The Trillion Dollar WAR
The Trillion Dollar
WAR
The U.S. Effort to Rebuild Afghanistan, 1999–2021
ABID AMIRI

Quantico, Virginia
2021
To my father Mohammad Rahim Amiri,
to my wife Huma, and to my children, Husna and Atif.
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FOREWORD

It has always seemed problematic that most of the public debate about the war in Afghanistan and the economic development in that country has been conducted by non-Afghans. From academic literature to news articles, the Afghanistan discussion has been occupied by those in Washington, London, or Paris during the last two decades. The simple fact that *The Trillion Dollar War* is the work of an Afghan is the least of the reasons why you should read it. But it is a good reason nonetheless.

Born in Afghanistan and educated in the West, Abid Amiri brings to this subject a rare combination of academic expertise and real-life experience. His background in economics took him from the Embassy of Afghanistan in Washington, DC, to George Washington University, where he obtained his master’s degree in international development, and then on to working under my supervision at the Ministry of Finance of Afghanistan. It is an impressive résumé. I have known him for more than 10 years, and he has always impressed me as someone who wants to do good for his people and humanity at large, beginning with this impressive work.

Although he is not the first writer to criticize development aid programs in Afghanistan, never has the case for a unique approach to aid distribution been made with such rigor and conviction. Why, asks Amiri, does Afghanistan flounder in a seemingly never-ending cycle of poverty, corruption, and aid dependency, despite the fact that approximately $1 trillion (USD) has poured
into the country since 2001? His answer is simple: the way that the aid money has been disbursed is precisely the problem.

The author offers a study of the 1948 Marshall Plan (known more formally as the European Recovery Plan) experiment in Europe following the end of World War II and draws conclusions from it to apply to Afghanistan today. After the war, Europe was as devastated as Afghanistan was in the early 2000s. According to Amiri, the European Recovery Plan, which cost only $15 billion over four years, triggered a chain of events leading to massive economic growth across the continent.\(^1\) However, Afghanistan during the past 20 years has exhibited minimal economic growth, while the influx of aid has been significantly higher.

Why is this? Amiri recounts some of the more egregious examples of aid-fueled corruption. In November 2012, the U.S. federal government hit a large American construction company with the highest fine in a wartime contracting case after a whistleblower revealed that the company had overbilled the government and paid insurgents to protect the project.\(^2\) According to an Integrity Watch Afghanistan survey report, more than 4.6 million Afghans paid some sort of bribe in 2018. The total bribe paid that year amounted to more

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\(^1\) Also known as the European Recovery Program, the Marshall Plan provided aid to Western Europe following the devastation of World War II. It provided more than $15 billion to help finance rebuilding efforts. “Marshall Plan, 1948,” Office of the Historian, Foreign Service Institute, Department of State, accessed 7 July 2021.

\(^2\) “Whistleblower Exposed Fraud by the Louis Berger Group; $69.3 Million Settlement Sets Record for Afghanistan and Iraq Contractor Fraud Case,” Cision PR Newswire, 5 November 2010.
than $1.65 billion, which is about 9 percent of the total gross domestic product (GDP) of Afghanistan. As the country’s former minister of finance, it was my responsibility to fight the corruption inside and outside the government.

Amiri offers a simple alternative for the way aid ought to be distributed in Afghanistan: help Afghanistan help itself. In his mind, “Afghanistan needs an economic recovery program and not a humanitarian relief effort. The current ad hoc and humanitarian relief-oriented assistance has made little impact on the economy of Afghanistan.” He suggests that a massive intervention like the Marshall Plan is required to jump-start the Afghan economy. In addition, the funds must be invested heavily in areas directly or indirectly associated with the private sector. Finally, the government of Afghanistan must make economic policy reforms to support its domestic private sector.

Most importantly, Amiri outlines the fundamental importance of a self-reliance policy (with zero aid) to be implemented in Afghanistan. Instead of relying on ad hoc foreign aid, self-reliance, including how to use its own resources and to lend from financial institutions, should be the ultimate goal.

Amiri prescribes strong medicine for the war-ravaged country. But those who read The Trillion Dollar War will have no doubt that his primary motivation is to reduce hardship for ordinary Afghans. This book

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3 The data for 2018 and 2020 are available in National Corruption Survey (Kabul: Integrity Watch Afghanistan, 2018 and 2020).

FOREWORD


Eklil A. Hakimi
Former Minister of Finance of Afghanistan
Former Ambassador of Afghanistan to the United States
I was born in Kabul in 1989, the year the Soviet Union withdrew all its troops from Afghanistan. It was the end of one ferocious era and the beginning of a new dark episode for Afghanistan. By 1991, the mujahideen took over Kabul and there was considerable violence throughout the city. One day, some of these armed militants broke into my family’s house in Kabul. They stole some of our property and threatened to shoot my father. Because of this violence and the deteriorating security situation in Kabul, the capital city, my family decided to move out of Afghanistan in 1992. We became immigrants in Peshawar, Pakistan. My father worked at a store, and my mother stayed home with us. I helped my father in the store and attended school in Peshawar. It was a very difficult life. We struggled to survive in exile. My early life’s journey is no different than millions of other Afghans who went through similar hardships or faced even more challenges.

Growing up as a refugee in Pakistan, my textbooks, notebooks, and pens were all donated by the U.S. Agency for International Development (USAID), the United Nations Children’s Emergency Fund (UNICEF), and other development agencies. I remember getting so

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5 The term mujahideen refers to members of guerrilla groups operating in Afghanistan during the Soviet-Afghan War (1979–92) that opposed the invading Soviet forces and eventually toppled the Afghan Communist government.
excited when international aid donors would come in to give us school supplies. The USAID-branded cooking oil containers were ubiquitous in every immigrant’s house. The United Nations (UN) provided food ration containers that could be seen throughout the refugee camps.

In 2001, the United States and its allies removed the Taliban regime from Afghanistan. After living almost nine years as immigrants, my family decided to return to Kabul with high hopes. We returned from exile to try and pick up our lives again in our home country. My father returned to his job at Da Afghanistan Bank. My brothers, sisters, and I attended school in Kabul. We all felt at home after nine years of a life in exile in Pakistan. In 2003, when I was in the 10th grade, I applied to participate in an exchange program for high school students to live and attend school for one year in the United States. I applied for the program along with more than 3,000 other students from across Afghanistan. I was accepted and started my exchange student journey in the summer of 2004.

The year that I spent in the United States as an exchange student was full of unique experiences. I learned a lot and even attended my junior prom. I was involved in different activities within the high school. I completed more than 100 hours of volunteer work in the community and was awarded the President’s Volunteer Service Award from the White House, which was signed by President George W. Bush. I also had the opportunity to meet high-ranking staff in the U.S. Department of State, including Zalmay M. Khalilzad, who served as the U.S. ambassador to Afghanistan and later
to the United Nations, and the governor of New York, George E. Pataki. I also met several U.S. senators when I visited Capitol Hill in Washington, DC.

After completing the exchange program, I returned to Kabul in 2005. The experience of living in an economically advanced country like the United States changed my perspective on many fronts. The long stretches of paved roads and highways, the level of comfort in all walks of life, running hot and cold water, 24-hour electricity, and broadband internet—everything that we did not have in Afghanistan—was taken for granted by the American population. It made me question why this massive divergence in these ways of life existed. Why was it that Afghans could not also improve their standard of living so that a student does not need to get so excited for a donor aid agency to provide their school supplies or so that a teenager does not need to perform hard labor to support their family?

This curiosity led me to study at St. Lawrence University in New York in 2007 on a full scholarship. I spent my formative years on campus, even during summers, conducting research about employment in Afghanistan, the Global War on Terrorism, etc. As a result of this research, I decided to study economics and global studies. Soon after graduation, I moved to Washington, where I spent a year working for a nonprofit before joining the Elliott School of International Affairs at the George Washington University. There, I studied international development to further strengthen my understanding of this field. At the same time, I worked at the Embassy of Afghanistan in Washington as an economist, where I helped coordinate events between the Afghan govern-
ment and major international organizations involved in Afghanistan, such as the World Bank, the International Monetary Fund (IMF), and USAID. This experience gave me greater access to the world of development. In 2015, soon after completing my graduate education, I decided to return to Afghanistan and work at the Ministry of Finance.

The Ministry of Finance allowed me to find answers to the question, “Why can’t Afghans also improve their standard of living?” My work experience gave me the opportunity to support one of the major international donor conferences for Afghanistan: the Brussels Conference on Afghanistan in 2016. It also allowed me to learn more about what is working and what is broken in the economic system of the country.

This book is the culmination of my personal life story weaved into academic understanding and coupled with professional experience in the field of development. It is written for Afghans, Afghan policymakers, and those in the West and the broader international community who truly wish to see Afghanistan progress. In what follows, I offer my perspective on how we got where we are and propose ways to find the economic growth that has until now remained elusive.

Today, I am able to write this book in large part thanks to the help of development organizations that provided me with notebooks, pens, and pencils. Otherwise, like many of my friends in the refugee camps who could not afford their books, dropped out of school, and later joined the ranks of the Taliban, I would have been a victim of the war too. The main reason I am so
passionate about getting development aid right is that development aid is so very personal to me, as I have come out of the conflict zone successfully due to the help I received from aid agencies.
ACKNOWLEDGMENTS

We can all admit that 2020 was one of the most challenging and stressful years in recent memory, with a devastating global pandemic followed by a complete lockdown in most countries. However, in the midst of all the chaos, I found a great deal of comfort in writing this book. It has been a perplexing, exhilarating, wonderful, and exasperating journey. None of this would have been possible without the support of my wife, Huma Amiri, who listened to my book ideas, gave me feedback, and, most importantly, took care of our two children, Husna (age five) and Atif (age two), so I could focus on my writing.

Douglas Ferris, someone I dearly admire—my “American dad,” as I call him—sponsored me as an exchange student and helped me go to a community college prior to introducing me to his alma mater, St. Lawrence University, where I received my bachelor’s degree. He was instrumental in shaping who I am today. In addition, he helped me edit the content of The Trillion Dollar War and provided valuable feedback.

I also owe a great debt of gratitude to Former Minister Eklil Hakimi, who played a significant role in my professional life. He put a great deal of trust in a young man when he asked me to join him at the Embassy of Afghanistan, where he served as ambassador of Afghanistan to the United States. Later, he supervised me during my tenure at the Ministry of Finance and mentored me through challenging times.
Finally, I wish to thank my late father, Mohammad Rahim Amiri, for his unwavering support and belief in me every step of the way. He instilled a sense of nobility in me through his acts of kindness to others, which is what I am trying to achieve by writing this book.
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<td>ACJC</td>
<td>Anti-Corruption Justice Center</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AITF</td>
<td>Afghanistan Infrastructure Trust Fund</td>
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<td>ANA</td>
<td>Afghan National Army</td>
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<td>ANDS</td>
<td>Afghanistan National Development Strategy</td>
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<td>ANDSF</td>
<td>Afghan National Defense and Security Forces</td>
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<td>ANP</td>
<td>Afghan National Police</td>
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<td>ANPDF</td>
<td>Afghanistan National Peace and Development Framework</td>
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<td>ANSF</td>
<td>Afghan National Security Forces</td>
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<td>ARTF</td>
<td>Afghanistan Reconstruction Trust Fund</td>
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<td>BBC</td>
<td>British Broadcasting Corporation</td>
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<td>CAREC</td>
<td>Central Asia Regional Economic Cooperation Program</td>
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<td>CASA-1000</td>
<td>Central Asia-South Asia power project</td>
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<td>CNN</td>
<td>Cable News Network</td>
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<td>COIN</td>
<td>counterinsurgency</td>
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<td>CSO</td>
<td>Central Statistics Office</td>
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<td>ECA</td>
<td>Economic Cooperation Administration</td>
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<td>EFT</td>
<td>electronic funds transfer</td>
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<td>ERP</td>
<td>European Recovery Plan (a.k.a. Marshall Plan)</td>
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<td>GDI</td>
<td>Gender Development Index</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<td>GWOT</td>
<td>Global War on Terrorism</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<td>IDLG</td>
<td>Independent Directorate of Local Governance</td>
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<td>IEC</td>
<td>Independent Election Commission of Afghanistan</td>
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<td>IED</td>
<td>improvised explosive device</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INL</td>
<td>Bureau of International Narcotics Control and Law Enforcement Affairs</td>
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<td>ISAF</td>
<td>International Security Assistance Force</td>
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<td>ISIS</td>
<td>Islamic State of Iraq and Syria</td>
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<td>ISIS–K</td>
<td>Islamic State of Iraq and the Levant–Khorasan Province</td>
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<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>ISP</td>
<td>individual salary payment</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>LBG</td>
<td>Louis Berger Group</td>
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<td>LOTFA</td>
<td>Law and Order Trust Fund for Afghanistan</td>
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<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<td>NIP</td>
<td>National Infrastructure Plan, 2017–2021</td>
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<td>NPP</td>
<td>National Priority Programs</td>
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<td>OEF</td>
<td>Operation Enduring Freedom</td>
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<td>SIGAR</td>
<td>Special Inspector General for Afghanistan Reconstruction</td>
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<td>SMAF</td>
<td>Self-Reliance through Mutual Accountability Framework</td>
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<td>TAP-500</td>
<td>Turkmenistan-Afghanistan-Pakistan Power Interconnection Project</td>
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<td>TAPI</td>
<td>Turkmenistan-Afghanistan-Pakistan-India Pipeline</td>
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<tr>
<td>TMAF</td>
<td>Tokyo Mutual Accountability Framework</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNAMA</td>
<td>United Nations Assistance Mission in Afghanistan</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
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<td>UNICEF</td>
<td>United Nations Children’s Emergency Fund</td>
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<td>UNOCHA</td>
<td>United Nations Office for the Coordination of Humanitarian Affairs</td>
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<td>USAGM</td>
<td>United States Agency for Global Media</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>VMI</td>
<td>Virginia Military Institute</td>
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<td>WWII</td>
<td>World War II</td>
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<td>YES</td>
<td>Youth Exchange and Study Program</td>
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The Trillion Dollar WAR
According to a 2018 Gallup poll, 6 out of 10 Afghans reported that they struggled to afford food in the past year.\(^1\) Two-thirds of respondents said that it was extremely difficult to get by on their household income. Former president Ashraf Ghani called the poverty rate of Afghanistan “shameful” after Afghanistan’s Central Statistics Office (CSO) reported that more than 50 percent of the population was living below the poverty line.\(^2\) According to a joint ICON International and CSO study, the share of people living in poverty has climbed in recent years, rising from 34 percent in 2007 to 55 percent in 2018.\(^3\) Unemployment set a new record in 2018, with nearly one-third of Afghanistan’s workforce jobless, and the numbers among the relatively few women in the workforce hit 67 percent—the highest ever recorded (figure 1).\(^4\)

Corruption in Afghan institutions is a widespread and growing problem. In 2018, Transparency International ranked Afghanistan among the 10 most corrupt

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countries in the world. Various other anticorruption watchdog groups frequently call attention to corruption as an endemic problem in Afghan institutions. Government officials collect bribes in customs ports, service delivery, and health and medical services, which results in lower national revenue and destroys public trust in the government. Integrity Watch Afghanistan reported in 2016 that Afghans paid approximately $3 billion

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**Figure 1.** Unemployment in Afghanistan, 2010–18


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5 “Afghanistan,” Transparency.org, accessed 28 January 2021. This list also included Somalia, South Sudan, Syria, Yemen, North Korea, Sudan, Equatorial Guinea, Guinea Bissau, and Libya.
(USD) in bribes in a single year, which is a 50-percent increase from two years prior.\(^6\)

Afghanistan is ranked 169th out of 189 countries on the Gender Development Index (GDI), which measures gender disparity, or the ratio of female to male Human Development Index (HDI). Women in Afghanistan still face significant inequities in the areas of health (measured by female and male life expectancy at birth), education (measured by female and male expected years of schooling), and access to economic resources (measured by female and male income per capita).\(^7\) On average, about 1,600 women die in childbirth out of every 100,000 live births in Afghanistan, while in remote areas of the country that number rises to 6,500. In more prosperous countries such as the United States and those in Europe, 9 maternal deaths occur for every 100,000 deliveries.\(^8\) According to the most recent UNICEF report, 60 percent of Afghan girls are not in school, and one-third of girls marry before reaching the age of 18.\(^9\)

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\(^7\) The Gender Development Index measures the gender gap in human development achievements by accounting for disparities between women and men based on a long and healthy life, knowledge, and a decent standard of living. The ratio is calculated as female HDI to male HDI. A value equal to 1 indicates development equality between genders, while values further from 1 have less development equality between genders. “Gender Development Index (GDI),” Human Development Reports, United Nations Development Programme, accessed 22 May 2021.


According to a recent Gallup poll, Afghans’ trust in their democratic institutions has continued to erode. Confidence in the national government remains at 36 percent.\(^{10}\) One out of every four Afghans did not trust the government, the military, the police, or any other institution that represents the central government.\(^{11}\) People also lacked faith in basic services at the local level. They were dissatisfied with the availability of healthcare services, as well as the quality of water, roads, highways, and affordable housing.

Elections, the foundation of a democracy, have always been marred in Afghanistan by corruption, fraud, and voter intimidation. The level of fraud in the 2014 Afghan presidential election was so significant that more than 850,000 of roughly 7 million ballots were invalidated after months of recounting under the supervision of foreign inspectors and the United Nations.\(^{12}\) Most recently, it took the Independent Election Commission (IEC) of Afghanistan several months to announce the final results of the 2018 parliamentary elections and 2019 presidential election due to incompetence, corruption, and lack of management by the IEC.\(^{13}\)

Afghanistan is ranked at the bottom of the Global Law and Order Index, indicating that lawlessness is


\(^{11}\) Bikus, “Inside Afghanistan.”


widespread in the country. In a recent Gallup survey, only 13 percent of Afghans said they felt safe walking alone at night, and only one in three Afghans had confidence in their local law enforcement. Almost one-half of the respondents said their property had been stolen in the last 12 months. Afghans also have very little confidence in their judicial system, which operates in utter chaos. Corruption is extensive, with judges and lawyers often subject to threats and bribes from local leaders and armed groups.

Given that the United States has spent hundreds of billions of dollars in Afghanistan, it is critical to emphasize how little, if any, progress has been made in the country during the last 20 years. By some estimates, the United States has now spent more on Afghanistan reconstruction efforts than it spent on the Marshall Plan to rebuild Europe after World War II. The purpose of this book is to illustrate how little progress the United States has made in Afghanistan, as well as to focus more attention on the country’s economic development diff-

14 Gallup’s Law and Order Index uses four questions to gauge people’s sense of personal security and their personal experiences with crime and law enforcement: In the city or area where you live, do you have confidence in the local police force? Do you feel safe walking alone at night in the city or area where you live? Within the last 12 months, have you had money or property stolen from you or another household member? Within the past 12 months, have you been assaulted or mugged? Global Law and Order, 2020 (Washington, DC: Gallup, 2020). The list of countries along with Afghanistan with the lowest law and order index scores include Gabon, Venezuela, Liberia, South Africa, the Gambia, Uganda, Sierra Leone, Botswana, and Mexico.
16 Reinhart and Ray, “Inside Afghanistan.”
culties, despite spending vast sums of money and blood, and make suggestions for how to succeed in Afghanistan now and in the future.

*Theoretical Perspective*

The term *donor aid* has been defined in a variety of ways by a number of academics. *Foreign aid*, according to Helen V. Milner and Dustin Tingley, “is a transfer of resources” from one country to another as a means of interacting with one another.\(^\text{17}\) Kunle Ajayi adds that foreign aid is the type of assistance provided by a government or financial institution to countries that are experiencing difficulties.\(^\text{18}\) *Aid*, according to Michael P. Todaro and Stephen C. Smith, is a transfer of capital from industrialized to developing countries.\(^\text{19}\) Because it is a contribution, it is expected that the donor will not benefit financially from the donation.

Simbarashe Gukumure outlines a variety of roles that aid plays, including the incentive for affirmative action that the donor finds desirable, as well as infrastructure development. The most prevalent type of help is that which is given for development, namely to alleviate poverty. Foreign aid, on the other hand, serves three purposes: economic, political, and humanitarian. These areas are inextricably linked and reliant on one another.

\(^{17}\) Helen V. Milner and Dustin Tingley, ed, “Introduction to the Geopolitics of Foreign Aid,” in *Geopolitics of Foreign Aid*, vol. 1 (Cheltenham, UK: Edward Elgar, 2013).


Aid, it is often assumed, promotes development in the recipient country.\(^{20}\)

The stated purpose of foreign aid is to eradicate extreme poverty around the world. Jerker Carlsson, Gloria Somolekeæ, and Nicolas van de Walle evaluated aid effectiveness on two fronts. The first was the project’s ability to meet its aims and objectives. The second, and most relevant to this study, was how sustainable aid was—that is, the project’s potential to achieve positive results over a long period of time once external resources are no longer available or are significantly decreased. As a result, talking about aid without mentioning sustainability is a misnomer.\(^{21}\)

The flow of resources from affluent, highly industrialized countries to primarily poorer, economically challenged countries can be traced back to the post-World War II reconstruction era. The Marshall Plan’s unparalleled success in providing resources from the United States to war-torn Europe has previously convinced authorities that a similar transfer to poverty-stricken


nations will reproduce this accomplishment. According to Gukumure, a staggering $17.5 billion (USD) was sent to Western European countries to help them recover from the consequences of World War II. The aid phenomenon was a natural outgrowth of the Marshall Plan’s modernizing effort. Aid has been a constant part of development discourse and practice since the Marshall Plan was implemented.

Dambisa Moyo recognized that reliance was the primary reason why aid failed in other parts of the world. For example, African governments foster reliance by considering help as ongoing, permanent, and dependable, and by failing to plan adequately in the event that aid is removed. Aid donor nations are just as culpable, because by failing to engage in long-term solutions while ostensibly assisting developing countries, they encourage the notion that aid can be permanent. In such a scenario, poor countries will be trapped in a cycle of dependency.

U.S. Involvement in Afghanistan Post–9/11
Afghanistan has historically been a poor country. The country’s contemporary history is marked by monumen-

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22 Most development organizations no longer use terms like *Third World* or *developing*. In the World Development Indicators database, the 189 World Bank member countries, plus 28 other economies with populations of more than 30,000, are classified by geographic region, by income group, and by the operational lending categories of the World Bank. See “How Does the World Bank Classify Countries?,” World Bank, accessed 15 September 2021.

23 Gukumure, “Interrogating Foreign Aid and Sustainable Development Conundrum in African Countries.”

tual battles with the British Empire, the Soviet Union, and many other regional powers. However, the last four decades have been the most tumultuous years by far. The millennial generation of Afghanistan was born into a war that still ravages the country, and there seems to be no end in sight. After the Soviet Union’s withdrawal from Afghanistan in 1989, the country plunged into a brutal civil war of the mujahideen that resulted in the uprising of the Taliban movement. In 1995, this Islamic extremist group of newly graduated madrassa students took over the majority of the country and declared an Islamic Emirate government.25

On their first day in Kabul, the Taliban brutally murdered the former president of Afghanistan, Dr. Najibullah Ahmadzai, and hung him in a traffic circle on a lamppost for the public to see. The civil war had already forced millions of Afghans out to neighboring Pakistan and Iran, and only a small number of people with little means remained under the brutal regime of the Taliban. The country was shattered during the infighting of the mujahideen. Very little was left of government structures and buildings. Roads were destroyed, bridges had collapsed, and schools were demolished. The Taliban were taking over a country that had already been through a violent civil war.26

Despite all, the Taliban reigned with a strict Islamic rule and expected people to live as they did in the seventh century of the Prophet Mohammad. Television

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26 “A Historical Timeline of Afghanistan.”
was banned, music was prohibited, playing sports was outlawed, men were forced to grow a beard, and women were not allowed in public unless they were with a male companion. In addition, girls were barred from going to school and people were forced to pray five times a day. Those who violated these strict Taliban rules were punished in public, depending on the severity of the violation, either by lynching, mutilation, or execution in a football stadium full of people on a Friday afternoon after the jum'ah prayers.27

The author’s aunt, who lived during the reign of the Taliban, remembers seeing a woman who was struggling to carry her small child and a load of groceries on a street in Kabul. When her body-length burqa shifted, showing part of her legs, a Talib (member of the Taliban) commander passing by screamed at her and beat her with a strap repeatedly until she fell to ground and could not up.

As a teenager, the author traveled to Afghanistan once during the Taliban regime in the summer of 1999. His father took the family to visit Kabul for a couple of weeks. While living in Pakistan, the author’s father had never grown a beard. For him to travel to Afghanistan, he had to have long facial hair, so he tried to grow his beard a couple of weeks before departure. Since it was not yet long enough to pass the Taliban beard test

27 The term jum'ah refers to Friday of the Muslim week and the special noon service that all adult, male, free Muslims are required to attend. The jum'ah, which replaces the usual noon ritual prayer (ṣalāt al-ẓuhr), must take place before a sizable number of Muslims (according to some legal scholars, 40 Muslims) in a central mosque in each area. “Taliban Territory: Life in Afghanistan under the Militants,” BBC News, 8 June 2017.
(i.e., the beard had to be long enough to extend past a clasped fist or fill a standard lantern glass), he had to obtain a letter from an authority figure in the Taliban government stating that the authorities must cooperate with him in spite of the fact that he lacked the standard facial hair. As the author’s family entered Kabul, Taliban foot soldiers alongside the road holding flat leathery straps in their hands stopped them, singling out his father to get out of the car. He was then pushed and shoved to the Taliban chief who was sitting on a sofa in the back of a muddy truck for questioning. The rest of the family could not hear what was said, but they could see the father showing them a paper—the letter obtained from the Talib figure explaining his lack of beard. After a quick look at the letter, the soldiers let him go. This happened multiple times as the family traveled from the Torkham border with Pakistan to Kabul. While the author’s father was fortunate to have had that letter for protection, others were not as lucky. Some with shorter beards were lynched, kicked, and slapped in full view of the public.

These personal stories offer a small glimpse into the daily life of those living in Afghanistan during the brutal Taliban regime between 1995 and 2001. In addition to these constant harassments and brutal punishments, Afghans suffered terrible economic conditions. The Taliban government was not recognized internationally by any country except for a few Islamic na-

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tions. Initially, Pakistan, Saudi Arabia, and the United Arab Emirates (UAE) recognized the radical group as the legitimate Afghan government, though the UAE would later sever ties with the Taliban in 2001. Consequentley, Afghanistan had minimal interaction with the outside world. The domestic economy was nonexistent, and inflation was skyrocketing. People had very little to eat, and public services were subpar or barely existent—there was no electricity, running water, or decent healthcare. People were truly living in the seventh century.

Though Afghans who lived under the Taliban’s brutal regime were already at their breaking point, there was little they could do to change the situation. Then, on 11 September 2001 (9/11), the World Trade Center in New York City and the Pentagon outside Washington, DC, were attacked by commercial airplanes hijacked by the terrorist group al-Qaeda, and another flight was overtaken and crashed in the Pennsylvania countryside. While this heinous act killed nearly 3,000 Americans, after the United States and its allies invaded Afghanistan in October 2001, 32 million Afghans were freed from the Taliban’s brutality. Within weeks of the invasion, the Taliban regime was defeated, and the country was liberated.

Osama bin Laden, the leader of al-Qaeda and the

31 Ahmed Rashid, Taliban: Militant Islam, Oil and Fundamentalism in Central Asia (New Haven, CT: Yale University Press, 2010).
mastermind of the 9/11 attacks, was living in Afghanistan at the time. Neither he nor any of the hijackers were citizens of Afghanistan, but the Taliban were complicit in these attacks by giving bin Laden full protection and his terrorist group the ability to operate freely within the boundaries of Afghanistan. This allowed bin Laden to train terrorists and plan attacks on the United States. The United States wanted the Taliban to turn him over, but they denied the request, stating that bin Laden was their guest and it was against “Afghan cultural norms” to hand over a guest to the “infidels” in the United States.\(^\text{33}\)

The U.S. government then decided to act, with the help of its allies in Europe and Asia, and invaded Afghanistan. It took the American military about four weeks to destroy the Taliban and pave the way for Afghanistan’s Northern Alliance to take control of the Afghan capital of Kabul without any resistance from the Taliban.\(^\text{34}\) As a sign of solidarity with the United States, 42 other countries decided to engage in the war by sending 65,000 troops to Afghanistan under the umbrella of the International Security Assistance Force (ISAF).\(^\text{35}\)

On 18 April 2002, U.S. president George W. Bush, speaking before cadets at the Virginia Military Institute (VMI), outlined America’s role in Afghanistan reconstruction. He stated that military might alone would


\(^{34}\) The Northern Alliance was officially known as the United Islamic Front for the Salvation of Afghanistan. They were a guerrilla group fighting against the Taliban in the north.

not be enough to deliver “true peace” to Afghanistan unless the war-torn country rebuilt its roads, health care system, schools, and businesses, similar to what Europe and Japan did after World War II ended in 1945.

We know that true peace will only be achieved when we give the Afghan people the means to achieve their own aspirations. Peace will be achieved by helping Afghanistan develop its own stable government. Peace will be achieved by helping Afghanistan train and develop its own national army. And peace will be achieved through an education system for boys and girls which works.\footnote{A transcript of this speech is available at “President Bush Speaks at VMI, Addresses Middle East Conflict,” CNN Transcripts, 17 April 2002; and James Dao, “A Nation Challenged: The President; Bush Sets Role for U.S. in Afghan Rebuilding,” \textit{New York Times}, 18 April 2002.}

In this speech, the president made it clear that the United States was prepared to lead an international effort in Afghanistan, invoking the name of U.S. Army general George C. Marshall Jr., who graduated from VMI in 1901 and served as President Harry S. Truman’s secretary of state after World War II.

By helping to build an Afghanistan that is free from this evil and is a better place in which to live, we are working in the best traditions of George Marshall. Marshall knew that our military victory against enemies in World War II had to be fol-
How far have we progressed toward President Bush’s postwar reconstruction goals set in 2002 for Afghanistan? After almost two decades, it is critical to assess and comprehend how much the United States has spent in Afghanistan and what has been accomplished as a result of that investment. Further, how can America’s efforts toward reconstruction in Afghanistan be compared to that of the Marshall Plan during reconstruction in Europe after World War II?

37 Dao, “A Nation Challenged.”
CHAPTER ONE

The European Recovery Program

Wars are bred by poverty and oppression. Continued peace is possible only in a relatively free and prosperous world.

~ George C. Marshall, U.S. Secretary of State (1947–49)

Imagine a world without governments, institutions, or universities. Money is worthless and banks are abandoned. Shops sit empty and the great factories and businesses that once existed have all been destroyed or dismantled. There is no food. The police force is nonexistent. Men with weapons and knives roam the streets, taking what they want from stores and private properties. People steal what they want without regard for ownership. Goods and food belong to the powerful who can hold on to them and those willing to guard them with their lives. Women sell their bodies for food and protection. People have no access to information. There are no movie theaters and certainly no television. The radio works intermittently, and the population has not seen a newspaper for weeks.

The current generation only sees such a world as a Netflix drama series or a Hollywood film. However, this scene comes from the tragic history of Europe in

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the years following the end of World War II. The war was one of the major transformative events of the twentieth century, with 39 million people killed in Europe alone.\(^2\) Vast amounts of physical infrastructure were destroyed, and many people were forced to abandon or hand over their property without any meaningful compensation. Hunger among ordinary citizens was common, even in areas considered relatively prosperous. Families were separated; children lost fathers, mothers, sisters, and brothers. As a result of the war, the political and economic landscape of many European countries changed permanently.

One of the things that was common across Europe in the post-World War II era was the ubiquitous presence of hunger. One might expect that the food situation in Europe would improve once the war was over, but it only got worse. Many American troops were shocked by what they saw when they arrived in Europe after Germany surrendered. They had expected to see destruction and a certain amount of disorganization, but few had anticipated the level of deprivation they encountered. In the months following the declaration of peace, daily rations in Germany fell from 1,400 calories per day to 1,244.\(^3\) In Berlin, children were seen gathering grass from the parks to eat, and tropical fish


from the aquarium were stolen for food.\textsuperscript{4} As a result of this mass starvation and malnutrition, the outbreak of diseases was rampant across the continent. Malaria, tuberculosis, and many other infectious diseases resurged, killing thousands of people.\textsuperscript{5}

Keith Lowe writes in \textit{Savage Continent: Europe in the Aftermath of World War II} that the problem was not simply a world-wide shortage of food, but that food could not be distributed properly. After six years of war, Europe’s transportation infrastructure had been utterly crippled, roads were destroyed, and law and order were nonexistent. For food to reach the most vulnerable and needy populations across Europe, the railway network had to be rebuilt, roads repaired, and law and order restored. In parts of Europe, food supplies were often looted before they arrived at their destination, leaving aid agencies unable to distribute vital necessities of life.\textsuperscript{6}

Starvation was one of the most difficult problems in the immediate aftermath of the war. Ray Hunting, a British Army officer, was used to seeing beggars during his travels in the Middle East but was utterly surprised to witness the level of desperation he saw in Europe in 1944. At one point, he threw some of his spare food to a crowd of people surrounding the train in which he was traveling. The crowd fought over the food indiscriminately, turning “into a mass of struggling bodies fighting

\textsuperscript{4} Lowe, \textit{Savage Continent}, 39.
\textsuperscript{6} Lowe, \textit{Savage Continent}, 40.
for the falling gifts. Men punched and kicked each other to gain possession of the tins; women tore food from each other’s mouths to push into the hands of children who were in peril of being trampled underfoot in the violence.”

The German population suffered from severe hunger between 1945 and 1948. As a result, death rates increased fourfold among adults and tenfold for infants during this period. Based on some accounts, 1 in every 4 adults and 1 in every 10 infants lost their lives during this period in Germany. Since the beginning of the German occupation of Poland in 1939, the food security situation of the non-German population there was even worse. The average nutritional intake for Poles was about 930 calories in 1941, and the situation was magnified in poor localities. In Warsaw ghettos, food rations were limited to approximately 186 calories per day, which is about the same as a regular fast-food cheeseburger today.

Figure 2 illustrates the gross domestic product (GDP) per capita for some of the major European countries involved in the war relative to that of the United States. World War II was quite destructive for the countries involved, especially those on the losing side. Germany lost approximately 46 percent of its GDP per capita between 1938 and 1950, which created a lower standard of living for the entire population. An

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7 Lowe, *Savage Continent*.
8 Lowe, *Savage Continent*.
9 Kesternich et al., *The Effects of World War II on Economic and Health Outcomes across Europe*, 103–18.
average family’s income was slashed by half, resulting in mass hunger and despair.\footnote{Kesternich, et al., \textit{The Effects of World War II on Economic and Health Outcomes across Europe}, 103–18.}

The most dramatic figures highlight the total GDP of Germany between 1940 and 1950 (figure 3). In the early stages of World War II, the total GDP of Germany was about $716 billion (USD). This figure remained steady until 1944, the peak year of the war, when the German economy shrank by almost 40 percent, plum-
meting from $806 billion to $574 billion (USD). The German economy continued to dwindle even after the war ended. The country’s overall GDP further declined to $272 billion in 1946, illustrating a 196-percent contraction of the economy between 1944 and 1946, just one year after the war ended.\textsuperscript{12}

In addition to massive hunger and a dire economic situation, much of Europe lay in ruins, and millions of people were displaced. Germany, at the center of all the destruction, suffered the most damage during the war.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure3.png}
\caption{Total GDP in Germany, inflation adjusted, 1940–50, USD billions}
\end{figure}

Source: “World Development Indicators: Germany,” World Bank.
 Approximately 3.6 million apartments were destroyed by British and American air force bombing raids. These structures accounted for approximately one-fifth of all living spaces in Germany.\textsuperscript{13} According to figures from the Reich’s Statistical Office, Berlin lost as much as 50 percent of its habitable spaces; Hamburg, 53 percent; and Cologne, 70 percent. The massive destruction throughout Germany rendered approximately 20 million people homeless.\textsuperscript{14} They lived in cellars, ruins, holes in the ground, and anywhere they could find shelter. They were deprived of essential services such as water, gas, and electricity. Although the largest numbers of destroyed buildings were apartments, many other public buildings including schools, hospitals, and churches were also razed to the ground or severely damaged.

Life expectancy also continued to decline in Europe throughout the World War II period. Figure 4 depicts the continuous decline in the average number of years a German citizen expected to live during the war. In 1945, the average life expectancy in Germany was 29 years, the lowest in the history of that country. This drastic decline in life expectancy was largely due to the war that had killed millions, but it was also due to increased poverty and a lack of healthcare, sanitation, and water.\textsuperscript{15}

\textit{Inception of the Marshall Plan}

The 1948 European Recovery Plan (also known as the

\textsuperscript{13} Lowe, \textit{Savage Continent}.
\textsuperscript{14} Lowe, \textit{Savage Continent}.
Marshall Plan) was developed in the United States out of desperation to save Europe from extreme poverty and to eliminate the spread of Communism across the region as people coped with starvation and other effects of the war. Six years of devastating conflict had battered and staggered Europe economically. The survivors of the war were left with a lack of food and housing. In addition to creating widespread human and infrastructure destruction, the war had also crippled local economies, which in turn resulted in the need for massive imports from the United States and very few exports. The economic imbalance caused the prices for grains, raw materials, and machinery being imported from abroad to increase. This desperate situation was further

\[ \text{Figure 4. Life expectancy in Germany, 1940–50} \]

exacerbated by the fierce winter of 1946–47 and what followed, including crop failures and the worst harvest of the century. The production of necessary food items such as milk, meat, and grains fell by 30 percent during this time.\textsuperscript{16} The French government severed the daily bread ration by half to just 200 grams, while the Germans shivered without heat and their GDP plummeted 70 percent between 1945 and 1947.\textsuperscript{17} These domestic circumstances led to a wide array of unrest, such as the labor protests seen in Germany and Austria.\textsuperscript{18}

Rising prices and declining production not only fueled widespread poverty and negativity among the people, but it also made them more vulnerable and susceptible to political influence by hegemonic powers in the region. Indigenous Communist parties in France, Italy, and Greece had already started to voice their dissatisfaction with capitalism and visions of a better Europe.\textsuperscript{19} Greece had been convulsed into a civil war by a Communist-led insurgency supported by neighboring

\begin{itemize}
\item \textsuperscript{16} \textit{The State of Food and Agriculture, 1955: Review of a Decade and Outlook} (Rome, Italy: Food and Agriculture Organization, United Nations, 1955).
\end{itemize}
Communist governments in the Balkans.\textsuperscript{20} The spread of Communism to other European countries that had just come out of World War II and were struggling with poverty was imminent. This dire situation provoked an unprecedented action by the United States to counteract the spread of Communism by giving Europeans an alternative through U.S. secretary of state George C. Marshall’s vision for the region.

Inspirational speeches at timely moments have played a major role in defining humanity’s approach to tackling historic problems. Marshall’s speech at Harvard University in 1947 counts as one of those times. It is one of the most eloquent, relatively short speeches to capture the popular imagination of the time.

In his address at Harvard University’s 1947 commencement ceremony, Marshall outlined a blueprint for reconstructing a devastated Europe that was only just emerging from World War II through the injection of U.S. foreign assistance on a massive scale. The speech articulately defined U.S. policy toward Europe after the war, which eventually became the cornerstone of the Marshall Plan. The administration of President Harry S. Truman designed the European Recovery Program based on this policy and delivered much-needed help to Europe, costing American taxpayers between $12 and $13 billion.\textsuperscript{21}


\textsuperscript{21} George C. Marshall, “Remarks by the Secretary of State at Harvard University on 5 June 1947” (speech, Harvard University, Cambridge, MA, 5 June 1947), hereafter Marshall speech.
I need not tell you, gentlemen, that the world situation is very serious. That must be apparent to all intelligent people. I think one difficulty is that the problem is one of such enormous complexity that the very mass of facts presented to the public by press and radio make it exceedingly difficult for the man in the street to reach a clear appraisement of the situation. Furthermore, the people of this country are distant from the troubled areas of the earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connection with our efforts to promote peace in the world.

In considering the requirements for the rehabilitation of Europe, the physical loss of life, the visible destruction of cities, factories, mines and railroads was correctly estimated but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of European economy. For the past 10 years, conditions have been highly abnormal. The feverish preparation for war and the more feverish maintenance of the war effort engulfed all aspects of national economies. Machinery has fallen into disrepair or is entirely obsolete. Under the arbitrary
and destructive Nazi rule, virtually ev-
ery possible enterprise was geared into the
German war machine. Long-standing
commercial ties, private institutions,
banks, insurance companies, and shipping
companies disappeared, through loss of
capital, absorption through nationaliza-
tion, or by simple destruction. In many
countries, confidence in the local currency
has been severely shaken. The breakdown
of the business structure of Europe during
the war was complete. Recovery has been
seriously retarded by the fact that two
years after the close of hostilities a peace
settlement with Germany and Austria
has not been agreed upon. But even given
a more prompt solution of these difficult
problems the rehabilitation of the eco-
nomic structure of Europe quite evident-
ly will require a much longer time and
greater effort than had been foreseen.

There is a phase of this matter which
is both interesting and serious. The farmer
has always produced the foodstuffs to ex-
change with the city dweller for the other
necessities of life. This division of labor is
the basis of modern civilization. At the
present time it is threatened with break-
down. The town and city industries are
not producing adequate goods to exchange
with the food producing farmer. Raw ma-
terials and fuel are in short supply. Ma-
chinery is lacking or worn out. The farmer or the peasant cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable transaction. He, therefore, has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and finds for himself and his family an ample supply of food, however short he may be on clothing and the other ordinary gadgets of civilization. Meanwhile people in the cities are short of food and fuel. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction. Thus a very serious situation is rapidly developing which bodes no good for the world. The modern system of the division of labor upon which the exchange of products is based is in danger of breaking down.

The truth of the matter is that Europe’s requirements for the next three or four years of foreign food and other essential products—principally from America—are so much greater than her present ability to pay that she must have substantial additional help or face economic, social, and political deterioration of a very grave character.
The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole. The manufacturer and the farmer throughout wide areas must be able and willing to exchange their products for currencies the continuing value of which is not open to question.

Aside from the demoralizing effect on the world at large and the possibilities of disturbances arising as a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a piecemeal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative. Any government
that is willing to assist in the task of recovery will find full cooperation I am sure, on the part of the United States Government. Any government which maneuvers to block the recovery of other countries cannot expect help from us. Furthermore, governments, political parties, or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States.

It is already evident that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The
program should be a joint one, agreed to by a number, if not all European nations.

An essential part of any successful action on the part of the United States is an understanding on the part of the people of America of the character of the problem and the remedies to be applied. Political passion and prejudice should have no part. With foresight, and a willingness on the part of our people to face up to the vast responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome.²²

Economists have long debated the extent to which the Marshall Plan helped the reconstruction and post-war economic growth and prosperity of Western Europe. Some, like Niall Ferguson, have argued whether to even call this unprecedented economic aid an act of altruism by the United States.²³ Others believe that the American government simply wanted to spread capitalism and democracy around the world, while at the same time limiting the expansion of Communism, through this generous economic package.²⁴

However, what appears beyond dispute is that the Marshall Plan had a significant impact on the lives of

²² Marshall speech.
ordinary Europeans who were living in a dire situation after the most destructive war in modern history. The U.S. aid package gave them the economic boost they desperately needed, while also undoubtedly contributing to the development of a new political and economic system in Western Europe that was more or less aligned with America’s vision for the continent. One can even argue that the seeds of a united Europe were sown in the years immediately following World War II, when a group of Western European political leaders—including Jean Monnet and Robert Schuman of France, Alcide De Gasperi of Italy, and Konrad Adenauer of Germany—combined a vision of an integrated Europe with support for an American plan of economic recovery and institutional reform.²⁵ Above all, while the help was provided by the United States, the development programs that encompassed the European Recovery Program were designed and owned by the Europeans.

The Marshall Plan has become a model for economic development in postwar countries around the world. Most recently in Afghanistan and Iraq, such plans were implemented in the hopes that they could accomplish what the Marshall Plan did so successfully in Western Europe. Nearly 75 years after the introduction of the plan, it lives on as a model for underdeveloped countries on how to transition from state socialism to open market economies. This applies particularly to Afghanistan, as the Soviet Union’s invasion in the 1980s left the country’s institutions heavily dependent on the state. J. Bradford DeLong and Barry Eichengreen write that

the Marshall Plan was a unique response to a particular historical circumstance, but their key insight that a market economy needs institutional and policy support to function effectively is as timely today as it was then.26

**Total Aid Package**
The Marshall Plan was in place from April 1948 to September 1951.27 Initially, when the United States asked European leaders to gather in Paris in the summer of 1947 to map out an economic recovery program, foreign ministers from 16 countries convened a conference to flesh out a concrete program for European rehabilitation and unification. They agreed on a $19 billion aid package effective for four years.28 Their final report, however, was rejected due to a lack of tangible plans for implementation. President Truman instead asked the U.S. Congress for $17 billion over four years: $6.8 billion for the first 15 months beginning in April 1949 and $10.2 billion for the remaining three years. The participating countries also received $11.8 billion as grants. The total amount of Marshall Plan aid came to $13 billion, which equates to about $138.8 billion in 2019 purchasing power after adjusting for inflation.29

Figure 5 better illustrates the amount of aid money distributed across the 16 participating countries. The top four Marshall Plan aid recipient countries were the United Kingdom (which accounted for roughly 24 percent of individual country totals), France (21 percent), and West Germany and Italy (with 11 percent each). Roughly 66 percent of total economic aid was distributed among these four countries. While Yugoslavia was not included in the Marshall Plan, American economic

aid was transmitted to its government via the Economic Cooperation Act in 1950.\textsuperscript{31}

In 1948, the U.S. Congress created a new agency called the Economic Cooperation Administration (ECA) to implement the Marshall Plan.\textsuperscript{32} The ECA was given a certain level of autonomy to implement the program without the usual bureaucratic hurdles. A regional office was located in Paris to coordinate the programs of individual countries and to obtain critical European perspectives on implementation. In addition to this office, each country’s administrator was assigned to monitor the effectiveness of recovery efforts closely, without infringing on the national sovereignty of host countries. As required by the Marshall Plan legislation, the United States had to sign bilateral agreements with each aid recipient country in which certain commitments from the host country were outlined to meet the objectives of the recovery program, such as steps to stabilize the currency and increase production, as well as obligations to provide economic information to support the evaluation of the program.\textsuperscript{33}

\textit{The Marshall Plan Programs}

The program was mapped into four major components of grants (i.e., commodity assistance, reconstruction efforts, and technical assistance), loans, guaranties, and

\begin{footnotesize}
\textsuperscript{31} Tarnoff, \textit{The Marshall Plan}, 8.
\textsuperscript{32} Tarnoff, \textit{The Marshall Plan}.
\textsuperscript{33} Tarnoff, \textit{The Marshall Plan}.
\end{footnotesize}
counterpart funds. Each of these components, which are detailed below, was considered a vital tool for achieving the overarching goal of alleviating poverty and providing a better future for Europeans who had just come out of a terrible war.

THE DOLLAR AID PACKAGE
Due to extreme hunger and poverty in Europe, the ECA initially provided grants to aid recipient countries to purchase food and raw materials. The dollar aid program was designed to supply immediate food-related goods such as food, animal feed, fertilizer, and fuel. According to William Adams Brown Jr. and Redvers Opie, food and materials made up more than 30 percent of the total Marshall Plan program between 1948 and 1951 (figure 6). The ECA provided outright grants that were used to pay for the cost of freight of essential commodities and services mostly from the United States. The program design evolved over time as Europeans’ needs changed. The program transitioned from supplying immediate food-related goods to eventually providing mostly raw materials and production equipment.

In subsequent years, food-related aid declined from roughly 50 percent to 27 percent, but the proportion of raw material and machinery assistance increased by

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30 percent during 1949 and 1950.\(^{36}\) The equipment purchases amounted to $1.4 billion (14 percent) of the total Marshall Plan aid package. This may not seem like a lot, but the aid program helped jump-start Europe’s industrial sector. The Marshall Plan partially financed 143 industrial equipment plants. The total cost was $2.25 billion (USD), of which only $565 million was provided by Marshall Plan assistance funds. Twenty-seven other projects focused on power production, and

32 more were involved in the modernization and expansion of steel and iron production. The remaining funds were allocated for the rehabilitation of the transportation infrastructure.37

THE COUNTERPART FUNDS
The Marshall Plan required each aid recipient country to match U.S. grant contributions dollar for dollar. These counterpart funds were established as a vehicle for each country to contribute a dollar’s worth of its currency for each dollar of grant aid given by the United States. The participating country’s matched contribution was placed in this pooled funding for infrastructure development projects such as roads, power plants, housing projects, and airports.

By the end of 1951, approximately $8.6 billion (USD) of counterpart funds had been raised, of which $7.6 billion had been appropriated for use. Roughly $4.8 billion of the total funds was earmarked for investment in utilities, transportation, communication facilities, electric power projects, railroads, agriculture, manufacturing, coal mining, and low-cost housing facilities (figure 7). The remaining $2.8 billion was used for debt reduction in the United Kingdom to help balance its budget. As much as $1 billion in counterpart funds was never released by the ECA.38

TECHNICAL ASSISTANCE
The Marshall Plan also provided technical assistance to

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participating countries. As part of the technical assistance program, a special fund was created to finance expenses for U.S. experts in Europe and provide technical workshops to European delegations visiting the United States. The funds from this program were aimed at projects contributing directly to increased productivity.

Figure 7. Counterpart funds allocations, 1948–51


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Production was not merely a function of having world-class machinery, but also possessing management skills and labor styles that would operate efficiently. To bring production up to speed, the ECA funded research on business styles, conducted management seminars, and arranged visits of business and labor representatives to the United States to explain American methods of production. The program targeted production problems in the areas of marketing, agriculture, transportation, and communications.

By the end of the Marshall Plan program in 1951, more than $30 million had been spent on the technical assistance program. More than 6,000 Europeans representing a wide variety of economic sectors had come to the United States for training, and about 2,100 American experts had traveled to Europe to provide technical expertise.40

Investment Guaranties
The U.S. Congress had authorized $300 million for an investment guaranties program. This portion of the Marshall Plan was designed to encourage American businesses to invest in the modernization and development of European industries by ensuring that they would not lose money when converting their profits from local European notes to U.S. dollars. The program provided assurance to businesses by covering their actual investment earnings or profits up to 175 percent of dollar investment.41

40 The Department of State Bulletin (14 January 1952).
**Effectiveness of the Programs**

These four programs directly contributed to the overarching goal of the Marshall Plan, which was to help alleviate poverty in Europe after the end of World War II. Each component complemented another to achieve the most optimal outcome for the people affected. For instance, while most of the goods shipped to Europe were not distributed as gifts to the general population, raw material was used to produce a final product, which end consumers had to buy in the market at regular price. These goods were sold through private channels, either directly or through the recipient governments. The proceeds from the sales were then put into the counterpart funds for infrastructure development.\(^{42}\)

Most trade relations in Europe after the war were bilateral due to the nontransferable or nonconvertible nature of their currencies. All payments for imports and exports had to be honored in gold or U.S. dollars. Due to a serious shortage of this currency, countries had to adopt a barter system of exchange to balance their payments with each of the trading countries. This type of trade relations was considered a major obstacle for growth in Europe. The fact that countries tended to balance their payments with each of their trade partners individually inhibited them from choosing the best products at the best prices.\(^{43}\)

To overcome bilateral trade and payment practices, the Intra-European Payments Agreement was developed

in 1949. This payment system allowed intra-European purchases to take place without any of the former hurdles. The Intra-European Payments Agreement was heavily dependent on Marshall Plan aid. These purchases were financed through a conditional aid mechanism in which a debtor country could use its purchasing power rights on its creditor’s conditional aid portion to finance its supplies. The creditor country would receive conditional aid to pay for the debtor country’s supplies, while the latter country received the goods for free. The main purpose of the Marshall Plan was to encourage these types of intra-European exchanges of goods for their economies to grow rather than import goods directly from the United States.44

Aid to Europe was not a new development. Americans had contributed roughly $11 billion—more than $100 billion by today’s estimation—to Europe between July 1945 and December 1947, in the immediate aftermath of World War II, compared to the Marshall Plan’s estimated $13 billion from 1948 to 1951.45 The former aid package, which was distributed on an ad hoc basis, made no significant difference in European recovery because the programs lacked a coherent approach. The Marshall Plan, meanwhile, was a well-thought-out approach to a dire situation in Europe that included increased agricultural and industrial production, finance reform, and the stimulation of intra-European and international trade. The Marshall Plan ensured that aid

money was spent on both technical support and financial assistance, which would contribute directly to the long-term development of the participating countries.

Further, the Marshall Plan was a joint effort by European nations and the United States. It was owned by the aid recipient countries, as they were heavily involved in the planning and implementation of its every component.\textsuperscript{46} It also had a definite timeframe and monetary limits. The U.S. Congress had ensured that a specific amount of money would be appropriated for the program within a set timeframe of 3.5 years. These unique features of the Marshall Plan made it extremely successful in delivering on its main objectives.

\textit{Achievements of the Marshall Plan}

The post-World War II economic development of Europe is unquestionably the most astonishing recovery in modern history. Few can argue the fact that economic growth in European countries following the implementation of the Marshall Plan was extraordinary. The magnitude of this growth is made clear in the following graphs, which highlight steady growth in macro-economic indicators of major European countries that participated in the program. While it may be difficult to draw a direct connection between American aid and the economic growth that followed, for the most part, the Marshall Plan served as a stimulus that triggered a chain of events leading to the accomplishments highlighted below.

As figures 8 and 9 show, Germany’s GDP per capita,

which is a measure of its total output divided by the total population, increased from -25 percent in 1945 to 16 percent in 1948, when the first Marshall Plan aid package was delivered to the war-torn, economically devastated country. In France, GDP per capita increased by about 70 percent compared to the pre-1914 trend and showed a 100-percent increase from the interwar period of 1939–45. Even the United Kingdom, which experienced the smallest relative acceleration in growth

Source: “World Development Indicators: Germany, France, and Great Britain,” World Bank.

Figure 8. GDP per capita, yearly growth pre- and post-World War II, by percentage

Source: “World Development Indicators.”

Source: “World Development Indicators.”
of these three countries after World War II, had a GDP of 20–30 percent above the pre-1914 levels and 30–40 percent compared to the interwar period. By 1960, the production levels for all the participating countries was higher than the best interwar performance. Economic recovery went well beyond the expectations of many who made predictions by extrapolating pre-World War II trends into the future.

Similarly, the average income per person in Germany, which is yet another indicator of how well the

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49 “World Development Indicators.”
country’s economy recovered, grew by 16.7 percent in 1948 and continued to grow by 15–17 percent in the following years.\textsuperscript{50} The average income per person in France increased by 12.2 percent in 1948 and continued to expand by 5–7 percent in consecutive years. Figure 9 is a good illustration of this phenomenon.\textsuperscript{51}

One of the main objectives of the Marshall Plan was to increase the aggregate production levels of participating countries. Figure 10 shows how production

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\textsuperscript{50} “GDP per Capita, Constant PPP Dollars, v. 27,” Gapminder, 2017.
\textsuperscript{51} “GDP per Capita, Constant PPP Dollars, v. 27.”
levels compare with prewar trends. By the end of the Marshall Plan in 1951, industrial production for all countries was 35 percent higher than the 1938 prewar level, far exceeding the goal of the program. The growth in industrial production was quite impressive after the mid-1947 dip, and then showed a steep rise onward. By the end of 1951, industrial production levels were 55 percent higher than only four years earlier. The aggregate agricultural production levels increased by nearly 37 percent after 1948. Overall, the total average national production for all 16 countries participating in the program rose by about 33 percent during the four years of the Marshall Plan.

Expanding international trade and tackling trade imbalances among the European countries was yet another goal of the Marshall Plan, which sought to help the countries reach the point where they could pay for their own imports. The objective was for them to be able to pay for 83 percent of their imports through trade with other countries. By the end of 1951, despite a substantial increase in trade volume from the rest of the world, participating countries could pay for 50 percent of their imports.

As a result, European economies opened up, which led to the successful export performance of Western Europe. The sum of their exports plus imports, measured as a share of the total national product, was easily twice that of the interwar average. World War II marked a

52 Brown and Opie, *American Foreign Assistance.*
54 *The Department of State Bulletin*, vol. 82 (June 1982), 17.
period in which international trade was nearly halted, as well as a time in which market liberalization led to massive trade increases not only in its absolute volume but relative to GDP.\textsuperscript{56}

This trade expansion allowed for the European economies to grow faster. According to Jeffrey A. Frankel and David Romer, each dollar of expanded exports grows the total national product by approximately $0.34 (USD).\textsuperscript{57} Exports allow for an economy to move labor into the export sectors, where it is more productive. It raises consumer welfare and producer productivity by giving consumers more power to purchase imports from other countries. In turn, trade puts pressure on domestic monopolies to decrease prices and to become more efficient, leading to more technological advancements.\textsuperscript{58}

Finally, while some achievements of the Marshall Plan are quite tangible, others are not as easily quantifiable, such as the psychological boost it gave to the Europeans and the economic integration of the European continent that ensued from the program.

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\textsuperscript{56} Tarnoff, \textit{The Marshall Plan}.


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