations and in the United States, it is necessary to briefly examine the bedrock of European policy: the Marshall Plan.

The Marshall Plan and social welfare in Western Europe

In April 1947, the Greek Civil War was raging, and England had already asked for the U.S. to take over its traditional role in Greece and Turkey (where the U.S.S.R. was pressing for a base on the Turkish straits.) The draft of the President’s Truman Doctrine speech caught up with Secretary of State George C. Marshall and his aid Charles Bohlen in Paris on their way to Moscow for a Foreign Minister's meeting. They replied the speech seemed to overly emphasize the communist danger, but a response said the President and his staff didn't agree. Marshall and Bohlen's meeting with Stalin left Marshall convinced that Stalin was in no hurry to address Europe's recovery needs, which were considerable despite two years of U.N.R.R.A. activities. Marshall felt that Stalin's policy was one of drift and continued economic crisis. Continued high levels of unemployment and unrestored infrastructure were breeding grounds for communism in Bohlen's view, and he and Marshall felt that this must not have escaped Stalin's attention. When they returned Marshall turned to the Policy Planning Staff he had set up under George Kennan to fully consider Europe's
recovery needs (Bohlen 1973).

The result was a Policy Planning memo and a report from Will Clayton (Fossedal 1993) that were pieced together by Bohlen for Marshall’s Harvard speech announcing U.S. willingness to mount a major European recovery effort. The original draft by Bohlen and the final speech by Marshall made no effort to use anti-Communist rhetoric, but Bohlen's memoir made it clear that Marshall and he knew that the U.S.S.R. and Eastern Europe would not participate (as they had in U.N.R.R.A.) if there were requirements of accountability. The anticipated Russian demands in this respect came at a Paris exploratory meeting of the major powers in July 1947. The demands, once predictably rejected, lead to Soviet refusal to participate, and to vehement objection to the Marshall Plan by the Communist parties of Western Europe. But the February 1947 coup in Czechoslovakia, which had occurred shortly after Marshall's Harvard speech, lessened European Social Democratic opposition to the Marshall Plan and primed U.S. public opinion. The Czech government was first an elected Communist-socialist coalition. Communists were one-third of the government in France at the time, and contending in Italy at the ballot box and in Greece with force of arms. (Bohlen 1973).

The Brussels Treaty had been signed in the Spring of 1947 and the North Atlantic Treaty would establish N.A.T.O. on April 4, 1949. But N.A.T.O. would not have been enough to secure Western Europe in Bohlen's opinion. Without both N.A.T.O. and the Marshall Plan, "the communists might easily have assumed power in most of Western Europe" through local parties supported (militarily if necessary) by the U.S.S.R. (p. 268).

Cold War rhetoric may have been used to obtain support for the Marshall Plan, but corporate liberal policy researchers favored it all along for its economic value, well before the Cold War. Eakins (1966: 372) pointed out:

The National Planning Association had already, in 1944, offered a proposal on the scale of the Marshall Plan. It had done so strictly on the basis of American domestic needs, making no arguments about a cold war with Russia, and calling for a great expansion of government-supported foreign investment.

Furthermore (Eakins 1966: 387):

The corporate liberal policy planners were concerned about the economic threat to America’s expansionist desires abroad, however, and seldom used the rhetoric of the Cold War in the form it took in Congress.
But we cannot take Bohlen's or Eakins' assessments at face value. There is equal evidence that the Stalin-Churchill implicit agreement of spheres of influence in Europe was respected by Stalin.

Post-World War I relief efforts

In addition, Bohlen himself had a blind spot. Bohlen correctly traced the history of the Cold War to the Bolshevik seizure of power in 1917. But Bohlen blamed the Soviet Union for making England and all capitalist powers "the number-one target of a cold war" between 1918-1933, a conflict motivated by "the fantasy of the Soviet Union's being surrounded by capitalist enemies" (p. 272). Bohlen viewed that fantasy as becoming a reality only in 1933 with the ascendance of Japan and Germany. He ignored the reality of the Western invasion of Russia shortly after the signing of the peace treaty with Germany. In fact, that invasion occurred simultaneously with the organization of a major Hoover-led relief effort in Europe from 1918-1923 (Bane and Lutz 1943). Although organized on a smaller scale than the Marshall Plan, it was motivated by the same kinds of fears of Communism as were less frankly acknowledged by Marshall, Bohlen and others. As President Wilson argued in a confidential message to Congressional leaders in favor of the plan:

Food relief is now the key to the whole European situation and to the solution of peace. Bolshevism is steadily advancing westward, has overwhelmed Poland, and is poisoning Germany. It cannot be stopped by force, but it can be stopped by food, and all the leaders with whom I am in conference agree that concerted action in this matter is of immediate and vital importance.

(Woodrow Wilson, January 11, 1919, Bane and Lutz 1943: 176-177).

Herbert Hoover's own account of the motivations of the effort, written for Collier's in 1943 and entitled "We'll have to feed the world again" (reprinted in Bane and Lutz 1943) included the following retrospective observation (p. 14):

Added to the growing pains of these new democracies was the fact that the Communists were stirring up more revolutions. And they found so receptive an audience in hungry people, that Communist revolutions one time or another seized a dozen large cities and one whole country - Hungary.

But this wasn't merely a motivation in hindsight. In a July 3, 1919 memorandum on the economic situation presented to the Supreme Economic Council, Hoover reported that 15 million families were currently receiving unemployment allowances from unemployment bureaus in Europe and that production of necessities was far below
meeting the needs of 450 million Europeans (including Russia). He continued (p. 593-4):

The outcome of social ferment and class consciousness is the most difficult of problems to solve. Growing out of the yearning for relief from the misery imposed by war, and out of the sharp contrasts in degree of class suffering, especially in the defeated countries, the demand for economic change in the status of labor has received a great stimulus leading to violence and revolution in large areas and a great impulse to radicalism in all others....In this ferment Socialism and Communism has embraced to itself the claim to speak for all the downtrodden, to alone bespeak human sympathy and to alone present remedies, to be the lone voice of liberalism....Europe is fully of noisy denunciation of private property as necessarily being exploitation.

Hoover himself was confident that the higher levels of production in the Western Hemisphere, its allegedly equitable division of profits, and its various methods of ensuring that needs were met, could all be extended to Europe as well. This would defeat the threat of left-wing political experimentation or revolution. But this is not to say that Hoover and other supporters of the relief effort were advocates of military action against Russia. In fact, General Tasker Howard Bliss, the military representative of the U.S. on the Supreme War Council and the military member of the American Commission to Negotiate Peace, had, together with Hoover, begun arguing for temporary emergency relief of Europe as early as December, 1918 (p. 134). Their proposed budget for $100,000,000 of expenses was cabled by Norman Davis to the Secretary of the Treasury that day, and the very next day President Wilson asked the Secretary to propose such an amount to Congress (p. 139). Fully aboard the relief train, Bliss next wrote an eloquent memorandum to other members of the American Commission to Negotiate Peace, warning that "a plan is in preparation for waging war on Russia as soon as peace is concluded with Germany" (p. 304). He was concerned that money spent on relief plans would be diverted for this "detestable purpose." He pointed out that European powers expected American support, and would most likely fail to act in such a manner without that support. Having stated his own view, he argued that a clear cut statement of the U.S. position was needed, either pro or con. If we were to participate, he felt that the length of such a conflict could be reduced substantially, but if we were not to participate, this should be clearly stated as well. Furthermore, Bliss argued, a clear-cut refusal to participate should be accompanied by a promise that should such a course of action (the invasion of Russia) take place, we would cut in half all but humanitarian aid, and
that we would withdraw all our troops and cease any governmental aid except when paid for by the European parties. This memorandum is a remarkable document. Further research on the documents of the Supreme Allied Council and the Wilsonian Presidency would be necessary in order to ascertain the response of other elites to the memorandum.

**Conservative critique of the Marshall Plan**

Despite his prescient call for post-W.W. II aid, Hoover and Taft led the conservative coalition criticizing the Marshall Plan. Hoover called for some form of economic aid to Europe in order to build what Hoover called a "dam against Russian aggression" (quoted in Hogan 1987: 95). No doubt his strident opposition was stimulated by the treatment of the March 1947 Hoover Report on factors slowing recovery in Germany (originally requested by President Truman and Secretary of War Robert P. Patterson (Hogan 1987: 33)). His recommendations to stimulate German recovery, although supported by W. Averell Harriman, were opposed by many other Truman administration figures, who feared (and knew Europe feared) a resurgent German industrial base. However, his report, along with the suggestions of "officials of junior rank" for a more balanced emphasis on European integration, helped build consensus for some form of action (Hogan 1987: 35). In any case, shut out of the inner group of policy makers which subsequently shaped the Marshall Plan, Hoover rejected the growing internationalism of Arthur H. Vanderberg, and ended up joining the vociferous 1950 Republican Congressional critique of Truman foreign policy.

This critique called, among other things, for more emphasis on military rather than economic foreign aid, and the use of a Western Hemispheric air and sea power based nuclear shield, rather than having U.S. troops join N.A.T.O. forces (Hogan 1987: 385). Even so, another element of this critique was the view that the United States, by subsidizing the military needs of Western Europe, was subsidizing the Western European welfare state. There was particular resentment of Britain in this respect. Thus the call for enhanced military aid was coupled with criticism of social welfare measures. This discourse was also stimulated by the Committee on the Present Danger's propounding of the essence of the secret NSC-68 proposals.

**Marshall Plan origins**

Had Hoover played his cards differently, and joined the Vandenberg camp, it
is likely that his experience in World War I would have earned him at the very least a position "of counsel" to the Marshall Plan effort. Instead, the origins of the Marshall Plan are best described by Charles Kindleberger's memorandum. He confirmed that the Harvard Marshall speech was pieced together from paragraphs written by Kennan (and the Policy Planning Staff) and by Clayton (Kindleberger 1987: 29). A paragraph by paragraph comparison by Fossedal (1993) confirms this. But neither Clayton nor Kindleberger noted the role of the person who did the piecing together, Charles Bohlen (Bohlen 1973). As Kindleberger sensibly saw it, the differences centered on whether the plan would be U.N.R.R.A.-like (with the U.S. supplying resources but having only one vote on how to use the resources) or more under the control of the U.S. (Clayton's view).

Remembering the coupling of relief with invasion, the U.S.S.R. could hardly have been considered paranoid when the Brussels Treaty and N.A.T.O. were coupled with the Marshall Plan. Also, recent research documents that a “war for peace”, a preventive war against the Soviet Union, was actively considered by many leading government, university, and political figures (Buhite and Hamel 1990). Buhite and Hamel distinguished preventive war from defensive or aggressive. The preventive war conceived of after World War II was aimed at ensuring continued U.S. nuclear superiority. Moreover, the authors concluded that the Soviets were likely aware of the American discussions of such an idea in late 1949 and early 1950. A preventive war is a war related to securing the world, even if it means destroying at least part of it. But once the option of preventive war is rejected, and an aggressive war is considered insupportable (in view of the sanctions the world placed upon Hitler), there remains only the option of being prepared for a defensive war, and finding other measures to secure the world.

Charles Bohlen's views, published in 1973, blamed the post-W.W. II Cold War on the Duclos denunciation of Browder and on Stalin's 1946 electoral address. Bohlen blamed the cold war on an unwavering and consistent Bolshevik hostility against capitalist nations, which had only temporarily been tempered by the need for an anti-fascist alliance. But the Soviets might have said the same thing about the apparent similarity of the postwar coupling of economic relief, military alliance building and actual and contingency-planned attacks on the Soviet Union itself, following both W.W. I and W.W. II. But a closer examination of the actual content of the Marshall Plan would be in order.

Harry Bayard Price’s semi-official history of the Marshall Plan has pointed
out that the Marshall Plan was "many things to many" people (1955: 4). Price argued against seeing the Communist threat per se as the problem. Rather, the problem was the "significant weaknesses" represented by the...

other problems [which] play into the hands of the Communists by prolonging the very conditions that constitute Russian's major source of psychological and diplomatic strength in areas outside its control. And herein lies the deeper meaning of the Marshall Plan. For while grappling with immediate problems of economic revival, it also confronted some of the more submerged and protracted causes of Europe's debility.


...operated on the assumption that American resources were adequate to wage war, support social welfare programs, and contribute to European recovery and rearmament, so long as the American people were prepared to live with higher taxes, larger deficits, and economic controls. To conservatives, on the other hand, the economic consequences of the Korean war had confirmed the thesis that the United States could not afford guns and butter both....Social welfare programs were curtailed or put in cold storage, notably the program for public housing and the plan for national health insurance....Something similar was happening in many of the Western European countries. Here the defense effort taxed available resources to the limit, dislocated economies, and shook political coalitions.

Such a conclusion is consistent with the postwar master narrative that military and social spending were at odds with each other.

**Marshall Plan leverage - how was it used?**

Alan S. Milward, an economist, has extensively examined postwar reconstruction (Milward 1991). Milward argued that the revisionist historians argued that the Plan gave the U.S. leverage over the domestic policies of European countries. The revisionist historians assumed that the U.S. exercised leverage to discourage the growth of socialistic policies such as social welfare programs in Western Europe. Was the Marshall Plan used to pressure on Europe to reduce social welfare expenses? Or was it the opposite? McCormick pointed out that U.S. manipulation of European domestic policies came through European Recovery Plan (ERP) counterpart funds, essentially matching funds. The use of the combined funds was subject to veto by the U.S.-controlled Economic Cooperation Agency (ECA), and the ECA often vetoed the use of the funds for social welfare purposes during the first year of operation, forcing
social democratic governments to reduce debt, balance budgets, etc. A more thorough examination of ECA records would be necessary to obtain more than this sketchy picture, however. The ECA Advisory Board was made up of business, labor and agricultural leaders, and had a number of advisory sub-committees, but was by and large “dominated by corporate executives active in world trade” (McCormick 1989: 82). But Milward draws attention to the public nature of the bilateral treaties the Marshall Plan called for. These treaties included plans for how to divvy up monies called the "counterpart funds". Arkes (1973) devoted a chapter to considering the question of coercion in the Marshall Plan. Arkes pointed out that there was a "commitment to de-bureaucratization" built in to the temporary nature of the ECA (Arkes 1973: 305). Arkes pointed out that the "counterpart funds" concept was also used in UNRRA. This kind of device was carried over into the Marshall Plan (Arkes 1973: 46):

Under the counterpart procedure, the local funds that accrued from the sale of relief goods were deposited in a special account. The account could be used for further expenditures at the local level, but it could be used only with the consent of the host government and the UNRRA. As they were originally conceived, the counterpart funds signified a sharing of authority between the local government and the member nations of the UNRRA. But when they were used now in a bilateral framework, the wedge of authority they opened would be filled only by the United States.

In a chapter on the reach of authority overseas, he pointed out that this power was limited by the time-limited commitment to de-bureaucratization. Furthermore, he saw a split between the unilateralists who emphasized that the U.S. should dictate, and the bilateralists who looked for cooperation.

Hogan also argued that leverage was not used in a particularly imperialist way, other than in the area of trade limitations with Eastern Europe (Hogan 1988: 122-3):

On the level of high policy the chief string attached to Marshall Aid was that economic and political integration would be the basis of Europe's reconstruction....The purpose of Marshall aid was...to develop a bloc of states which would share similar political, social, economic and cultural values to those which the United States itself publicly valued and claimed to uphold.

Productivity was central to our goals in this regard, he argued (citing Maier 1978). As has been seen, productivity was also the key goal for Hoover after W.W. I. Hogan, however, didn't address the social welfare policies promulgated in the
various Marshall Plan-participating countries. In later work, Maier reiterated the
importance of productivity, but also stressed the centrality of the goal of European
integration for U.S. foreign policy (Maier 1991):

If there was a specter floating before European and American statesmen, it
was that a poor and impoverished Germany might make an arrangement with
the Soviets...Over the era of the Recovery Program the answer to this fear
consisted of what would be called 'integration'. Integration would come to
mean the effort to weave the emerging West German authorities into the
transnational structures being created in the late 1940's and 1950's. The point
was 'integration' could not really be coerced.

But there is a middle-ground between those who argue for or against Marshall Plan
coceration. That is that Marshall Plan authorities essentially consented to a variety of
national social welfare policies, and in some cases even attempted to stimulate them.
What evidence is there of this?

**Marshall Plan motivations**

One approach would be to argue that the Marshall Plan was motivated by
humanitarian considerations. This would neither be a necessary nor a sufficient
demonstration that the U.S. favored, rather than opposed, postwar social welfare
development in Western Europe. But this argument between humanitarian and anti-
Soviet motives for the Marshall Plan has been a central one.

One of the architects and publicists of the Marshall Plan was Allen W. Dulles,
who is perhaps more famous for his C.I.A. role. Dulles was active in the Committee
for the Marshall Plan to Aid European Recovery, chaired by Henry L. Stimson,
former Secretary of War. The Committee argued to the public (which was wary of
any anti-Soviet emphasis) that the plan was humanitarian, and cited the fact that
Marshall's Harvard speech claimed the plan wasn't directed against any country. But
to foreign policy insiders, they argued that Marshall's comment shouldn't be taken at
face value, and that the plan was part and parcel of the containment policy. Dulles
had the blood lines to perform well in the foreign policy arena: his grandfather and
uncle were both secretaries of state. In 1919 he served in the American mission in
Germany during the period of Hoover's aid program. After his service in O.S.S.
during the war, Dulles returned to the U.S. and was elected president of the Council
on Foreign Relations in November 1946, an organization he had belonged to since
1927. Both Dulles and Marshall received honorary degrees together at Brown on
June 16, just days after Marshall's Harvard speech. Dulles reportedly told Marshall,
"It is by restoring the economic life of a country, and by this alone, that we can meet the threat of dictatorship from a Fascist Right or a communist left" (Wala, Michael, introduction to Dulles 1993(1946): xxi). In his book advocating the Marshall Plan (unpublished until 1993 and thus not available to Pisani (1991)), Dulles wrote that the Marshall Plan...

is not a philanthropic exercise...It is based on our views of the requirements of American security...this is the only peaceful avenue now open to us which may answer the communist challenge to our way of life and our national security (quoted by Wala, p. xxii).

Dulles was cognizant of the link between the post W.W. I effort and the Marshall Plan. He cited the success of Hoover's efforts through the American Relief Administration from 1918-22. Dulles's book was explicit in its argument about the value of the Marshall Plan as an anti-Communist tool, and he bragged about its effect in this respect when it hadn't even been adopted by Congress yet! He described in detail the effects of the plan on creating disunity between socialists and communists and the way in which it was already causing dissent with the Italian and French communist parties. This dissent lead to the weakening of December 1946 strikes in Italy and France and to a split in the French workers union, the C.G.T.. Neither the text of the U.S. Economic Co-Operation Act nor the bilateral agreement with Britain explicitly stressed social welfare or even humanitarian assistance goals. Rather, what was stressed were liberty, freed institutions, sound economies, stable international economic ties, etc., although there is one reference in the Act to "the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations" (Pelling 1988: 129). Thus, if we are to ascribe humanitarian motives to the elites involved with the Marshall Plan, it is clear that we would need to recognize that, like many philanthropic measures, there were mixed motives involved (Martin 1994).

Marshall Plan in Italy and France

Pisani (1991) also described the ticklish question of the use of counterpart funds as leverage, but is more specific about their use, as is a case study of France and Italy (Esposito 1994). ECA officials decided upon a show of strength in France in mid-1948. ECA officials would release money if the French agreed to provide first monthly and then quarterly accountings. According to Pisani, ECA officials learned
the effectiveness of using leverage, but also worried about the effects of actually cutting off counterpart funds (a "shock treatment") on the stability of the government (Pisani 1991: 94). Some of the largest uses of the counterpart funds were for balancing budgets. Therefore, it can be argued their release constituted consent by the U.S. to the social welfare measures passed during this period (many of which contributed to budgetary problems, especially after the advent of the Korean war, which required additional Western European military expenses). The question is, was the consent strategic or enforced? The argument of Langbourne Williams of ECA's Industry Division in Paris to a study group that included Nelson Rockefeller, Tom Braden, William Donovan, Allen Dulles and others was that the United states "cannot stop its aid or even prevent the counterpart funds being used to balance the budget without creating chaos" (quoted in Pisani 1991: 94). It is perhaps for this reason that Chiarella Esposito referred to the Marshall Plan as America's “feeble weapon”.

Esposito (1994) argued that it was American policy in France and Italy to promote a centrist coalition called the "third force". By sometime in 1947, the Communists were dismissed from the government in France, and by early 1948, a centrist coalition was also in power in Italy. Although there was French Socialist and Italian social democratic and Christian socialist participation in the governments, the issue for the United States became how to keep the Communists out of power in the future (other than through covert actions). Clearly, a hard line against social welfare would not do. Esposito classified those who have stressed the strategic aspects of the Marshall Plan as the "realist" or "neo-realist" or "national security" perspective folks. Others who stressed the key role of ideology and American political culture were seen as "revisionist". The revisionist critics sought the wellsprings of American foreign policy at home, not in a power game abroad. Esposito explained that the revisionist critics are "systemic", "corporatist" and "open door" in outlook (p. xix). The revisionists saw a world system or capitalist world economy, with chief actors being from transnational business organizations whose main imperative was maximizing profits.

Another outlook would differ from both the orthodox and revisionist accounts. It would stress the role of transnational elites, nation-state managers, and domestic political-cultural leaders as concerned primarily with security, with securing both the social and the international, although some might stress the one over the other. In other words, a key issue for state theory would become: which social actors
stress the importance of which kinds of security, which of the securing activities of
the state become institutionalized and prioritized over time, and what are the
relationships of the efforts to secure the social and secure the world?

Esposito stated that Hogan saw a New Deal corporatist coalition as being
behind the Marshall Plan (p. xx):

The Truman administration sought to export New Deal corporatism to
Western Europe, convinced that it alone would resolve Europe's ills...Hogan
thus sees the ERP not so much as the child of an anti-Soviet strategic
imperative, but as the offspring of a domestic American neo-capitalist
ideology.

As Esposito saw it, Hogan looked for the grand design behind the Marshall plan, and
Milward deductively analyzed the actual effects. Milward said recovery was well
under way in 1947, and that aid might have been unnecessary. Esposito argued that
the real deal was "political necessity" (p. xxii):

...pro-American governments in both France and Italy relied heavily on
American aid in order to implement economic policies that were vital to their
survival. In both countries, it is difficult to see how those same coalitions
could have stayed in power and succeeded without U.S. economic support.

She agreed with Melvyn Leffler that whether or not there was a real communist
danger in France or Italy is not the point, but rather protection against any future
threat. The concept of guarding against future threats is key to Leffler’s
conceptualization of national security (Leffler 1992). Esposito argued that with
respect to the "success" of American policies (p. xxiii):

...my analysis shows that strategic-ideological imperatives led to the sacrifice
of specific American economic priorities, while allowing for overall Marshall
Plan political success.

Those priorities included the export of New Deal-type measures to Europe,
something which she argued Hogan felt was achieved, but which she did not feel was
the case. Her empirical research focused on Italian and French domestic policies
only, and how they were affected by the Marshall Plan (p. xxxi):

Washington documents show that French and Italian economic preferences
were so deeply rooted that American officials were by and large unable to
steer French and Italian policymakers away from their priorities, but had to
finance them anyway in order to sustain the two countries' pro-Western
governments. The Americans had their hands tied.
Thus, by continuing to provide Marshall Plan funds despite the right to refuse them, but doing so under pressure, U.S. officials were engaging in enforced consent. However, by setting up the counterpart funds in the first place, knowing that they would be used to balance budgets with social welfare components and would also be used for specific social welfare projects, U.S. officials had been giving strategic consent to social welfare expenditures.

Did the ECA and the Marshall Plan stifle social welfare development in Western Europe? This is the key question for the present study. The revisionists have argued that it did. The evidence from Esposito is the best source of research on the question currently extant. For France, the ECA had indeed actually blocked counterpart funds in the Fall of 1949 following the fall of Queuille's cabinet, stating they would be renewed only when inflationary practices had stopped. But fiscal and monetary policies were of concern, not social welfare spending or austerity. By the first half of 1950, economic stability had been achieved, and the U.S. ECA mission began to push for social welfare measures which could counter Communist criticism of the Marshall Plan. ECA officials wanted high-profile projects such as housing, hospital and school construction/renovation. But the French government didn't agree, and resisted projects designed for the benefit of workers, preferring to use the counterpart funds for productive investments (Esposito 1994: 99). Although the French assembly had voted its own 20 billion francs in funds for low-cost housing, the French didn't want to use counterpart funds for this. The U.S. insisted that more be spent and that counterpart funds specifically be used, despite the fact that the bilateral agreement said that the U.S. could only veto, not propose, specific projects, and despite a history in 1948-49 of doing it this way.

Finance Minister Petsche finally threatened to resign if the Bidault government was forced to oppose "politically popular social welfare" projects, but by this he meant he didn’t want to have to publicly oppose a U.S. proposal for more housing, not that the U.S. was pressuring him NOT to spend on social welfare. This may have lead those who gave only a cursory view to the situation to interpret his comments as U.S. pressure not to spend on social welfare. In fact, U.S. pressure was the opposite! Finally the French agreed to put their 20 billion francs in an account for housing and to accept counterpart funds for this purpose, but this was merely a conflict resolution effort, not a cave in to U.S. pressure. This was before the Korean conflict put new demands on the French budget. The head of the U.S. ECA mission persisted in demanding that the counterpart money be spent on housing, while the
French argued they would need more support in general due to the war and their perceived heightened security needs. In general, this tempest in a teapot was such that very few ECA funds were actually spent on housing.

In Italy too, the Christian Democrats were more concerned with fiscal stability than social expenditures. The Italian government left (social democrats and Christian democrats) weren't strong enough within the coalition to succeed in pushing through social democratic measures. But here the U.S. proposed using counterpart funds for productive purposes, not social benefits, and the Italian government wished to use the funds for unemployment relief, housing for workers, etc. But the ECA saw the Fanfani proposal (along these lines) as insufficient to achieve its goals around that time (October 1948). Fanfani's modest plan was succeeded by the Dosseti plan coming out of the left-wing of the Christian Democrats. It was more oriented towards reforms leading to social justice, rather than merely short-term housing and unemployment programs. But since the Dosseti group was also opposed to N.A.T.O. participation, ECA didn't go for it at first, and even suspended counterpart funds in early 1950, releasing them only when the government began to actually make investments in education, public works, etc. In Italy as in France, the Korean war didn't lessen American enthusiasm for increasing social investments in Italy. In any case, the U.S. didn't dominate Italy through the Marshall plan.

By the end of 1950 the U.S. began to shift from economic to military aid for Europe (Esposito 1988: 199). Had the Marshall Plan continued, we don't know that the outcome would have been. Esposito concluded that politics and economics worked hand in hand in determining ECA policy and Italian and French use of ECA counterpart funds. Milward concluded that ECA funds postponed fiscal responsibility (understandable given U.S. efforts to heighten social spending), and Hogan concluded that Europe compromised with the American New Deal corporatist model and became half-Americanized, thus defusing class conflict. Esposito argued that the truth was half way between. ECA didn't have the power to remake French and Italian social policy in its image, but it did succeed in the political goal of containing communism and supporting moderate pro-American centrist governments, which in turn took advantage of what America needed and wanted to shape their own types of social policies.

In this exploratory review, the argument has been made that the social welfare policy implications of U.S. foreign policy, while not a dominant part of Cold War discourse, were never far from the minds of elite foreign and domestic policy makers.
Support is found here for a further re-examination of the master narrative of postwar social welfare development.
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