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Installing Hegemony: The Marshall Plan as the Prototype of Economic Imperialism

Jaivir Singh[1] and Abbe Karmen[#]

[1]Riverdale Country School, USA
[#]Advisor

ABSTRACT

This study explores the Marshall Plan's role in forming a two-bloc framework in Europe and the beginning of the Cold War. The essay begins by examining the greater geopolitical context of the Second World War before delving into the foreign policy imperatives that shaped the Marshall Plan. Finally, it discusses the consequences of the aid program in Europe and the response in Moscow. The practical objectives of securing new markets in Europe guided policymakers in Washington. The Marshall Plan, formally known as the Economic Recovery Program, reinvigorated European industry and established basic financial infrastructure in the continent. In addition to laying the bedrock for an American-led economic landscape, the Marshall Plan sought to "contain" Soviet communism. The so-named strategy of "Containment" dictated critical foreign policy objectives concealed within the Plan. Indeed, American diplomacy also gave rise to a growing sense of great-power competition. The reaction to the plan in Eastern Europe solidified the "Iron Curtain," as the essay ultimately describes the Soviet counterplans – the Molotov and the Cominform – widely regarded as the first of Stalin's "cold-war" policies.

Introduction

Allied victory in World War II produced two geopolitical "great powers": The United States and the Soviet Union. The two states espoused opposite sociopolitical philosophies, and their ensuing clash dominated global economic policy. An examination of the conflict's beginnings would suggest that Washington was intent on hegemony, while Moscow was resolute in its objective of propagating communism. Though it featured arms races, proxy conflicts, political upheaval, and other forms of power projection, the "Cold War" represented a period of tension rather than an outright physical war. A major point of historical contention has been identifying the inciting incident behind the confrontation. When evaluating the temporal proximity between the Second World War and the Cold War, it becomes more plausible that post-war "reconstructionist" policies could have triggered the standoff. After all, both states saw each other as an existential security threat, with great-power competition taking on new economic dimensions. The Marshall Plan was the salvo from Washington that pushed US-Russia relations past the point of no return, ushering in the Cold War era by projecting American influence into Europe through economic aid.

In the Wake of the War

The greater geopolitical context of the Second World War defined US foreign policy towards the Soviet Union. Washington's ideological contempt for the USSR took a backseat in the face of a more immediate threat, Nazi

Germany. Franklin D. Roosevelt, the American President, expressed this sentiment as early as 1942: "My children, it is permitted you in time of grave danger to walk with the devil until you have crossed the bridge."[1] With the "bridge" signifying the war and the "devil" alluding to Stalin, Roosevelt's proverb encapsulated the beginnings of a longer-term security concern that would stretch out for nearly 50 years. Foreign policy historian John L Gaddis furthers that, from 1941 on, Washington was cognizant of the more distant Soviet threat to reconcile with the urgent undertaking of winning the war.[2] While American officials were wary of the potential implications of cooperation with Moscow, they realized that a German defeat was only possible in coalition with Stalin. US foreign policy remained vigilant to the threat of Russia's expansionary ambitions, however. Roosevelt's successor, Truman, took measures before the end of the war to position the US for this new imperative. At the Potsdam Conference in July of 1945, following the success of the Trinity Test, Truman informed Stalin of the development of an American superweapon. Diplomatic history scholar Thomas McCormick characterizes this event as the beginning of "atomic diplomacy," which was central to the origin of the Cold War.[3] The development of the atomic bomb rendered any Russian assistance in Japan inconsequential. The bombings of Hiroshima and Nagasaki on August 6 took place swiftly to ensure that Moscow would not be involved in decision-making around post-war Japan, as they had been with Germany. Hiroshima and Nagasaki sounded a message to American enemies and "allies" alike. It was an absolute deterrent that evinced American technological advances and a bold ruthlessness. Second, it made Russia, which had been categorically excluded from the Manhattan Project, "more manageable in Europe," in the words of then Secretary of State James F. Byrnes, by tempering their expansionist objectives and loosening Stalin's grip on the Soviet satellite states.[4]

World War II and the shambolic state of Europe enabled the exercise of American internationalist foreign policy through the Marshall Plan. The war extracted an immense human and economic toll on the European continent that the United States was mostly shielded from. Russia bore the brunt of that toll, with 27 million war-related deaths and a 34% decline in GDP between 1940 and 1942 alone.[5] Despite the economic disarray, the Allied victory brought new global importance to the Soviets. The need for financial recourse, made possible by the industrial capabilities of East Germany, drove Russian cooperationist tendencies.[6] On the other hand, isolationist policy would shelve any hope of economic recovery but would allow Stalin to keep Eastern Europe under the yoke and maintain social control of Russia.[7] Both options came with significant drawbacks. On the other side of the pond, American policymakers were ecstatic at the prospect of unchallenged international dominance based on economic and military might. The US was booming - the success of the military-industrial complex had lifted them out of depression, with the US outperforming its international competitors in virtually all high-value product lines.[8] As McCormick puts it, "America was the workshop, the bakery, and the banker, for the postwar world."[9] American hegemony was also made possible by the military might of the US. Despite demobilization, American air supremacy and naval power, coupled with the atomic bomb, rendered

[1] John Lewis Gaddis, *Strategies of Containment : A Critical Appraisal of American National Security Policy During the Cold War* (New York: Oxford University Press, 2005), 3
[2] Gaddis, 4.
[3] Thomas J. McCormick, *America's Half-Century: United States Foreign Policy in the Cold War and After*, 2nd ed. (Baltimore: Johns Hopkins University Press, 1995), Digital file, 44.
[4] McCormick, 45.
[5] Mark Harrison. *Accounting for War: Soviet Production, Employment, and the Defence Burden, 1940–1945.* (Cambridge Russian, Soviet and Post-Soviet Studies. Cambridge: Cambridge University Press, 1996) 124.
[6] McCormick, 63.
[7] McCormick, 63.
[8] McCormick, 48.
[9] McCormick, 48.

the US the most powerful force in the post-war world.[10] The government adopted a strategy of waging the war which minimized the loss of American life and capital, thereby allowing the internationalist objectives of the war to receive continual public support. As opposed to a land invasion of Japan, Truman promoted the use of atomic weapons as a way to save American lives. This narrative suggested to the American people that the "global policeman" role was more feasible than initially thought.[11]

The damage sustained by the USSR meant that Stalin had no interest in the prospect of another war. The Soviets were, therefore, initially inclined to pursue a cooperationist foreign policy that would avoid the fragmentation of Europe and the formation of the two-bloc framework. Cox explains that newly available documents from Moscow suggest that Stalin sought recourse and de-escalation as late as 1946 and that it was not until 1947, when the division of Europe was inevitable, that he began to adopt Cold War policies.[12][13] Whether or not the USSR was fully committed to a unified Europe, Stalin knew that they were poorly positioned vis-a-vis the US in the event of heightened tensions or conflict. The Soviets lacked the military or economic capabilities to confront the US; a war of any kind was a worst-case scenario for Moscow.[14]

Foreign Policy and The Plan

Post-war American foreign policy, specifically in Europe, reflected a mesh of practical and ideological objectives. The economic considerations behind aid included pursuing resources in Eastern Europe, planting economic seeds in Western Europe, and laying the bedrock for American hegemony. Policymakers identified Moscow as inhibitory to the reconstruction of Western Europe by withholding Eastern Europe's valuable markets and resources.[15] Secondly, Cox argues that the economic potential of investing in Western Europe guided American officials in their decisions around aid.[16] This opportunity presented the prospect of significant financial return and allowed the US to establish the framework for unchallenged hegemony. McCormick suggests that "the old hegemonic power tutored the new"; policymakers in Washington borrowed from Adam Smith's Britain, enshrining material wealth and physical security as the watchwords for a US-led world system.[17] McCormick furthers that if Truman wanted other nations to submit to American hegemony willingly, he needed to make a tenable argument that the US would bring about systemic gain while pursuing self-interest.[18] Ideological considerations equally fueled Truman's escalatory policies. Truman saw communism as a hindrance to the capitalist world, resisting and possibly converting capitalist states. Communism undermined the American objective of hegemony by offering a potentially attractive option to other European states.[19]

George F. Kennan, an American diplomat and the father of containment, shaped the American awareness of post-war Russia. Initially tasked with understanding why the USSR opposed the World Bank and International Monetary Fund formation, Kennan cabled an urgent message back to Washington, from Moscow. In this "Long Telegram," he characterized the USSR in three key ways: first, as unquenchably irredentist; second, as insecure to the point of paranoia; and third, as absolutely totalitarian.[20] Similarly, the Truman Doctrine,

[10] McCormick, 48.
[11] McCormick, 45
[12] Cox, 115.
[13] Cox, 104.
[14] Cox, 105.
[15] McCormick, 49.
[16] Cox, 98.
[17] McCormick, 48.
[18] McCormick, 48.
[19] McCormick, 59.
[20] McCormick, 67.

expressed to Congress in 1947, described two conflicting worlds of freedom and totalitarianism. He remarked, "I don't care what you call them--you call them Nazi, Communist, Fascist, or anything else--they're all alike." It sounded like the government was launching a campaign against dictators and totalitarianism, rather than communism.[21] This sentiment reflects the notion of "Red Fascism," described by foreign relations historian and professor Les K Adler, wherein the government equated the battle against Hitlerite Germany with a follow-up contest with Stalinist Russia.[22] This "distortion" of similarities was a tool to cycle public and congressional support for the war effort into the Cold War and other American internationalist policies. Containment became Truman's strategy to contain the spread of communism by limiting the Soviet Union.

The State Department, under Byrnes and later Marshall, identified economic containment as the best approach to the USSR. Truman's ace was economic might, which allowed Washington to dictate loans and aid. In 1948, Kennan identified the critical steps within his great-power competition strategy: firstly, "restoring the balance of power" by revitalizing the guardrails against communism and totalitarianism within Europe and second, exploiting tensions between Stalin and the international communist movement.[23] Rebuilding the economic institutions of Western Europe to prevent the spread of anti-establishment communist ideology. Second, termed "reduction," Kennan predicted that the promise of economic recovery would prove too enticing for Eastern Europe to resist, given Stalin could not match the American aid program. Integrating Eastern European states into the capitalist world system would further destabilize the communist bloc and heighten tensions between Russia and the remaining satellite states.[24]

The Marshall Plan sought to achieve these two steps of Kennan's containment through aid to Europe. Formally known as the Economic Recovery Program, it distributed direct grants and aid to Europe, reinvigorating agricultural and industrial production and building financial stability. As Cox explains, people tend not to think critically about $13 billion disguised as charity.[25] Nonetheless, every cent of that money would further American internationalism and accomplish specifically outlined foreign policy objectives. The strain on resources in postwar Europe led to the growth of communist ideology.[26] The US had been giving aid to Europe for two years following the war, but Cox suggests that the Marshall Plan uniquely linked grants to the reform of specific capitalist institutions.[27] One of the Plan's most significant achievements was successfully integrating Germany into the global economy. Treating Western Europe as one unit would allow the integration of Germany into a European coalition and eliminate the threat of German revanchism.[28] Extending aid to Germany therefore allowed for a cohesive federation with the power to restrict Soviet spread. While some would hesitate to label $13 billion of aid as "cheap," the Truman administration concurred with Kennan that the "cheapest and most efficient" approach to containment was economic.[29] A "hot" war would be a far more costly strategy.

The implementation of the Plan highlighted the great-power objectives behind American aid. Washington and London took active steps to ensure Russian exclusion, with Cox describing the "special relationship" between the two states growing from a common aim of containing the Soviet threat.[30] Policymakers dreaded

[21] Gaddis, 64.
[22] Les K. Adler and Thomas G. Paterson. "Red Fascism: The Merger of Nazi Germany and Soviet Russia in the American Image of Totalitarianism, 1930's-1950's." *The American Historical Review* 75, no. 4 (1970): 1046–64, 1046.
[23] Gaddis, 35.
[24] Gaddis, 44.
[25] Cox, 97.
[26] Gaddis, 36.
[27] Cox, 108.
[28] Gaddis, 37.
[29] Gaddis, 62.
[30] Cox, 114.

Russian participation, claiming it would "wreck the plan" and compromise its intended objectives.[31] Molotov, the Soviet Minister of Foreign Affairs, learned early on that the British and French delegates had no interest in negotiations; they were adamant about loan conditions and a plan structure that would give the US "undue influence in Eastern Europe and even in the USSR itself."[32] Soon after, on July 3, France and Britain issued a joint communique, inviting 22 nations to discuss the plan; Ernest Bevin, British Foreign Secretary, dubbed this the "formation of the Western bloc."[33] The underlying strategy of containment was evident in the Marshall Plan negotiations.

Moscow's Response

The Plan fed into long-time Soviet security concerns. The initiative legitimized concern that the West sought to uproot the Soviet sphere of influence by exploiting Stalin's weak economic position and seducing Eastern Europe.[34] Cox takes this argument one step further, challenging the notion that Stalin's leadership made the Cold War inevitable. He contends that the Marshall Plan's structure of aid limited Soviet options and provoked a hostile Russian reaction.[35] Credited Soviet economist Eugen Varga concluded that the Marshall Plan had two ulterior motives: firstly, to project US hegemony into Europe, and secondly, to establish an "anti-Soviet bloc."[36] Initially, the program received much traction in Eastern Europe, with Poland, Czechoslovakia, Bulgaria, Hungary, and Albania all very interested in the possibility of financial recourse.[37] These ideological and security reasons drove Stalin to tighten his grip on Eastern Europe; he would not let communist states fall prey to the capitalist West, especially when those satellite states provided a physical buffer between Moscow and its enemies.

The Marshall Plan elicited a harsh Soviet response that addressed critical security concerns and implemented counterstrategies. Historians have labeled Moscow the initiating agent in the Cold War based on these policies. Stalin's crackdown on Eastern Europe was one such example: Czechoslovakia welcomed the prospect of economic recovery until the threat of crippling, "draconian sanctions" forced them to pull out of any negotiations. Romania, Albania, Poland, and Finland similarly followed suit in fear of Russia's wrath.[38] Cox describes the Marshall Plan as the ultimate failure of American foreign policy.[39] He argues that in the effort to contain communism, the US indirectly caused the "Sovietization" of Eastern Europe and perpetuated Stalin's reign of terror.[40] Moscow developed the Molotov Plan as a counterplan to aid the states within the sphere of influence.[41] Stalin saw this initiative as the only way to keep the satellite states on the right side of the Iron Curtain. The Soviet Union also established the Cominform, the Communist Information Bureau, to coordinate the political and economic activities of Moscow, Eastern Europe, and the international socialist community in the wake of the Marshall Plan.[42] Stalin implemented these "Cold War policies" after the breakdown of negotiations in July

[31] Cox, 110.
[32] Cox, 121.
[33] Cox, 122.
[34] Cox, 106.
[35] Cox, 123.
[36] Cox, 118.
[37] Cox, 122.
[38] Cox, 123.
[39] Cox, 132.
[40] Cox, 132.
[41] Cox, 123.
[42] Cox, 124.

of 1947. Cox explains that this is a crucial detail: these policies were due to many factors but not least of all, the US plan to incorporate Eastern Europe into the capitalist fold through the Marshall Plan.[43]

Conclusion

The Marshall Plan marked the point of no return in the escalation of the Cold War. Not only was Truman intent on obstructing the expansion of communism but sought to strip the Soviet's satellites away from the socialist movement altogether. Russia's reactionary policies thickened the Iron Curtain and rung up the metaphorical curtain of the Cold War. While the underlying intent behind the Plan was to enable American hegemony, containment exacerbated the problems that justified it: Soviet power projection, human rights abuses, and the force of the global socialist movement. Washington categorically picked a fight with a hostile USSR, which it won. The Cold War represented the first great-power competition as the global political climate transitioned from bipolarism to unipolarism, shaping today's world order. Finally, the Marshall Plan provided an exemplar for disguised political objectives under the surface of economic initiatives. China's "Belt and Road Initiative" stands as one example, with the CCP employing an infrastructure program to increase connectivity with Europe, Africa, and Asia. Beijing's ultimate intention is to expand the reach of its international influence and project its economic power onto the global stage, challenging American hegemony in an eerily parallel creep toward Washington's "sphere of influence."

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[43] Cox, 107.