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Economic **Diplomacy**

Debt Diplomacy and Trust: Lessons from the European Recovery Plan

Original Paper

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Abstract

This study examines the European Recovery Plan (ERP) through the lens of debt diplomacy, arguing that its success was rooted in a departure from ad hoc, transactional debt relief towards a structured, trust-based approach. The ERP, a $13 billion financing program spanning 1948–1951, is often viewed as a Cold War containment strategy or a neoliberal economic intervention by the United States. However, this paper situates it within a broader historical framework of debt diplomacy, analyzing it as a large-scale effort to stabilize transatlantic financial relations and prevent a post-war balance of payments crisis. We reassess the ERP as a model for international financial assistance, emphasizing the roles of encapsulated trust, intellectual generalism, shared responsibility, and transnational polylateralism. Through a historical review of pre-ERP aid (1945–1947), the study highlights how earlier, fragmented debt-relief efforts failed to address systemic financial instability in Europe. It further explores the unique conditions that enabled the ERP's success, including high trust relations between the U.S. and Europe, geopolitical imperatives of Cold War containment, and deep economic interdependence. By revisiting the Marshall Plan through the lens of debt diplomacy, this paper not only offers new perspectives on the ERP, but also contributes to debates on debt diplomacy and efforts to achieve global debt sustainability.

Keywords

Political economy • economic diplomacy • foreign aid • Europe • United States

1 Introduction

The evolution of debt diplomacy over the past 50 years has been toward a more ad hoc and fragmented architecture, which has been criticized as being untimely and below sufficient scale to adequately avert economic crises when they emerge.[1] However, history provides us with a model in which debt diplomacy achieved the favorable outcome of achieving sustainable equilibrium in the debtor's balance of payments. The European Recovery Plan (ERP) was a nearly $13 billion financing program that spanned across four years (1948-1951) and was a key component of Europe's post-war economy recovery. The ERP has been studied extensively for its geopolitical motivations, its effectiveness as foreign assistance, and its unprecedented large scale. For the purposes of this study, however, we will analyze the ERP from the perspective of debt diplomacy. In doing so, we will consider the ERP first and foremost as a rescue package designed to address the financial and economic crisis unfolding in western Europe in the years immediately following World War II.

The post-war economic relationship between the United States and western Europe may be viewed as a creditor-debtor relationship formed by Europe's large financing gap deriving from its current account deficit with the United States. Western Europe's debtor status was most visible during the 1946-1947 economic crisis. With its productive capacity damaged, post-war Europe needed imported goods and resources, primarily from the United States.[2] European nations quickly depleted their limited dollars without reciprocal trade or investment, lacking export opportunities.[3] Europe's currency regimes faced high inflation, with Germany's situation particularly dire. This resulted in a continental balance of payments crisis known as the "Dollar Gap." Europe had no alternative but to seek debt financing from the United States.[4]

1 Rieffel, Alexis. *Restructuring Sovereign Debt: The Case for Ad Hoc Machinery.* United States: Brookings Institution Press, 2003.
2 May, Stacy. "Measuring the Marshall Plan." *Foreign Affairs* 26, no. 3 (1948): 457–69.
3 Cecil Weir. "Dollar Exports in the Marshall Plan Period." *International Affairs (Royal Institute of International Affairs 1944-)* 28, no. 1 (1952): 9–14.
4 Williams, John H. "End of the Marshall Plan." *Foreign Aff.* 30 (1951): 593.

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2 Pre-ERP Aid as *Ad Hoc* Debt Diplomacy, 1946-1947

The ad hoc, bilateral debt financing the United States initially provided in response to the 1946-1947 European economic crisis might best be described as a transactional form of debt diplomacy. The United States sought political and economic concessions from European debtor countries on a bilateral and transactional basis. The U.S. approach to the negotiations with Great Britain, France, and Greece for assistance loans illustrate that the United States was more preoccupied with securing "piece-meal" commercial and geopolitical concessions that purely served U.S. interests.

The Anglo-American Loan Agreement (1945-1946): The Anglo-American loan agreement was the first example of a transactional, ad hoc form of debt financing from the United States to a western European nation in response to the Dollar Gap. The agreement would prove to be a failed attempt by "New York bankers" to force rapid liberalization of currency convertibility by urging the U.S. Government to use the assistance as leverage to secure the dominance of the dollar. As Helleiner describes, "The most important objective of this strategy was to pressure Britain to restore convertibility between the pound and the dollar."[5] Great Britain was in a vulnerable negotiating position; after Truman ended Lend-Lease aid in September 1945, Britain "desperately needed aid."[6] Lord John Maynard Keynes, Britain's chief negotiator at Bretton Woods, forecasted that without large-scale U.S. support, Britain would face an "economic Dunkirk."[7] Keynes' message was clear: Britain's economic fate was in U.S. hands. Keynes harbored concerns that the Americans would use debt leverage to force Europe into adopting "an American conception of the international system," a prediction that informed his negotiating tactics at Bretton Woods and proved accurate.[8] However, Britain's dire balance of payment crisis led Keynes to convince the newly elected Labor Government to approve the loan in December 1945, along with the Bretton Woods Agreement. U.S. Congressional approval was still necessary and would not come for another six months. In a sign of Britain's financial desperation, Winston Churchill traveled to the United States from January-March 1946 at the bequest of new Labor Prime Minister Clement Attlee to lobby for Congressional approval and make the case for more U.S. debt relief to address Europe's dire economic situation. Upon arrival, Churchill pleaded with the Americans for credit: " We were fighting and using up our credit. We borrowed all we could and now we must use all we can get."[9] During a visit to President Truman's home state of Missouri, Churchill delivered the Iron Curtain speech, cleverly shaping a narrative about Soviet expansionism that left American observers with an obvious choice: economic recovery in western Europe was key to preventing further westward encroachment of a mounting Soviet threat. The Iron Curtain speech had succeeded in placing the loan in an early Cold War context, garnering bilateral support for additional credit to Great Britain.[10]

Figure 1: Churchill Visit to the United States, January 1946, New York World-Telegram & Sun Collection, Prints and Photographs Division, Library of Congress

By framing Anglo-American relations as a "Special Relationship," Churchill arguably attempted to establish a deeper form of trust—what we may call "encapsulated trust"—in the bilateral relationship. However, this view understated the "distrust between London and Washington [that] was deeply ingrained and had been accentuated by the uneasy inter-war relationship."[11] As

5 Helleiner, Eric. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. Ithaca, N.Y. ; London: Cornell University Press, 1994.

6 Leffler, Melvyn P. *A Preponderance of Power: National Security, the Truman Administration, and the Cold War*. Stanford, Calif.: Stanford University Press, 1992. p.25.

7 Steil, Benn, "The Dunkik Diplomat," *Today's History*, Council on Foreign Relations, https://www.cfr.org/content/publications/attachments/Keynes%20BENN.pdf, Accessed April 2020.

8 Steil, Benn, "The Dunkik Diplomat."

9 Toye, 'Financial Dunkirk,' p.329-360.

10 Harbutt, Fraser. "American Challenge, Soviet Response: The Beginning of the Cold War, February-May, 1946." *Political Science Quarterly*, vol. 96, no. 4, 1981, pp. 623–639. *JSTOR*, www.jstor.org/stable/2149898. Accessed 19 Apr. 2020.

11 Williams, Andrew J. *Failed Imagination?: The Anglo-American New World Order From Wilson to Bush*. 2nd ed. Manchester ; New York : New York: Manchester University Press ; Distributed exclusively in the USA by Palgrave, 2007.

Williams notes, “This distrust started from the twin American fears that not only might [the Americans] be underpinning British Imperial desires, but also that they might be left holding the baby of world peace in the post-war period.”[12] This skepticism in Anglo-American trust relations may explain the ad hoc, transactional approach the United States adopted in the loan terms, prioritizing narrow national interests over broader, mutually advantageous goals.

The United States viewed dismantling the sterling area as key to maintaining U.S. economic prosperity. It considered the sterling block a “discriminatory economic block which impeded progress to an open world economy.”[13] The U.S. believed that without a continued flow of hard currency from the United States, Great Britain could use the sterling bloc to institute exchange controls as a barrier to trade, impeding “the continuation of American economic prosperity.”[14] The United States, therefore, conditioned approval of a $3.75 billion loan to Great Britain (repayable over fifty years at 2 percent interest) on sterling convertibility effective July 15, 1947.[15] The United States also forgave $20 billion in Lend-Lease debt and subsidized some essential exports.[16] The agreement restricted Great Britain from applying exchange controls to restrict U.S. imports or limit “the use of sterling balances to the credit of residents of the United States arising out of current transactions.”[17] The loan agreement’s purpose was “to facilitate purchases by the United Kingdom of goods and services in the United States, to assist the United Kingdom to meet transitional post-war deficits in its current balance of payments, to help the United Kingdom to maintain adequate reserves of gold and dollars, and to assist the Government of the United Kingdom to assume the obligations of multilateral trade, as defined in this and other agreements.”[18] No reference was made to joint projects or efforts to support Great Britain’s recovery, restore economic growth, or achieve debt sustainability. The loan was purely transactional: the U.S. would grant a loan to maintain adequate reserves, which Great Britain would quickly deplete, in exchange for liberalizing its exchange regime by making the pound sterling convertible.

As is often the case with ad hoc, transactional debt relief, the Anglo-American Loan Agreement would fail to serve the interests of both creditor and debtor. In a classic creditor error, in 1945, the United States hoped to provide the smallest possible loan to overcome a massive debt problem. It exploited the debtor’s vulnerability by demanding impossible conditions: namely, sterling convertibility. Great Britain also adopted a transactional approach, aware of growing U.S. support for European integration and aiming to secure a bilateral “special relationship,” avoiding being grouped with the rest of indebted Europe. Both self-serving interests would go unfulfilled, with the United States conceding Britain’s monetary autonomy and the British unable to stop European integration.

Les Accords Byrnes-Blum (1946): Negotiations between France and the United States for interim aid were also transactional. France’s trust in the U.S. had waned after Charles de Gaulle was excluded from the 1945 Potsdam Conference. France had reservations about a revived, unified Germany; de Gaulle’s absence at Potsdam left the French with few assurances that the United States might protect French security interests.[19] This lack of trust resulted in ad hoc negotiations for debt relief that fell short of French needs. As Leffler notes, U.S. officials “offered no real long-term solution to France’s financial and strategic problems.”[20] The Truman Administration’s inclination was to provide minimal assistance while using creditor leverage to extract concessions. While some historians frame U.S. interim aid to France as an effort to support de Gaulle against the French communist party, the Truman Administration had not yet fully adopted such a Cold War mentality. More likely, the United States felt compelled to provide assistance to France to remedy its exclusion from Potsdam and rally its support for Germany’s economic recovery.

Figure 2. Leon Blum, ex-Premier of France and Ambassador to the United States, Henri Bonnet of France. March 19, 1946. Courtesy of Beth Gore, Harry S. Truman Library and Museum

12 Williams, *Failed Imagination?,* p.149.
13 Newton, C. C. S. “The Sterling Crisis of 1947 and the British Response to the Marshall Plan.” *The Economic History Review*, vol. 37, no. 3, 1984, pp. 391–408. *JSTOR*, www.jstor.org/stable/2597288. Accessed 20 Apr. 2020.
14 Newton, “The Sterling Crisis of 1947,” pp. 391–408.
15 Newton, “The Sterling Crisis of 1947,” pp. 391–408.
16 Leffler, *A Preponderance of Power*, p.42.
17 22 USC 286l.
18 22 USC 286l.
19 Leffler, *A Preponderance of Power,* p.48.
20 Leffler, *A Preponderance of Power,* p.48.

The negotiations for the interim loan to France followed Churchill's early 1946 visit. Jean Monnet and Léon Blum visited Washington from March to May 1946 to negotiate new credits after Lend-Lease ended.[21] U.S. Undersecretary of State for Economic Affairs William Clayton had informed French Ambassador Henri Bonnet that the United States would not grant a hoped-for $2 billion loan to France.[22] To win over Washington, Blum and Monnet presented a plan for France's recovery including European integration.[23] On April 30, Monnet wrote that the Americans consider the Plan "viable" and there is "no reason the French people cannot realize the objectives laid out in the plan."[24] The negotiations culminated in a debt relief package forgiving $2.8 billion in French debt and granting a modest concessional loan.[25] In the U.S. loan agreement with France, the transactional nature of the U.S. approach was apparent in a key symbolically significant French concession: market access to the French film industry.[26]

The agreement, signed on May 28, 1946 and known in France as les Accords Blum-Byrnes, stipulated that France would reduce protection of its domestic film industry, while temporarily maintaining a screen quota system.[27] French movie screens would be reserved exclusively for French-made films four weeks of each quarter, after which foreign films could compete freely.[28] Singling out this politically charged concession in France indicates a purely transactional approach to the loan negotiations. As a result, les Accords Blum-Byrnes would be remembered in France as forcing the French film sector to compete with Hollywood rather than as an act of generosity by a long-time ally.

As with the Anglo-American loan, the debt forgiveness and modest loan offered to France would be insufficient to offset France's dollar gap. If there was any value in les Accords Blum-Byrnes, it was whatever political favor the Americans may have curried back from excluding de Gaulle at Potsdam and carving out some initial, but very narrow French openness to a unified and economically revived Germany. Overall, however, the interim aid to France would be yet another insufficient stopping point on the Truman Administration's path to the more effective debt diplomacy of the ERP.

The American Mission for Aid to Greece (1946-1947): The last major interim aid loan before the launch of the ERP was to Greece. The negotiations for debt relief to Greece coincided with the initial design phase of the ERP, but while some of the global diplomatic principles of debt relief that informed the ERP would also shape the interim aid to Greece, the assistance was still very much transactional in nature, attempting to provide a short-term solution to a long-term problem. The geostrategic impetus for the United States to provide support to Greece came in February 1947 when the British informed the United States that it could no longer sustain financial and military support to Greece.[29] George Marshall had already been sworn in as Secretary of State the month prior, and discussions were already underway within the State Department for a substantial assistance package for Europe. However, the U.S. financial assistance to Greece would still ultimately take on the same ad hoc transactional characteristics of other interim aid.

Figure 3. Greek Prime Minister Konstantinos (Constantin) Tsaldaris with Secretary of State James F. Byrnes, following a call on President Truman at the White House. December 20, 1946. Courtesy of Beth Gore, Harry S. Truman Library and Museum.

In July 1946, only three months after assuming office, Greek Prime Minister Konstantinos Tsaldaris made a personal plea to Marshall's predecessor U.S. Secretary of State James Byrnes at a meeting in Paris for a $6 billion loan.[30] After failing in his request, Tsaldaris sent a Greek delegation to Washington in August to request a

21 Duchêne, François, and Jean Monnet. *Jean Monnet: the first statesman of interdependence*. Norton, 1994.
22 Hill, John S. "American Efforts to Aid French Reconstruction between Lend-Lease and the Marshall Plan." *The Journal of Modern History*, vol. 64, no. 3, 1992, pp. 500–524. *JSTOR*, www.jstor.org/stable/2124596. Accessed 19 Apr. 2020.
23 Wall, Irwin M., and Philippe-Etienne Raviart. "Les Accords Blum-Byrnes, La Modernisation De La France Et La Guerre Froide." *Vingtième Siècle. Revue D'histoire*, no. 13, 1987, pp. 45–62. *JSTOR*, www.jstor.org/stable/3769901. Accessed 19 Apr. 2020.
24 Wall, "Les Accords Blum-Byrnes," pp. 45–62.
25 Wall, Irwin M.. *The United States and the making of postwar France, 1945-1954*. Cambridge: Cambridge University Press, 1991.
26 Wall, "Les Accords Blum-Byrnes," pp. 45–62.
27 Portes, Jacques. "Les Origines De La Légende Noire Des Accords Blum-Byrnes Sur Le Cinéma." *Revue D'histoire Moderne Et Contemporaine (1954-)*, vol. 33, no. 2, 1986, pp. 314–329. *JSTOR*, www.jstor.org/stable/20529224. Accessed 21 Apr. 2020.
28 Ulff-Møller, Jens, and Jens Ulff-Möller. *Hollywood's film wars with France: film-trade diplomacy and the emergence of the French film quota policy*. University Rochester Press, 2001.
29 Leffler, Melvyn P. *A Preponderance of Power: National Security, the Truman Administration, and the Cold War*. Stanford, Calif.: Stanford University Press, 1992.
30 Voglis, Polymeris. "The Politics of Reconstruction: Foreign Aid and State Authority in Greece, 1945-1947." *Seeking Peace in the Wake of War: Europe, 1943-1947*, edited by Stefan-Ludwig Hoffmann et al., Amsterdam University Press, Amsterdam, 2015, pp. 277–296. *JSTOR*, www.jstor.org/stable/j.ctt18z4gn8.15. Accessed 19 Apr. 2020.

more modest financing package of $175 million.[31] Attempting to build on the mounting Cold War mentality in Washington, the Greek delegation "portrayed Greece as a country defending 'democratic freedom' and 'free trade' surrounded by 'hostile and undemocratic states dominated by Russia.'"[32] Because it was not immediately apparent to Washington circles the geostrategic importance of Greece, and due to concerns about the Greek government's ability to get its economy on stable ground, the August delegation was unable to close the deal.

Figure 4. The Senate Appropriations Committee meeting with members of the American Mission for Aid to Greece on conditions and future needs of American aid to Greece. Athens, Greece; October 30, 1947. Source: U.S. Army Signal Corps; Harry S. Truman Library and Museum

After months of debate, the Truman administration sent a delegation to Athens from January to early March 1947. Led by Paul Porter under the title of the American Economic Mission to Greece, it was mandated to "investigate Greece's economic problems and make suggestions." Porter, who had a "low opinion of the political and economic elites" of Greece, recommended deep market-oriented reforms in exchange for a large financial aid package overseen by a permanent mission named the American Mission for Aid to Greece (AMAG). Unlike the economic concessions demanded from Britain and France in interim loans, the United States sought geopolitical concessions from Greece. By early 1947, U.S. Defense and State Departments' views had evolved regarding the Soviet threat in Europe, with officials "convinced that Soviet aggression in the Eastern Mediterranean was reaching its peak." The United States viewed bailing out the Greek economy as essential to halting Communism's westward advance into Europe. On March 12, 1947, Truman publicly asked for a $300 million loan to Greece and $100 million in aid to Turkey, while outlining the Cold War parameters of the Truman Doctrine.

The loan agreement granted AMAG "extensive powers and responsibilities" to intervene in the Greek government and economy, requiring compliance with the mission's recommendation in exchange for continued loan disbursements. AMAG originally focused on reconstruction and economic rebalancing, including controlling inflation and restrictions on the use of gold reserves.[33] Once under George Marshall's leadership, the State Department empowered AMAG, under the leadership of Dwight Griswold, to intervene not only in Greece's economic affairs, but its political system and government reorganization, ensuring that left-wing parties were subordinate to moderate and right-wing factions. As Greek historian Polymeris Voglis noted, "The AMAG acquired the character of a shadow government."[34]

U.S. interim aid to Greece was thus another example of ad hoc debt relief exchanging financial support for political loyalty on a transactional, bilateral basis. Because the announcement of interim aid to Greece was tied to the roll-out of the Truman Doctrine, it would be remembered as a pivotal moment away from the transactional approach to debt relief toward the more comprehensive approach of the ERP.

3 Truman Doctrine and a New U.S. Debt Diplomacy

By early 1947 and the announcement of the Truman Doctrine, the United States had expended over $9 billion in interim aid loans with little to show for it. As Hogan notes, there were "few signs that American strategies were promoting a stable recovery in Europe," and "European industrial and agricultural production still lagged behind prewar levels."[35] The modest debt relief from the United States fell short of what was needed for recovery, and gold and dollar reserves continued to deplete. The ad hoc, transactional approach of interim aid was a failure.

This began to change after the "declaration of principle" on economic assistance in the Truman Doctrine speech, reinforced by George Marshall's June 1947 Harvard commencement speech and analysis under his leadership at the State Department.[36]

31 Lialiouti, Zinovia. "Meeting the Communist Threat in Greece: American diplomats, ideology and stereotypes 1944-1950." *Twentieth Century Communism* 17, no. 17 (2019): 90-121.
32 Voglis, "The Politics of Reconstruction," pp. 277–296.
33 Sotiropoulos, Dimitria. "International Aid to Southern Europe in the Early Postwar Period: The Cases of Greece and Italy." *The Annals of the American Academy of Political and Social Science*, vol. 656, 2014, pp. 22–40.
34 Voglis, "The Politics of Reconstruction," pp. 277–296.
35 Marshall, George. "The 'Marshall Plan' Speech at Harvard University." June 5, 1947. *https://www.oecd.org/general/themarshallplanspeechatharvarduniversity5june1947.htm*. Accessed August 2023.
36 Marshall, George. "The 'Marshall Plan' Speech at Harvard University." June 5, 1947. *https://www.oecd.org/general/themarshallplanspeechatharvarduniversity5june1947.htm*. Accessed August 2023.

The Truman Administration began to understand that debt financing for Europe must be transnational and polylateral, with European nations playing a co-equal role in deploying assistance funds. As Hogan describes, this would replace “the negative and piecemeal nature of American [interim] aid programs” with “a more positive and comprehensive effort to prevent disaster in Europe.”[37] This new vision of debt diplomacy would support an evolution from fragmented, bilateral relationships toward a cohesive trans-Atlantic framework shaped by encapsulated trust under the ERP.

Several conditions allowed the United States to transition from ad hoc interim aid to a comprehensive debt financing program under the ERP in 1948. A key characteristic was that the United States realized western European interests aligned with its own—and where they deviated, diplomacy coupled with financial assistance could realign them. Western European governments reached the same conclusion, despite the influence of domestic communist parties. This recognition of common interests reflected a trend toward encapsulated trust relations between the United States and western Europe, as well as among European countries.

High-Trust Relations: Perhaps the most notable condition of the ERP’s successful passage and execution was the high trust relations between the United States and Europe in the postwar period. This is evident in the composition, distribution, and price of aid. grants made up over 90 percent of ERP aid.[38] According to a U.S. Congressional Research Service study, “The ECA provided outright grants that were used to pay the cost and freight of essential commodities and services, mostly from the United States. Conditional grants were also provided requiring the participating country to set aside currency so that other participating countries could buy their export goods.”[39] The large proportion of grants versus loans indicates a high level of U.S. trust in European debtors. Grants suggest that the funds’ use directly serves both creditor and debtor interests. A loan frames the creditor’s interests as a function of fund use and repayment with interest—implying lower trust. While conditionality on some grants might suggest lower trust, the fact that conditions related to supporting intra-European trade indicates a comingling of U.S. and European interests, a key characteristic of encapsulated trust.[40] Notably, large shares of Marshall Aid grants were used to procure U.S. goods and services for European reconstruction, demonstrating that the aid served U.S. commercial interests—though not at the expense of recipient countries.[41] Furthermore, the distribution of ERP aid indicated that the United States could rely on its strong trust relations with European partners to administer the aid, rather than proxies for trust. ERP aid was not distributed among European countries based on creditworthiness, ability to repay, corruption or political risk, or other trust proxies—as is often the case in modern international finance. Instead, aid was distributed based on each country’s economic size and need for concessionary finance to fill the “Dollar Gap”—a decision made jointly by the United States and European countries through the U.S. Economic Cooperation Administration (ECA) and the Organization for European Economic Cooperation (OEEC), granting European governments considerable voice in the distribution process.[42] Initially, distribution based on financing needs created a perverse incentive for European governments to over-estimate their current account deficits with the United States to secure more aid. However, the ECA resolved this by fixing aid levels on the first fiscal year allocations.[43] The ECA also reallocated some aid for “special projects” promoting European integration, a policy priority of the ERP intended to foster intra-European inter-dependence.

A second condition unique to the ERP’s successful passage domestically in the United States was the geo-political context of the Truman Doctrine’s focus on communist containment. Leffler notes that the United States aimed to create stable, prosperous allies through substantial financial assistance to resist Soviet encroachment.[44] Paterson argues that economic aid was a tool used by the Truman administration to prevent communism’s spread in war-devastated Europe. According to Paterson, the ERP was a calculated strategy to establish U.S. leadership in the postwar world.[45]

A third condition unique to the ERP era was the high level of economic interdependence between the United States and Europe. At the time the Truman Administration was devising the ERP, there was wide recognition that Europe’s economic recovery was necessary to fill the Dollar Gap, ensuring a long-term European market for American goods. This recognized the interdependence between the United States and western Europe vis-à-vis the debt relationship—the Dollar Gap itself. Hogan argues the ERP’s goals extended beyond geopolitical ambitions. He states, “The ERP rested squarely on an American conviction that European economic recovery was essential to the long-term interests of the United States. These interests were interdependent and mutually reinforcing…”[46] Diane Kunz notes the economic interdependence between the United States and Europe as a key factor

37 Hogan, *The Marshall Plan*, p.30.
38 May, Stacy. “Measuring the Marshall Plan.” *Foreign Affairs* 26, no. 3 (1948): 457–69.
39 Tarnoff, Curt. “The Marshall Plan: Design, Accomplishments, and Significance.” Congressional Research Service. *2018, https://fas.org/sgp/crs/row/R45079.pdf*. Accessed May 2020.
40 Kunz, p.164.
41 Kunz, p.164-165
42 May, p.643.
43 Hogan, *The Marshall Plan,* p.245.
44 Leffler (“Divide and Invest”).
45 Paterson, Thomas G. “The Origins of the Cold War.” *OAH Magazine of History* 2, no. 1 (1986): 5–18.
46 Hogan, *The Marshall Plan*,” p.27.

in the plan's conception and that the United States recognized the inherent link between its economic prosperity and Europe's stability.[47] Scott Jackson underscores the United States and Europe's "shared understanding" of the necessity for economic revitalization, rooted in the recognition that a stable and prosperous Europe was vital for maintaining a global economic order favoring the United States.[48]

As with the geopolitical conditions outlined above, U.S.-European economic interdependence was a key condition that gave the United States a clear economic motivation for pursuing the ERP. The scale of the European export market, or its potential in the postwar context, gave the United States as Europe's chief creditor a clear economic incentive to bolster the continent's recovery, and thus its demand for U.S. exports.

4 Debt Diplomacy Practices in the European Recovery Plan

While much credit is granted to Franklin Roosevelt for ending the war, it was Truman and his Administration's ability to view U.S. and western European economies as intrinsically linked—a main characteristic of encapsulated trust relations—that set the foundation for launching the largest U.S. foreign aid program in history. The pivot from ad hoc debt diplomacy to a more comprehensive approach was made possible through the U.S. deployment of three diplomatic practices, which this paper labels intellectual generalism, shared responsibility, and transnational polylateralism.

Intellectual Generalism: The ERP's conceptual origins were largely born out of George Marshall's State Department's newly formed analytical foreign policy teams. This paper defines "intellectual generalism" as a diplomatic practice under which career generalist diplomats apply academic theories of diplomacy to recommend and shape concrete foreign policy approaches. Intellectual generalism is not uncommon in typical Western diplomatic corps as career diplomats are often characterized as functionally "generalist," while their analytical methods are shaped by classical diplomatic theories taught through training. What is less certain is the degree to which politically powerful policymakers will actively apply the principle of intellectual generalism to foreign policy formation—in other words, the degree of influence of such career diplomats on foreign policy design and execution. Unlike any other moment in U.S. diplomatic history, career State Department diplomats, particularly those with an economic specialization, reached peak influence under the Truman Administration, allowing them to design and implement the ERP.[49]

The ERP's themes of economic integration and European self-help originated from junior career Foreign Service Officers. As Hogan records, "Early planning for European recovery centered in George Kennan's Policy Planning Staff (PPS) and in a special agency of the State-War-Navy Coordinating Committee (SWNCC)," formed in March 1947 at Under Secretary of State Dean Acheson's request.[50] Acheson also formed a Committee on the Extension of U.S. Aid to Foreign Governments under State Department leadership for recommendations on Europe's postwar recovery.[51] Junior Foreign Service Officers, especially from the German and Austrian Economic Division and the Division of Investments and Economic Development, guided the early analysis and recommendations of the PPS and SWNCC.[52] Hogan attributes the idea of European integration as a key ERP component to these "junior officers," noting that Joseph Jones drafted speeches for Acheson and Marshall previewing the Plan, including Acheson's address to the Delta Council in Cleveland, Mississippi, on May 8, 1947.[53] As "leading apostles for the cause of European economic integration," these career Foreign Service generalists directly influenced the ERP's design and policy objectives.[54]

Junior officers drafted the original policy papers of the SWNCC and PPS, which served as the analytical origins of the ERP. By delegating such work to career officials, State leadership (Marshall and Acheson) elevated these generalists' influence in foreign policy operations and allowed their intellectual world views to shape the postwar recovery effort. Although George Kennan's extensive writing on geopolitics dominates historiography, his was only one of many viewpoints influencing the ERP's design.[55] In the ERP context, Kennan's realist ideology was tempered by the more liberalist worldview of his economic officer colleagues. Hogan records that State's economic officers convinced Kennan's PPS and the SWNCC to "think of Europe as a whole and to administer aid in ways that would foster economic unification."[56] The creative space granted to these intellectual generalists allowed for marrying different diplomatic ideologies into a single vision for postwar Europe's economic recovery.

47 Kunz (Marshall Plan Revisited), p.164-165.
48 Jackson (Prologue to Marshall Plan), p.1044-1046.
49 Jackson (Prologue to Marshall Plan), p.1044-1046.
50 Hogan, *The Marshall Plan,* p.40.
51 Acheson, Dean. *The requirements of reconstruction*. No. 102. US Government Printing Office, 1947.
52 Miscamble, Wilson D. *George F. Kennan and the making of American foreign policy, 1947-1950*. Princeton University Press, 1992.
53 Hogan, *The Marshall Plan,* p.42.
54 Hogan, *The Marshall Plan,* p.40-41.
55 Miscamble (Kennan).
56 Hogan, *The Marshall Plan,* p.40.

Most important was that the analysis and recommendations of these intellectual generalists directly influenced the Department's leadership and the Truman Administration. Guided by economic officers' analysis, Under Secretary for Economic Affairs William Clayton formally proposed a debt financing package for Europe valued at $6-7 billion annually over three years in a memorandum to George Marshall and Dean Acheson.[57] Clayton's memorandum, and indirectly the analysis of State's generalist economic officers, served as the basis of Marshall's June 5, 1947 Harvard University commencement speech, formally proposing the program to the public for the first time.[58]

Once Marshall had made public the Administration's intention for a large-scale recovery package for Europe in his Harvard speech, the PPS and the newly formed State Committee on the European Recovery Program (Recovery Committee) under Assistant Secretary of State for Economic Affairs Willard Thorp were tasked with developing the Plan's details.[59] The PPS and Recovery Committee included economic and political officers with varying ideologies that would inform the ERP priorities. Internal debate led to a compromise, prioritizing economic planning over trade liberalization to increase European productivity before pressing for integration. Debates and compromises also addressed Germany's fate, Britain's role in European integration, and the extent of supranational European entities overseeing the integration process.[60]

Beyond career diplomats, academics and think tanks played an influential role in the ERP's design and implementation, further elevating intellectual generalism on the U.S. side.[61] Two especially influential think tanks were the Council on Foreign Relations (CFR) and The Brookings Institution. Many current and future Administration officials were CFR members; Allen W. Dulles was CFR's president when the Administration promoted the ERP. ECA Administrator Paul Hoffman regularly cooperated with CFR, "commissioning that group to report on American goals in Europe and the means for achieving them."[62] CFR's historical promotion of multilateralism enhanced its influence in the ERP. According to Hogan, "The Brookings Institution provided a different sort of linkage – that between business leaders and their allies among professional specialists in public administration, economics, law, international relations, and other fields," complementing both intellectual and generalist elements of this diplomatic practice.[63]

In sum, an environment of intellectual generalism paved the way for the innovative and creative approach of the ERP. The State Department's intellectual generalists empowered by Marshall and Acheson to lead the early program design did not approach the task with a unified worldview. Some were liberals, others realists; some free traders, others New Deal planners; some wanted European leadership from the start, while others saw the need for initial American dictation of terms. As generalist diplomats, however,, they understood negotiation and compromise. Their intellectual diversity and flexible approach shaped a comprehensive, consensus-based Plan, rather than a narrowly focused and transactional one.[64]

Shared Responsibility: The ERP designers also sought to incorporate the practice of shared responsibility with European states into the rescue package. Shared responsibility had two meanings in the ERP context. First, the United States and Europe shared ownership of Europe's balance of payments crisis, the Dollar Gap; it was not treated as a burden solely carried by European states. While the Truman Administration had to convince a tax-weary American public and conservative Congress of the need for a large-scale aid package, there was broad recognition of the shared responsibility over Europe's financial crisis. Second, the long-term solution to Europe's economic problems required action by the Europeans themselves. Europe had to share responsibility on reforms and economic planning, including how ERP funds were to be used. While the United States assumed shared responsibility of the problem it was aiding, Europe likewise assumed shared responsibility over managing the aid it was receiving.

Dean Acheson's "Requirements of Reconstruction" speech in Cleveland, Mississippi on May 8, 1947, laid out a convincing case to the American public that resolving the Dollar Gap was as much the responsibility of the United States as Europe's.[65] To a rural Southern audience, Acheson explained Europe's massive and growing current account deficit with the United States. His explanation led to a natural conclusion: the United States was equally responsible for resolving the imbalance, and it was in U.S. national interests to do so.[66] Acheson explained that the United States and Europe were interdependent partners in trans-Atlantic trade. Any imbalance represented a breakdown of this mutually advantageous system. Both sides had a shared responsibility to resolve the Dollar Gap, but since the United States held the wealth and dollars, it would be incumbent upon the United States to provide the money.

57 Stallone, Theodore Charles. *The political economy of William L. Clayton*. Columbia University, 1997.
58 Healey, Timothy. "Will Clayton, Negotiating the Marshall Plan, and European Economic Integration." *Diplomatic History* 35, no. 2 (2011): 229-256.
59 Healey (Clayton), p.236-237.
60 Hogan, *The Marshall Plan,* p.55-60.
61 Sua, Jiangli. "Think Tanks in the United States: The Evolution and Evolving Roles." *Sociology* 6, no. 3 (2016): 176-185.
62 Hogan, *The Marshall Plan,* p.99
63 Hogan, *The Marshall Plan,* p.99
64 Kunz (Marshall Plan).
65 Acheson, Dean. *Present at the creation: My years in the State Department*. WW Norton & Company, 1987.
66 Speech by Dean Acheson, "The Requirements of Reconstruction", May 8, 1947, *https://www.trumanlibrary.gov/library/research-files/speech-dean-acheson-requirements-reconstruction?documentid=NA&pagenumber=3*. Accessed June 2020.

While the focus of Acheson's May speech was on U.S. responsibilities, Marshall's Harvard commencement speech the next month emphasized Europe's.[67] After mentioning a large-scale U.S. aid package for Europe, Marshall addressed the means for European economic recovery. He stated, "The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all European nations."[68] Marshall and the State Department genuinely believed that recovery would be most effective if designed and executed by the Europeans themselves. This aspect of ERP fund management reflects the practice of shared responsibility in debt diplomacy: Europe's responsibility would be to develop "conditions" collaboratively and lead their implementation, rather than comply with U.S.-imposed conditions.[69]

The diplomatic practice of shared responsibility manifested as counterpart funds, the OEEC-ECA partnership, and technical assistance. The ERP used a counterpart funds arrangement where U.S. exporters received U.S. dollars from the Economic Cooperation Administration (ECA) for goods exported to Europe, while European importers paid in local currencies deposited in national central banks.[70] This reduced dollar demand in Europe while promoting European currency usage and accumulating funds for economic recovery. While the United States held veto power to align Europeans with its objectives, it largely deferred to them on how to achieve these goals with the funds. The funds were applied in various ways according to each country's needs: Britain financed short-term public debt, France implemented the Monet Plan, and Italy executed an industrial policy to absorb excess labor.[71] Although not always aligned with U.S. preferred approaches, granting Europeans autonomy over counterpart funds' use was an important application of shared responsibility and reflection of strong trust relations.[72]

Another manifestation of shared responsibility was decision-making authority over aid distribution, shared between the Americans (ECA) and Europeans (OEEC).[73] The OEEC is remembered for realigning European national interests under a single framework, planting seeds of European integration. As Hogan writes, "…The Americans were still determined to make the new organization a 'focal point around which closer Western European economic cohesion can be build.'"[74] Behman notes the OEEC "was responsible for monitoring the performance of participating countries and promoting cooperation among them."[75] Prioritizing Europe's shared responsibility, the United States aimed to "transform the OEEC into a strong and independent authority," advocating for Ministerial-level representation to elevate its importance.[76] Certain European states, namely the UK, sought to limit the OEEC's role. Berhman writes, "European states were still pursuing their own national interests. But the division of aid launched a spirit of European cooperation and tied Europe's recovery plans to one another and boosted the OEEC to "the instrumentality" that would drive European cooperation and integration.[77]

The United States also shared responsibility with Europeans through the ECA under Paul Hoffmann and its Office of the Special Representative (OSR) in Paris, led by W. Averell Harriman.[78] They believed firmly in "European self-help" achievable only if European counties were empowered to "decide [themselves] upon the division of aid."[79] Soviet propaganda "charged that the United States sought to dictate and control European affairs" through ERP aid, a narrative the United States needed to dispel; consequently, "the United States labored to bolster Western European autonomy, and on most matters Western Europeans sought U.S. involvement in their affairs."[80] Conflicting European national interests meant fully ceding responsibility to Europe was unreasonable; the United States needed to share oversight, which Europeans recognized. When European states could not agree on aid division at the OEEC in July 1948, "several OEEC representatives approached the OSR and asked the Americans to step in."[81] Berhman writes, "Harriman's staff was in touch with the Europeans, consulting, advising, and pressing—but OSR refused to dictate, refused to decide."[82] The process was more time-consuming but resulted in a more appropriate aid distribution backed by broad consensus.

67 Tarnoff (Marshall Plan).
68 The "Marshall Plan" speech at Harvard University, 5 June 1947, *https://www.oecd.org/general/themarshallplanspeechatharvarduniversity5june1947.htm*. Accessed June 2020.
69 Weissman, Alexander D. "Pivotal politics—The Marshall Plan: A turning point in foreign aid and the struggle for democracy." *The History Teacher* 47, no. 1 (2013): 111-129.
70 Tarnoff (Marshall Plan).
71 Hogan, *The Marshall Plan,* p.153.
72 Tarnoff (Marshall Plan).
73 Leimgruber, Matthieu, and Matthias Schmelzer. "From the Marshall Plan to global governance: Historical transformations of the OEEC/OECD, 1948 to present." *The OECD and the international political economy since 1948* (2017): 23-61.
74 Hogan, *The Marshall Plan,* p.127.
75 Berhman, *Most Noble Adventure,* p.185.
76 Hogan, *The Marshall Plan,* p.127.
77 Berhman, *Most Noble Adventure,* p.216.
78 U.S. Library of Congress. "For European Recovery: The Fiftieth Anniversary of the Marshall Plan." *https://www.loc.gov/exhibits/marshall/mal1a.html*. Access August 2023.
79 Leffler (Strategic Dimensions).
80 Berhman, *Most Noble Adventure,* p.216.
81 Berhman, *Most Noble Adventure,* p.214.
82 Berhman, *Most Noble Adventure,* p.214.

A third aspect of the ERP that reflected shared responsibility was the use of technical assistance to support European productivity and recovery. While some historians view U.S. technical assistance as indoctrinating European countries in neoliberalism, the United States genuinely saw increased productivity as a means of supporting European self-help and sharing responsibility in the recovery effort. By the end of the ERP (mid-1951), the United States, through the ECA, had expended nearly $30 million on the technical assistance program.[83] Though small relative to the full value of the ERP (only 0.5 percent), the amount grew exponentially over the course of the Plan, from $1.5 million at the end of 1948 to $30 million by mid-1951.[84] This might suggest a growing commitment to elevate the role of technical assistance to share more widely the responsibility of recovery. However, as Hogan notes, "The significance of the Technical Assistance Program cannot be measured in terms of dollars."[85]

From an American perspective, the objective of the technical assistance programs was to foster self-sufficiency among the Europeans and to equip the Europeans with productivity tools to guide their own recovery rather than dictate specific reforms. As Hogan notes, "The [technical assistance] program's goal was to stimulate 'greater efficiency in [European] industrial production' through the introduction of American production techniques, styles of business organization, and labor-management partnerships."[86] One could argue that a shortcoming of the ERP was that the level of technical assistance vis-à-vis the total amount of ERP aid was insufficient for optimal shared responsibility.[87] The Europeans may have been more effective in sharing the burden of their own recovery if technical assistance had been scaled up and reached a broader cross-section of firms and households. However, the symbolism of U.S. preference for technical assistance over dictated conditions represents another attempt at shared responsibility. Insomuch as the technical assistance was effective in shaping European perceptions of their coequal role in the recovery effort, it was a success. As Berhman records, "According to one ECA official named Robert Myers, by the time ECA unwound, thanks to the technical assistance effort, productivity had in fact become 'a household word' [in Europe].'"[88]

Transnational Polylateralism: Lastly, the debt diplomacy of the ERP employed what this paper labels "transnational polylateralism." This was evident through cross-sectoral participation and "corporatist collaboration" in the plan's design and operations, especially from labor and manufacturing associations.[89] The moderate political nature of the Truman Administration might explain how transnational polylateralism became a defining practice of the Plan's diplomacy. With the U.S. political landscape still largely defined by the New Deal era, Truman and Marshall ensured that financial, labor, industry, agriculture, and civil society actors on both U.S. and European sides helped shape the program. The Administration formed a nonpartisan organization of labor, agriculture, and business leaders "who worked closely with government officials to mobilize support behind the ERP," known as the Committee for the ERP to Aid European Recovery.[90] The incorporation of transnational polylateralism rendered a composition of key actors in the diplomacy of the ERP that would be the antithesis of a transnational epistemic community. The Plan's designers institutionalized the practice of transnational polylateralism within western Europe by sowing the seeds of European integration. Though this did not advance at the pace the Americans had hoped under the ERP, it was largely a successful first step, with the launch of the European Coal and Steel Community constituting a historically significant product of transnational polylateralism.[91]

Perhaps as a result of the left-center politics of the Truman Administration, organized labor played a significant role in the design and implementation of the ERP. ECA Chairman Paul Hoffman said in 1949, "The trade unions of America had a status of full participation in ECA not only from the standpoint of operations but from the standpoint of making policy."[92] U.S. organized labor was mandated to share with "European labor and management some of their ideas on the best way to organize industry and increase productivity."[93] Hogan notes, "Organized labor played an important part…, not only in countering Communist attacks on the ERP but also in persuading European workers to work harder…and make other sacrifices necessary to raise production and achieve 'effective European collaboration and economic integration.'"[94] Leading labor's representation on the U.S. side was the American Federation of Labor (AFL) and the Congress of Industrial Organization (CIO), both staunch supporters of and active participants in the ERP; together, they represented over ten million American workers.[95]

83 Silberman, James M., Charles Weiss, and Mark Dutz. "Marshall Plan Productivity Assistance: A unique program of mass technology transfer and a precedent for the former Soviet Union." *Technology in Society* 18, no. 4 (1996): 443-460.
84 Hogan, *Marshall Plan,* p.143, 207, 415.
85 Hogan, *Marshall Plan,* p.415.
86 Hogan, *Marshall Plan,* p.142-143.
87 Tarnoff (Marshall Plan).
88 Berhman, *Most Noble Adventure,* p.313.
89 Hogan, *Marshall Plan,* p.141.
90 Hogan, *Marshall Plan, p.*98.
91 Geremek, Bronisław. "The Marshall Plan and European Integration." *The Marshall Plan* (2008): 43.
92 Hogan, *Marshall Plan,* p.203.
93 Hogan, *Marshall Plan,* p.141.
94 Hogan, *Marshall Plan,* p.141.
95 Steil, *Marshall Plan,* p.200.

Among the non-financial sectors discussed, labor's role is arguably the best example of transnational polylateralism in ERP diplomacy, as it was the only sector where a new transnational organization was formed to elevate collaboration. U.S. and European organized labor sought to form a transnational non-Communist labor federation, partly to counter Soviet propaganda about alleged threats on labor from the ERP.[96] The effort was born out of negotiations between the British Trade Unions Congress (TUC) and the AFL and CIO, and would later (late 1949) formally be launched as the International Confederation of Free Trade Unions.[97] The new confederation would also serve as a U.S. foreign policy tool; as Hogan notes, "[American policymakers] looked forward to bringing the new international into the networks of public-private cooperation that revolved around the State Department and the ECA."[98]

Organized labor was integral to the ERP's diplomatic architecture. U.S. Deputy Assistant Secretary of State for Economic Affairs Paul Nitze emphasized this in his August 15, 1948 address to the Philadelphia Labor Education Association. Nitze stated that no prior U.S. policy had such full labor movement contribution as the European Recovery Program. He emphasized labor's crucial role in transnational polylateralism, stating its importance to Europe was impossible to exaggerate.[99] The Truman Administration further elevated labor's role by creating the labor attaché position in the State Department and appointing labor leaders to key European ambassadorial missions.[100]

A primary ERP objective was boosting Europe's industrial productivity, benefiting U.S. interests by creating a market for American goods.[101] Manufacturing and industrial associations naturally played an active role in ERP implementation. The ERP's focus on production revival, financial stabilization, and trade liberalization had support from conservative business organizations like the National Association of Manufacturers (NAM) and Chamber of Commerce, as well as the Business Advisory Council (BAC), Committee for Economic Development (CED), and National Planning Association (NPA).[102] U.S. business and manufacturing leaders were critical in domestic ERP backing and had formal roles in its diplomatic structure. For instance, General Electric Chairman Philip Reed served on the ERP Committee's executive board, and ECA Chairman Paul Hoffman was an automobile executive.[103] The Truman Administration also embedded business and manufacturing leaders in ECA overseas missions, many from the American financial sector.[104]

Agricultural groups were also active in the execution of the ERP, but to a lesser degree than labor or industrial associations. Major agriculture associations had representation on the ECA's Public Advisor Board, "cooperated with its overseas missions, and worked closely with its food and agriculture divisions."[105] Local American agricultural groups also supported the ERP on an ad hoc basis. For example, Steil notes that "Iowa farmers organized their own mission to Europe to 'find out what kind of food Europe needs, the cost to ship it over and how we can get England in a position whereby she can trade with us.'"[106]

Among the non-financial polylateral sectors, civil society was least represented, likely due to underdeveloped state-civil society relations rather than intentional limitation. The Truman administration sought civil society organizations' backing for the ERP.[107] As Steil notes, "The Truman administration organized grassroots campaigns to build awareness of the program and to explain to Americans how they could help."[108] American religious leaders spoke in support of the ERP during Congressional hearings, emphasizing its moral aspect and Christian connection between the United States and western Europe. Some civil society participation occurred on an ad hoc basis. For example, "Spontaneous public initiatives sprang up to supplement the ERP... restaurants, schools, and private societies such as the Kiwanis Club donated tons' worth."[109] However, there was no active effort to tie American civil society groups to European associations, unlike with organized labor.[110]

In sum, the debt diplomacy of the ERP exhibited transnational polylateralism, though with a disproportionate role for labor and industrial groups over agriculture and civil society. Compared to current ad hoc debt diplomacy since the 1980s, the ERP was more "polylateral" in structure, involving organized labor, industry, agriculture, and civil society, which are largely absent from today's debt diplomacy. While this polylateralism was "transnational" to some degree, it varied across sectors, with only organized labor forming a transnational U.S.-Europe federation linking creditor and debtor countries' labor.[111] The lower progress on the

96 Bhatiya (Blue Collars).
97 Hogan, *Marshall Plan,* p.203.
98 Hogan, *Marshall Plan,* p.203.
99 Nitze, Paul H. "Labor's Role in the European Recovery Program, " *The Department of State Bulletin,* Volume 19, Issue 1: August 22, 1948.
100 Hogan, *Marshall Plan,* p.141.
101 Berghahn, Volker R. "The Marshall Plan and the Recasting of Europe's Postwar Industrial Systems." *The Marshall Plan* (2008): 29.
102 Hogan, *Marshall Plan,* p.97.
103 Allen, James S., and Michael Wala. "The Marshall Plan." *Political Affairs* (1993).
104 Hogan, *Marshall Plan,* p.139.
105 Hogan, *Marshall Plan,* p.141.
106 Steil, *Marshall Plan,* p.201.
107 Capaccio, George. *The Marshall Plan and the Truman Doctrine*. Cavendish Square Publishing, LLC, 2017.
108 Steil, *Marshall Plan,* p.200.
109 Steil, *Marshall Plan,* p.201.
110 Capaccio, George. *The Marshall Plan and the Truman Doctrine*. Cavendish Square Publishing, LLC, 2017.
111 Arkes, Hadley. *Bureaucracy, the Marshall Plan, and the national interest*. Vol. 1251. Princeton University Press, 2015.

"transnational" aspect may be due to Marshall leaders' focus on intra-European integration rather than deepening polylateral ties between Europe and the United States. The ECA prioritized building transnational polylateralism within Europe over across the Atlantic. Nevertheless, the ERP serves as a useful precedent for employing transnational polylateralism in a financial relief package context.

5 Conclusions

This study has assessed the effectiveness of debt diplomacy in the context of the European Recovery Plan (ERP), focusing on its success in resolving the balance of payments crisis in post-war Europe. The ERP highlights the necessity of a comprehensive and trust-based approach to debt diplomacy. Its success was not merely a function of the aid's scale but also the collaborative efforts of creditor and debtor nations. On the foundation of encapsulated trust with Europe, the United States employed key diplomatic practices—including intellectual generalism, shared responsibility, and transnational polylateralism—to design, promote, and implement the ERP. This effort represented an unprecedented model in which creditor and debtor states worked together as co-equal partners to resolve a significant financial crisis. While the historical context of the ERP was unique, its lessons remain relevant today, offering valuable insights into addressing contemporary economic and financial challenges through cooperation, trust, and strategic diplomacy.

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