EUROPEAN UNIVERSITY INSTITUTE, FLORENCE
DEPARTMENT OF HISTORY AND CIVILIZATION

"Challenge and Response in Western Europe: the Origins of the European Community (1945 - 1950)"

Project directed by Professor Alan Milward

Project Paper No. 6

E U I W O R K I N G P A P E R No. 81

DOMESTIC AND INTERNATIONAL IMPLICATIONS OF NORWEGIAN RECONSTRUCTION

by

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January 1984

BADIA FIESOLANA, SAN DOMENICO (FI)

Paper presented at the conference held on
17 and 18 November 1983 entitled

"National and International Economic Reconstruction in Western Europe,1945-1950"

Printed in Italy in January 1984
European University Institute
Badia Fiesolana
I - 50016 San Domenico (FI)
Italy

I

The 1945 elections gave the Labour Party an absolute majority in the Norwegian parliament, the Storting. The party was committed to rapid reconstruction as well as further economic growth. The government considered it possible to complete the reconstruction effort by 1950 with an annual import surplus of nearly 1000 million Norwegian crowns. At the time of liberation Norwegian currency reserves, mainly pounds, amounted to around 2000 million crowns. The demand for foreign currency, particularly dollars, would far exceed currency reserves and export earnings. It was assumed, however, that dollar loans would be fairly easily available [1]. Reconstruction and growth policies aimed above all at promoting Norwegian export industries, which was considered essential both to meet debt obligations, and generally to improve the standard of living. In order to achieve its economic objectives, the Labour government was highly dependent upon the West for loans as well as markets [2].

Norway's foreign policy stance was somewhat ambiguous. The term "bridge-building" was coined to characterize the country's position between East and West. This formula implies an active policy of mediation between the powers. In this respect the term is misleading. In the fundamentals of security policy the crucial cabinet members and the leading makers of defence and foreign policies realized Norwegian dependence on Great Britain and increasingly the United States as well. But such views were not generally accepted either in the Storting or among the interested public. The government in practice implemented the bridge-building policy by withdrawing from arenas of possible conflict, by abstaining on U.N. or Peace Conference votes, or by declining membership in institutions such as the Security Council, which might force the country to choose between the two emerging blocs. The bridge-building policy was basically one of passivity [3].

Domestically the Labour Party was faced with two main opposition groups. On the left the Communists in 1945 polled an all-time high of more than 11% of the vote, on the right a motley group of non-Socialist parties were for the first time

returned with a minority of the vote as well as the parliamentary seats. The Christian People's party had no clear profile either in economic or foreign policy, but was generally the closest to the Labour party. The Agrarian pary was both staunchly nationalist and sceptical of further industrialization. It was at the same time somewhat discredited by its wartime record, and most of its parliamentarians kept a fairly low profile. The Liberals and the Conservatices were not as uniformly opposed to industrial modernization, but were generally not in favour of largescale manufacturing units and strongly supportive of agriculture. A number of younger and influential conservative members were, however, inclined to give partial support to the Labour Party's modernization programme. As regards foreign policy, the non-Socialists were certainly less enthusiastic about Russia than the Labour party; but better and closer foreign and trade relations were firmly supported by eminently respectable bourgeois politicians, Home Front leaders and businessmen [4].

During the transitional period from war to peace Norway's political parties agreed on the so-called 'Common Programme' to facilitate reconstruction. Despite somewhat conflicting interpretations of the programme, it did provide considerable common ground in such goals as growth and full employment, and in the general acceptance of the need for continued strict control of the economy. The Labour Party leadership had been instrumental in bringing about the Common Programme, and in most respects it conformed closely to its 1945 election platform. The programme was important both for its practical policy value and as a symbol of unity [5].

But this unity on reconstruction and foreign policies did not preclude strong political disagreements in certain fields, including violent verbal attacks on government policies. By 1947 the Conservatives in particular were attacking both the bridgebuilding policy and the implementation of the system of economic controls. The Communists joined in from the other side, finding the planning effort inadequate and Western orientation

too strong [6]. The scope for cross-party agreement seemed to be narrowing, while disagreement over the problems of industry and agriculture was obviously deepening.

The lines of conflict were drawn not just between Labour and the two opposition groups, there was also considerable disagreement within the Labour Party both on foreign policy and to a lesser degree on issues of economic policy. Significant elements were opposed to the Western orientation, while other leading party members were rather reluctant industrializers. On the other hand, from 1946 on, influential party officials and members wanted a clearer Norwegian alignment with the West. Any adjustment of Labour Party policies would thus cause conflict with some part of the parliamentary opposition, as well as internal party strife. On the otherhand it would be faced with the same unpleasant alternatives by continuing along the chosen track [7].

The Marshall Plan brought these problems to the fore, with NATO foreign policy and foreign economic issues became crucial in Norwegian politics. In the following decades the terms of their settlement would bear significantly not just on these issues, but on domestic political alignments and loyalties more generally. In the following sections we shall first look more closely at ends and means in Norwegian reconstruction, and particularly concentrate on the apparent contradictions of reconstruction policy. The Marshall Plan on the one hand offered a solution to some of these inherent problems, on the other hand presented serious domestic and foreign policy problems. These issues of foreign aid and foreign policy realignment constitute the second theme. We shall finally consider reconstruction and the Marshall Plan in view of the subsequent foreign policy consensus and struggles.

II

The reconstruction policies of the Labour government above all reflect the interwar experience. Labour politicians and their economists -- and economists played an important role in postwar Norway -- developed a set of assumptions about postwar developments which to a great degree built upon the perceived lessons of the preceding decades. To understand Norwegian reconstruction policies, and the Labour government's reactions to events abroad, we must examine these assumptions, and the elements of inconsistency which we can discern between assumptions and reconstruction planning.

In the first place both politicians and economists expected a postwar inflation followed by a depression, much as had happened after the First World War. Their expectations were considerably strengthened by the Swedish economist Gunnar Myrdal's book Varning før Fredsoptimism (A Warning against Peace Optimism) published in 1944. The postwar depression was expected to originate in the United States and then spread to Europe. In order to limit the consequences for the Norwegian economy the government put into effect the so-called stabilization policy. Strict controls and heavy subsidies were employed to keep a lid on both prices and wages during the first inflationary period [8].

In retrospect Norwegian, and in particular Labour attitudes towards the expected depression, seem somewhat ambivalent. Clearly no-one wanted the depression, yet it would vindicate socialist distrust of capitalism. The leading economist of the day, Ragnar Frisch, in late 1946 was convinced that future developments "would provide a model example of the convulsions to be experienced by any modern capitalist society under unbridled freedom". He chose Norway's largest current affairs journal for his article, and while his prose on that occasion was rather florid, his views were certainly shared by most Social Democrats [9]. Labour leaders held on to the idea of a depression throughout the 1940s and into the early 1950s. It

seems reasonable to assume that they did so because it conformed so well with their ideological conceptions [10].

The Labour government was committed to rapid reconstruction and further growth in order to deliver Norway from unemployment and poverty. A massive industrialization effort represented the escape route from both predicaments. The country's vast hydroelectric potential was to be developed as the basis for major manufacturing exports [11]. It seems that both politicians and economists expected European -- including German -- recovery and reconstruction to proceed at a much quicker pace than proved to be the case and that the new export industries thus would readily find markets for their products. Furthermore it seems that the government also expected fairly rapid international dismantling of market controls and regulations, and indeed counted on international liberalization as a precondition for the future growth of Norwegian export industries [12].

Obviously these plans and assumptions contain elements that are not entirely consistent. From our vantage point the discrepancies between planning, hopes and prognosis are clearly evident, some were also remarked upon by contemporaries. It is first of all difficult to reconcile the plans for an imminent international depression. Industrial expansion and innovation was to be financed not just by the sizeable currency reserves resulting from wartime earnings in shipping, but also by massive borrowing abroad. These loans were to be repaid by the earnings of the new export industries [13].

Rapid international reconstruction, particularly in the case of Germany, and international liberalization under the Bretton Woods system, would facilitate Norwegian reconstruction. Minister of Finance Erik Brofoss, in spite of his pronounced anti-German stance, seems to have not only expected but also to have favoured an immediate German reconstruction [14]. The expected depression would have posed enormous problems for Norwegian reconstruction and the modernization strategy, as contracting markets would have provided major obstacles for Norwegian exports. On the other hand, the planners assumed that

dollars and reconstruction materials would be easily available during a depression. In the event, it was scarcity of dollars and goods that posed the main obstacles for reconstruction and growth. But as one of the foremost planners -- and present chairman of the Norwegian Central Bank -- Knut Getz Wold later put it: "a world depression or new foreign trade barriers could have played havoc with the economy" [15].

There has so far been no scholarly work on the relationship between the depression prognosis and postwar planning. But the planners and politicians who spent the war years in London, and Brofoss and Getz Wold were among them, were certainly aware of the difficulties that the export industries would be facing. The opposition seems only to have been dimly aware of any possible inconsistency.

The prominent Conservative parliamentarian Sjur Lindebrekke raised the point hesitantly during the October 1947 debate on the National Budget. When Brofoss disregarded the point, Lindebrekke did not pursue it [16]. The incident is worthy of notice because Brofoss normally did not let such criticism pass without comment. We shall return to the issue shortly.

While the possible inconsistencies between plan and prognosis went largely unnoticed, there was no lack of awareness of what a number of prominent contemporaries considered the inherent contradiction between the extensive use of regulations and subsidies on the part of the Norwegian government, and the professed belief in international liberalization as a means for promoting growth. Among the critics were the former Liberal Minister of Finance, prominent Home Front leader and chairman of the Board of Directors of the Norwegian Central Bank, Gunnar Jahn, the prominent Labour Party economist/politician Arne Skaug, Sjur Lindebrekke, and the Chief of the Foreign Trade Division of the Foreign Ministry, Johan Melander.

Apart from Lindebrekke and occasionally Jahn, the critics do not seem to have taken their objections to a larger public. There was nevertheless considerable concern that a more liberal world order and Norwegian regulations were in fact incompatible. Jahn certainly did not see the issue in terms of securing for Norway a reasonable minimum of control measures within a

basically liberal world order. He saw the system of domestic regulations as far too extensive to be squared with international liberalization [17]. In later years some students of Norwegian economic history have tended to agree with Jahn's view that the government was pursuing inconsistent policies [18].

How do we explain these inconsistencies, if in fact we can reasonably consider them inconsistencies? And why did the issues attract such modest attention in the political-economic debates during the late 1940s? By attempting to answer these questions, we shall also approach the problem of the relationship between postwar Norwegian planning and the reactions to the Marshall Plan offer in June of 1947.

It seems above all that the Labour Party was so preoccupied with the necessity for growth to escape poverty and mass unemployment that they did not pay much attention to the possible adverse effects on Norwegian exports of a future depression. We may even conclude that those who could clearly see the dilemma could point to no other growth strategy. Furthermore, while a depression was considered most likely, its duration and depth was a matter for speculation. By prudent planning a reserve budget was prepared during this period, the government could conceivably steer clear of the most damaging consequences. A gamble certainly seems to have been considered preferable to probable disaster [19].

In the short run imports and domestic economy had first priority. The most pressing problems were neither those of export markets nor of foreign exchange shortages, but of having reconstruction goods delivered and maintaining the stabilization policy. The possible contradictions between prognosis and plan did not easily come to attention. It seems also that the Norwegian planning milieu was basically oriented towards the domestic scene, with the exception of some of those who had spent the war in exile in London [20]. It seems a symbolic act of some significance that after the dollar crisis hit Norway in August 1947, Erik Brofoss by the end of the year moved to a reconstituted Ministry of Trade, taking his planning staff along. Brofoss was to retain control over planning while acquiring considerable control of foreign economic policies [21].

When Labour Party politicians and economists looked abroad, they looked to Britain as a model of economic and social planning. They also assumed that British countercyclical policies would contribute to largely insulating Northern and Northwestern Europe from the effects of an American depression. They were undoubtedly in the main thinking of the unemployment problem, but may have assumed that export markets would hold up better as well [22].

The lack of concern with foreign exchange earnings during a depression may also be explained by the fact that Norway had been running a surplus on corrent account during the 1930s [23]. On balance it seems that Labour Party politicians and economists were neither terribly worried by the possible contradictory elements in their plans and predictions nor did they want to engage in any public discussion of these issues. It seems that they considered modernization through the creation of new export industries essential, whatever the risks. The bourgeois parties in the Storting seem not to have grasped the possible contradiction at all, with the exception of Lindebrekke's rather hesitant remarks [24]. As a result Labour was not forced to defend its position, nor to explain its conception of the likely postwar world.

This is not to imply that the Labour government never worried about currency problems. The need for foreign loans was frequently emphasized and in particular the crucial importance of dollars. The short-term problem in practice commanded their attention. The importance of dollar loans for Norwegian reconstruction was emphasized by Finance Minister Brofoss during the two debates on a $50 million loan from the Export-Import Bank, that took place in the fall of 1946 and the spring of 1947. But we should also keep in mind the context of these debates. The Storting was extremely reluctant to accept the American conditions for the loan, particularly the demand that 50% of the goods purchased should be carried on American ships. In fact in the Committee on Finance the majority came out against the loan, including two of the seven Labour members of the Committee. One of them changed sides when the matter came up for

the vote in the Storting. He explained that during the committee deliberations he had the impression that Brofoss did not consider the loan very important. He changed sides because he understood the currency problem was more serious than he had assumed. The Communists and the bourgeois parties, however, remained opposed [25].

It seems, nevertheless, that on both of these occasions the cabinet spokesmen tailored the arguments to the necessity for persuading the Storting, and publicly described the situation as more dramatic than they assumed it to be. The opposition was not convinced, and they might well have pointed to other government statements to support their scepticism. While the foreign exchange situation undoubtedly was considered more serious in spring 1947 than in the previous year, we find no indications that the Norwegian government feared that the country was heading into a foreign exchange crisis. It is characteristic that as late as the summer of 1947 cabinet members and administrators were more worried about the fact that reconstruction goods were coming in slowly than that Norway would be lacking in foreign exchange. Some were even quite optimistic, assuming the American depression to be at hand and cautioning against stockpiling because prices would be falling shortly [26].

Only a small number of those responsible for the planning and execution of Norwegian economic policy seem to have been significantly disturbed about the dollar situation from late 1946. This seems to have come about partly as a consequence of a dwindling belief in the probability of a major American depression. Foremost among them was Gunnar Jahn, later joined by Arne Skaug who from 1947 was chief Norwegian GATT negotiator in Geneva. But theirs was a minority view, and even the arch-pessimist Gunnar Jahn did not see the dollar problem as a threat to Norwegian reconstruction until the summer of 1947 [27].

These internationally orientated politicians and administrators were also the persons most worried about the possible incompatibility between the desire for a system of domestic economic controls and internationa liberalization. We may here discern two radically different and in principle incompatible

approaches to Norwegian foreign and domestic economic policy. Such a conclusion, it seems to me, would represent an over-simplification of a very complex situation, and un unreasonable disregard for the many Norwegian policy statements upholding the Bretton Woods system as best for the world, and certainly best for Norway [28].

We can explain the divergent lines of policy by pointing to the fact that different policymakers and administrators held different positions of responsibility, which in the fluid postwar situation tended to draw their interests and policies in divergent directions. They also came out of the war with very different experiences and predispositions. In a chaotic situation with the main actors carrying an enormous workload we must allow for some divergent or conflicting policies without seeing fundamental conflicts of principle. The Bretton Woods system certainly allowed the employment of certain domestic controls under such circumstances, and the Norwegian government was hardly unique in its policies, though they were carried very far.

This is not to deny that there were both politicians and economists within the governing party who would have been happy to see a system of even stricter controls, who were sceptical of or possibly opposed to Marshall Plan participation for precisely that reason, and who would have described planning and international liberalization as incompatible [29]. They were Jahn's and Melander's counterparts on the other side. Basically, however, the Norwegian government was in favour of international liberalization, and the issue represents not a clash of conflicting principles but a trade-off between competing interests.

Notwithstanding Norway's large foreign trade and its dependency upon foreign loans and resources for reconstruction, there was little debate over these issues of foreign economic policy. Partly they were poorly understood, partly they were not considered crucial. But above all they seem to have been overshadowed by others that were considered more fundamental, that certainly were more dramatic, and that were more easily understood by politicians and voters alike. These were on the

one hand the issue of national sovereignty and big power dominance, on the other hand that of industrial development or increased support for agriculture. These issues served as dividing lines between the parties, while at the same time causing conflict within.

The struggle over agriculture and industry was by far the more important. During 1946 and 1947, Gabriel Moseid, the main spokesman of the Agrarian party, argued over and over again for some sort of national self-sufficiency. He considered it possible to reconstruct Norway by means of indigenous resources. He visualized Norway as a basically agricultural country and objected not only to the import policies of the government but to industrialization in general. In the 1947 debate on the budget he claimed that agriculture constituted the basis for the existence of an independent Norway, "with a culturally and morally advanced people". He objected to the idea that Norway was a poor country and was certain that it could sustain a much larger population [30].

While Moseid's phraseology may have been somewhat extreme, his point of view enjoyed considerable support from the other non-Labour parties. Both the Liberals and the Conservatives had strong rural wings in their parliamentary parties. Support for agriculture involved not merely the question of economic structure, but also of political power and stability. Large-scale industrialization involved a larger working class, with the concomitant fear of unemployment, radicalization and a steadily expanding role for the state [31]. In practical terms we see this very clearly in the struggle over farm prices and farm support in 1946 and particularly 1947. In 1947 even the modernizers within the Conservative party, Sjur Lindebrekke was foremost among them, agreed to push for an agricultural settlement far more favourable to the farmers than Brofoss would accept. The final compromise outcome seems to have contributed to Brofoss's decision to move to the Ministry of Trade later that year [32].

But the bourgeois parties could not have achieved such a result by themselves. There was also considerable internal Labour opposition against the strong emphasis on modernizing and ex-

panding large-scale manufacturing industries. The party also represented small-scale farmers and fishermen, i.e. rural and coastal communities hardly enthusiastic about the party line. The sceptics included such prominent party figures as Olav Oksvik, acting Minister of Agriculture from December 1947 to March 1948, and Olav Meisdalshagen, Brofoss's successor as Minister of Finance [33].

But the broader significance of these conflicts over foreign loans and agricultural prices lie not so much in the modification of Labour policies or the disciplinary action necessary to reach a satisfactory outcome. The debates show a coalescence of the radical left with rural and peripheral interests within all parties from Labour to the Conservatives. One of the dissenting labourites in the Ex-Im vote belonged to the extreme left of the party, others who voiced their disquiet with the industrial-agricultural dimension and the dependence on foreign loans, came from rural and/or coastal regions [34].

The combination of widely disparate interests against the reconstruction and modernization policies of the Labour Party, with some support from within the Conservative party, is best illustrated by the Communist support for the Agrarian opposition. The Communists in principle as well as in practical measures were in favour of modernization and fairly strict economic controls. They were on the other hand strongly opposed to increasing foreign economic dependence upon the United States. The Communists might easily be portrayed as inconsistent when supporting the goals of the Labour Party without being willing to accept the necessary means. For tactical purposes, then, the bourgeois opposition to the Ex-Im loan came in very handy. Communist member Jørgen Vogt expressed total agreement with the Agrarians when they warned: "of the danger of bringing our country into a fateful dependence upon foreign capital and influence" [35]. They could market themselves as impeccable nationalists.

Opposition to Labour Party domestic and foreign economic policy thus ran along the entire political system. The Agra-

rians disliked both foreign capital for development and possibly increasing big power influence. Opposition against Labour farm policies was just another aspect of their struggle against modernization through industrialization. The Liberal party in the Storting was neither as dogmatic nor as outspoken as the Agrarians, but generally favoured the same policies. The Conservatives, after considerable internal struggle, in 1947 decided to join the Agrarians and the Liberals in the struggle against Labour farm policies. They feared the loss of their voters. In view of Conservative foreign policy attitudes in subsequent years it is also noteworthy that the party opposed the Ex-Im loan not just because of the shipping clause as a form of discrimination, but because it served as a symbol: "of the struggle small nations are pursuing and now must pursue"[36]. Parliamentary leader C.J. Hambro was a strong spokesman for the rights of small states in international relations and his views were widely supported within the party at the time [37].

The modernization drive and the great demand for dollar loans thus were bringing together different oppositional groups whose ultimate policy aims certainly varied considerably. The debate over the Ex-Im loan in particular also served to highlight the divergence of views within the Labour Party. Even there the left of the party found common ground with more moderate representatives from rural and coastal areas. Anti-American and pro-Soviet members could join in opposition with members generally sceptical of big powers and rapid industrialization.

The questions of a possible discrepancy between plan and prognosis, between regulations and international liberalization, were thus overshadowed by more emotional and easily comprehended issues. Furthermore, while we may from our vantage point see significant elements of inconsistency or incompatibility in Norwegian reconstruction and growth policies, the situation was chaotic and the dividing lines fuzzy. The government above all seems to have been ambivalent about its foreign economic policies and prospects, while assuming it still had some freedom of action as compared to most other European countries. There was as yet no currency crisis.

But as the international dollar crisis deepened throughout the spring of 1947 the Labour Party leadership came to regard foreign currency, and dollars above all, as more critical, while feeling less certain about the expected depression. In other words, while the opposition for highly divergent reasons was criticizing its policies the Labour Party was contemplating the necessity for loans additional to those from the Export--Import Bank. The government had tried to diversify Norwegian trade and spread its risks by negotiating a trade agreement with Russia in 1946-47, but the material base for such trade was extremely slender [38]. A more complete British orientation was contemplated at one time, but in the spring of 1947 there was no short-term alternative to the United States [39]. At the same time the bridge-building policy was coming under fire both domestically and internationally [40]. In this situation the Marshall Plan was no mere blessing for the Norwegian government. Grants and loans would certainly contribute to solving the foreign exchange problem, but the possible complications were many both in economic and foreign policy.

III

The United States devised the Marshall Plan offer so that the Russians would be held responsible for dividing Europe. In this they were generally successful. But the Norwegian Labour government initially saw the issue differently. As far as Norway was concerned the initiative posed awkward dilemmas. The Foreign Minister, Halvard Lange, at first considered the possibility of remaining outside. It seems then that two factors were crucial in bringing Norway in. In the first place Denmark was in such a precarious position that she had no choice but to join. Since Scandinavian unity, short of any kind of political and military bloc, was a highly desired goal, Denmark's problems drew Norway towards participation. Secondly, as other neutrally inclined countries of Europe signalled their desire to join, it would be considered more of a break with the established foreign policy to remain outside than to join[41].

The initial reaction reflects the primacy of foreign policy considerations, including the desire to minimize domestic disagreements over foreign policy. At this stage it was assumed that the smallest possible change would cause the least disagreement. The bridge-building policy presupposed the possibility of joining some sort of Western alliance in times of increasing international tension, or at least some kind of Western commitment to protect Norway. In the summer of 1947 the government did not find the time ripe for abandoning the bridge-building policy, which was still assumed to have the support of the majority of Labour Party voters and members[42]. Left-wing criticism of the United States and admiration for Russia was still widespread. Party current affairs commentators highlighted the Truman doctrine and American involvement in Greece, while downplaying the Russian role in Eastern Europe. The party's journal Kontakt (Contact) in April claimed that Hungarian democracy was threatened: "but not from the Left". Even as late as the fall of 1947 Kontakt found the power struggle in Romania still undecided[43]. In the aftermath of Marshall's speech the journal declared that the United States was determined to fight

socialism -- including social democracy -- in Europe. Those who were in favour of an alignment with the West could point to no party groundswell in their favour [44].

The Norwegian government rather reluctantly decided to attend the Paris conference which first met in the middle of July. When the delegation was chosen it was emphasized that the conference was an economic one with no foreign policy implications. The government underlined the point by appointing as chairmen of the negotiating team persons who qualified as technical experts. Arne Skaug, director of the Bureau of Statistics, Klaus Sunnanå, chairman of the Economic Cooperation Council -- the apex of the Norwegian corporatist structure --, and Ole Colbjørnsen, counsellor in charge of economic affairs at the embassy in Washington, alternated or cooperated as chairmen of the delegation. But technical expertise was merely the façade, all three were at the same time important political actors within the Labour Party [45].

The government aimed at toning down the Western bloc implications of the conference as far as possible, both in the opinion of the Norwegian electorate and in fact. For this reason the Paris delegation initially proposed that aid be distributed through the newly established United Nations Economic Commission for Europe, it systematically tried to reduce the elements of cooperation between the participating nations, advocated a shopping list approach very similar to that advocated by the Russians at the preceding three-power conference, and joined the CEEC Executive Committee to serve as a brake on any initiative for closer cooperation or integration. This policy was consistenly adhered to during the first month of the Paris conference [46].

The foreign policy motivated approach was facilitated by the government's expectation of a major depression in the United States and by the assumption that the Norwegian foreign exchange situation was not critical. It seems indeed that the American initative reactivated hopes and fears that had been declining in strength over the previous months. In early July

both the Finance Minister and his planners formally stated that Norway could do with quite minimal aid from the United States during the four year plan period. The first estimate put the requirements at $70 million. It was subsequently revised upwards to $100 million when submitted to the Paris conference. The minutes of the discussion, however, reveal that the figures were set artificially low when compared to actual needs [47]. But there still seems no doubt that the planners thought they could make do with less than a quarter of what Norway in the end received through the Marshall Plan, nor that this greater optimism in some degree resulted from the desire to remain to the greatest possible degree independent of any Western bloc.

The policy of non-cooperation and modest requirements was pursued until the middle of August. It was then first modified and then virtually given up as the Norwegian government was faced with strong American demands for greater cooperation among the European countries, while at the same time being struck by a sudden dollar crisis. The archival resources so far available do not permit us to weigh the relative importance of the two causes for change directly. But it seems possible to reach a conclusion by discussing the problem in a wider context.

It seems highly improbable that the Norwegian government would have abandoned the Paris negotiations unless the United States had made demands which would have proved unacceptable to the majority of the participating countries. It is true that a government White Paper prepared just before the dollar crisis broke in the middle of August argued that Norway could do without American aid if necessary. And throughout the fall the government retained the option of not joining. But these were contingency plans, preparing for the worst possible outcome of the Paris and Washington negotiations. The minimal foreign policy choice had already been made. To break with the United States and Western Europe would constitute a major and unthinkable change of policy. Yet it is quite possible that the dollar crisis blunted the edge of Norwegian opposition. In

September Norway was rarely leading the opposition against greater measures of cooperation. The delegation was then much more careful not to promote policies that might further exacerbate tension between Americans and Europeans. In September Norway could no longer argue from a position of relative strength[48].

We cannot here go deeply into the reasons for the sudden appearance of the dollar crisis. Obviously part of the explanation must be sought in the sheer magnitude of the tasks entrusted to the bureaucracy and the shortcomings of the bureaucracy. It quite simply proved impossible to control the licensing system properly [49]. Secondly, it seems that neither the Finance Ministry officials nor Brofoss himself consistently differentiated between dollars and other foreign currency. There is certainly no doubt that the estimates of foreign exchange reserves presented by the Ministry of Finance to the Foreign Ministry in early July gave figures in the aggregate[50]. In any attempt at explaining the August crisis bureaucratic inadequacy and the desire to see the rosier side of the situation must be combined with the probable impact of the strongly held belief in the depression.

In spite of the weakened dollar position Norway did not opt for enthusiastic cooperation at the second half of the Paris conference, nor during the subsequent Washington talks. There could hardly be any doubt that bridgebuilding was a lost cause, both because of the drift of the Marshall Plan negotiations and because of generally increasing international tension. After the establishment of the Cominform the Norwegian Communists came out strongly against the Marshall Plan. They had previously kept a fairly low profile. Kontakt moved in the other direction, publishing articles critical of Russia and more positive towards the United States, even to the extent of accepting that the Marshall Plan aimed at solving a European dollar problem [51].

Yet the government remained hesitant, publicly declaring that it would consider Norway's foreign policy and security position after the Foreign Ministers' conference in London

towards the end of the year. Even after the failure of the London conference reorientation was postponed, despite the fact that the foreign policy makers felt that the bridge-building policy was losing entirely in credibility [52]. The first public moves towards a reorientation came only after Ernest Bevin's January 22 1948 speech which launched the Western Union and later NATO. With the crisis in Czechoslovakia, the Russian pact proposal to Finland, and the rumours of a similar proposal to Norway, the process accelerated and led to Norwegian NATO membership [53].

During this period of waiting and hesitation, the Marshall Plan negotiators were left without clear instructions. The previous strong advocacy of aid with no foreign policy implications was abandoned. But it was not replaced by a more positive attitude towards European cooperation, nor by any attempt on the part of Oslo to revise upwards the inadequate dollar estimates of July. Drift and uncertainty provided room for the delegation leaders to manoeuvre. Klaus Sunnanå was representative of the anti-American attitudes on the left of the Labour Party. He was also opposed to moves towards Western European integration, and was included in the delegation partly in order to modify Ole Colbjørnsen's American and general Western sympathies [54]. Sunnanå was at times more obstructionist than the government in Oslo, on one instance in September going beyond his instructions in resisting American pressure [55].

But drift and indecision also gave the proponents of greater cooperation and closer integration with the West their chance. Towards the end of August Ole Colbjørnsen on his own initiative raised the Norwegian dollar requirements from $100 to $170, a move which was later authorized by the Minister of Finance. During the latter half of the Paris conference Colbjørnsen also maintained that in general American demands were fairly reasonable, and should pose no great problems for Norway [56].

Hesitation thus gave room for local initiatives, and for rival conceptions of Norwegian policy to influence Oslo. Finance Minister Brofoss was clearly held back by foreign policy

considerations. During the fall he repeatedly emphasized that the import reductions that followed in the wake of the August crisis, at first all the import licences which had earlier been issued were withdrawn, were detrimental to rational economic planning and might severely hamper reconstruction and growth. Still the cabinet made no further moves to revise its estimates of dollar requirements upwards. This points exclusively to the primacy of foreign policy considerations, though we might find some justified fear of undue foreign intervention in Norwegian economic policy [57]. Only in February were the first steps taken to change the basis of Norwegian Marshall Plan policies [58]. By then leading members of the cabinet had decided that rising tension between East and West made bridge--building untenable and the wheels were set in motion for a move to the West. The Finnish and Czech crises accelerated the process [59].

Only then were Ole Colbjørnsen, Gunnar Jahn and others let loose on the Americans to gain acceptance for higher dollar requirements. They were helped in their efforts by the fact that both the State Department and prominent senators immediately noticed the stronger Western orientation of the government, and in particular the very outspoken attacks on the Communists as possible fifth columnists [60]. But even with growing sympathy in the United States and a vigorous effort by the US ambassador in Oslo, Colbjørnsen had to struggle hard to achieve minor improvements in American and CEEC estimates of Norwegian needs. He was hampered by the fact that the press as well as politicians and government spokesmen for a long time had emphasized Norway's ability to go it alone, or to manage with only limited American aid [61]. The foreign policy motivated optimism of 1947 turned out to be quite a heavy burden in 1948.

Norwegian negotiators were also hampered by the fact that the change in foreign policy came rather late to influence the distribution of Marshall Aid funds. The main decisions had

already been made. A major upward revision of Norwegian requirements might well turn out to be part of a zero sum game. More dollars for Norway might easily result in less for other participating countries. The Belgians in particular seem to have resisted changes favouring Norway [62].

Colbjørnsen did meet with some success both in securing a greater total amount of aid, and in achieving a greater proportion of grants as opposed to loans. This must partly be attributed to his relentless efforts and his knowledge of the Washington scene. But it seems above all that Norway received more favoured treatment because of its recent pro-Western stance and the possibility of its Russian threat to it [63]. Thus the new foreign policy induced optimism of July 1947.

IV

In the summer of 1948 the OEEC countries agreed to put together long term plans for the duration of the Marshall Aid programme. Having already decided to approach the West for some sort of security guarantee and, as a corollary, to exploit fully the possibilities of the Marshall Plan, the Norwegian government eagerly grasped the opportunity being offered. The Labour Party was in fact given the chance of implementing its own economic programme with American backing and an assured dollar supply. The Norwegian plan was presented to the Storting in the fall of 1948 and generated very considerable opposition among the parties to the right. The plan represented basically a reiteration of the industrialization and modernization plans which had previously caused such loud disagreements. While the bourgeois opposition supported Labour foreign policy realignment, the disagreements over economic policy seem to have remained strong. Within the Conservative party the advocates of agriculture seemed to be strengthening their position from 1948-49 and into the early 1950s, while strongly emphasizing Norway's vulnerability to international depression and armed conflict [64].

Loud and possibly bitter confrontation over the programme might have been expected. As it turned out only the Communists and two members of the Agrarian party came out in open opposition. Basically the political context for agreement or disagreement had changed significantly since 1947. The importance of dollars must have been obvious to the entire Labour Party. As with the Common Programme the long term programme essentially reflected Labour's modernization policies, and the virulent Communist opposition helped the Labour Party close ranks [65].

For the bourgeois opposition the foreign policy dimension was decisive. Opposition to the long term programme ran high in all the three main parties. It was generally agreed that it represented another attempt at promoting structural change to the detriment of Norwegian agriculture. There were within all three parties those who advocated fighting the government White Paper on that basis. But a compromise was worked out within the

parliamentary finance committee. When the committee reported to the Storting, the elements of commitment to planning were somewhat modified and the long term programme as such was not put to a parliamentary vote. The Labour Party could thus emphasize the elements of plan and structural change that were retained and which undoubtedly were carried further than could be squared with the economic policy aims of the majority of mainstream bourgeois politicians. They could on the other hand point to the actual modifications and to the fact that formally they were not committed to act upon the programme [66].

The Labour chairman of the committee, Mons Lid, and Sjur Lindebrekke as committee rapporteur were responsible for the compromise. Lindebrekke seems to have been the main engineer of the near-unanimous committee report. Emil Løvlien of the Communist party was the sole dissenter. From the Labour point of view he must have been eminently suitable for the task. In financial debates he was consistently closer to the Labour Party than other opposition politicians and if he could carry his own party along, the Liberals and Agrarians would probably also join in the compromise. Foreign policy and the necessity for unanimity at home and in OEEC discussions lay at the bottom of the compromise. In the current situation the Conservatives wished to avoid what Lindebrekke feared would be the: "greatest debate on economic issues since the war". Lindebrekke convinced his colleagues in the Conservative parliamentary caucus, and in the Storting argued for putting aside narrow party considerations. Mons Lid was very blunt in his parliamentary statement: "In this matter there is an unbridgeable gap between Mr. Løvlien's party and all other parties" [67]. The Communists, in short, were no longer to be considered a responsible national political party and their own statements provided perfect arguments for such an exclusion.

But there was much reluctance on the right. The compromise makers desired to limit parliamentary discussion to Lindebrekke's report and Løvlien's minority report. Thus the Communists would be most clearly excluded from the political community. But such

unanimity was beyond the reach of compromise. The Agrarians would not leave the Communists to voice the sole misgivings about the long term programme. They did not want to be seen supporting the structural changes proposed, even if they did not commit themselves formally to implement the plan. Once the Agrarians had demonstrated their reluctance the Liberals followed suit to such an extent that Labour spokesmen wondered why they had not dissented in the committee[68].

The Conservatives under Lindebrekke's coaching honoured their commitment to the compromise. But in the parliamentary caucus the sceptics had made sure that they were not committed to carry out Labour policies and that the compromise formulas in some respects marked a distance from what were considered Brofoss's policies. They made their cooperation conditional upon Brofoss behaving as agreed and decided to come out against the long term programme in the Conservative press[69].

But even within the framework of this very loose compromise the Agrarians and the Liberals were afraid of letting "that conservative" be their spokesman. His sympathies for Labour modernization and equity goals and his opposition to farm support made it necessary for them to advocate their own points of view. They came perilously close to undermining the whole compromise formula. In the end two Agrarians joined the Communists in opposing the long term programme. One of them, a prominent Agrarian leader through most of the post-war period, Jon Leirfall, declared that he could not vote in favour of structural change that would hurt agriculture. He emphasized that he understood the importance of the foreign policy issues at stake, but he was not willing to disregard the vital issues of domestic economic policy[70].

The compromise reached was both fragile and of limited duration. It did not preclude public debate and while the Conservatives were strong proponents of the deal during the next few years they came out even more strongly in favour of agriculture[71]. But it did provide for a measure of unity under extremely difficult international and domestic circumstances. The compromise makers succeeded in isolating the threat from the left through emphasizing the primacy of foreign policy. The mainstream Labour Party and the new Conservatives in par-

ticular saw the advantages of compromise. It was desirable to compromise on economic policy, and keep Labour Party dissension to a minimum on foreign policy matters.

The compromise over the long term programme in the OEEC foreshadows compromises of the 1950s and in particular the importance of foreign policy unanimity [72]. The necessity for isolating the Communists was to a certain extent replaced by the desire to contain possible Labour Party rebels. Within the Conservative Party it foreshadows the ultimate decline of the agricultural wing of the party, as well as the complete disappearance of the party's old style nationalists and small state ideologues. The Gaullists within the Conservative Party have all gone.

The incipient alliance between the radical left with representatives of rural and peripheral areas within most parties was nipped in the bud. Neither could old style nationalists compete in the new foreign policy climate. We can only speculate on matters where we lack the research to draw even tentative conclusions. But the abortive debate on the OEEC long term programme contains many of the elements of the struggle over Common Market membership during the 1960s and 1970s. In the campaign against the Common Market, however, the disparate elements of opposition managed to join hands against the Conservatives and the Labour Party leadership. We may speculate that in this case the Cold War issue was at most a subsidiary one. The opponents were brought together in the fight against change in the primary sector and by the fear of foreign dominance. In 1948 those issues were overshadowed by the necessity for growth and the desire for alignment with the West.

Notes.

1. This paper partly builds on my article "Bridge-building and Reconstruction: Norway Faces the Marshall Plan", published in Scandinavian Journal of History, vol. I, no. 1, 1976, pp. 125-153. For questions dealt with in the article I refer to it, but occasionally also to particularly important documentary evidence; see ibid. pp. 125-127, 130-133; O.Aukrust, ed., Samfunnsøkonomiske Studier nr. 12. Norges økonomi etter krigen (SØS 12)(Oslo 1965), pp. 364-365,367; O.Aukrust and P.J.Bjerve, Hva krigen kostet Norge (Oslo 1945), pp. 166, 171; G.Jahn, A.Eriksen and P.Munthe, Norges Bank gjennom 150 år (Oslo 1966), p. 351; Stortingstidende (Parliamentary Records), 1946,p. 342.

2. "Bridgebuilding and Reconstruction", pp. 125-127, 130-133; SØS 12, p.365; Stortingsmelding (Government White Paper) 10, 1947, pp. 16, 57, 72; Stortingstidende 1947, pp. 13, 19, 1029.

3. "Bridgebuilding and Reconstruction", pp. 128-130; O.Riste, "Was 1949 a turning-point", Research Centre for Defence History, Occasional Papers, no. 6, 1983, (National Defence College,Oslo).

4. K.Eriksen, "Norge i det vestlige samarbeidet", in T.Bergh and H.Ø.Pharo eds., Vekst og Velstand(Oslo, 2nd ed., 1981), pp. 182-183; O.Rovde, "Borgarleg samling", in Vekst og Velstand, pp. 411-427; T.Bergh, "Norsk økonomisk politikk 1945-65", in Vekst og Velstand, pp. 13-37, 51-58.

5. T.Bergh, op.cit. in Vekst og Velstand, p. 20; O.Rovde, op.cit. in Vekst og Velstand, pp. 406-408,

6. Ø.Stenersen, "Venstrekreftene i norsk politikk", in Vekst og Velstand, pp. 343-354; O.Rovde, op.cit. in Vekst og Velstand, pp. 411-421; K.Eriksen, op.cit. in Vekst og Velstand, pp. 193-194; T.Bergh, op.cit. in Vekst og Velstand, pp. 51-58.

7. "Bridgebuilding and Reconstruction", pp. 128-130; A.Ording's diary(typewritten manuscript at Oslo University Library), November 11, 1946, February 2, 1947; K.Eriksen, DNA og NATO (Oslo 1972), pp. 19-28.

8. "Bridgebuilding and Reconstruction", pp. 131-133; T.Bergh, op.cit. in Vekst og Velstand, pp. 35-37-

9. R.Frisch, "Mål og midler i den økonomisk politikk i etterkrigstiden", Samtiden, no. 1, 1947; O.Aukrust and P.J.Bjerve, op.cit. pp. 175-178; Stortingstidende 1946, pp. 248-249; N.Langhelle papers, (Archives of the Labour Movement, Oslo), Notebook 1945-47, Cabinet Conferences on Economic Problems, March 27, 1946. According to Langhelle Brofoss thought the bubble would burst in the U.S. in the fall of 1947.

10. A.Ording's diary, June 16,1949; April 7, 1950; G.Jahn's diary (typewritten manuscript at Oslo University Library), September 6, 1948, March 11, 1950; Protocol of the Nordic Social Democratic Cooperation Committee, February 7, 1948, (Archive of the Labour Movement); "Bridgebuilding and Reconstruction", p. 132.

11. T.Bergh, op.cit., in Vekst og Velstand, p 29; T.Grønlie, op.cit. in Vekst og Velstand,pp. 101-103.

12. D.Halvorsen, "Norge og grunnleggelsen av Bretton Woods systemet", (Cand. phil. thesis, Oslo 1982); Stortingstidende 1946,pp.248, 940-942; T.Bergh, op.cit. in Vekst og Velstand, pp. 30-33.

13. Ibid.; "Bridgebuilding and Reconstruction", pp. 130-133; Stortingstidende 1946, pp. 240-242, 951-954.

14. E.Brofoss, "Norway's Economic and Financial Problem", Lecture at the American Summer School, Oslo University, July 1951, (Author's archive); Stortingstidende 1947, p. 1788; interview with E.Brofoss, January 25,1974; H.Seip in Økonomisk Revy, no. 5,1948, pp.2,5; see also more generally, G.Lundestad, "Norske holdninger overfor Vest-Tyskland, 1947-1951, (Cand.phil. thesis, Oslo 1970).

15. A.Ording's diary, May 30, 1947; Stortingstidende 1947, pp. 240-242, 246-249, 951-952; H.B.Price, The Marshall Plan and its Meaning (Ithaca 1955), p. 267; European Recovery Program, Interview with K.Getz Wold, May 21, 1964, (Truman Library).

16. Stortingstidende 1946, pp. 1865-1867, 1876-1877.

17. G.Jahn's diary, December 5, 1946, March 21, 1947, June 30, 1947.

18. See e.g. K.Petersen, Lecture, Statsøkononomisk Forening, January 27, 1957, printed in Statsøkonomisk Tidsskrift, 1957; see also Stortingsdokument 9, 1948, pp. 5-6.

19. H.B.Price, op.cit. p. 267; T.Bergh, op.cit. in Vekst og Velstand, pp. 35-37.

20. Interview with K. Getz Wold, July 21, 1975.

21. Interview with E.Brofoss, January 25, 1974; A.Ording's diary, November 5, 1947, reports as a reason the struggle over agricultural policy within the Labor party.

22. Stortingstidende 1946, pp. 248-249;"Bridgebuilding and Reconstruction", p. 139; D.Juel, "Problemet Storbritannia", in Internasjonal Politikk, no. 5, 1947; and D.Juel, Det store eksperiment (Oslo 1947).

23. G.Jahn, "Foredrag på Norges Banks representantskaps-møte", 1947 and 1948.

24. Stortingstidende 1946, pp. 1858-1880; H.Espeli, "Høyre og landbrukspolitikken", (Cand.phil. thesis, Oslo 1983), pp. 29-34.

25. Stortingsinnstilling 176, 1946, pp. 283-286; see also Stortingstidende 1946, pp. 1858-1880.

26. "Bridgebuilding and Reconstruction", pp. 130-133; Stortingstidende 1947,pp. 12,13,19, 1027-1029, 1748-1749, 1877; Stortingsmelding 10, 1947, pp. 16, 39-40, 57, 59,72.

27.G.Jahn's diary, December 18, 1946; January 30, 1947, June 26, 1947, August 12, 1947; "Bridgebuilding and Reconstruction", pp. 130-133-

28. G,Jahn's diary, December 5, 1946, March 31, 1947, June 30, 1947; Stortingstidende 1946, p. 942; Stortingsmelding 10, 1947, p.39.

29. Among the sceptics should be included a professor of economics at Oslo University,Ragnar Frisch;the later head of the Norwegian Directorate of Fisheries,Klaus Sunnanå;and Prime Minister Einar Gerhardsen's economic adviser, later professor of economics at the Norwegian Institute of Technology and for a period Minister of Prices and Wages in Gerhardsen's third government,Gunnar Bøe;all three were opposed to the Marshall plan and turned out very strong opponents of Norwegian Common market membership.

30. Stortingstidende 1947, p. 345; O.Rovde,op.cit. in Vekst og Velstand, pp. 418-419.

31. H.Espeli, op.cit. pp. 5-42; Stortingstidende 1946, pp. 1858-1880.

32. H.Espeli, op.cit. pp. 27-29; protocol of the Conservative parliamentary party, June 11, 1947, September 24,1947.

33. Ibid., September 24, 1947;Stortingstidende 1947, p.375; G.Jahn's diary for 1947 and 1948 is dotted with references to these questions.

34. Stortingstidende 1946, pp. 1858-1880.

35. Ibid., pp.1506, 1873; ibid. 1947, pp. 1026, 1792.

36. Stortingstidende 1947, p. 1022.

37. See forthcoming history of the Conservative party. Professor Francis Sejersted of Oslo University has written about the post World War II period.

38. E.g. Stortingstidende 1946, pp. 940-950; ibid. 1947, p. 16.

39. E.g. Stortingstidende 1946, pp. 249,952; Stortingsproposisjon 91, 1946, pp.1-2.

40. "Bridgebuilding and Reconstruction", pp. 128-130; A.Ording's diary, November 4, 1946.

41. Ibid., April 28, 1947, June 21,26 and 30, 1947; N.Langhelle, Notebook 1945-47, June 17, 1947; U.D. (Foreign Ministry Archive) 25.4/47 XII, June 14, 1947; "Bridgebuilding and Reconstruction", pp. 133-138.

42. A.Ording's diary, June 9, 1947; K.Eriksen, DNA og NATO, pp. 26-28.

43. Kontakt, April 1947, no 1; ibid, November 1947, no. 8.

44. Ibid., June 1947, no. 3.

45. "Bridgebuilding and Reconstruction", pp. 136-138.

46. Ibid., pp. 133-153 for a more detailed analysis.

47. Ibid., pp. 141-142; see UD 44.2/26, II, July 28, August 2 and July 8, 1947; HD (Ministry of Commerce, Archives, by 1981 transferred to the National Archives), Marshall Plan archive, Box C1, C1-1, July 28, 1947

48. "Bridgebuilding and Reconstruction", pp. 143-153, particularly p. 147; G.Jahn's diary August 12, 1947.

49. Ibid. August 12, 1947; Kontakt October 1947, no. 7; Stortingstidende 1947, pp. 1748-1749,1872,1877; "Bridgebuilding and Reconstruction", pp. 143-145.

50. G.Jahn's diary, August 12, 1947; UD 44. 2/26 II, July 8, 1947. Figures only partially broken down.

51. Kontakt, October 1947, no. 7.

52. "Bridgebuilding and Reconstruction", pp. 152-152; K.Eriksen, DNA og NATO, pp.19-28; M.Skodvin, Norden eller NATO, (Oslo 1971), pp. 56-57, 62-65.

53. Ibid. pp. 66-73; K.Eriksen, DNA og NATO, pp. 29-71.

54. Interview with K.Brofoss, January 25, 1974.

55. UD 44.2/26 V, September 10, 1947.

56. Ibid., September 9, 1947; and vol. VIII, February 2, 1948.

57. UD 44.2/26,V, July 3, 1947; vol. VIII, February 23 and 24, 1948; "Bridgebuilding and Reconstruction", pp. 143-147; K.Eriksen, DNA og NATO, pp. 65-69

58. HD, Box C1,C1-1, February 19, 1948; UD 44.2/26, VIII, February 2, 1948; ibid., draft by H.Lange, undated, but from late January, possibly early February.

59. K.Eriksen, DNA og NATO, pp. 29-43; M.Skodvin., op.cit,, pp. 66-73; G.Jahn's diary, February 23, 1948.

60. Ibid., March 3, 1948 and April 23, 1948; UD 44.2/26, Norge I, April 16 and 20, 1948; UD 25.4/47, XV, February 17, March 16 and 18, 1948; K.Eriksen, DNA og NATO, p. 68.

61. UD 44.2/26, Norge II and Paris II, April 21, and May 20 and 31, 1948.

62. UD 44.2/26 Norge III, June 11, 1948.

63. Ibid., June 12, 1948; see also Norge I, May 1, 1948; G.Lundestad, America, Scandinavia,and the Cold War (Oslo and New York 1980),pp. 214-219;A.Ording's diary, July 7, 1948.

64. G.Lundestad, America, Scandinavia, and the Cold War, pp. 156-158; interview with K.Getz Wold, July 21, 1975; H.Espeli, op.cit., pp. 29-34.

65. Stortingstidende 1948,see generally pp. 1952-1980, in particular pp. 1969-1970, 1980.

66. Protocol of the Conservative parliamentary party, October 13 and 27, 1948; of the Liberal parliamentary party, October 12, 16, and 27, 1948; Stortings-tidende 1948,pp. 1959-1966, 1977-1978.

67. Stortingstidende 1948, pp. 1959-1966, 1977-1978.

68. Stortingstidende 1948, pp. 1969-1970, 1972, 1979.

69. Protocol of the Conservative parliamentary party, October 13 and 27, 1980.

70. Stortingstidende 1948, p. 1979.

71. H.Espeli, op.cit., pp. 29-34.

72. O.Rovde, op.cit. in Vekst og Velstand, pp. 418-419, 449; K.Eriksen op.cit. in Vekst og Velstand, pp. 270-281; G.Lundestad,"Hovedtendenser i norsk politikk 1945-65" in Vekst og Velstand, pp472-474.

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