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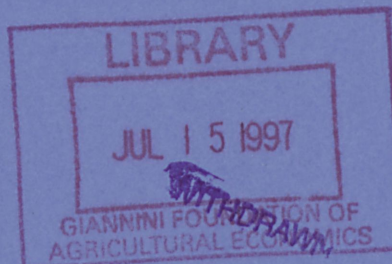
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ECONOMICS RESEARCH
Working Paper No. C97-090**

The Marshall Plan Today

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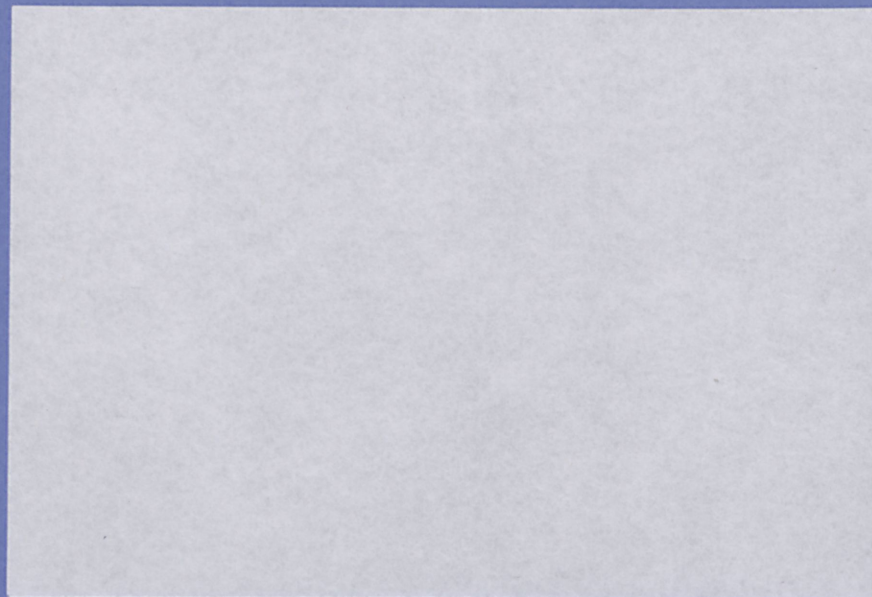
June 1997

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June 1997

Key words: foreign aid, capital flows, European recovery

JEL Classification: F1, O1

Abstract

This paper assesses the legacy of the Marshall Plan on the occasion of the 50th anniversary of General George Marshall's historic commencement address at Harvard University. I suggest that the circumstances today are very different from those which motivated Marshall's initiative in 1947. After World War II international capital markets were repressed and demoralized; today they are flourishing. Now that international capital markets are vibrant again, the problem for policy is no longer that of the 1940s. The response developed by Marshall and his colleagues is no longer appropriate. But Marshall's key insight, that a market economy needs institutional and policy support to function effectively, is as timely today as 50 years ago.

The Marshall Plan Today

Barry Eichengreen
May 1997

Dates like the 50th anniversary of the Marshall Plan, the historic initiative announced by Secretary of State General George C. Marshall on June 5th, 1947, are occasions for celebration. In this case, however, emotions are mixed, because a plan like Marshall's, however grand in retrospect, is inconceivable today. Marshall's June 5th "shot heard round the world" led to the transfer of \$13 billion in U.S. government grants to promote the recovery and reconstruction of war-torn Europe.¹ Today, in contrast, most Americans see foreign aid as "welfare for foreigners" -- as a cause rather than a solution of the ills of developing countries. There is little evidence that aid encourages investment or stimulates economic growth. All too often it simply subsidizes government consumption, allowing corrupt administrations to line their pockets and buy support.²

The Historical Context

The 1940s were different. Then there was a belief in the ability of governments to solve problems. Skepticism was reserved for the markets, which had malfunctioned famously in the Great Depression. Government was now to use

¹ The quote is from Senator Arthur H. Vandenberg, more on whom below.

² Perhaps the most systematic statement of this view is Boone (1996). See also Dollar and Burnside (1997). Lest the contrast be drawn too sharply, it is worth recalling that contemporary critics referred to the Marshall Plan as "Operation Rathole." See for example Beverly Smith's interview with Will Clayton (himself an early proponent of U.S. aid to Europe), in the Saturday Evening Post of 29 November 1947, pp.26-27, 137-138. Clayton became so critical subsequently because he opposed allowing the recipient governments shape the program themselves in the interest of European integration.

administered prices, anti-trust policy, and the newly-discovered weapon of Keynesian stabilization policy to counter market imperfections. Its success at mobilizing resources for war had demonstrated the workability of planning, controls, and nationalized industry. Wartime and immediate postwar aid programs, like those of Lend-Lease and the United Nations Relief and Reconstruction Administration, had worked reasonably well, and there was hope that these successes would carry over.³ There was faith that government could make a difference and fear that the unfettered market could not be trusted.

But more than just faith was needed to marshal support in the U.S. Congress for a program of such scope and ambition. The Truman Administration worked hard to gain Congressional backing: it asked leaders of the Congressional opposition like Republican Senator Arthur Vandenberg (Chair of the Senate Committee on Foreign Affairs) who they wished to see head the Marshall Plan Administration.⁴ It enlisted influential opinion makers like Allan Dulles and Averell Harriman to propagandize in favor of the program.⁵ That a leader with the stature of Marshall, a war hero known for his integrity, lent his name to the program gave it dignity and legitimacy.

³ By the time the Marshall Plan began, the United States had already spent some \$17 billion on foreign grants and loans (including UNRRA, aid to refugees, aid to Japan, aid to Germany, aid to China, and the 1946 Anglo-American loan). To the extent that there had been problems with earlier aid programs, these were seen as reflecting the piecemeal approach of allocating aid country by country. The solution naturally became to allocate aid in an integrated fashion to an integrated European economy.

⁴ The businessman Paul Hoffman was Vandenberg's choice. It is revealing of the political constraints that the speech with which Vandenberg brought the Marshall Plan bill to the full Senate lasted 15 times as long as Marshall's Harvard University commencement address.

⁵ As described in Wala (1993) and Wexler (1983).

Contrast the aftermath of the 1990 Kuwait War and the Oslo Accords between Israel and the Palestinians, when calls for "a Marshall Plan for the Middle East" were not taken up. How different the outcome might have been had a military hero with the stature and reputation of a Colin Powell offered a "Powell Plan" for the region!

But more than political savvy was at work. The American economy was growing rapidly and U.S. industrial preeminence was unrivaled, which put the American public in a generous mood. The 1940s was not an "age of diminished expectations." With incomes rising, American taxpayers did not see additional aid as a bigger slice taken from a pie of given size. That the pie was growing rapidly made them more inclined to share the wealth. And the fact that additional segments of the American economy had come to appreciate the importance of exports for their prosperity heightened the importance they attached to European recovery. Parts of California and Washington State, for example, were shifted into the internationalist camp by the wartime growth of aircraft production and shipbuilding. No aid meant no trade, and for export-oriented sectors of the U.S. economy no trade spelled disaster. It might even mean a new depression in the United States.

The one factor that most militated in favor of the Marshall Plan was the geopolitical stakes. The program was more than an attempt to stimulate economic recovery in Europe; it was the Truman Administration's response to the Cold War. By the spring of 1947, the outlines of the impending U.S.-Soviet conflict were clear.⁶ It was far from obvious with which camp

⁶ George Kennen's famous article, "The Sources of Soviet Conduct," had already been written and was about to be published in Foreign Affairs under the pseudonym X. And President Truman had already taken the momentous step of offering aid to Turkey and Greece.

Europe's west and east would ally. Recall that Marshall's initial offer was not limited to Western Europe but extended to all lands "west of the Urals."⁷ Czechoslovakia and Poland sought to participate until Moscow vetoed their involvement.⁸ The countries of Western Europe, the eastern border of which was suddenly defined by Germany western zones, along with Austria, Italy and Greece, were tipped into the U.S. camp.

In a sense the Marshall Plan defined the divide between East and West. It did so by defining the East-West conflict as a choice between plan and market and by tying Marshall aid to market-oriented reform.⁹ Countries accepting Marshall aid had to sign bilateral agreements with the United States. They committed to decontrol prices, stabilize exchange rates, and balance budgets. In other words, they agreed to put in place the macroeconomic prerequisites for a functioning market economy.

The Marshall Plan intervened at precisely the moment when Europe was poised to decide whether to encourage or suppress the market. Communists hostile to free markets occupied key positions in the Italian and French governments in early 1947, and socialist influence was pervasive in Belgium, Sweden and Norway, among other countries. The U.S. effectively made the replacement of far-left governments by centrist administrations a precondition

⁷ Historians question the sincerity of the U.S. offer. But extending the offer to the Soviets was critical for domestic French consumption (see Reynolds, 1997).

⁸ As late as July 5th, Molotov still encouraged them to participate. Czechoslovakia actually accepted the invitation to attend the July 12th meeting of prospective aid recipients (and Poland privately signalled its intention of doing the same) but declined two days later when Moscow reversed course.

⁹ As Maier (1984, p.29) has put it, the Marshall Plan rested on the idea "that disputes over ideology might be resolved by discussions of how best to assure economic growth. That is, issues of political power could be transformed into questions of efficiency and technique."

for the disbursal of aid. Centrist politicians, for their part, could cite the loss of Marshall aid as an additional cost of opposing their programs.¹⁰

As a final condition for receiving Marshal aid, the recipients had to agree to liberalize their trade and commit to the goal of European integration. This last condition helped overcome French resistance to the reindustrialization of Germany.¹¹ With European integration locking Germany into Europe and promoting the development of institutions of transnational governance, the French government could agree to the elimination of ceilings on German industrial production. By substituting American aid, the Marshall Plan encouraged the French and other victorious powers to drop their claims to German reparations. Since Germany was at the heart of the European economy, that heart could now beat faster. Western European stability was buttressed by the return of prosperity.

Because Europe already had most of the preconditions for economic growth in place, notably a backlog of unexploited technologies and a trained and educated labor force, all it needed was a little push to inaugurate the postwar golden age.¹² It needed well-defined property rights, private enterprise, a liberal trade regime, and a functioning price system. Marshall

¹⁰ This theme is developed at greater length by Casella and Eichengreen (1993).

¹¹ As emphasized by, among others, Gimbel (1976) and Berger and Ritschl (1995). This was important for, among other things, ensuring that the United Kingdom kept one foot in Europe while at the same time continuing to pursue its imperial aspirations. That British Foreign Secretary Ernest Bevin took a leading role in the development of a collective response to the Marshall Plan proved critically important for this outcome. And Britain's enthusiasm for the initiative in turn prodded the French Government to assume a leadership role (see Reynolds, 1997).

¹² The presence of these preconditions for catch-up in postwar Europe is a theme of Abramovitz (1986).

Plan conditionality provided just the requisite push in this direction.

The Legacy of the Plan

Some of the consequences were anticipated. Europe's decision to opt for the price system and the market economy was expected by the Marshall Planners. Price liberalization and currency stabilization drew goods back to the market, precisely as they had anticipated.¹³ Once immediate postwar difficulties associated with shortages and war damage were overcome, the continent began to grow, and grow rapidly. Industrial production soared in the Marshall Plan countries, by 20 per cent in 1948 alone. This was no surprise to Marshall Plan administrators, who saw growth as being held back by bottlenecks to be removed through the judicious application of foreign resources.

Other consequences were more surprising. The fact that Europe developed its own distinctive version of capitalism, namely the "mixed" or "social market" economy, was not anticipated by the Americans. But here too the Marshall Plan played an important role. The Marshall Planners held out U.S. industrial relations as the state of the art and subsidized visits by European experts to American factories so that they might observe and emulate U.S. arrangements. New Deal legislation had encouraged the development of a more corporatist form of industrial organization in the United States. By urging their European students to emulate this example, the Marshall Planners fueled an already powerful strand of communitarian thought with ideological roots

¹³ As Allen Dulles put it in his tract in support of the program, "The stabilization of currencies, while it will not in itself provide enough food and cotton, fertilizer and agricultural equipment to meet the needs, will serve to bring out hidden assets and supplies of food which worthless currencies will not lure from the farmers." Dulles (1993), p.20.

deep in European Christian Democracy. It encouraged governments to build on their countries' existing proto-corporatist structures, such as industrial cartels and national trade union associations, whose scope exceeded anything the U.S. had evolved under the Roosevelt Administration. With U.S. acquiescence and encouragement, Europe moved quickly to develop the institutions of neo-corporatism, the mixed economy, and the welfare state.

A final effect of the Marshall Plan was the impetus it lent European integration. The idea of a "United States of Europe," however naive, was integral to the Marshall Planners' thought.¹⁴ Americans frustrated by the fact that Europe had fought three bloody wars in three generations saw the creation of an integrated continental economy as protection against further hostilities. They made their offer of aid contingent on intra-European cooperation. It was conditional on the willingness of the recipients to establish a framework through which they could shape the decision of how to allocate the transfer. The entity they created, the Committee for European Economic Cooperation or CEEC, evolved subsequently into the OEEC and then the OECD. Early CEEC negotiations were anything but smooth; there was a tendency for the CEEC to occupy itself with drawing up "shopping lists."¹⁵ But these meetings were the first time European governments offered one another an inside look into their balance sheets and as such represented a significant step toward transnationalism. As such, they set the stage for subsequent

¹⁴ As John Foster Dulles saw it, it was essential to reconstruct Europe "along federal lines" and to connect to it a decentralized German confederation. Cited in Kunz (1997), p.165.

¹⁵ Among other problems, the progress of CEEC negotiations was hindered by U.S. resistance to direct U.S. involvement, by British insistence on retaining and evening strengthening the country's links with its overseas empire, by Anglo-French conflicts over leadership within Europe, and by the fact that Germany was not represented at the Paris negotiations that led to its founding.

integrationist initiatives. The European Payments Union, itself an offspring of the Marshall Plan (started with \$350 million of Marshall aid) was one of the two trans-European entities (along with the European Coal and Steel Community) that eventually evolved into the EEC. Presumably the Marshall Planners would be pleased by the subsequent course of European integration. At the same time they would likely be surprised by how far the hare they loosed has run.

Accounting for the Effectiveness of the Initiative

Why was the Marshall Plan so effective when so many subsequent aid programs have failed? It is tempting to credit the structure of the program: a resident mission in each country, a central administration subordinate but not reporting or responsible to the president (as a way of minimizing political distortions), enabling legislation with "sunset provisions" to prevent administrators from building bureaucratic empires, close monitoring by the Marshall Plan administrators of the use of each dollar, and the sequestration of counterpart funds to enhance the financial leverage of the administrators.

Accounts emphasizing such factors are too self-congratulatory; they are history written from the perspective of the rear-view mirror.¹⁶ More

¹⁶ Consider for example the use of counterpart funds. Governments in relatively strong financial positions could easily circumvent the efforts of Marshall Plan administrators to use them for leverage. Thus, the British government could simply set aside the domestic-currency funds sequestered into counterpart accounts, borrow the equivalent balances from the central bank, and spend the latter without American permission. In France, in contrast, a weak government and popular worries of inflation resulted in strict limits on government borrowing from the central bank and more leverage for the Marshall Plan. For discussion see Gordon (1984) and Esposito (1994).

important surely was that European society was predisposed toward the reforms the Marshall Planners had in mind. Western Europe had long experience with market-based forms of economic organization. While the disasters of the 1930s shook confidence in such arrangements, the alternative of full-fledged communism appealed only to a small (if vocal) minority. The Marshall Plan was capable of tipping the balance toward price decontrol, exchange rate stabilization, budget balance and trade liberalization because there already existed in Europe centuries of experience with the market and abiding support for its operation.

In the same sense the Marshall Plan could effectively encourage European integration because there already existed in Europe a powerful strand of integrationist thought. The English Quaker William Penn had proposed a European Parliament and European government. Jeremy Bentham advocated a European assembly, Jean-Jacques Rousseau a European federation, Henri Saint-Simon a European monarch and parliament. By the middle of the 19th century intellectuals like Victor Hugo could speak of a United States of Europe. Between the wars, the Pan-European Union, founded by Count Richard Coudenhove-Kalergi, lobbied for a European federation. Konrad Adenauer and Georges Pompidou were both members. This was fertile ground for planting the integrationist seed. This is not to deny that the Marshall Plan mattered for the subsequent course of European integration but to suggest that it mattered only because the appropriate predispositions were in place.

The Role of Private Capital Markets

Today, politicians and publics in many developing and transition

economies, reacting against the inefficiency of planning and the repression of authoritarianism, seem similarly predisposed to turn to the market and integrate into the global economy. But no Marshall Plan has been forthcoming to help them surmount their transitional difficulties. Calls were made in the late 1980s for a Marshall Plan for developing countries.¹⁷ The collapse of the CMEA encouraged suggestions for a Marshall Plan for Eastern Europe.¹⁸ Glasnost and the disintegration of the Soviet Union caused more than a few observers to float the idea of a Marshall Plan for the Russia and the other successor states of the USSR.¹⁹ But while some Western grants and intergovernmental loans have been forthcoming, there has been nothing like the Marshall Plan.

Or has there? Since the early 1990s, funds have been transferred to developing and transition economies by the markets at double the rate of the Marshall Plan. According to World Bank estimates, private capital flows to developing countries amounted to \$62 billion in 1991, \$100 billion in 1992, \$154 billion in 1993, \$159 billion in 1994, and \$167 billion in 1995, and \$244 billion in 1996. (See Table 1.) Marshall Plan transfers of \$3 billion a year come to \$18 billion in 1995 dollars.²⁰ Alternatively, if we multiply this figure by 16 to adjust for the growth of the U.S. income in current dollars since 1948, \$244 billion is capital transfer at nearly five times the annual rate under the Marshall Plan. Even if we multiply it by 40 to account for the growth of the global income in current dollars, \$244 billion is still capital

¹⁷ See for example Cerami (1989).

¹⁸ See for example United Nations (1992).

¹⁹ For example, Kager and Bruckbauer (1992) and Soros (1993).

²⁰ Normalizing by the U.S. consumer price index.

transfer at twice the rate of the Marshall Plan!

This "market-based Marshall Plan," if we may call it that, points to the most significant difference between Marshall's era and today: after World War II international capital markets were repressed and demoralized; today they are flourishing. After World War II a Marshall Plan was necessary because the markets were unable or unwilling to lend. Today a Marshall Plan would be superfluous for all but the very poorest countries, since private capital markets stand ready to do the job.

Private lending was so limited after World War II because international bond markets had performed so poorly in the 1920s and 1930s.²¹ The last defaulted debts from the 1930s were not finally cleared away until the 1950s. American investors who had lost their shirts purchasing foreign bonds in the 1920s were loath to risk a repetition of this experience after World War II. Furthermore, politicians and their constituents distrusted capital markets; they viewed them as a source of instability and as a threat to the pursuit of sound economic policies. Tight regulation of international lending went hand in hand with the tight regulation of domestic financial systems that was integral to the national economic strategies of the postwar years. Domestic regulation accounted for the reluctance of U.S. banks to enter the international lending business seriously before the 1960s.

An even more fundamental explanation for the suppression of international capital markets was real and financial disequilibria inherited from the war. European governments had issued massive quantities of debt to finance the war effort; until these debts were consolidated, deregulation and decontrol risked financial instability. Exchange rates were overvalued,

²¹ As documented, quantitatively, by Eichengreen and Portes (1989).

Europe having little to export. If capital controls were removed, capital flight threatened to exhaust the country's international reserves and destabilize its currency. Controls promised to bottle up these potential instabilities. But so long as controls remained in place, private capital markets could not discharge the task for which the Marshall Plan was ultimately substituted.

These arguments, which so impressed contemporaries, lose their luster in light of the recent experience of Eastern Europe and transition economies elsewhere in the world. There too governments inherited major real and financial disequilibria, including heavy debts, yawning deficits, overvalued currencies, and alarming trade deficits. The solution has been radical changes in relative prices. Currencies have been devalued. Wages have adjusted dramatically, sometimes falling sharply in the early stages of transition. Internal debts have been restructured through inflation or forced conversion. Very large changes in income distribution and economic structure have occurred to allow governments to make their currencies convertible and gain access to international capital markets.

This is precisely what post-World War II politicians insisted was impossible. The drastic cuts in real wages needed to improve Europe's international competitiveness, restore currency convertibility and regain access to international capital markets, they insisted, would have fomented a revolt against the market. They would have set back rather than furthered market-oriented reform. Reconciling tolerable living standards with inherited economic disequilibria required bottling up the latter with controls, which in

turn required substituting the Marshall Plan for the private capital markets.²²

Why were the governments of Western Europe after World War II so reluctant to accept changes in income distribution like those accepted by the governments of present-day transition economies? One possibility is that postwar politicians overestimated the danger of a populist backlash. Conceivably so, but there is good reason to give contemporaries the benefit of the doubt. Doing so leaves us with the following alternative interpretation. In the 1940s, there was a danger that the disaffected masses would veer away from the market in favor of state socialist because the market had been found wanting in the 1930s and an idealized vision of the alternative prevailed. The Soviet Union's impressive war effort and even more impressive official statistics on the growth of industrial production encouraged contemporary observers to exaggerate the attractions of that alternative. In the 1990s, in contrast, there was less danger of a backlash because central planning had been found wanting. The radical changes in distribution needed to render currencies convertible and regain access to international capital markets may have been painful, but there existed no more attractive alternative.

A Market-Based Marshall Plan

Recently, private funds have been flowing to virtually every developing

²² This is the interpretation of the Marshall Plan developed in Eichengreen and Uzan (1992). It is echoed in the discussion accompanying Cleveland (1984), in which scholars such as Charles Kindleberger (one of the junior architects of the Marshall Plan) argue that abrupt stabilization and adjustment in 1947-48 would have resulted in unemployment, political chaos and populist reaction and question whether open societies and democratic institutions would have survived the shock.

country except the basket cases of Sub-Saharan Africa and the former USSR. They have been flooding into Latin America, Eastern Europe, Russia, East Asia, India and China. In most cases, the problem is not lack of funds in response to which a program of government grants and loans like the Marshall Plan would be appropriate, but an embarrassment of riches. The issue is how to moderate the tidal wave of capital inflows to prevent them from destabilizing prices, interest rates and domestic financial policies.

These private flows have worked to encourage reforms similar to those pushed by Marshall Plan administrators in the 1940s. Foreign investment is attracted to countries that stabilize their public finances, privatize public enterprise, decontrol prices, and liberalize trade. Governments seeking foreign finance have a strong incentive to adopt these reforms. Of course, funds can begin to flow into countries in advance of reform. Thus, foreign investment surged into Peru as early as 1990, even before that country had ended its hyperinflation. It has surged into Russia despite continued questions about the rule of law and the stability of the public finances. It has surged into India despite problems of corruption and administrative inefficiency. It has surged into China despite doubts about the security of property rights, limits on economic freedom, and an oppressive political regime.

If countries fail to follow through with the requisite reforms, the markets can be unforgiving. Not only does foreign finance dry up, as it would under the Marshall Plan had countries repudiated their bilateral agreements with the United States, but prior inflows can also be withdrawn, dealing a blow to the economic policy strategy of the offending government. The market attaches conditionality to its funds, as did the United States under the

Marshall Plan.

Unfortunately, market-based conditionality can be erratic. Foreign investors see-saw between excessive enthusiasm about investment opportunities in a developing country and total despair. Their willingness to transfer funds to emerging markets can be held hostage by factors exogenous to the country itself. Central bank policy in the U.S. and Europe, for example, can powerfully influence the flow of funds. When U.S. interest rates decline, investors are more inclined to search for yield in emerging markets.²³ Conversely, a sudden hike in U.S. rates can abruptly stem the flow of funds into emerging markets and jeopardize an otherwise sustainable restructuring program. The more diversified international investment portfolios become, the less incentive international investors have to scrutinize economic conditions in particular emerging markets. Not only do they find it more costly to gather information on the entire range of countries to which they lend, but they have less incentive to do so insofar as portfolio diversification protects them against country-specific risk.²⁴

Imperfectly informed investors are prone to panic and herd. Thus, while private financial flows to emerging markets have been reasonably stable since 1990s (even the Mexican crisis occasioned only a brief interruption), there is no guarantee that this will remain true in the future. The advantage of the Marshall Plan lay precisely in the fact that it was a multi-year program not subject to such interruptions, upon which the recipient countries could build sustainable economic policy strategies.

²³ See Chuhan, Classsens and Mamigni (1993) and Eichengreen and Fishlow (1996).

²⁴ As argued by Calvo and Mendoza (1995).

Hence, the role for the governments of the creditor countries today, if they seek to honor the memory of their predecessors who oversaw the Marshall Plan, is to stabilize private capital flows rather than suppress or supplement them. This means adopting sound and stable monetary policies at home and avoiding the kind of radical interest-rate increases that can destabilize the flow of funds. European governments especially must resist the temptation to close their markets to exports from low-wage developing countries as a sop to domestic political pressures. The International Monetary Fund should be encouraged to expand its data dissemination efforts as a way of strengthening market discipline. Better data dissemination will make for better-informed investors and limit over-reaction by the markets.

Only the poorest countries of Sub-Saharan Africa stand to be neglected by the markets. There, infrastructure is in disrepair, debt overhangs are enormous, and even the most basic functions of government — notably economic governance — have broken down. There is a case for special measures to stimulate private capital flows to the region. Sachs (1997) has suggested deep and rapid foreign debt writeoffs, temporary balance-of-payments support to aid macroeconomic stabilization, and funds for repairing and expanding key infrastructure, especially roads and telecommunications. With macroeconomic reform, the removal of debt overhangs, and the revitalization of infrastructure, private funds should begin to flow. To provide private investors the strongest possible incentive to respond to public intervention, the governments of the advanced industrial countries could also adopt corporate tax incentives to stimulate direct foreign investment in the region.

Finally, there is a role for the IMF and the Group-of-Ten countries to prevent problems in one country from spreading contagiously to others. This

was a danger at the beginning of 1995, when the crisis in Mexico threatened to spill over to Argentina, Thailand and other emerging markets. At that time the IMF, the United States and the other Group-of-Seven countries responded with an unprecedented financial rescue of Mexico which limited the foreign repercussions of its crisis. Subsequently, the Fund has streamlined its procedures for responding to such problems, tightened its surveillance of emerging markets, and augmented its financial resources. While a useful start, there is reason to think that these steps have not gone far enough.²⁵ There is no space here to launch into a detailed critique taken by the IMF and the G-10 countries to date, but significantly more remains to be done if the industrial countries are to succeed in developing a full-fledged financial fire brigade.

In the same way that the problem for developing and transition economies is to move from plan to market, those seeking lessons from the experience of the Economic Recovery Program have to find a way of conceptualizing the move from Marshall Plan to capital market. Now that international capital markets are flourishing again, the problem for policy is no longer that of the 1940s. The response developed by Marshall and his colleagues is no longer appropriate. But Marshall's key insight, that a market economy needs institutional and policy support to function effectively, is as timely today as 50 years ago. It just needs to be operationalized in a different way.

²⁵ As argued by Eichengreen and Portes (1996).

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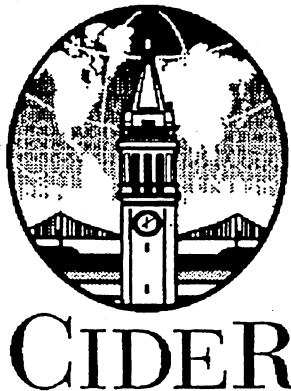
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Table 1. Private capital flows to developing countries
(gross, US \$ billions)

	1991	1992	1993	1994	1995*
Foreign direct investment	35.0	46.6	68.3	80.1	90.3
Portfolio equity	7.6	14.1	45.6	34.9	22.0
Bonds	12.7	26.5	54.0	52.8	59.6
Latin America and Caribbean	8.7	12.5	26.5	19.4	24.4
East Asia and the Pacific	2.9	5.7	13.3	22.4	23.6
Eastern Europe and Central	0.8	7.4	13.6	7.5	8.3
South Asia	0.2	0	0.5	1.0	0.8
Middle East and North Africa	0	0	0	0.6	1.0
Sub-Saharan Africa	0	0.7	0	1.4	1.3
Commercial bank lending	2.5	13.8	-4.9	9.2	17.1
Other private flows	3.7	12.6	6.9	2.4	4.0
<u>Total private flows</u>	<u>61.6</u>	<u>100.3</u>	<u>154.2</u>	<u>158.8</u>	<u>167.1</u>
* Preliminary	Source: World Debt Tables 1996.				



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