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International Aid and National Entrepreneurship: A Comparative Analysis of Pro-American Business Networks in Southern Europe, 1950-1975[1]

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This paper deals with the relationship between international economic aid and national entrepreneurship. We examine the design of U.S. economic and technical assistance programs and their impact on the business communities of five Southern European countries (Portugal, Spain, Yugoslavia, Greece, and Turkey) during the Cold War in light of various economic and sociological theories. Using extensive archival research and an in-depth national case study, we argue that U.S. aid, provided by official agencies and private institutions through grants, loans, direct investment, and transfer of technical and managerial knowledge, acted in most cases as a catalyst for technologically advanced entrepreneurs in the Southern European periphery, where influential pro-American business networks emerged or were reinforced. We identify national economic groups, the state, U.S. multinational firms, and a limited number of key individuals from business and government circles, as the principal players of this mesoeconomic entity. A conceptual framework is developed to explain how U.S. economic diplomacy and U.S. multinational firms interacted with national business circles and their environments, and how geopolitics and relative backwardness shaped the expectations and benefits of the groups and individuals involved in each country.

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In this paper, we consider the relationship between international aid and national entrepreneurship during the extraordinary era of growth and prosperity that followed the Second World War. The topic relates to wider issues that contributed to shaping the second half of the twentieth century. One of these is America's overall leadership, an underlying fact in the past century that became highly visible after Hitler's defeat. The outcome of the war gave rise in turn to the Cold War that persevered until the 1990s. Both America's leadership and the Cold War are at the root of the ideology of economic development. This ideology was extremely successful and influential in conservative as well as progressive circles, both academic and professional, well into the 1970s, supporting the idea that foreign economic aid could foster growth and development—as well as democracy—in relatively poor countries. These three issues created the scenario in which Southern Europe, like many other peripheral or semi-peripheral regions of the world, became attached in different ways to the United States, received considerable economic and technical assistance (through the Marshall Plan or not), and experienced remarkable economic and social (rather than political) progress throughout the 1950s and 1960s.

We examine the combined effects of U.S. political and economic assistance experience on five Southern European countries (Portugal, Spain, Yugoslavia, Greece, and Turkey) that we address from west to east. We focus on these countries' entrepreneurial communities, not as most authors have, on macroeconomic performance. Indeed, archival records make it clear that U.S. official and private aid institutions alike considered the local business communities to be ideal partners. It is intriguing that scholars have paid so little attention to the micro- and mesoeconomic dimensions of this economic and technical assistance. The question we ask is not if aid worked (a very interesting and controversial question in itself), but how it worked within a highly political framework in which the business world was at the same time partner, vehicle, and target of the assistance programs. There are various reasons that Southern Europe is of special interest. For one, the five countries (to which one could add, as we do, southern Italy) occupied an intermediate position between the advanced and the developing worlds, which is likely the reason specialized international institutions often neglect them. In addition, the links between these countries and the United States varied considerably, depending on their political orientation and geo-strategic position. As the Cold War advanced, however, all became allies of the United States and eventually of each other. It is of particular interest that for most of the time under study, military dictators (of various political persuasions) were in power in the region. Finally, social scientists usually considered the socio-cultural setting as hostile to entrepreneurship and, more generally, to the values spread by U.S. aid agencies during the Cold War. This fact made the region a challenge for Truman's doctrine as well as for social scientists working at the Ford Foundation (FF).

Available macroeconomic data show that, overall, the region did well during the golden age of capitalism (and socialism) in terms of growth, international integration, and structural change. There is also evidence that local (as well as foreign) firms and entrepreneurship played a role in the quantitative and qualitative change experienced by the national economies, thus fulfilling some of the expectations of the assisting agencies. Our research reveals that there was indeed a working link between foreign (that is, American) aid and national entrepreneurship in the region: the pro-American networks, built in most cases before the war decisively strengthened in the postwar period.

In analyzing the four channels used to mobilize domestic resources through foreign aid (official aid, loans, direct investment, and the transfer of technological and managerial knowledge), we have identified the constituents of such networks. These constituents include a limited number of national economic groups, the state (in both its economic and administrative dimensions), American multinational firms, and a handful of key individuals, national or American, connected to business and/or governmental circles. That the networks largely relied on the most dynamic firms and groups in technologically advanced industries seems reasonable, as economic "backwardness" implies technological dependence.

Cooperation with (or even support from) national governments varied greatly from country to country, as did the influence of these pro-American circles on each economic and business environment. However, the way in which official and private technical assistance was articulated (through productivity councils, exchange programs, and the like), along with the assignment of economic and official military aid, did much to bring national bureaucracies (and political capitals) close to the administrators of American aid. Prevailing interventionism, if not outright *dirigisme*, also contributed to the partnership between foreign agencies and national governments. U.S. multinationals were of course a crucial thread in these networks. The first wave of direct American investment in the region helped to establish the foundations of postwar networks in most cases, while the opportunities created by the war and the postwar period widened and eventually reshaped them. These opportunities include the expropriation of German assets, the emergence of an international technological market, and U.S. hegemony in strategic industries such as oil and petrochemicals, as well as bilateral trade. We do not conclude that U.S. economic diplomacy primarily served the interests of private U.S. business, but something much more obvious: that pre-existing business relations proved useful both for business newcomers and for U.S. agencies working abroad.[2] Our research reveals that a limited

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[2] For a recent work on the controversial debate about the relationship between U.S. economic diplomacy and the interests of private business of that country, see Jacqueline McGlade, "Americanization: Ideology or Process? The Case of the United States Technical Assistance and Productivity Programme," in *Americanization and its Limits: Reworking US Technology and Management in*

number of individuals, whether business people, bureaucrats, or academics, played a very relevant role in making and sustaining such networks. As stated in many of the Ford Foundation's reports, this fact was inherent in the social and political structure of Mediterranean Europe, where personal relations remained extremely important, and the economic and professional elites that U.S. agencies usually sought were relatively small.

International Economic Assistance and Social Modernization: The Role of Entrepreneurship

Three theoretical frameworks have helped us to analyze the results of our study: early literature on economic development; the theory of social modernization; and, more recently, contributions to the study of economic groups. We rely heavily on empirical research conducted at the National Archives and Records Administration (NARA), the Ford Foundation Archives (FF), and the Hagley Museum and Library (HML), where the records of U.S. official aid agencies, the Ford Foundation, and the National Association of Manufacturers are now accessible, giving historians the chance to test some of the tools of these theoretical frameworks, which were mostly designed by acting and/or observing contemporaries. For our Spain, we have also used records from the *Archivo Histórico del Ministerio de Asuntos Exteriores* (AMAE).

The birth of international assistance, which for a long time was American assistance, coincided with the emergence of a new academic discipline: development economics.[3] Both were products of the Second World War and the dismantling of European colonialism. The golden age of the new field of analysis stretched from the late 1940s through the 1960s. Development economists were not far removed from classical economics, in aiming to understand the forces of development, as well as designing policies to support these forces. Unlike classical economists, however, developers believe that the state and the international community play an active role in the fight against poverty and backwardness. Accumulation of capital, central planning, import substitution, surplus labor, and, last but not least, foreign aid, constituted the major topics of a discipline whose ultimate goal was to achieve sustained growth of per capita Gross Domestic Product (GDP) in the less-developed world.[4] The idea rapidly spread that those countries needed a "big push"

Post-war Europe and Japan, ed. Jonathan Zeitlin and Gary Harrigel (Oxford, 2000), 53-75.

[3] Gerald M. Meier, *Leading Issues in Economic Development*, 5th ed. (1964; Oxford, 1989).

[4] Hollis B. Chenery and Irma Adelman, "Foreign Aid and Economic Development: The Case of Greece," *Review of Economics and Statistics* 48 (Feb. 1966): 1-19; Hollis B. Chenery, Irma Adelman, and Alan M. Strout, "Foreign

(from outside or from above). The field became popular among left-leaning economists such as Raúl Prebisch or Gunnar Myrdal, giving way to the radical approach of the dependency school, spearheaded by Paul Baran, Immanuel Wallerstein, and A. Gunder Frank, among many others, and strongly influenced by the experience of Latin America.[5] Yet, the most prominent theorists of economic development, who were also prominent practitioners, remained attached to the ideology and practice of the Cold War. This was the case not only for those who exerted a long-lasting influence on economic history, such as Alexander Gerschenkron and Walt Rostow, but also for Simon Kuznets and the more heterodox Albert Hirschman, who worked for and identified with the American administration.[6]

Interestingly, in early economic development literature researchers were concerned about the lack of indigenous entrepreneurs in less-developed countries. Entrepreneurship was considered a prerequisite for development, a crucial though scarce input needed by all "backward" countries to mobilize factors and overcome the problems associated with imperfect markets and poor public administration. This concern disappeared in the 1960s and early 1970s, coinciding with the decline of development economics, and perhaps with increasing evidence that entrepreneurship existed in developing countries as well.[7] This realization constitutes the platform of economic groups theory.[8]

As long as the study of development economics was on the rise, the ideas that development was as much an economic as a social process requiring social change; that less-developed countries needed foreign assistance as a substitute for absent adequate institutions or preconditions; that the cooperation of the government with a modernizing elite was essential in making foreign aid effective; that the coexistence of advanced and backward countries posed a unique problem to be overcome through new channels; that development required planning and certain social techniques and innovations; or that aid might be a catalyst for growth; were all discussed in academic and technical circles. Our topic fits in with these preoccupations of Cold War economists.

Assistance and Economic Development," *American Economic Review* 61 (Sept. 1966): 679-733.

[5] Fernando H. Cardoso and Enzo Faletto, *Dependencia y desarrollo en América Latina* (Madrid, 1971); Raúl Prebisch, *Capitalismo periférico: crisis y transformación* (México, 1981).

[6] Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge, Mass. 1962); Walter W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge, Mass., 1960); Simon Kuznets, *Modern Economic Growth: Rate, Structure, and Spread* (New Haven, 1966); Albert Hirschman, *The Strategy of Economic Development* (New Haven, Conn., 1959).

[7] Albert Hirschman, *Essays in Trespassing* (Cambridge, Mass., 1981).

[8] Nathaniel Leff, "Entrepreneurship and Economic Development: the Problem Revisited," *Journal of Economic Literature* 17 (March 1979): 46-64.

As development economics became a discipline, sociologists and political scientists of both liberal and Marxist persuasions came up with a new analytical framework to address the problem of worldwide poverty and backwardness: the theory of modernization. Seeking to explain why so many societies had failed to make the transition from agrarianism to industrialization (to overcome feudalism), theorists of modernization looked at the prevailing social structures and to the role played by the middle class in that process. The volume and quality of the literature on this topic is impressive, including such excellent historical and comparative works as Barrington Moore's classic analysis "on the social origins of democracy and dictatorship."[9] Indeed, with the memory of the interwar period still fresh in scholars' minds, failed economic development was associated with failed political development. The path of Southern Europe, in aggregate or disaggregate terms, became, and has remained, the focus of sociologists like Juan José Linz and Salvador Giner.[10] In a recent comparative analysis of Southern Europe (from Portugal to Greece), Giner notes the close association between political regime and social distribution of power, on one side, and the level of economic development and foreign dependence, on the other. He states that in this region many liberal attempts were aborted as the local bourgeoisie cooperated with reactionary forces, giving way to various forms of fascism and authoritarianism, extremely nationalistic and supported by a broad, heterogeneous social base. At some point, however, dictatorships did in fact open their economies to international capitalism, which eventually accelerated change and democratization. Coinciding with radical development economics, Giner viewed direct foreign investment in these sorts of societies as hindering indigenous competitiveness and autonomous development.

Our observation that less-developed countries (a "politically correct" category embracing a large part of Europe at the time and certainly most of the rest of world) gave rise to a very interesting current of analysis among economic sociologists and sociological economists: the study of economic and business groups. Begun in the 1970s, this field flourished in the 1990s. Two authors have been particularly illuminating for our work. Nathaniel Leff first argued in the late 1970s that in less-developed countries entrepreneurship, along with the state, plays the crucial role of mobilizing factors and creating new channels in a very

[9] Barrington Moore, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston, 1973).
[10] Juan J. Linz and Alfred Stepan, eds., *The Breakdown of Democratic Regimes: Europe*. (Baltimore, Md., 1978); Salvador Giner, "La modernización de la Europa meridional: una interpretación sociológica," in *El Estado de bienestar en la Europa del sur*, ed. Sebastià Sarasa and Luis Moreno (Madrid, 1995), 9-59.

imperfect or non-existent factor-market (such as capital).[11] Entrepreneurship emerging from the cooperation of indigenous groups with foreign, technology-lending firms, is essentially financial and manufacturing, rather than technological, notes Leff. Groups, like the state itself, might create severe distortions in the product-market and exacerbate monopolistic and oligopolistic practices. How each country accepted these groups and their practices is a relevant factor in understanding economic and social development outside the most advanced countries. Granovetter is the second inspirational author; we use his concept of business groups as meso-level entities between the macroeconomic (and macropolitical) level and the firm level.[12] As he observes, business groups present six dimensions that are usually interrelated and highly dependent upon their historical contexts. These dimensions are social solidarity and structure (in many cases determined by links to foreign capital), ownership relations, authority structure, moral economy, capital and banks, and the state. Again, the articulation and performance of economic groups over time helps explain the social and economic dynamics of less-developed nations far more effectively than neoclassical theory.

Historians of the second postwar period have an advantage over Leff and Granovetter as archival sources allow them to understand the making of economic aid and development ideology.[13] Thus, in Truman's Bold Program (June 24, 1950), the inspiration for many documents on U.S. foreign economic policy, the fight against communism was linked to "a new era of growth and prosperity in the free world," based in turn on a constant rise in living standards. The communication between ideologists and businesspeople was intense, and business associations like the National Association of Manufacturers (NAM) had a great deal of

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[11] Nathaniel Leff, "Industrial Organization and Entrepreneurship in Developing Countries: the Economic Groups," *Economic Development and Cultural Change* 26, 4 (1978): 661-75; Nathaniel Leff, "Entrepreneurship and Economic Development: the Problem Revisited," *Journal of Economic Literature* 17 (Mar. 1979): 46-64.

[12] Mark Granovetter, "The Strength of Weak Ties," *American Journal of Sociology* 78 (1973): 1360-80; Mark Granovetter, "Coase Revisited: Business Groups in the Modern Economy," *Industrial and Corporate Change* 4 (1995): 93-130.

[13] Documents of U.S. aid agencies are deposited at the National Archives and Records Administration (NARA), Record Group (RG) 469, although separate data can also be found in State Department General Records, RG 59. The publications of these agencies can be found in RG 287. The Intelligence Services' reports give relevant information about various issues: Office of Strategic Services (OSS)-State Department Intelligence and Research Reports, Europe, 1950-1961. They are deposited in NARA, RG 59, Entry 449; and NARA, Microfilm 1221; as well as in the University of Glasgow Library (UGL), Microfilm (History CR20).

influence on the administration.[14] The Ford Foundation, an institution that partially replaced official U.S. aid agencies during the 1960s, centered its assistance efforts on the "building of a more viable social structure to support democracy and a constitutional government" in the Southern European periphery and in many developing countries.[15] The Foundation considered economic development a political, rather than technical, problem, which explains its emphasis on the social sciences as vehicles for economic progress. To support its projects in each country, the Foundation helped to build "social networks of dependable and reasonably diversified contacts," contacts that, at least in Southern Europe, were established in the business and cultural spheres. The activity of the Foundation was largely concentrated in two areas: the development of the social sciences and empirical research (defined as "a set of techniques to approach and solve economic and social problems"); and management education (where the willingness to cooperate with and promote the private sector became visible). Entrepreneurship, then, was at the root of the ideology of economic development, defined and put into practice during the Cold War by a diverse set of individuals and institutions.

U.S. Economic and Business Diplomacy in Southern Europe during the Cold War

"Southern Europe" was certainly a category within the U.S. aid administration throughout the 1950s.[16] It included our five countries plus Southern Italy. A specific section and a staff that changed considerably over time managed aid to each country. The historical development of U.S. foreign policy has much to do with this. Whereas Portugal, Spain, and Turkey remained neutral during the Second World War, German troops occupied Yugoslavia and Greece. Spain's neutrality, then, was openly pro-Nazi, while Turkey supported the allies. Participation in the Marshall Plan was instrumental in these outcomes, explaining why Spain was not invited to take part, and became a late ally of the United States, as opposed to the three early allies that benefited from the Marshall Plan. The other latecomer was Yugoslavia, placed in a unique situation on the European map (see Figure 1) due to the outbreak of the Cold War and Tito's attitude towards the Soviet Union.

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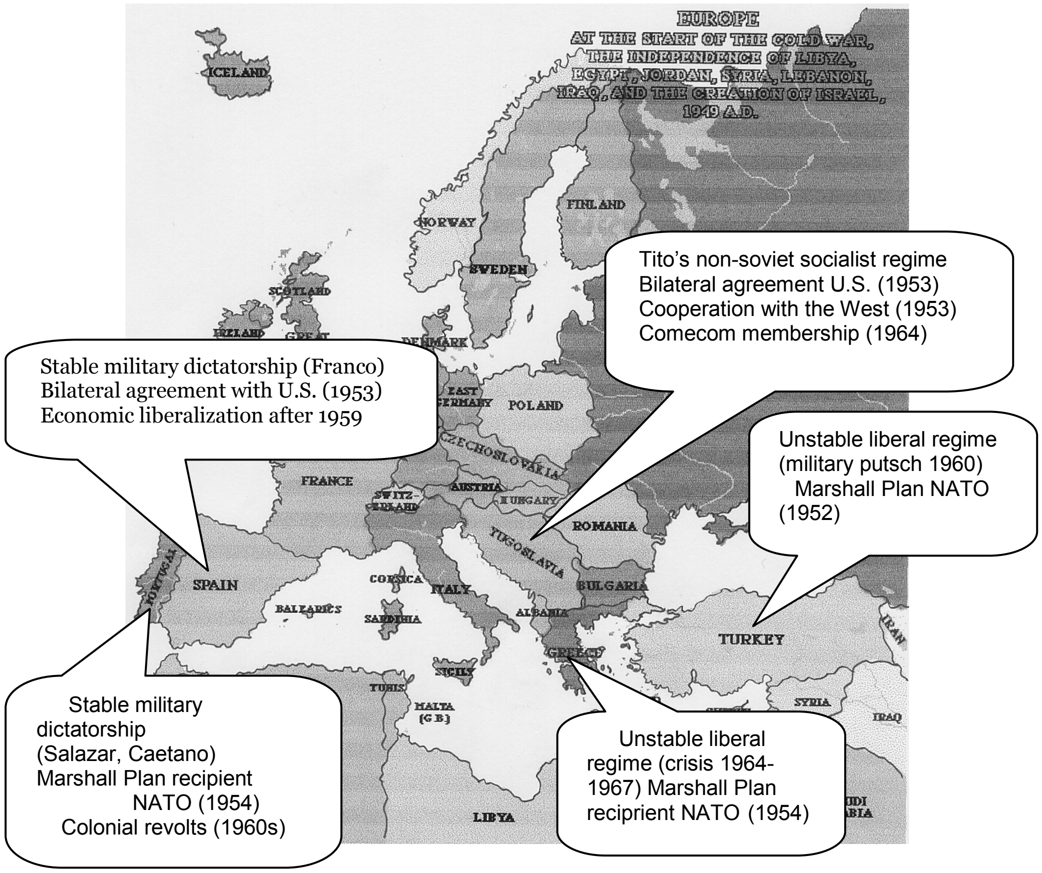
[14] NAM papers are deposited at the Hagley Museum and Library (HML). The most relevant documents related to NAM's economic ideology abroad and international relations are in: HML, acc. 1411, series 1, boxes 76, 77 (where Truman's Bold Program original text is available) and 78.

[15] Ford Foundation (FF) Report 12210 (1960).

[16] Foreign Operations Administration (FOA) "Prospects and economic objectives for Southern European Countries," 1954. NARA, RG 469, Entry 360, Box 9. Also The United Nations, *Economic Survey of Europe in 1959* (Geneva, 1960).

FIGURE 1
Southern Europe during the Cold War



Turkey and Greece, where the communists had fought the U.S.-supported army, became members of NATO in 1952 and 1954. A couple of years later, the United States intervened in the signature of the Balkan and Baghdad Pacts. The former included Yugoslavia, Greece, and Turkey; the latter, Turkey, Iraq, Iran, Pakistan, the United Kingdom, and the United States. The importance of Europe's eastern flank for the State Department was undeniable, helping to explain the distribution of military and economic aid in the region. By then, both Spain and Yugoslavia had become recipients of U.S. aid and the United States more or less openly supported their international integration. Important political changes occurred during the period under study. The authoritarian regimes of Salazar and Franco persevered, while facing colonial revolts of differing degrees, Tito stayed in power, playing with his pro-U.S. and pro-Soviet Union orientation, while the "imperfect democracies" of Greece and Turkey were ended in 1967 and 1960, respectively, by military *putsch*. As for the economic evolution of the region, Spain pleased more foreign liberal planners thanks to growth (usually referred to as the "the Spanish miracle") that finally changed the economic and social structure of this Iberian country. Turkey, on the other hand, a far more "backward" country despite being the spoiled child of U.S. aid since the end of the Second World War, fell short of expectations.

In economic and social terms, the homogeneity of Southern Europe requires clarification. Table 1 shows various economic and social indicators of the backwardness of the region (in which Italy is included). Note that Southern Europe was still an agrarian region in 1950, with lower GDP, GDP per capita levels, and population than most Northern European countries. The following decades brought some catching-up with the leading Western economies, although differences in GDP and industrial output levels were still significant in 1973. Intra-regional convergence, however, was not as clear as that among early OCDE members. The country with the poorest initial position, Greece, grew at the fastest rate, but it was not very far behind Spain, the country which after Italy was best situated in 1950 and 1973. The poor per capita gains of Turkey are also notable. In fact, Spain appears, in addition to Italy, as a particularly successful case of economic growth in the European periphery. This "Spanish miracle" took place mostly in the 1960s, a period of economic stability under authoritarian rule, contrasting sharply with the instability of Portugal, Greece, and Turkey.

Qualifications aside, economic progress in all of Southern Europe during these years was higher than in the northern countries, whose average annual GDP growth rate was two points lower than in the Mediterranean countries. Even more important was their increase in population, more than 25 percent between 1950 and 1973. In economic terms, that meant relevant potential markets and increasing business opportunities for investors. The fact that these countries were technologically underdeveloped and capital was scarce made them an attractive destination particularly for foreign investment, as the American administration stated throughout the 1950s. The reports of U.S. aid agencies and intelligence services confirmed in qualitative terms the picture drawn by macroeconomic variables.[17] In addition to the agrarian character of these economies and their potential growth, they noted their governments were immersed in ambitious industrialization programs that put pressure upon domestic resources. To achieve this goal without putting their populist bases at risk governments had to rely largely on U.S. assistance and foreign investment.

[17] For a general picture of the region: FOA "Prospects and economic objectives for Southern European Countries," 1954. NARA, RG 469, Entry 360, Box 9.

TABLE 1
Economic Indicators of Six Southern European Countries

	Portugal	Spain	Italy[1]	Yugoslavia	Greece	Turkey	Southern Europe [2]	Western Europe[3]
Population (in millions)								
1950	8.38	27.98	47.16	16.93	7.63	21.12	82.04	256.616
1960	8.89	30.43	50.62	18.55	8.39	28.21	94.47	274.018
1970	8.66	33.82	54.14	20.52	8.77	35.76	107.53	295.796
Population increase (%)								
1950-1970	3.34	20.87	14.80	21.20	14.94	69.32	25.13	15.27
GDP (billions of 1990 U.S.D.)								
1950	17.61	66.79	164.96	25.28	14.49	38.41	32.52	107.21
1960	26.71	105.12	296.98		26.19	71.06	57.27	173.58
1973	63.39	304.22	582.71	88.81	68.35	144.48	133.85	305.02
Per capita GDP (1990 U.S.D.)								
1950	2,069	2,397	3,502	1,585	1,915	1,818	1,957	5,013
1960	3,004	3,437	5,916		3,146	2,518	3,026	7,601
1973	7,343	8,739	10,643	4,350	7,655	3,753	6,368	12,159
Annual GDP growth rate								
1950-1973	5.73	6.81	5.64	5.62	6.97	5.92	6.26	4.1
Annual per capita GDP growth rate								
1950-1973	5.66	5.79	5.00	4.49	6.20	3.20	5.20	3.9
Structural change (% of agricultural labor force)								
1950	35	41	25	78.3	35			
1961								
1971	32	12	9	56.7 ('67)	16	78.8[5]		<20%
Structural change (% of agricultural GDP)								
1950	33.15	41	29	28.54	31.08	45.98	38.5	
1960	24.81	22	12.24	24.01	22.85	40.79		
1973	16.17	10.09	7.77	17.43	20.39	27.55	16.46	
Illiteracy rate (% of population over 15)[4]								
1950	44.1	17.6	14.1	27.3	25.9	68.1	35.9	
1960	38.1	13.3	9.3	23.5	19.6	61.9	32.6	
1970	29	9.8	6.1	16.5	15.6	48.7	25.9	
Emigration (% over population in 1960 and 1973)[6]								
1951-61	4.66	2.07	8.68	0.91	3.62	0.02	1.70	
1967-75	6.77	2.76	2.86	0.17	6.07	0.02	2.22	

Notes:

[1] In spite of the extraordinary intervention that occurred in the Italian Mezzogiorno (and supported by various international organizations such as BIRD) during the period, per capita income remained between 50 and 60% of that in Northern and Central Italy. Emigration, state-owned firms, social transferences, and agrarian subsidies sustained income levels in one of the most backward European regions. Another indicator of the strong differences between both areas is the fact that as early as 1957 48% of the active population remained connected with agriculture in southern Italy, as well as 33% of its output. Under-employment in agriculture, moreover, surpassed by far the rates of other Mediterranean countries: 65% in contrast with 30% in Turkey, 35% in Greece,

45% in Spain and 55% in Portugal. Vera Zamagni, *Dalla periferia al centro. La seconda rinascita economica dell'Italia 1861-1990* (Bologne, 1993), 470-77; The United Nations, *Economic Survey of Europe in 1959* (Geneva, 1960), 5.

[2] Average for five Southern European countries but totals for population, emigration and agricultural GDP.

[3] Western Europe: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Sweden, Switzerland, and the United Kingdom.

[4] 1951, 1961, and 1971 for Greece and Italy, and 1953, 1961, and 1971 for Yugoslavia. The Southern European average has been calculated over total population.

[5] FF Report No. 787.

[6] Long-term emigrants. Spain: Intercontinental travelers only for 1951-56; Turkey: 1951-52 and 1956-61; Yugoslavia: 1956-58 and 1967-70.

Sources: Derek H. Aldcroft, *The European Economy 1914-1990* (London, 1993). Angus Maddison, *The World Economy: A Millennial Perspective (*Paris, 2001). Brian R. Mitchell, *European Historical Statistics* (London, 1978). The United Nations, *Statistical Yearbook (*New York, 1957 and 1977). The United Nations, *Economic Survey of Europe in 1959* (Geneva, 1960). *The United Nations*, *Some Factors in Economic Growth in Europe during the 1950s* (Geneva, 1964). UNESCO, *Statistical Yearbook (*New York, 1976). *The World Bank*, *World Tables. Vol. 1 (*Washington, D.C., 1983).

Yet three factors, according to this source, hindered direct foreign investment: state intervention in the economy, economic instability, and bureaucratic and cultural obstacles for foreigners.[18]

Although the risk of nationalization was not very high in the 1950s, public enterprises constituted a privileged competition for the private sector, particularly in the case of Yugoslavia. Political stability was expected and legal and administrative obstacles to the flow of capital diminished, but the economic situation provoked high inflation rates in all

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[18] For Greece, American Embassy in Athens to the Department of State, 5 Oct. 1949 and 23 May 1950, NARA, RG 469, Entry 360, Box 14; Mutual Security Agency (MSA) Athens to MSA Washington, 12 Jan. 1953, NARA, RG 469, Entry 360, Box 14. Turkey: American Consulate in Istanbul to the Department of State, 28 March 1951, 18 Dec. 1951 and 26 May 1952, NARA, RG 469, Entry 371, Box 11; American Embassy in Ankara to the Department of State, 10 Sept. 1952, NARA, RG 469, Entry 371, Box 11; American Embassy in Ankara to the Department of State, 30 Oct. 1953, NARA, RG 469, Entry 371, Box 12; FOA "Report of the Randall Team," 21 Dec. 1953, NARA, RG 469, Entry 337, Box 45; and NARA, RG 59, Entry 449, Box 319A, OSS Report 7745. Portugal: MSA Washington "Selected United States Objectives Particularly Applicable to Portugal," Aug. 1952, NARA, RG 469, Entry 370, Box 7. Spain: American Embassy in Madrid to the Department of State, 2 May 1952 and 17 Sept. 1952, NARA, RG 469, Entry 387, Box 31; and Puig and Alvaro, (2003). Yugoslavia: United States Operations Mission (USOM) Belgrade "Recent Economic Developments and Major Problems Areas: Yugoslavia," 15 Aug. 1953, NARA, RG 469, Entry 393, Box 21; and NARA, Microfilm 1221, OSS Reports 3715.3, 4125.2 and 6794.

countries along with deficits in their payment balances, which, in addition to poor local productivity levels and low workforce skills, seriously affected national competitiveness. What American agencies most remarked, however, as a crucial factor when doing business in the region, especially for foreigners, was the necessity of conforming to the local "rules of the game," quite different from the American "New Deal synthesis".[19] Great opportunities existed for investment, but frequently local entrepreneurs were reluctant to cooperate, and institutional backwardness was evident when obtaining the authorizations necessary to incorporate companies or to get foreign currency usually depended on insider advantages or personal connections. For these reasons, Americans strongly recommended that foreign investors look for local partners.

American diplomacy in this area was concerned about this general instability, but its goal above all was an efficient defense of the West in the face of the communist challenge.[20] However, in order to take the fullest advantage of its geopolitical interests and strengthen these countries' defense efforts, the United States had to foster a certain level of economic and social development that allowed the use of local resources and improvement of living standards. In contrast with local policies, gradualism was advocated, as well as the utility of technical assistance programs to foster harmonic growth. In this kind of program, moreover, a greater local effort was recommended, designed by local governments themselves, under the supervision of U.S. agencies and of international organizations such as the Organisation for Economic Co-operation and Development (OECD), the Bank for International Recovery and Develppment (BIRD), or the United Nations Organization (UNO).[21] Economic diplomacy appeared, therefore, as one of the best tools for spreading the capitalist American credo in Southern Europe, but with

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[19] The term "New-Deal synthesis," similar to the "associative state" or "corporative neo-capitalism" used by other authors, is defined by Hogan as follows: "An American political economy founded on self-governing economic groups, integrated by institutional coordinators and normal market mechanisms, led by cooperating public and private elites, nourished by limited but positive government power, and geared to an economic growth in which all could share". Michael J. Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-1952* (Cambridge, Mass., 1987), 3. According to this author, that was the ideology followed by Marshall planners, and, as we have observed, was present in U.S. agencies initiatives, especially in the constitution of the productivity councils. That did not have to correspond, however, with the point of view of the rest of the characters considered in our study.

[20] This objective became patently clear in most of the reports of the 1950s. See for instance FOA Circular to USOMs Sept. 1953, NARA, RG 469, Entry 393, Box 21; and FOA "Prospects and economic objectives for Southern European Countries," 1954, NARA, RG 469, Entry 360, Box 9.

[21] FOA "Prospects and Economic Objectives for Southern European Countries," 1954, NARA, RG 469, Entry 360, Box 9.

limited American involvement. This aid did not occur on a development-grant basis, but was a way of reducing inflationary tensions brought on by the construction of military bases and by a greater flow of goods and capital, as well as a tool for gaining popular acceptance. A deeper long-term development of this region was needed, along with the participation of international organizations and other Western European countries. In fact, while the Cold War was intensifying, the United States insisted on separating external aid from external policy. The main reason for this new approach was that some governments, particularly those of Turkey, Greece, and Yugoslavia, saw U.S. economic help as a small counterpart to their support of the capitalist bloc and consequently considered that, whatever happened, the Americans would never permit the country's collapse.[22] Increasingly, they even entrusted any unpopular economic measure needed to achieve stabilization to these U.S. agencies. To make things even more complex, some groups in the American Congress increasingly called for reducing the amount of foreign aid. In defending the continuity of their activities, then, U.S. agencies operating in Southern Europe argued that decreased Western support to these governments could force them closer to the Soviet bloc.[23] This dilemma shows how these countries depended on international aid, and how they were able to take advantage of the Cold War context to increase such aid. Even in the case of Spain, ruled by a strongly anti-communist regime, and where a possible collaboration with the Soviets was not at all probable, American intelligence sources remarked that the country was becoming "dangerously economically dependent" on the United States.[24] This American prospectus suggests that aid to Mediterranean Europe must be quantitatively relevant. However, the comparative analysis of U.S. world assistance shows that, although very important for the local interests, the capital allotted to this region was not significant to the whole U.S. aid policy, as well as not homogeneous among Southern countries. Table 2 provides aggregate levels of American aid.

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[22] Economic Cooperation Administration (ECA) "Report of the Chief, Special Mission to Greece, September 1949 – November 1950," NARA, RG 469, Entry 359, Box 3; Coombs "Political and Economic Background of Greek request for American Assistance in 1947-48," NARA, RG 469, Entry 359, Box 3; USOM Greece to International Cooperation Administration (ICA), 20 July 1956, NARA, RG 469, Entry 599B, Box 2; NARA, RG 59, Entry 449, Box 307A, OSS Report 7101; NARA, RG 59, Entry 449, Box 319A, OSS Report 7745; NARA, RG 59, Entry 449, Box 304, OSS Report 6794; NARA, RG 59, Entry 449, Box 315A, OSS Report 7486.

[23] See note 23 and NARA, RG 59, Entry 449, Box 321B, OSS Report 8158.

[24] UGL, OSS Report 0579, p. 45.

TABLE 2
U.S.-Authorized Assistance to Southern Europe (loans and grants), 1946-1975 (in billions of U.S. dollars)

Country	Economic aid	Per capita	% Grants over total 1946-1975	Military aid	Per capita	Economic and Military aid	Per capita	Exim bank loans	Per capita
Portugal	.1	12	40.08	.3	45	0.5	67	.1	14
Spain	.0	26	67.13	.9	30	1.9	65	1.3	46
Italy	.2	65	87.80	2.5	50	5.8	116	.8	16
Yugoslavia	.0	113	57.69	.7	40	2.7	154	.8	47
Greece	.8	230	84.49	2.7	349	4.6	583	.05	7
Turkey	.2	6	46.49	4.5	163	7.3	264	.2	8
Total Southern Europe as % of Europe	34.7		Europe: 67.09	51.68		41.76		39.71	
Total Southern Europe as percentage of total U.S. aid	10		All countries: 66.54	6.28		12.47		13.55	

Notes: Short-term loans from the Department of Agriculture (Commodity Credit Corporation Charter Act) are not included. They amounted to $160.8m in the case of Yugoslavia for the same period, $102.9m for Greece and $8.9m for Spain. Greece and Turkey received additional minor amounts within the special Greek-Turkish Aid program, of which the former obtained the total share of the economic assistance ($652.2m) as well as most of the military one ($371.1m) compared to $158.6m for Turkey).
Sources: Agency of International Development, U.S. Overseas Loans and Grants, and Assistance from International Organizations. Obligations and Loans Authorizations, 1 July 1945–30 June 1975 (Washington D.C., 1975) and authors' elaboration.

From the beginning of the Marshall Plan until 1975, U.S.-authorized international aid totaled 185,873 million dollars, of which more than 60 percent was for economic assistance. Europe absorbed a small part of total American aid both in economic and military terms. However, while Southern countries received 10 percent of total economic assistance (in contrast to 30 percent for all of Europe), the military support to the South was more than half of that received for Europe as a whole. In addition, despite Portugal and Turkey's backwardness, in accordance with American suggestions most of their assistance came in the form of loans. This was not the general trend, however. Greece and Italy, for example, represent absolutely opposite cases, receiving much more grant money than the European and world averages.

The distribution of U.S. aid, nevertheless, varied throughout the period considered. Western Europe absorbed most aid until the end of the Marshall Plan, but the Southern Europe economic and military percentage increased afterwards, particularly in the 1960s when Southern countries received practically all of the American aid to the Continent, even though this percentage was small compared to amount for all countries assisted. Within the region, as Table 2 shows, there were marked differences as well. Economic aid to Portugal and Spain was extremely low; they received half the others' average. Per capita figures complete this profile, although Greece appears to have benefited much more. Turkey, the country nearest to the Middle East, received the primary allocation of military resources, followed by a significant margin by Italy and Greece, although Greece was highest in per capita terms. Portugal and Spain, where communist expansion was less probable, benefited least from the American assistance program. Eximbank loans, however, conceded to particular projects primarily by private companies, emphasized the participation of two Mediterranean latecomers: Spain and Yugoslavia (together with Italy). Project-type aid (that is, official resources allocated under technical assistance or defense support programs for specific projects) shows a similar pattern.[25] Obviously, Western Europe absorbed the most aid in the first years of the Marshall Plan, but the programs were longer-term in the Mediterranean region. However, it is clear from the beginning that Turkey, Greece, and Yugoslavia most benefited from economic and military assistance; Portugal, only received significant amounts for its colony of Angola in 1951. As for favored sectors, as in the rest of Europe and the world, industry and mining, transport, and agriculture were the priorities, along with military support in the case of Turkey.

The design for American international aid in an economically and politically similar region was quite different. What of foreign investors, particularly American ones, and the local opportunities U.S. agencies reported in the 1950s? Similar to U.S. government aid, the patterns

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[25] We have data from projects carried out for 1948-1951, 1954, and 1957-62. NARA, RG 287, Box Y1343; RG 469, Entry 1399, Box 42; RG 469, Entry 1465, Box 4; and ICA (1957-1962).

followed in the Mediterranean European countries were quite heterogeneous (see Table 3).

TABLE 3
Accumulated Direct American Investment in Southern Europe

Country	1936 (million U.S.D)	Per capita (U.S.D)	1950 (million U.S.D)	Per capita (U.S.D)	1966 (million U.S.D)	Per capita (U.S.D)
Portugal	5.72	2.60	16.0	2.00	57.0	6.62
Spain	80.53	1.11	30.7	1.02	373.0	11.03
Italy	70.18	0.73	62.6	1.15	988.0	18.29
Yugoslavia	3.19	0.22	0.5	0.29	n.a.	n.a.
Greece	8.50	0.40	5.9	0.78	127.0	14.59
Turkey	n.a.	n.a.	15.8	0.75	158.0	4.42
Southern Europe	168.13		131.5		1,703.0	
% Europe / All of Europe	13.50		7.64		10.39	
% Southern Europe / All countries	2.51		1.11		3.11	

n.a.: Not Available
Sources: Paul Dickens, American Direct Investments in Foreign Countries, 1936 (Washington D.C., 1938); U.S. Department of Commerce, Direct Private Foreign Investments of the United States. Census of 1950 (Washington D.C., 1953); U.S. Department of Commerce, U.S. Direct Investments Abroad: Final data. A Supplement to the Survey of Current Business (Washington D.C., 1966); U.S. Department of Commerce, Historical Statistics of the United States. Colonial Times to 1970 (Washington D.C., 1975).

According to these approximate figures (acknowledging the caution needed in using such data), U.S. capital allocated in Southern Europe, although on the increase, represented a small part of total investment in Europe and in all of these countries for the three dates selected. The capital allotted in the United Kingdom, in fact, was three times (and in 1950, six times) greater than in the Mediterranean countries in general.[26] Among these, Italy and Spain invariably absorbed the greater part of the

[26] Between 1929 and 1970, Western Europe became in fact the second most preferred destination of direct U.S. investment abroad after Canada, absorbing more than the 31 percent of the American capital abroad. U.S. Department of Commerce, *Historical Statistics of the United States*. *Colonial Times to 1970*, vol 2 (Washington D.C., 1975), 870-71.

American resources (although per capita Portugal was first before and immediately after the Second World War). By sector, in 1936 the miscellaneous group held the first position including utilities, the main activity of U.S. overseas commercial concerns before World War II.[27] Spain received more than half of this capital. Manufacturing came after this miscellaneous group, with Italy the main destination for foreign investment, although far from other Western European levels.[28] Both in

TABLE 4
American Companies Operating in Southern Europe

Country	1929	Circa 1950[1]	1955-56	1961-62	1975
Portugal	19		9	37	109
Spain	56	57-61	22	109	336
Italy	87		17	127	431
Yugoslavia	11	19	n.a.	n.a.	n.a.
Greece	17	12	7	33	195
Turkey	12	22-26	28	52	106
Southern Europe	202	110-118	83	358	1177

Notes:

[1] Spanish and Turkish data for 1950 and 1951, Greek for 1949, and Yugoslavian for 1946.

n.a.: Not Available

Sources: Paul Dickens, *American Direct Investments in Foreign Countries* (Washington D.C., 1930); Angel L. Juvenal, *Directory of American Firms Operating in Foreign Countries* (New York, 1956, 1962 and 1975); Núria Puig and Adoración Alvaro, "La guerra fría y los empresarios españoles: Los efectos de la ayuda técnica norteamericana, 1950-1975," *Revista de Historia Económica* (forthcoming); OSS – State Department Intelligence and Research Reports, National Archives and Records Administration (NARA), Microfilm 1221, Report 3715.3; American Embassy in Athens to the Department of State, 5 Oct. 1949 and 23 May 1950, NARA, Record Group (RG) 469, Entry 360, Box 14; Mutual Security Agency (MSA) Athens to MSA Washington, 12 Jan. 1953, NARA, RG 469, Entry 360, Box 14; American Consulate in Istanbul to the Department of State, 28 Mar. 1951, 18 Dec. 1951 and 26 May 1952, NARA, RG 469, Entry 371, Box 11; American Embassy in Ankara to the Department of State, 10 Sep. 1952, NARA, RG 469, Entry 371, Box 11; American Embassy in Madrid to the Department of State, 2 May 1952 and 17 Sep. 1952, NARA, RG 469, Entry 387, Box 31.

[27] Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge, Mass., 1974).

[28] Paul Dickens, *American Direct Investments in Foreign Countries, 1936* (Washington D.C., 1938).

1950 and in 1966, American funds were concentrated in the petroleum and manufacturing (chemicals and machinery) sectors in Italy and, with a significant difference, Spain.[29]

The results are similar if we focus on American companies established in Southern Europe (Table 4). As in the rest of Europe, in the Mediterranean most of direct U.S. investment came during two waves in the 1920s and 1960s. In Southern Europe, where we must take into account the strongly nationalistic policies implemented in the 1950s, this evolution is quite similar, though the levels of the 1920s would not be reached again until the 1960s. By sector, the leading American companies operated in public utilities, oil, and electronics and electrical materials. After the Second World War, there was a rise in chemicals and pharmaceuticals, machinery and manufacturing, agriculture and mining, as well as technical and business consultancy.

Commercial relations between both areas also reflected the economic dependence of the region on the United. While this trade was not economically significant for the Americans (imports and exports from and to Southern Europe were 4.64 and 7.4 percent, respectively, of totals in 1963, in contrast to 27 and almost 29 percent of the OECD), the United States was the primary trading partner for Mediterranean countries from the 1950s on; other relevant partners were the United Kingdom, France, and West Germany.[30]

When dealing with U.S. economic diplomacy, the Ford Foundation deserves particular attention. Its activities in the region stretched from the early 1950s through the 1970s. The earliest and most intense activity focused on Turkey, considered by the Foundation staff as the ideal partner for the United States, as well as a showcase for the developing world.[31] Indeed, between 1952 and 1976, the Foundation established a network of six management-oriented institutions, founded with local (private as well as public) cooperation, and a group of committed people from Chambers of Commerce, the Industrial Development Bank of Turkey, and several more associations. Yugoslavia, a showcase for Eastern Europe in its own right, was next with a program with a strong educational flavor established in 1958.[32] The 1967 military *putsch* frustrated the Greek program began in 1959.[33] This program had a strong academic and cultural orientation. The launch of the Southern European program (actually the Iberian program,

[29] U.S. Department of Commerce, *Direct Private Foreign Investments of the United States. Census of 1950* (Washington D.C., 1953); U.S. Department of Commerce, *US Direct Investments Abroad: Final data. A Supplement to the Survey of Current Business (*Washington D.C., 1966).
[30] Organization for Economic Cooperation and Development, *Yearbook of International Trade Statistics* (Paris, 1957 and 1963).
[31] FF Report 8254 (1976).
[32] FF Reports 10752 (1960), 10916 (1960) and 12486 (1967).
[33] FF Report 3736 (1968).

as it was intended to assist the new democracies of Portugal and Spain) did not occur until 1976.[34] In 1960, however, the Ford Foundation began building a social network in alliance with a liberal-minded business group linked to the *Banco Urquijo*, whose cultural activities were generously financed by the Foundation, while in Portugal the Jesuit-run Catholic University of Lisbon was funded to assist introduction of the study of the social sciences.[35] As elsewhere in Europe, the Foundation's diplomacy focused on two areas: management education and organization, and the introduction of a behavioral approach in the academic social sciences.[36]

Case Study: American Aid and Spanish Entrepreneurs

We next turn to the way in which American assistance interacted with local economies, who supported them, and to what extent they achieved their goals. The four channels through which foreign influence took place in Spain included official economic and technical assistance; loans; direct investment; and the transfer of technical and managerial knowledge. We identify four main players (local business groups, American multinationals, the state, and a number of key individuals) that built or fortified a series of networks strongly, though not exclusively, dependent on generally American assistance.[37] Some local business groups and their U.S. technological and/or financial partners created many of the networks before the war. When the aid agencies first arrived in Spain, they looked for partners in the business community who were familiar with the United States, making direct investment the most durable and visible vehicle. Foreign aid, however, brought about opportunities that newcomers skillfully seized.

Spain was not the country that benefited most from U.S. economic and military assistance, but, after Italy, it attracted much of the private capital as well as most of the Eximbank loans in the region. Because these loans were granted only to specific, preferably private, deeply-examined projects, they constitute a proxy, though rough, to local entrepreneurship initiatives. International aid, moreover, inaugurated a period of rapid economic growth, especially in the 1960s. In order to understand how international aid influenced or interplayed with the local modernization process, we have focused on both the macro and microeconomic levels. Yet it is precisely what lies in between at the mesoeconomic level that

[34] FF Report 5640 (1976).

[35] FF Reports 9024 (1968), 4574 (1968) and 8606 (1976).

[36] Giuliana Gemelli, ed., *The Ford Foundation and Europe (1950s-1970s): Cross-Fertilization of Learning in Social Science and Management* (Brussels, 1998).

[37] Núria Puig and Adoración Alvaro, "Estados Unidos y la modernización de los empresarios españoles, 1950-1975: un estudio preliminar," *Historia del Presente* 1 (2002): 8-29; Núria Puig and Adoración Alvaro, "La guerra fría y los empresarios españoles: la articulación de los intereses económicos de Estados Unidos en España," *Revista de Historia Económica* (2004, forthcoming).

contributes most to a better explanation of an assisted modernization process in a relatively backward country. Moreover, there has been little research to date on the interplay between Spanish entrepreneurs and U.S. aid managers, in contrast with the specific economic and military assistance provided by official U.S. agencies.[38]

As already noted, Spain was a latecomer to U.S. European assistance programs. For strictly strategic reasons, the Spanish and U.S. governments came closer together after 1950 (the year that the first Eximbank loan was granted) and especially after 1953, with the signature of a military bilateral agreement that included economic assistance. However, in the 20 years that followed, this unequal relationship aided the Western integration of Franco's Spain, especially until the late 1950s.[39] The interaction between U.S. aid agencies and Spain's authoritarian, anti-liberal political and economic structures gave rise to an interesting adaptation process reported elsewhere.[40]

In a sense, the Spanish pattern of economic policy was common to the rest of Southern Europe, as was the pressing need for foreign assistance to fulfill its objectives, on which the survival of local authoritarian governments depended. The economic prospectus was also shared: lack of inputs, capital and exchange currencies, high inflation rates, deficits in the balance of payments, low levels of human capital, low productivity, and severe restrictions to foreign investment. In Spain, as contrasted with other European countries, both northern and southern, official U.S. economic aid was a minor amount, and, compared with loans, direct investment, and transfer of knowledge, was the international aid component least linked to local economic evolution. Thus, the government, impelled also by various local agents, was forced to take some serious though hesitant liberalization measures, especially in the 1960s. Foreign investors were able to take advantage of these changes, but because there were still marked restrictions on foreign investment, they usually did so with the support of local businesspersons or civil servants. There were few prospective Spanish partners, however, who were familiar with both economic administration and the international market or had who had the necessary business, diplomatic, cultural, and political background.[41]

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[38] Ángel Viñas, *Los pactos secretos de Franco con Estados Unidos. Bases, ayuda económica, recortes de soberanía* (Barcelona, 1981); Oscar Calvo, "The Political Economy of Conditional Foreign Aid to Spain, 1950-1963" (Ph.D. diss., London School of Economics, 2002).

[39] Boris Liedtke, *Embracing a Dictatorship: U.S. Relations with Spain, 1945-1953* (New York, 1998); Fernando Guirao, *Spain and the Reconstruction of Western Europe, 1945-1957: Challenge and Response* (New York, 1998).

[40] Puig and Alvaro, "Estados Unidos y la modernización de los empresarios españoles"; Puig and Alvaro, "La guerra fría y los empresarios españoles."

[41] FF Report 4574 (1968).

In identifying the economic groups most relevant to U.S. assistance, it is not surprising that there is remarkable continuity in the pro-American Spanish business world before and after the Cold War. Despite the many opportunities already created by the Spanish Civil War (1936-1939) and the Second World War in areas such as oil, chemicals, and electrical machinery, pioneers continued to play an important role. The original links came from business partnerships (with strong technological content) established in the 1920s in the three main economic regions of Spain: Barcelona, the Basque Country, and Madrid. A particularly interesting case was the industrial group of the *Banco Urquijo*, IT&T's Spanish partner since 1924 and an experienced mediator between Spanish investors and foreign partners (*Banco Urquijo's* origins were associated with the Rothschild family's Spanish activities).[42] The nationalization of IT&T in 1945, and the expropriation of German industrial assets after 1945, created opportunities for this group in the chemical and pharmaceutical sectors, in addition to the electro-technical industry.[43] Several Basque financial groups also benefited from the expropriation and nationalization processes following both wars.[44] For example, in accordance with prevailing interventionist practices, Spain, through the public industrial holding INI (*Instituto Nacional de Industria*), participated in postwar economic development and, in the 1960s, became partner in several U.S. firms in the oil, petrochemical, and engineering fields. Notable among the new groups (most backed by a banking structure) was March and Fierro.[45] Traditional Spanish banks also became closer to U.S. firms, either directly or through their own firms. Overall, the construction of military bases also provided a good opportunity for firms operating in a variety of industries.

Our ongoing analysis of this intricate process reveals that a number of individuals were extraordinarily important for a very long time. We will limit ourselves here to Antonio Garrigues, a lawyer, and the bureaucrat Fermín de la Sierra. Garrigues, a member of a prominent Madrid family of lawyers, married the daughter of one of IT&T's men in Spain, and became

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[42] Adoración Alvaro, "Changing Patterns of Ownership and Labor Management under Changing Institutional Regimes: The Case of Telefónica in Spain, 1924 – 1970," in *EBHA 6th Congress Volume*, ed. Riitta Hjerppe et al. (Helsinki, forthcoming); Eugenio Torres, ed., *Los 100 empresarios españoles del siglo XX* (Madrid, 2000), 209-215.
[43] Núria Puig, *Constructores de la química española: Bayer, Cepsa, La Seda, Puig, Repsol y Shering* (Madrid, 2003).
[44] Data about the expropriation of German assets in Spain and the business opportunities created and seized by Spanish economic groups, particularly by the *Banco Urquijo,* is deposited in AMAE R-7730, R-7731 and R-7737 (general information); R-9945-2, R-10000-4, R-9947-1, R-9947-2, R-4312-3, R-4382-19 (chemical and pharmaceutical firms); and R-4308-1, R-9940-3 and R-9941-4 (electro-technical firms).
[45] Torres, *Los 100 empresarios españoles,* 268-277 and 294-297.

involved in expropriating German assets, working for the U.S. and British embassies in Madrid.[46] He later established a reputed U.S.-style legal firm specializing in foreign investment that led him to seats on the boards of directors of many U.S. multinationals, and a long-term monopoly on legal advice to U.S. investors in Spain. From 1962 to 1964 (when the bilateral agreement between both countries was signed), he was Spanish ambassador in Washington. His son has carried on his business and lobbying activities. De la Sierra was Managing Director of the *Comisión Nacional de Productividad Industrial* (CNPI; the Spanish center of productivity, established in 1952), founder of the first U.S.-style business school in Spain, the *Escuela de Organización Industrial,* and the intermediary between U.S. aid agencies and the Spanish Administration throughout the 1950s and 1960s. Like Garrigues, De la Sierra remained closely linked to various pro-American business networks.

The expansion and consolidation of pro-American links took place during the Cold War, facilitated by Truman's doctrine of economic diplomacy. During this period, the Spanish government predictably took advantage of its relationship with the United States. International aid most benefited those sectors connected to U.S. Army use (infrastructures, public utilities, foodstuffs, and raw materials), but large American companies and the most important Spanish public firms (particularly in the petroleum industry) also signed contracts for collaboration and technical assistance. Direct foreign investment, however, was much more prominent and widespread in local entrepreneurial activities. To previously established sectors were added some that greatly expanded in subsequent decades, such as the chemical and petrochemical industries, and others that were relatively new in Spain, such as food-processing and advertising. Military aid also provided great opportunity, as local firms constructed bases, although American firms coordinated and designed them. Economic assistance and loans, however, were less important to individuals than to the government.

Within respect to knowledge transfer, activities included the technical assistance programs promoted by U.S. agencies, activities carried out by the Ford Foundation, the expansion of new sectors such as consultancy and business schools, and other technical assistance contracts signed by numerous local companies with American firms, who were the main suppliers during this period. Technologically, the country was increasingly dependent on this transfer through these decades. As in Western European countries, this began with technical assistance provided through the national center of productivity, where representatives of the government, the private sector, and labor (controlled by corporate unions) met. Some Spanish companies, particularly in the regional centers created in different areas of the country, took special advantage of technical trips to the United States to

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[46] AMAE R-5477-1.

acquire new methods and make contacts with potential American partners. Some of the best evidence for this was the creation of an influential top-managers' association resulting from one such trip. This was the *Asociación para el Progreso de la Dirección* (APD), in which most of the pro-American networks identified participated. Another relevant result of the CNPI's activities was the creation of modern American-style business schools, arising almost simultaneously in the private sphere on the initiative of powerful local Catholic groups.[47] Again, we find managers and experts linked to U.S. companies or technical assistance programs. It was precisely in this area, the education and spread of the social sciences, that the Ford Foundation's activities were concentrated in Spain, at the hand of the *Banco Urquijo*.[48] Finally, consultancy, and all manner of services provided to firms, vigorously emerged in Spain during these decades, as expected because of weak management development in Spanish firms. Joint ventures dominated this sector in both engineering and management consulting where local partners often coincided with those found in other areas.[49]

Thus, the actors involved in U.S. aid to Spain fostered the development of influential pro-American business networks, sometimes linked to the government, which led the growth of the country during these decades, in part based on pre-war contacts. We can consider the factors responsible for their genesis and development, as well as their influence on the evolution of the local economy, within a dynamic explicative framework for the region.

The Making of Pro-American Business Networks in Southern Europe

Although our study of the impact of U.S. aid on entrepreneurship in other Southern European countries is not as exhaustive, the results are strikingly similar to the case of Spain. The most visible effect of the four channels used to mobilize local resources under foreign assistance (grants, loans, direct investment, and knowledge transfer) was the construction or strengthening of the influential networks that we refer to as pro-American. The link between foreign aid and local entrepreneurship appears at the meso-level as well. As in Spain, the principal players operating within and behind such networks were national economic groups, the state, and U.S. multinational firms. To them we add a number of key (and ubiquitous)

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[47] Núria Puig, "Educating Spanish Managers: the United States, Modernizing Networks, and Business Schools in Spain, 1950-1975," in *Inside the Business School: The Content of Management Education*, ed. Rolv Petter Amdam, Ragnhil d Kvålshaugen, and Eirinn Larsen (Oslo, 2003), 58-86.

[48] FF Reports 9024 (1968), 4574 (1968) and 5640 (1976).

[49] Matthias Kipping and Núria Puig, "Entre influencias internacionales y tradiciones nacionales: las consultoras de empresa en la España del siglo XX," *Cuadernos de Economía y Dirección de la Empresa* (2004, forthcoming).

individuals who played a relevant role as mediators. Remarkable national differences notwithstanding, the interrelation of these players was complex and intense. What brought them together? Access to capital and knowledge (technical as well as social) seems to be the foundation of economic groups in most of these countries, with the probable exception of Yugoslavia, where there was further state intervention. Yet, the persistent (though not consequent) economic nationalism displayed by all of the pre- and postwar governments reinforced many of the traditional groups. In spite of many complaints about the unwillingness of local administrations to cooperate with assisting agencies, there is abundant evidence that Southern European governments recognized the opportunities associated with foreign investment and technological transfer, inasmuch as they contributed to and supported the ambitious industrialization projects launched in these five countries.[50] Faced with more or less restrictive conditions, then, U.S. institutions and firms found a useful partner in the state. In addition, due to strong interventionism and the political instability or uncertainty characterizing the region, the state served as a meeting point for both national businesspeople and foreign partners. Cooperation of local state-owned and private firms with U.S. agencies and multinationals was the norm by the 1960s.

The cross-national analysis of economic dependence we conducted shows that the U.S. became, in most cases, the primary partner in terms of imports (with Turkey, Spain, and Greece as extreme cases) and direct investment (Italy, Greece, and Spain).[51] Adding the relative importance of loans (the preferred aid vehicle in Spain and Yugoslavia) and net economic and military aid (very relevant in the Eastern Mediterranean), with opportunities for developing big projects usually attached, we see a picture similar to that of Spain. Working with or for the Americans became the biggest single opportunity for accessing much-needed foreign technology, capital, and raw materials; being well-regarded by the national administration, the ultimate source of public contracts and favors; and making profits. A strikingly similar set of institutions devoted to the development of key factors such as technical and management education proliferated in the five countries under the auspices of official U.S. agencies and the Ford Foundation in the 1950s and 1960s, with varying degrees of cooperation by local partners. Turkey was by far the most successful experience for the Foundation.[52] With the limitations inherent in our sources, our comparative study shows that business networks formed around American economic intervention in Southern Europe comprised a relatively small number of individuals: people linked to prominent business groups or institutions (such as local Chambers of

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[50] See note 17.
[51] Organization for Economic Cooperation and Development, *Yearbook of International Trade Statistics*. About direct investment, see Table 3.
[52] FF Reports 2924 (1972) and 8254 (1976).

Commerce in Turkey and investment banks in most countries), specialized bureaucrats, or professional providers of technical and managerial knowledge. As in Spain, in these other countries the key individuals seem to have been regular participants in the early activities of official technical assistance programs at the regional or national level (which included trips to the United States and meetings with relevant U.S. individuals or institutions).

Quite reasonably, Americans sought what we call pro-Americans as partners, and local pro-Americans were very willing to cooperate with representatives of the country they so admired, for at least two reasons. First, the United States had become the world's most important source of knowledge and capital, having absolute advantages in some crucial industries (oil and petrochemicals, and technical/management consulting, for example). Second, one of the main assets of the local partners consisted in knowing precisely how to work with foreign partners (in the case of Spain the Second World War precipitated the shift from the Germans to the Americans). On the whole, however, this confirms much of what early researchers on development economics observed, namely that entrepreneurship was not scarce in less-developed countries, but, rather, took a different form, with the state and various economic groups being the prominent (and market-distorting) players with direct foreign investment and assistance having a very important role. The more recent literature on business groups as alternative forms of industrial organization also provides important clues to understanding the genesis and dynamics of the pro-American groups and networks. Social solidarity (to use Granovetter's concept) and links to foreign capital and technology seem the most decisive factors in this case.

In attempting to conceptualize this process as it took place in the European southern periphery during the Cold War, we chose ten variables that at different moments and with different intensity shaped the pro-American networks (see Table 5): a) prewar economic interests; b) strategic significance; c) political risk; d) economic and social backwardness; e) official U.S. economic aid; f) U.S. military aid; g) private U.S. aid (the Ford Foundation); h) the role of the state; i) economic dependence on the United States; and j) national economic perspectives. Although some of these are quantifiable, we must base others primarily on perceptions of the various U.S. agencies operating in the area.[53] Moreover, in selecting these variables and determining their intensity we have used data expressed in both absolute and per capita terms. While we show the American perspective in absolute terms, per capita terms illustrate the importance of U.S. aid for each particular country. The reorientation of U.S. aid policy after 1960 is an additional fact, not reflected in the rather static picture given by Table 5, that we must consider to understand the

[53] We refer to previous citations of U.S. aid agencies' reports. Additional references are given when necessary in following notes.

networks' dynamics. This was of particular relevance for the latecomers, Spain and Yugoslavia, as well as for those closest to the Middle East, Greece, and Turkey, the main destinations of U.S. military aid to Europe in the 1960s.

TABLE 5
Determinants in the rise of Pro-American networks in Southern Europe, 1945-1975

	Portugal	**Spain**	**Yugoslavia**	**Greece**	**Turkey**
1. Pre-war economic interests	*	* * *	*	*	*
2. Strategic significance	* *	* *	* * * *	* * * *	* * * *
3. Political risk	* *	* *	* * * *	* * *	* * *
4. Economic and social backwardness	* * *	* *	* * *	* * *	* * * *
5. Official U.S. economic aid	*	* *	* *	* * *	* * *
6. U.S. military aid	*	* *	* *	* * *	* * * *
7. Private U.S. aid (Ford Foundation)	*	* *	* *	* *	* * * *
8. Role of the state	*	* * *	* *	* *	* * *
9. Economic dependence on the U.S.	*	* * *	*	* * *	* *
10. National economic prospects	* *	* * * *	* * *	* *	* *

Key:
**** Very strong
*** Strong
** Not very strong
* Weak

Pro-American networks seem to have been rather weak in Portugal. In absolute as well as in relative terms, U.S. assistance does not seem to have had very much influence on this Iberian country's business community, even though it benefited greatly from the Marshall Plan. Unimportant prewar economic interests, along with backwardness and poor economic prospects, as well as a lack of state involvement, may be the main reasons for this. The small size of the Portuguese market (adjunct to the Spanish one for many U.S. firms) probably played an additional role. It is interesting to note that the reports of both official U.S. agencies and the Ford Foundation spoke of indifference among those chosen as local partners.[54]

[54] ECA Washington Report on Portugal, 14 Sept. 1949, NARA, RG 469, Entry 370, Box 1; MSA Washington "Selected United States Objectives Particularly Applicable to Portugal," Aug. 1952, NARA, RG 469, Entry 370, Box 7; FOA

The case of Spain was completely different.[55] A latecomer, Spain became the locus of intense pro-American networks that helped accelerate economic reforms in Franco's regime facilitated by the United States acting as Spain's ambassador in the Western international arena after 1950. The United States had strong prewar interests, as reflected in direct investment and trade, and links to U.S. technological partners became vital due to the autarchic isolation fostered by Franco's early governments. Despite the overall ambivalence of the Spanish regime, the state did in fact cooperate with U.S. assistance entities, and joint ventures between local state-owned firms and U.S. companies abounded in many sectors after 1960, following the Stabilization Plan designed with U.S. assistance. Neither the weak strategic significance of Spain, the political risk involved, nor the consequently low level of official aid hindered U.S. investors and their local partners from staking a great deal on this large and promising market, one of the most dependent on the United States. Local business groups, both old and new, strengthened by opportunities created by military aid were the main characters in this story, although more research is needed.

Assistance to Yugoslavia was similarly administered. Although private economic interests remained far less important than in Spain, Yugoslavia was both strategically very significant and politically risky, justifying (and giving rise to much criticism in Washington) large flows of aid throughout the 1950s and 1960s.[56] Moreover, most of this economic assistance was in the form of loans, thought to the best way to foster fruitful local cooperation.[57] Reasonably, the state acted as the main interlocutor of U.S. agencies and companies, and joint ventures proliferated. It seems that the economic performance (and policy) of Yugoslavia was disappointing for both U.S. firms and their local partners, as well as to the American administration, as the state continued to work with its Eastern neighbors, although this requires further analysis.

From the end of the Second World War, Greece was at the center of both U.S. foreign policy and economic and business diplomacy. Thus, in relative terms, Greece received considerable assistance, especially of the military sort.[58] The Greek community in the United States was likely relevant to the increase in the number of U.S. firms operating in Greece in the late 1960s.[59] Despite this, our ongoing research suggests that pro-American networks did not influence Greek policy and economic

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Portugal to FOA Washington, 29 Sept. 1953, NARA, RG 469, Entry 171B, Box 3; FF Reports 5640 (1976) and 8606 (1976).

55 Puig and Alvaro, "Estados Unidos y la modernización de los empresarios españoles"; Puig and Alvaro, "La guerra fría y los empresarios españoles."

56 FF Reports 10752 (1960), 10916 (1972), 12486 (1967), 13114 (1972).

57 See Table 2.

58 See Table 2, especially per capita terms.

59 See Table 4.

development as much as they did in Spain.[60] The size of the market might be a reason, along with the degree of overall backwardness and the political upheaval of the 1960s.

U.S. diplomacy was involved in Turkey more than in any other Southern European country. There is no doubt that strategic reasons dominated American policy here, weak prewar economic interests and severe backwardness did not prevent (rather the opposite) the activities of both official and private institutions after the Second World War.[61] As in Spain, technological dependence, capable business groups, and state cooperation seem to have been the moving forces of pro-American economic action in Turkey, and a strong economic dependence on the United States may be a consequence. Because economic performance was rather poor (due in part to rapid population growth), the networks' influence remained concentrated in Istanbul and Ankara in a few technologically-advanced industries. Interestingly, U.S. influence in the transfer of technical and managerial knowledge was profound, helping to consolidate in even an institutionalized way the networks and the elite on which they relied. How (or if) military aid influenced the business community, or exactly what opportunities this massive military aid created, is something we have yet to research.

Conclusions

The main conclusion of our preliminary exploration of the links between international aid and national entrepreneurship in Southern Europe during the Cold War concerns pro-American business networks emerging or strengthened through economic and technical assistance programs. We view these networks as meso-level entities that made the assistance process smoother and probably more effective in the five countries under analysis than it would have been in their absence. Arguably, direct investment and commercial relations before the war built the core of such networks. After 1945, however, overall U.S. assistance along with the natural effects of U.S. technological leadership and the postwar world order (particularly the emergence of an international technological market) created many opportunities that these and other more recent networks seized upon. We consider U.S. aid as a catalyst for the constituent elements of the networks, playing a relevant role in the transfer of technology and the creation and seizing of business opportunities. Their nature and influence varied widely among countries for the reasons outlined. In a sense, these networks reflect the absorptive capacity of each national entrepreneurial community for, rather than

[60] FF Report 3736.
[61] The Ford Foundation was especially active in this country. FF Reports 3198 (1954), 2924 (1972) and 8254 (1976).

suffocating local initiatives, encouraging entrepreneurship in institutionally limited environments.

With respect to theoretical frameworks, our research (however preliminary) shows that aid, along with other associated institutions, had a catalyzing effect on the process usually identified as economic development. No matter that strategic and not developmental motives provided the foundation for aid, as in South Korea or Taiwan, it served to help development indirectly. Networks played a mediating role, and this was the argument used by some World Bank experts when foreign aid faced mounting criticism.[62] We support the idea that less-developed countries require the cooperation of the state and/or foreign forces if they are to undergo the qualitative and quantitative social change necessary for modern growth.

Foreign assistance, however, did not replace national entrepreneurship, which was available and active in the five countries. The Southern European business communities that U.S. agencies contacted or supported did indeed belong to a relatively small and isolated social elite, nicely described by Ford Foundation consultants and some U.S. intelligence agents. This confirms to an extent what some modernization theorists have stated about the historical political failure of Mediterranean Europe. However, the alliance among traditional elite groups, a more or less enterprising middle class, and foreign capital that did take place in most countries, does not seem to have contributed to stagnation.[63] Foreign capital, like foreign aid and knowledge, kept a window open for dynamic and opportunity-seeking (not merely profit-seeking) businesspeople. The sort of businesspeople U.S. institutions dealt with fit quite well into the pattern described by the theorists of economic groups and networks concerning their genesis and nature.[64] This is relevant inasmuch as it explains that the capabilities of the pro-American business groups were

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[62] Meier, *Leading issues*; Anne O. Krueger, "Aid in the Development Process," *World Bank Research Observer* 1 (Jan. 1986): 63-79.

[63] Giner, "La modernización de la Europa meridional."

[64] Leff, "Industrial Organization and Entrepreneurship in Developing Countries"; Leff, "Entrepreneurship and Economic Development"; Nitin Nohria and Robert G. Eccles, eds., *Networks and Organizations: Structure, Form, and Action* (Boston, 1992); Nitin Nohria, "Is a Network Perspective a Useful Way of Studying Organizations?" in *Networks and Organizations,* ed. Nitin Nohria and Robert G. Eccles (Boston, 1992), 1-22; Nicole W. Biggart and Gary G. Hamilton, "On the Limits of a Firm-Based Theory to Explain Business Networks: the Western Bias of Neoclassical Economics," in *Networks and Organizations,* ed. Nitin Nohria and Robert G. Eccles (Boston, 1992), 471-90; Mark Granovetter, "Coase Revisited"; Mauro F. Guillén, "Business Groups in Emerging Economies: A Resource-Based View," *Academy of Management Journal* 43 (2000): 362-80; Carl J. Kock and Mauro F. Guillén, "Strategy and Structure in Developing Countries: Business Groups as an Evolutionary Response to Opportunities for Unrelated Diversification," *Industrial and Corporate Change* 10 (2001): 77-113.

primarily financial and organizational, rather than technological. For the most outward-looking (and technology-dependent) Southern European entrepreneurs, American aid, such as American loans, direct investment, and knowledge transfer, meant a considerable opportunity for much of the period under study. Whether short- or long-term, such opportunities did not exclude business ventures with other partners, but as long as domestic and foreign politics favored ventures with the Americans, the networks assumed a very pro-American air. An in-depth analysis of Turkish networks should shed new light on these provisional conclusions.