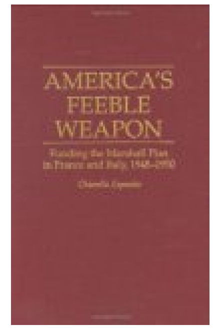
H-Net Reviews
in the Humanities & Social Sciences

Chiarella Esposito. *America's Feeble Weapon: Funding the Marshall Plan in France and Italy, 1948-1950.* Westport, Connecticut and London: Greenwood Press, 1994. xxxii + 264 pp. $55.00 US (cloth), ISBN 978-0-313-29340-5.



Reviewed by Jeffrey G. Giauque (Ohio State University)
Published on H-France (March, 1997)

France, Italy, and the Marshall Plan

Since the early 1980s American and European historians have debated the extent and impact of American influence in western Europe during the Cold War, particularly during the years immediately following World War II. Critics usually portray the United States as a hegemonic power exerting its will over western Europe, or ineffective in doing so. Supporters of United States policies argue that European leaders welcomed a major U.S. role in Europe for the sake of reconstruction and stability and that its efforts played a crucial role in western Europe's economic recovery and political stabilization. The U.S. "European Recovery Program" (ERP) or "Marshall Plan," announced in June 1947 is the central object of contention in this debate concerning the early postwar years.

Two works have largely shaped the Marshall Plan debate, Alan Milward's *The Reconstruction of Western Europe, 1945-1951* (1984) and Michael J. Hogan's *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-1952* (1987). Milward portrays the Marshall Plan as an unnecessary impediment to European integration. He attempts to demonstrate that Marshall Plan funds composed only a small portion of European resources applied to reconstruction and he suggests that Europe could have managed without U.S. support. Milward also asserts that American money enabled Europeans to postpone cooperation with one another and to focus on purely national recovery, delaying real economic integration. On the other hand, Hogan argues that the Marshall Plan provided a "crucial margin" which enabled Europeans to cover budget and trade deficits and apply their own resources to investment. Hogan concludes that the United States also helped to transform European economies along American lines, reorienting them away from the autarkic policies of the pre-war years and toward free trade and economic growth and integration.

Chiarella Esposito, a historian at the University of Mississippi, stakes out a position between Hogan and Milward by focusing on the impact of the Marshall Plan in France and Italy. The title of the book is somewhat misleading, suggesting that the author takes a critical view of the Marshall Plan itself. The book is actually a study of U.S. efforts to use "counterpart funds" (or more precisely the withholding of those funds) to shape French and Italian economic policies. It is this effort which she views as a failure, not the Marshall Plan itself. During the Marshall Plan years, the United States provided industrial and agricultural goods to European governments, which in turn sold those goods to private companies. The revenues thus raised were known as counterpart funds and were placed in special accounts under the control of the United States government. U.S. officials released the money to European governments once they had produced detailed investment plans. U.S. officials also threatened to withhold these funds as a lever to push European governments toward the potentially contradictory goals of financial stability and rapid economic investment and growth.

Esposito's book analyzes these efforts in France and Italy. Although aimed primarily at historians of U.S. and European international relations, the book has much to offer historians of postwar France. After examining the relevant historiography, Esposito analyzes the situations in Paris, Rome, and Washington upon the commencement of the Marshall Plan. For the United States, the plan served primarily to block communism in western Europe by facilitating rapid economic recovery and consolidating stable centrist governments. Secondary U.S. goals included the transformation of European economies along American lines, the stabilization of European currencies and economies, and the promotion of international trade. By emphasizing the danger of political collapse if the United States put too much pressure on them and by focusing on a few specific economic goals of their own, European governments could take advantage of both the U.S. political focus and its somewhat diffuse economic agenda.

Esposito explains French and Italian economic priorities in the context of their war time experiences and their post-war ambitions. France had suffered a long enemy occupation, and French leaders hoped to overcome the stagnation of the Third Republic, regaining a measure of great power status. In order to achieve these goals, the French developed the ambitious Monnet Plan, a program of massive government investment and economic modernization. During the late 1940s and early 1950s, French governments adhered to this program without regard for the potential risk of high inflation. By contrast, Italian leaders, concerned primarily with financial stability and erasing the fascist legacy of government intervention in the economy, preferred to leave investment to the private sector and to use U.S. aid for public works in order to reduce domestic opposition.

In France the United States had to cope with unstable centrist "Third Force" governments comprised primarily of the Socialist (SFIO), Christian Democrat (MRP), and Radical parties, with the large and hostile communist and Gaullist parties to either side. Fearing the consequences of a communist or a Gaullist takeover, U.S. officials decided to support Third Force governments at all costs. Because of the instability of the Third Force coalition and the difficult political and economic circumstances, cabinets rose and fell with a regularity characteristic of the Third Republic. U.S. officials supported French investment schemes, such as the Monnet Plan, but they feared massive inflation and constantly sought to pressure the French into allocating more resources to debt reduction and financial stabilization. Throughout the 1948-50 period, the United States halted counterpart fund releases when a government collapsed, but as soon as the new cabinet was established, it had to reopen the counterpart purse. Refusal to release funds would lead the French government to draw more money from the Bank of France, producing greater inflation and threatening another cabinet collapse. U.S. officials repeatedly informed their French interlocutors that release of counterpart funds depended on financial stabilization measures, but the French quickly realized that they could call the American bluff.

Although an unstable political environment hindered the implementation of the Marshall Plan in France, the situation was ameliorated by the fact that Jean Monnet and his collaborators in the Commissariat general du plan (CGP) had formulated a precise program of industrial development which did not depend on any one political party or cabinet to carry it out. Because U.S. officials wished to support Third Force governments and because they viewed the Monnet Plan as a model investment program, counterpart funds flowed out in 1948 and 1949. This support enabled French governments to continue funding the Monnet Plan, covered much of their budget deficit, and limited inflation. By early 1950 the French economy showed major improvements. Inflation seemed under control, industrial production showed rapid growth, and both standards of living and the balance of trade improved.

In 1950 with a certain equilibrium apparently achieved, U.S. officials, still primarily concerned with long term political stability, felt able to push the Georges Bidault government toward greater consumerism and social spending (low-cost housing, schools and hospitals, higher wages). These measures were intended to weaken popular support for the French Communist Party. The French government still hesitated to divert resources away from productive investment for social spending, and it responded to American pressure by stalling, which only increased after the outbreak of the Korean War. Succeeding French ministries viewed productive investment and rearmament as higher priorities than social spending. The outbreak of war in Korea produced a wave of global inflation from which France was not exempt. Esposito concludes that the United States thus lost the brief window of French financial stability and was forced again to release counterpart funds simply to keep Third Force governments in power.

The case of Italy provides a number of parallels with and differences from that of France. As in France, the

United States was compelled to support the political center–in this case the Christian Democrats (DC)–and to tolerate their economic policies. Giuseppe Pella, the Italian budget minister in the governments of Alcide de Gasperi in 1948-50, opposed major government investment and preferred to focus on financial stabilization and to deal later with stimulating economic growth. The United States, with its goals of financial stabilization and massive investment, was slow to realize that its dilemma in Italy was precisely the opposite of that in France. Even when U.S. officials understood the dilemma, they hesitated to speak out against De Gasperi or Pella because both were crucial to political stability.

The Christian Democrats never formulated a precise investment program comparable to the Monnet Plan, preferring to use American funds for short-term political purposes, such as unemployment relief, public works, and housing projects. Although U.S. officials had advocated similar spending in France, they disliked the haphazard Italian approach and hesitated to release counterpart funds for "nonproductive" purposes. However, even when Christian Democratic opposition to Pella's policies arose in 1949– the left of the party called for greater government investment– U.S. officials chose to stick with Gasperi and Pella for the sake of political stability. Esposito regrets that American officials did not consider alternatives to Gasperi and Pella, but she concedes that leading figures on the left of the party, such as Giuseppe Dossetti, made frequent anti-American statements and opposed Italian membership in NATO, hardly reassuring to the United States. Esposito also concludes that U.S. officials focused too much on solving bureaucratic problems and failed to realize that the key factor blocking a major investment program was the absence of political will. Only during the first half of 1950, when agrarian strikes forced De Gasperi to move to the left, did the United States have any success in pushing him toward greater industrial investment. However, as in France, this window of opportunity proved brief. With the outbreak of the Korean war, Pella and his anti-inflationary policies again prevailed.

The author concludes that political necessity prevented the United States from using counterpart funds as an effective lever to alter French or Italian economic policies. She suggests the qualification of Hogan's view that the United States "Americanized" European economies by means of the Marshall Plan. However, Esposito also emphasizes that counterpart funds played a crucial role in the stabilization of the French and Italian governments. The Marshall Plan was a political success because the stabilization it produced in France, enabled the French to take the lead in European integration after 1950, in particular the linking of the Federal Republic of Germany to western Europe by means of the Schuman plan for the eventual European Coal and Steel Community.

Notwithstanding these well-reasoned conclusions, the book would have been more useful had it continued the story of the Marshall Plan and counterpart funds to the end of the program in 1952. It also would have benefitted from a closer examination of the reasons behind the U.S. political focus, which Esposito tends to accept as an axiom rather than as a hypothesis to examine. Her method leads to certain contradictions. Esposito acknowledges the political success of the Marshall Plan; yet she also frequently expresses regret that the United States was so blinded by anti- communism that it rejected political alternatives and tied itself to particular parties and politicians, especially in Italy. In this regard she seems to fall into the same trap which plagued many U.S. officials: trying to have it all, both political and economic stability and economic growth.

Esposito wanted to write a multi-archival international history rather than a standard study of United States foreign relations. Her ambition was to study the impact of U.S. policies and avoid an ethnocentric approach which hampers the studies of many historians who have worked only in American archives. The chapters on France are based on extensive work in the U.S. National Archives, the French *Archives nationales*, the archives of the *Ministere des Affaires etrangeres*), and on an extensive secondary literature. As Esposito concedes, the chapters on Italy have a weaker archival base, due to the fact that most of the relevant Italian government files are still closed. Here she relied more on U.S. archives, secondary studies, and even newspapers. Despite this limitation and the minor criticisms expressed above, Esposito has written an important book which reinforces positive trends in the writing on United States foreign policy (toward a real international perspective and multi-archival research) and adds to the growing literature emphasizing the limits of United States influence even at the time of Europe's greatest weakness. Esposito's study of the actual impact U.S. policy in France and Italy complements the work of Hogan and Milward who focus more on the formulation of high level policy and its broader economic effects.

If there is additional discussion of this review, you may access it through the network, at:

http://www.uakron.edu/hfrance/

Citation: Jeffrey G. Giauque. Review of Esposito, Chiarella, *America's Feeble Weapon: Funding the Marshall Plan in France and Italy, 1948-1950*. H-France, H-Net Reviews. March, 1997.

URL: http://www.h-net.org/reviews/showrev.php?id=911