


SPECIAL ISSUE ARTICLE

Cold War Governance: The State That Anti-Statism Built in Postwar America

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Abstract

Wars make states, but the conclusion of conflict is critical for the trajectory of state-building that follows. At the end of World War II, both conservatives and progressives in the United States recognized the potential for ongoing statist development fueled by the wartime introduction of mass taxation and the expansion of regulatory intervention into the lives of citizens and the activities of firms. Entrenched traditions of anti-statism in American politics resurfaced forcefully only to encounter the new threats of a nuclear-capable Soviet Union and the onset of what came to be known as the Cold War. This conjuncture both reoriented and fractured trajectories of state development, leading to reliance on mechanisms – capitation, categorical eligibility, regulation of organizations, and limited duration – that enabled expansive federal intervention in the form of funds attached to rules but minimized the construction of new bureaucratic organization. These governing practices are evident in both the Serviceman’s Readjustment Act of 1944 (the G.I. Bill) and the European Recovery Act of 1948 (the Marshall Plan). The result was the development of a powerful postwar state that was deeply marked by anti-statist politics, a configuration that shaped future waves of both policy expansion and openings for renewed efforts to constrain the capacity of the American state.

Keywords: Cold War; G.I. Bill; Marshall Plan; anti-statism; field formation

The Cold War took shape in opposition to renewed totalitarianism. The threat was no longer embodied in the Nazi regime but in that of a former ally, the Soviet Union. But what was the Cold War fought for? The answer can be found in a string of claims: for religion not “godless Communism”; for free markets rather than a centrally planned economy; for the attainment of the military supremacy necessary to meet the threat (Ciepley 2006). The articulation of an explicit doctrine of faith-based patriotism left a legacy of political rhetoric that is with us still, helping to fuel the current resurgence of Christian nationalism (Gorski and Perry 2022; Herzog 2011). But the combined pursuit of the second and third objectives – a market economy and a powerful state – intensified a long-standing contradiction within the

American political system. The issue is often posed as a binary choice – markets versus state (Oreskes and Conway 2023) – but this framing elides the question of how freedom or liberty (as understood by postwar conservatives) could be defended despite the expansion of government activity. Faced with the Cold War's opposition to the centralized might of the Soviet Union, what new forms of state power could be devised within the constraints of conservative anti-statism?

Condemnation of federal bureaucracies and centralized planning was far from new, but it had been turbocharged by opposition to the New Deal. Consequently, a familiar template of “delegated” governance was available. Signaled by binaries such as “liberty and coercion” (Gerstle 2015), the development of the American modern state has been marked by patterns of indirect, “weak” or “associational” state-building (Balogh 2009, 2015; Clemens 2008, 2020a; Novak 2008). The incorporation of private individuals, associations, and firms into governing arrangements had long been further complicated by the structures of federalism as well as by relationships with tribal nations (Tani 2016) and a host of incorporated entities possessing recognized rights, privileges, and responsibilities. In this respect, the anti-statism of the Cold War period – fueled by reaction against the state-building of the New Deal as well as opposition to the Third Reich and the Soviet Union (Ciepley 2006) – represents an important continuity in American political development.

But in the wake of the Second World War, these familiar arrangements were overmatched by the domestic obligations and geopolitical ambitions of a newly hegemonic United States. As Theodore Lowi (1967: 6) argued, by the late 1930s, the question of whether the “contraction or expansion” of government “best produced public good” had ceased to organize debates over public philosophy. Government would expand, but in what way? The scale of these postwar projects precluded primary reliance on local authorities or the structures of federalism. The normative standing of those who would receive benefits – veterans and allied nations, now economically devastated – ruled out legitimation by traditional rationales of virtuous need, dependence, and disadvantage. Efforts to devise forms of aid and benefit that were consistent with these normative claims resulted in an intensified contradiction, summed up in the mission of the Fund for the Republic, a 1950s project dedicated to “clarifying fundamental questions concerning freedom and justice that emerge when the forms and principles developed by Eighteenth Century America meet the ideas and practices of today's highly developed industrial society.”¹ Those questions became still more difficult in the context of Cold War geopolitics, in which the US presented itself as both an exemplar of individual liberty and as a benevolent but increasingly hegemonic power.

Beyond clarifying questions of political philosophy, new practices of governing were required. To the extent that state-building is properly understood as “performative” (Loveman 2005; Reed 2019; Sendroui 2022), the tension between an increasingly powerful state and strong forms of liberal, market-oriented ideology called for subtlety, indeed novel methods for the disappearing of power that would be consequential for the subsequent trajectory of American political development. Seemingly mundane mechanics – of capitation, rules of organizational eligibility, funds limited to regulation, and limited duration – enabled major federal initiatives

¹From the series description preceding Berle (1957).

that left relatively little in the way of new and visible formal bureaucracy. Because hostility to bureaucracy was central to postwar conservatism, the early Cold War complicates the classic “bellicist” model of state-building in which “wars make states” by producing new capacities for taxation and durable organizations (Tilly 1985; Brewer 1998; for a critical evaluation, see Amenta and Skocpol 1988).² But if bureaucracy was to be avoided, the alternatives were not yet obvious.

The programmatic expansions of those years did not immediately turn to the leveraging of credit that would be so consequential for the social programs initiated under the banner of the Great Society (on health care, Grogan 2023; on education, Shermer 2021 and Eaton 2022; on housing, Taylor 2019). Indeed, the legislative record of the early Cold War documents a wariness of debt, whether that imposed on beneficiaries or borne by taxpayers. A representative of the Veterans of Foreign Wars questioned whether the “somewhat doubtful privilege of going into debt is really a veterans benefit,”³ while discussions of plans to aid war-ravaged Europe were marked by concerns to avoid making loans to countries “already overburdened with debt.”⁴ Despite policy precedents (Prasad 2012) and an accelerating educational campaign in support of what would come to be known as neoliberalism (Oreskes and Conway 2023), there was not yet support for expanding government purely through the mobilization of credit.

So how was it possible to expand state powers in ways that minimized bureaucratic expansion while limiting reliance on credit? This question was particularly challenging given the resurgence of the Republican Party, long committed to principles of limited government and opposed to the state-building, rights-expanding projects central to the policy accomplishments of the New Deal and influential theories of the democratic welfare state (Marshall 1987 [1950]). But where there was broad support for a particular goal that required action at a national or even continental scale (thereby precluding a reversion to state or local action), legislators and national officials searched for new strategies. Through experiment and compromise, the outlines of novel approaches emerged (Hogan 1985; Lowi 1979: 127–30). Combining expansive intervention with sustained attention to limiting both eligibility (along multiple dimensions) and the duration of programs, legislators established rights that were not universal. Spending was organized along

²The construction of a massive national security state conformed much more closely to bellicist expectations (Dudziak 2012; Hogan 1998; Katznelson 2013). New agencies were established within or on the peripheries of the national security state, but even these were organized around collaborations with private firms and universities that minimized expansions of the federal workforce itself (on the Atomic Energy Commission, Balogh 1991; on the National Science Foundation, Kleinman 1995; on the National Aeronautics and Space Administration, McKenna 2010).

³Omar Ketchum, National Legislative Representative, Veterans of Foreign Wars. Amendments to the Servicemen’s Readjustment Act of 1944, US Senate (October 11, 1945): 219. Proposals for a system of educational loans were set aside early in deliberations on the grounds that this would discourage broad participation but also (in an echo of the Bonus Army of World War I veterans) generate “pressure to cancel in whole or in part any large-scale loans which might be made would probably result later in turning these loans into grants without having secured for the Nation the benefits of broad participation which would have accrued from grants in the first place.” Servicemen’s Education and Training Act of 1944, US Senate (December 13, 14, and 15, 1943).

⁴Paul G. Hoffman, Administrator, European Cooperation Administration. Extension of European Recovery, Part 1, US Senate (February 9, 1949): 77.

the lines of what one Senator described as “the philosophy of stimulus.”⁵ Expanding flows of funds were attached to multiplying rules, to produce targeted but temporary interventions that enhanced capacities beyond the federal government, whether educational institutions or allied sovereign nations.⁶ In different proportions, these policies combined the logics of gifts, loans, rights, entitlements, and public investment, producing complex political feedbacks in which it was often challenging to understand (or at least easy to forget) how government expenditures were linked to diffuse benefits (as well as personal gains).

Cumulatively, federal programs were designed in ways that minimized bureaucratic expansion and preserved the appearance of individual liberty (and, in foreign policy, of national sovereignty). The result was a system of governance in which social and economic life became infused with federal funds flowing through private organizations and attached to rules made elsewhere, but exactly where was not always clear.⁷ Paradoxically, conservative efforts to provide benefits while limiting state power would come to fuel multiplying grievances against “the government” by those who nevertheless treasured their specific benefits (Mettler 2011). The consequences of these arrangements have been documented with respect to the uses of credit and tax policy as modes of indirect social provision (Howard 1997; Mettler 2011; Prasad 2012). The configuration of individual choice combined with funding through private organizations (for-profit or non-profit) deemed eligible has been analyzed primarily in the context of civil rights law since the 1960s (Dobbin and Sutton 1998; Edelman 2016). But this method has roots in the postwar construction of an anti-statist state, capable of providing large-scale benefits while minimizing its bureaucratic footprint.⁸ While questions of inequality and exclusion have motivated much of the literature on the American welfare state, here the central challenges turned on liberty, specifically, the liberty of status-privileged beneficiaries. How should benefits be provided to (mostly) male veterans and sovereign nation states?⁹

⁵Sen. Bourke Hickenlooper (R-Iowa), a determined anti-Communist and defender of both Gen. Douglas MacArthur and Senator Joseph McCarthy. *European Recovery Program*, pt. 1. US Senate (January 8, 1948): 72.

⁶This form of intervention resembles what Nina Eliasoph has theorized as an “empowerment project” (2011).

⁷Funds attached to rules were a familiar and persistent source of grievance. In 1952, one Kansan complained of federal programs, “the ‘price’ of federal and state support . . . is a number of rules which for practical purposes take out of the hands of our local people the decision as to who shall get ‘relief,’ in what form, and how much” (Tani 2016, 3). But during the New Deal, officials made efforts to keep public funds flowing only through public agencies, particularly when it came to individual benefits (Clemens 2020a: 177–79).

⁸See the conclusion for the implications of this mode of state-building for the politics of state deconstruction decades after the formal conclusion of the Cold War in 1989.

⁹With respect to the G.I. Bill, a number of influential studies have focused on either the question of why this program did not serve as a foundation for more universal rights (Frydl 2009) or how the implementation of the program generated inequalities along lines of race, gender, and sexuality (on this last point, see Canaday 2003). In addition, however, Congress wrestled with the question of how to provide benefits to those white, male veterans who were privileged in normative terms. The results of these deliberations set an important template for future federal initiatives that included but were not limited to social welfare for the relatively disadvantaged. On the potential dangers to liberty, both in the US and Britain, see Senator Wiley (R-Wisconsin), *Extension of European Recovery*, US Senate (February 19, 1949): 124.

US politics at the dawn of the Cold War

Even before the Second World War had ended, anti-statist energies were evident in the rapid demobilization of defense production (Wilson 2016) and the termination of bureaucratic agencies that had embodied the ambitions and state capacity of the New Deal, including the National Resources Planning Board and the Office of Price Administration (Katznelson 2013: 379; Sparrow 2011: 250).¹⁰ War-related state-building moved into the shadows with the construction of a national security apparatus (Dudziak 2012; Katznelson 2013). Power was delegated to agencies dominated by technocratic experts, what Brian Balogh has described as the “proministrative state” (1991: 21–26). Even in these policy domains, however, authority was often divided between military- and civilian-controlled agencies rather than integrated in a centralized bureaucracy (Lowi 1979: 134–39). In these policy domains, the conservative turn did not so much reverse bellicist state-building as channel it toward projects of defense, military mobilization, and intelligence, leaving much domestic policy more dependent on practices of fiscal management (Griffith 1989). But not every project could be advanced in these ways.

The strong aversion of powerful factions to maintaining existing organizational capacity – much less creating new agencies – constrained the politically palatable strategies for meeting key challenges of the postwar, including the return of veterans to a civilian economy and the intensifying threat of the Soviet Union. There was strong opposition to any return to New Deal bureaucratic expansion. As one representative from the American Legion argued, it was vital that the legislation for veterans “would not be used as a vehicle to perpetuate temporary Government agencies nor to allow for the building of any huge bureaucracy” (Extension of European Recovery, US Senate [October 9, 1949]: 108). Yet, despite the dismantling of portions of the New Deal and wartime states, levels of revenue – expanded and sustained by the wartime introduction and legitimation of a mass income tax – were not dramatically reduced (Sparrow 2011: 243–47). In combination, substantial tax revenues and Congressional opposition to creating new federal agencies bounded the opportunities for governing in the early Cold War, creating the possibility of splitting the two components of the bellicist account: spending was increased in ways that minimized bureaucratic expansion.

This combination characterized two major federal programs that, for long, were typically given only passing mention in studies of American political development¹¹

¹⁰The capacities of the NRPB were partially replaced by a network of agencies charged with responsibility for anticipating nuclear war and its aftermath in ways that constituted a novel approach to economic planning (Collier and Lakoff 2021).

¹¹While there is a rich historiography on the Marshall Plan (for a review of the first decades of scholarship, see Hogan 1984: 338), this work has not been consistently integrated into analyses of the American state (but see Lowi 1979: 130–34; Griffith 1989). For example, one major study of Republican politics and US foreign policy mentions only that the Marshall Plan passed with the support of the usually non-interventionist Senator Robert Taft (Dueck 2010: 74). In his 1967 dissertation, Hadley Arkes opens with the observation that “The Marshall Plan had its brief moment, and in a rather anomalous way it faded into history with the warm regards of both liberals and conservatives” (1967: 11), although the record has been enriched by the publication of memoirs and document collections (Dulles 1993; Kindleberger 1987; for a comparative analysis of its implementation, see Djelic 1998). More recently, Amy Offner (2019; see also Macekura 2023) has illuminated the interplay of exported and reimported models of governance promoting economic development.

and which diverge in important respects from the accounts of the national security state that are central to the historical literature on this period (e.g., Friedberg 2000; Hogan 1998). The Servicemen's Readjustment Act of 1944 (better known as the "G.I. Bill of Rights") authorized a stream of programmatic spending that totaled \$14.5 billion (not adjusted for inflation) by 1955 and had provided benefits of some sort to well over 7 million veterans (Donovan 1950; Frydl 2009; Mettler 2005: 7).¹² Remembering the aftermath of the First World War,¹³ legislators recognized the dangerous potential of dissatisfied veterans, particularly when combined with a labor market unable to absorb the entrance of so many new and returning workers. Legislators of both parties appreciated the importance of planning for demobilization (a concern intensified by threats of mutiny from troops in Europe who had been told that they would be transferred to the Pacific). Managing demobilization would become a central concern of domestic politics well before D-Day and for years thereafter.

National leaders also anticipated threats in Europe and beyond, particularly Communist takeovers. Here again, the aftermath of the earlier world war served as an object lesson, as did the failure of relief efforts immediately after the armistice to produce significant improvements. Rejecting the creation of an "international WPA," senators debated how to quickly revive the European economy so that misery and despair would not provide opportunities for revolution,¹⁴ whether endogenous or seeded by the Soviets seeking to expand their zone of influence on the continent. Although the most visible consequence of these concerns would be expansive and novel forms of intervention abroad, such programs also served those who remained suspicious of big government. If the European economy could be stimulated effectively, it would no longer be necessary to sustain a massive system of ongoing financial aid.

Three years after the initial passage of the G.I. Bill, just such a plan for European Recovery was proposed by Secretary of State George Marshall. Presented to Congress in late 1947, it would eventually authorize \$17 billion in spending over the four years following its passage in 1948 (Dulles 1993; Reston 1947; Phillips 1948). This represented only a fraction of the total cost of the war, but like the G.I. Bill, it was similar in magnitude to some major spending programs of the New Deal.¹⁵ By 1948, the Veterans Administration – charged with administering the

¹²In her 2005 study of the G.I. Bill, Suzanne Mettler opens by noting that while the G.I. Bill represented the first major expansion of social benefits after the New Deal "this popular law has received relatively little attention from scholars" (2005: ix, but see Amenta and Skocpol 1988; Canaday 2003; Onkst 1998). Since Mettler's comment, a number of important studies have enriched our understanding of the G.I. Bill (e.g., Loss 2011, Rose 2012, Shermer 2021, and especially Frydl 2009).

¹³In Italy, World War I veterans were key early recruits to the fascist movement while, in the US, World War I veterans mobilized as the "Bonus Army" and marched on Washington, D.C., in 1932 (only to be violently dispersed and ejected from their encampment). Memories of the difficult implementation of services to World War I veterans surfaced in hearings on the G.I. Bill. Amendments to the Servicemen's Readjustment Act of 1944, US Senate (October 8–12, 1945): 132.

¹⁴Senator Wiley, Extension of European Recovery, Pt. 1, US Senate (January, 8, 1948): 67.

¹⁵Estimates in current, non-inflation-adjusted dollars are on the order of \$300 billion. <https://www.history.navy.mil/research/library/online-reading-room/title-list-alphabetically/c/costs-major-us-wars.html#costs>. By comparison, the cost of the Federal Emergency Relief Act of 1933 came to just over \$3 billion in current dollars. <https://livingnewdeal.org/glossary/federal-emergency-relief-administration-fera-1933-1935/>

G.I. Bill – accounted for 17 percent of the federal workforce while the provisions of the bill itself covered “15% of the entire federal budget” (Frydl 2009: 156).

Crafted outside the bounds of what would become the national security state, both these initiatives illuminate how state power expanded in ways that did not leave the expected bureaucratic traces (Tilly 1985: 181)¹⁶ nor establish a foundation for expansive or universal claims to new rights (Marshall 1987 [1950]). In contrast to the bureaucratic and programmatic legacies that feature in theoretical accounts of war and state-building, a significant trajectory of political development in the early Cold War took the form of repeated projects of funding-driven field-formation that generated new organizational capacities outside the federal government and reorganized markets both at home and abroad. But whereas studies of field-formation often focus on the diffusion of standardized – and therefore, homogenizing – practices such as human resource departments in firms or testing regimes in schools (Dobbin and Sutton 1998; Meyer and Rowan 1977), these programs of federal spending also contributed to the emergence of new organizations and capacities for collective action, fueled by new and substantial flows of federal funds.

The rhetoric of postwar American conservatism often harkened back to times before the New Deal. But in many policy domains, initiatives involved the expansion of federal engagement in forms that were easily misrecognized, providing little traction to those who would make benefits more inclusive or claim new rights. Challenged by crises, but constrained by ideology, anti-statism was transformed into something else: a covert kind of statism that expanded the reach of the federal government without amplifying its visibility.

Achieving these goals involved complex coalitional politics. As Republican numbers in Congress increased, first Roosevelt and then Truman became more dependent on the powerful bloc of Southern Democrats, which included conservatives who dismantled federal agency control of labor policy (including unemployment insurance) in order to relocate authority at the state level (Katznelson 2013). As the Cold War itself took form – first named, then realized with the Soviet explosion of a nuclear bomb – federal capacity expanded in the areas of defense and intelligence. Insulated by secrecy and sustained by expanding collaborations with private industry (Friedberg 2000; McKenna 2010; Wilson 2016), the bureaucracies of the national security state could expand. Indeed, both parties included representatives who fully endorsed the need to sustain a high level of military mobilization (Dueck 2010). Among Democrats, these figures came to embody a new political type: the Cold War liberal understood as “at once credibly anti-Communist yet still pro-New Deal” (McCourt and Mudge 2023: 463).

But despite this bipartisan support for national security projects, the politics of anti-statism left their mark on policy. Congressional conservatives confronted a sharp dilemma. Outside the national security apparatus itself, how could they support the establishment of US military superiority without contributing to the elaboration

¹⁶For a critical evaluation of these expectations, see Amenta and Skocpol (1988). Recent work in the political sociology of development has decomposed or dimensionalized the standard Weberian ideal type of bureaucracy, generating a more varied taxonomy of forms of state-building. (e.g. Ang 2017; McDonnell 2017).

of the powerful national government that was at odds with their ideological commitments?¹⁷ How could small government, fiscal conservatives come to support one of the largest programs of public spending, what we know as the G.I. Bill, which altered patterns of stratification and prospects for mobility in ways that transformed American society? How could a powerful state be built while sustaining the anti-statist vision of market liberalism? These questions redirect attention from the values and interests that motivate policy to conflicts over the modes of administration and the practices that implement programs: decisions about budgets, authorities, eligibility, and staffing. As a subtitle in the *Washington Post* declared, “All Agree On Need, But Little Details Count” (Stavisky 1945: B3).

Mechanisms of anti-statist state-building

In wrestling with these details, legislators made use of a quartet of policy mechanisms that, when combined, made possible greatly expanded federal spending without the construction of an extensive new state apparatus. All were deployed in administering the G.I. Bill; a subset of these mechanisms figured in the Marshall Plan. The first involved a practice long framed as dangerous by experts in social welfare policy: attaching funds to individuals. During the progressive era, such “capitation” had been central to reforms that enabled the placement of orphans with foster families rather than assignment to religious or public orphanages. But, as the commentary of that earlier time made clear, such practices allowed for a decentralized, non-institutional provision of care to dependent children but at the cost of making those children the targets for opportunists and exploiters (Crenson 1998). Similar risks were discussed in relation to the provision of tuition and stipends to returning servicemen who, despite their gender and status, might be vulnerable to slick salesmen or misleading promises. But, despite these concerns, capitation became a key mode of provision for the educational component of the G.I. Bill, although there were continuing debates over whether funds should flow from the federal government to individual veterans or to educational organizations once they documented enrollment by an eligible veteran. Similarly, the design of the Marshall Plan privileged the autonomy of the benefitting nations to determine how funds would be used (in consultation with and subject to some US oversight).

To ward off the possibilities that veterans would be defrauded, a second mechanism centered on the categorization of organizations as eligible (or not) to provide the services that would be compensated by the funds attached to individuals. For the G.I. bill, a key distinction lay between public agencies and non-profit organizations on one side and private firms on the other. Federal education spending had, typically, been restricted to public and non-profit organizations (a policy breached in recent decades with the introduction of for-profit charter schools, but long undercut by the economics of procurement relationships at the local and organizational level). This practice exemplifies one possible consequence of the boundary work done by federal legislation: the creation of domains of economic activity

¹⁷Lowi (1979: 134) would characterize this ambition as “building a nonestablishment in defense,” an ambition reinforced by the hostility of Congressional conservatives toward the State Department (Hogan 1985: 54–55).

that are substantially insulated from market relations and competition. Although amendments to the G.I. Bill eventually prioritized the freedom of veterans to choose where and how to use their educational benefits, the elaboration of criteria for institutional eligibility represented an important source of regulatory leverage.¹⁸

But federal legislation did not consistently work against for-profit firms and market provision. In the case of the G.I. Bill, some of its elements were linked to strong programs of market-making that placed private firms in a central role for implementing policy and allocating funds to individuals. In promoting economic revival in Europe, administrators were “directed to encourage maximum use of private channels of trade” (Paul Hoffman, *Extension of European Recovery* [February 8, 1949]: 5. See also Hogan 1985). This boundary work created situations in which actors of one type were favored over others (or the choices open to individual beneficiaries were restricted to a particular category of providers). At a vastly different scale, the requirement that nations must have open elections to be eligible to participate in the Marshall Plan drove a categorical divide through Europe, the iron curtain ominously described by Winston Churchill.¹⁹

The third mechanism went beyond designating an organizational type as the criterion of eligibility by specifying practices and procedures that were requirements for participation in receiving and allocating federally supported funds and services. This process has been at the center of neo-institutional arguments in organizational sociology, illuminating how legitimated models for an activity come to be adopted by organizations even when that adoption is not formally required (Edelman 2016). In the context of a study of equal opportunity law, Frank Dobbin and John Sutton (1998) characterized this as “the strength of a weak state.” As will be discussed with reference to postwar provisions for returning veterans, the funding-driven ordering of fields – whether of markets or of public/not-for-profit provision – was an important consequence of this era of anti-statist state-building even as policies sought to respect freedom of choice on the part of beneficiaries, whether individual veterans or the sovereign nations of Europe (so long as they met the requisite qualifying practices such as open elections). This mixture of eligibility requirements and respect for the autonomy of beneficiaries allowed for the support of elected governments (most importantly the new Labor administration in Britain) that fell outside the narrowing range of political acceptability in US domestic politics, which were marked by intensifying anti-Communism.

Finally, these postwar spending programs were explicitly defined as temporary, as responses to the emergency of war and its aftermath. The Marshall Plan had a preset expiration of just over four years, while the temporal limits of the G.I. Bill were tied to a set time after the termination of hostilities (this would become an issue with the onset of the Korean War before the eligibility for World War II veterans

¹⁸The actualization of this regulatory potential was limited, however, by uncertainty as to what agency – if any – had the capacity to enforce these eligibility requirements. In legislative hearings, there were repeated expressions of concerns for the capacity of state-level governments to oversee and credential educational organizations, especially correspondence schools.

¹⁹According to Secretary of State Marshall, “Thus the geographic scope of our recovery program is limited to those nations which are free to act in accordance with their national traditions and their own estimates of their national interests, if there is any doubt as to this situation, a glance at the present map of the European Continent will provide the answer.” *New York Times* (November 11, 1947): 14, 15.

had expired). While some recent scholarship has framed legislation such as the G.I. Bill as a possible foreshadowing of an expanded set of rights to federal support for higher education (Mettler 2005), Congress anticipated this argument and set specific timelines for the termination of this spending program while also fiercely defending its bureaucratic location in the Veterans' Administration rather than a proposed cabinet-level department that would bring together social programs for all citizens.²⁰ Similarly, debates around the Marshall Plan involved explicit promises that this commitment by American taxpayers would not require the establishment of a new agency and would be limited to just over four years, a time period deemed (or at least presented as) sufficient to return European economies to self-sufficiency and full participation in international trade. Federal support in both cases was presented as strictly limited rather than as a precedent for a more general expansion of rights to social provision or expectations of ongoing economic assistance. But, as will be discussed below, the specific methods for preventing these spending programs from becoming ongoing commitments differed significantly and consequentially for trajectories of political development.

Taken together, these four elements – capitation, eligibility by organizational category, funds linked to regulations, and limited duration – combined to create new capacities for the federal government that would leave few of the organizational legacies often assumed to be the primary connection between war-making and state-building.²¹ For both the G.I. Bill and the Marshall Plan, the concern to minimize any enduring and visible expansion of federal capacity figured explicitly in the legislative history and public discussion of these unprecedented policy commitments. While the programs themselves came to an end, these practices of anti-statist state-building would become a more durable feature of American politics, aligning deep antipathies to “big government” with greatly expanded federal spending and authorities.

The Servicemen's Readjustment Act of 1944

Even before the Second World War had ended, the Roosevelt administration was actively engaged with the problem of returning veterans. This was no mere technical issue. Many of those in the administration had experienced the political mobilization of the 1932 Bonus Army, who flocked to Washington, D.C., to put pressure on Congress to redeem their service bonus certificates from World War I before the planned date of 1945. Their encampments were forcibly removed by the Army in July, leaving a lasting memory of veterans' potential to destabilize politics. That lesson reinforced observations of the situation in Europe, notably in Italy, where World War I veterans were a prominent, and often violent, component of the

²⁰Frydl (2009: 6) convincingly argues that many of the Congressional conflicts over the G.I. Bill turned on the question of whether the program would be located in the Veterans' Administration (itself closely tied to veteran's committees in both Houses) or in the Federal Security Agency, a legacy of the New Deal, where veterans' benefits might serve as a foundation for a much broader set of social supports available to all citizens. After many debates over the inclusion of war industry workers and members of the merchant marine, the principle of “citizen exclusion” triumphed in the final legislation.

²¹A similar approach was used in funding the massive expansion of scientific and technological research (Kleinman 1995). The budget reductions of early 2025 make it all too evident that this approach to state-building also created vulnerabilities that would enable later deconstructions of institutional capacity.

movement led by Benito Mussolini. Many expected that the end of the Second World War would also bring a spike in unemployment and the consequent dangers of veterans without jobs.

Anticipating this situation, the military had organized its own institutions of higher education and training in Europe: public, state-funded operations to meet the needs of troops awaiting redeployment (Loss 2011: 100–11). Heightened by their anticipation of a postwar recession, Washington officials and academic experts developed plans to provide unprecedented levels and forms of support for returning military members to ease them into the workforce and civilian life (Evans 1945). Initially envisioned as targeted on occupations in specific need of trained personnel, needs that could be met by “exceptionally able ex-service personnel” (Mettler 2005: 19)²² the plan for veteran’s benefits expanded greatly with the involvement of the American Legion in late 1943 and 1944 (*ibid.*: 20–22).

The centerpiece of these efforts was the Servicemen’s Readjustment Act of 1944, better known as the G.I. Bill (Frydl 2009; Loss 2011: ch. 4; Mettler 2005). This legislation made three major interventions into the organization of the economy, each of which was shaped by conservative efforts to restrain the expansiveness of federal commitments and bureaucracy. First, it provided for up to a year of \$20 weekly stipends for returning veterans.²³ The weekly stipends of the 52–20 program represented a temporary insulation of veterans from the need for employment, tempering the power of employers at a time when the available labor force was rapidly expanding with the return of servicemen. Here, funding was temporary and went directly to individual veterans, leaving relatively little in the way of an organizational legacy either inside or outside formal government agencies.

Second, the bill established a system of government loan guarantees for the purchase of homes and farms as well as for business purposes (whether acquiring or starting a new business or purchasing needed equipment). The program of housing loans for veterans expanded the market for mortgage loans and, therefore, for real estate development. But, in the process, what veterans understood as a “right” to the loan guaranty (that took the place of a traditional down payment requirement) now became subject to practices of a market for loans, including the need for appraisals. Congressional committees, at great length, debated whether that appraisal should be at “reasonable normal value” (which centered the appraiser’s understanding of “normal”) or at “reasonable market value” (which threatened to expose veterans to unwise purchases and possibly to fuel inflation).²⁴ These guarantees were attached to loans made by private bankers, who were limited in terms of the interest rates they could charge but retained many of the prerogatives of assessing the value of property and the credit worthiness of those who applied for loans (Hersey 1947). In addition, by establishing a national program that operated through a category of economic transactions that had been regulated by the states, the federal policy

²²The Armed Forces Committee on Postwar Educational Opportunities for Service Personnel, quoted in Mettler (2005: 19).

²³See Mettler (2005) on particular importance to African-American veterans who were less likely to benefit from the loan and educational provisions. In the Deep South (Onkst 1998; White 2019), the deep racial inequalities and refusals of veterans’ benefits added fuel to the struggle for civil rights and the right to vote.

²⁴Gen. Omar Bradley, Servicemen’s Readjustment Act of 1944 (October 8, 1945): 31.

created pressures for greater consistency across state-level systems of banking regulation.²⁵ The relatively low uptake of and wide dissatisfaction with the loan provisions point to the challenges of driving a new stream of federal funding through an already established field of banks, appraisers, and real estate interests, each of which had different rules for valuing the “choices” available to veterans.

Finally, the best-known provision of the bill authorized up to four years of support (both tuition within an annual limit and a weekly stipend) for veterans who enrolled in educational or vocational courses. This concern for education was the starting point for formal consideration of the benefits that would be provided to veterans of the Second World War. But the motivating issue was not individual entitlement but rather education as a macroeconomic input. The committee was charged by President Roosevelt to propose a plan to address the “aggregate educational shortages” resulting from the imposition of the military draft on 18- and 19-year-olds. Its recommendations were “acutely conscious” of the proposal’s substantial cost “but also that the expenditure will need to be made at a time when the country will have been very severely strained economically by the cost of the war and when there is likely to be strong public agitation for financial retrenchment” (Servicemen’s Education and Training Act of 1944 (December 13, 1943: 11). Efforts to contain the implications of this legislation played out in discussions about the expansion of eligibility (e.g. whether to include the merchant marine), the adequacy of the proposed monthly stipend of \$50 to sustain a decent standard of living (old arguments about “less eligibility” filter into the debate), which types of schools would qualify, and the administrative location of authority (especially to avoid the creation of new agencies) (Servicemen’s Education and Training Act of 1944 [December 13, 1943]: 8, 20, 49). From the start, Congressional discussions of what would become the Servicemen’s Adjustment Act of 1944 were marked by efforts to minimize the expansiveness of federal commitments and organizational growth.

These debates over seemingly minor details spoke to deeper questions as well as to differences over the motivations and methods of federal intervention. Although the nickname for this legislation – the G.I. Bill of Rights – seemed to recognize expanded individual claims on government protection and resources, this reading overlooks how the legislative debates were entangled in older concerns about the dangers of gifts and dependence as well as heightened contemporary concerns about the massive scale of the postwar federal debt and deficits. Despite agreement on the merits and necessity of providing benefits to returning veterans, there were significant disagreements on the question of whether the program should be understood as a response to national needs for “aggregate education,” not as “a gift” or, as Senator Claude Pepper (D-FL) insisted, “an individual matter between the Federal Government and the veteran” (Servicemen’s Education and Training Act of 1944 (December 13, 1943: 33–34). The committee’s original proposal was for one year of training or education for all who had served for

²⁵The original 1944 legislation provided very general authority for the Administrator of Veterans’ Affairs to “promulgate such rules and regulations as are deemed necessary and appropriate for carrying out the provisions of this title, and may delegate to a subordinate employee authority to approve loans subject to the provisions of this title and the rules promulgated thereunder.” Servicemen’s Readjustment Act of 1944 (June 22, 1944, S. 1767, Public Law 346, Chapter 268): 288; on responses at the state level, see Chicago Daily Tribune (1944).

more than six months, with up to three additional years for a selected group. But this raised questions of who would do the selection (the suggestion being to empower state-level agencies) by what criteria, and how this would align with the principle that individual veterans would have free choice as to which schools to attend if they qualified for admission.

As opposition grew to the proposal that some state official or agency would “select” veterans for educational benefits beyond the first year, there were increasingly complex debates over which organizations – tax-supported, non-profit, or for-profit; residential or correspondence; full-time or concentrated short courses – would be eligible recipients of the benefits attached to individual veterans (Servicemen’s Education and Training Act of 1944 [December 13, 1943]: 17–34). The original bill²⁶ anticipated that the authorization of so much spending would attract “fly-by-night” schools. Eligibility, therefore, was restricted to schools that had been in operation for at least a year (Donovan 1950).²⁷ Here, the linkage of capitation – the attachment of dollars-to-individuals – and the regulation of organizational eligibility was stark: “Schools mushroomed overnight offering any course imaginable, attempting to break into the educational and training field for the purpose of securing the GI dollar. Veterans responded in great numbers to these fly-by-night ventures as it was an easy path for them to pursue to establish eligibility for the generous subsistence payments made available to them under the law” (Report of the House Select Committee 1951: 8). These stipends were also targets for the types of criticism long leveled at public relief or charity. A “Navy Nurse” (1946: 14) wrote in scathing response to a “discouraged” veteran who “not only expects the government to give him a free education as his right but demands that his wife and children be supported at the same time.” The potential for a rights-expanding dynamic to take hold was clearly evident.

To a considerable degree, the expansion of “rights” was contained by decisions over the categories and duration of eligibility. Nevertheless, the legislation had lasting consequences by expanding organizational capacity outside of formal government institutions. Even in its initial years, the government’s commitment to provide educational opportunities to returning veterans produced a striking transformation: “The public and proprietary schools in existence prior to 1944 were insufficient in number to meet the demands of veterans desiring training, and there was a serious shortage of schools, especially in the Southern States . . . the greatest expansion was necessary in the technical, vocational, and business fields below the college level” (Report of the House Select Committee 1951: 9). As one newspaper concluded, “Everything was dandy as long as the VA interpreted the act liberally during the years just following the war. Big colleges became bigger colleges; little colleges became big colleges, and fly-by-night schools became substantial ‘trade’ institutions” (Putnam 1950: 15). Field-formation moved ahead, but at the cost of ballooning expenses. In 1949, the Veterans Administration issued an instruction that “drastically curtails correspondence courses, ‘avocational’ study, and requires

²⁶A 1951 House report attributes this restriction to Public Law 266, Eighty-first Congress, August 24, 1949. Report of the House Select Committee (1951): 3.

²⁷A related issue turned on the inclusion of the costs (over \$400m in total) of required equipment to be covered by the federal commitment to pay tuition (e.g. the cost of knives as required equipment for a union-run training program for butchers).

most veteran applicants to show that the education they want is necessary to their jobs” (Putnam 1949: 16). Regulations multiplied to contain costs.²⁸

The lure of capitation, funds attached to individuals, created opportunities for the misuse of funds, whether by beneficiaries or the organizations that eventually received those funds in return for an educational program or training instruction (Frydl 2009: ch. 4). In large part, this was a consequence of an intentional choice: “Public Law 346 contained only very limited administrative authority” to evaluate the quality and outcomes of different training programs (subsequent amendments, however, wrote standards related to “a reasonable certainty” that the training would qualify the veteran for an available job (Original Sound Intent 1950: 4)²⁹ and excluded “avocational and recreational training” in courses for photography, dancing, and flight-training, to name only a few *ibid*: 14).³⁰ Yet, even as amendments and oversight reports sought to tighten the system, training schools predictably resisted putting at risk the promises made to veterans. Those veterans also pushed back, contending that it should “be the choice of the man without this tremendous bureaucratic machinery we have that is overloading the Veterans’ Administration.”³¹

Although there was an effort to contain this effect by restricting eligibility to schools that had already been in operation for one year, the training and vocational component of the bill continued to generate concern (as contrasted with the funding for students enrolled in a college program). By 1951, the enrollment of disabled veterans in all types of programs (job training, college, trade-vocational and below college, and institutional-on-farm training) was declining rapidly (Original Sound Intent 1950: 5, 11–12).³² For veterans who were not disabled, however, this pattern held for every category except “trade, vocational and below college training” (Figure 1). Two-thirds of the private vocational schools had been established after the passage of the G.I. Bill and, according to an investigation by the Veterans’ Administration, in most of these schools, veterans represented 90 percent or more of the enrolled students (Original Sound Intent 1950: 9). These findings provoked concern that the G.I. Bill of Rights had, all legislative efforts notwithstanding, set off

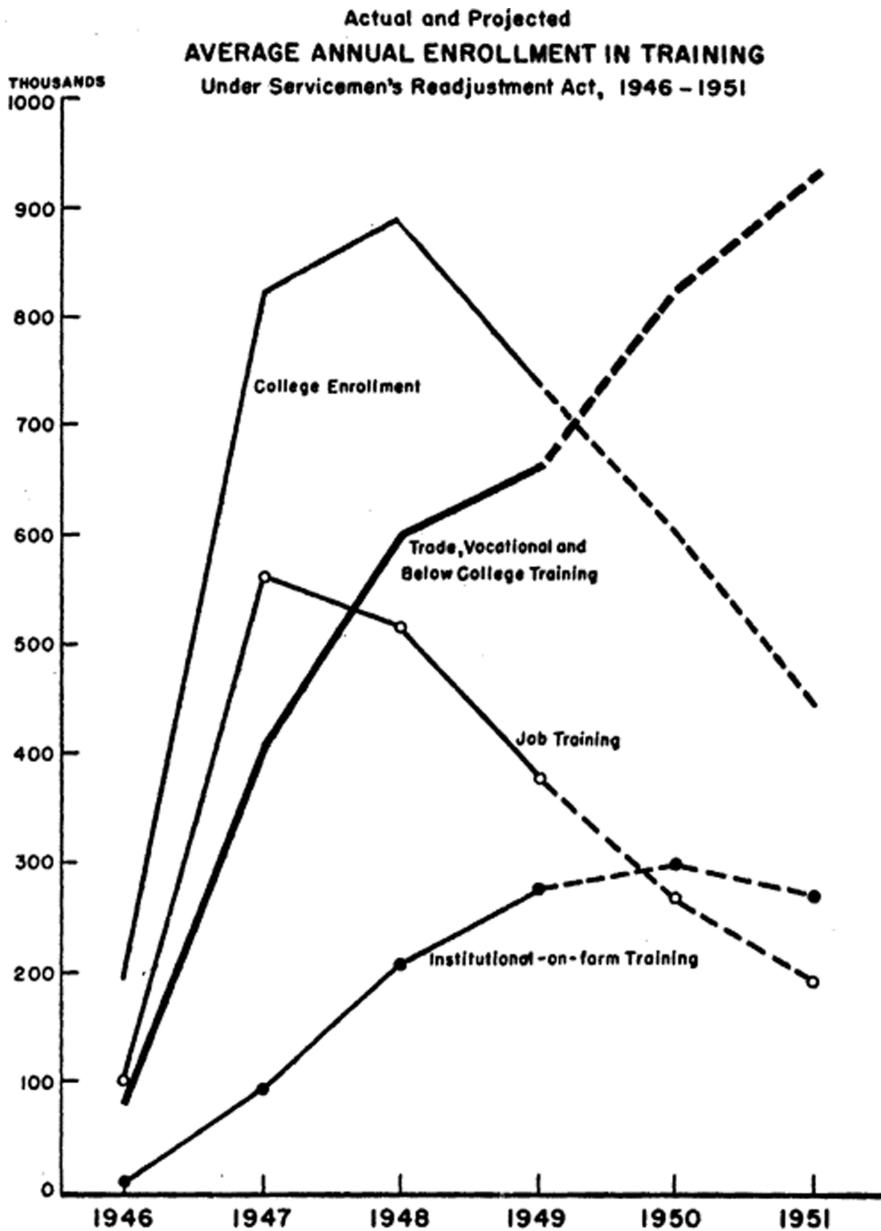
²⁸Responsibility for the approval of schools and training courses had been delegated to state governments “without provision of funds to such agencies, except for review of on-the-job-training programs, imposed extremely heavy burdens upon these State agencies. Many have staffs which are clearly inadequate to cope with the very rapid growth in applications for new schools and expansion of established schools, yet have tried hard and conscientiously to handle a very difficult task.” Original Sound Intent (1950: 10).

²⁹This concern led one governor “to recommend the establishment of the equivalent of a ‘performance bond’ for schools engaged primarily in training veterans, guaranteeing continuation of the schools until the completion of the courses for which veterans are enrolled. Original Sound Intent (1950: 16).

³⁰This “reasonable certainty” was belied by the mismatch of the numbers of students in some training courses (e.g. upholstery) and plausible estimates of the numbers of jobs available. Original Sound Intent (1950: 4, 14).

³¹Millard W. Rice, National Service Director, Disabled American Veterans. Amendments to Servicemen’s Readjustment Act of 1944 (October 11, 1945): 242.

³²As evidence of the importance of the subsistence allowance provided to those enrolled in training programs, the Veterans’ Administration observed that “the highest concentration of veterans’ training, and the most rapid growth in the establishment of new training schools, are in areas which have relatively low per capital income or have been hit by temporarily high unemployment.” Some advertisements for training programs explicitly touted the subsistence allowance as a benefit. Original Sound Intent (1950: 11–12).



Footnote: Estimated figures are those included in the 1951 Budget. It has recently become necessary to revise the 1950 estimates upwards (except in the case of job training) in connection with a supplemental appropriation request for the 1950 fiscal year. Depending on future enrollment trends, it may become necessary to amend the 1951 Budget upwards at a later date.

Figure 1. Enrollment under servicemen's readjustment act, 1946-1951.

Source: Original Sound Intent of the Servicemen's Readjustment Act (February 13, 1950). 81st Congress, 2d Session, Document No. 466: 5.

a rights-expanding and expensive obligation that would be renewed each time the US was drawn into hot armed conflict in the Cold War.

As investigators for the House of Representatives concluded in a 1951 report: “Evidence on hand definitely proves that many of these new schools offered courses in trades extending over a period of 2 years, while an old established trade or vocational school offered the same type course with better quality of training in only 1 year. The former was used naturally to prolong the tuition payments” (Report of the House Select Committee 1951: 8). But efforts to tighten standards produced fights with private schools. “Some schools took legal action in the Federal courts to contest the authority of the Administrator to require the submission of cost data and the right of the Administrator to fix ‘fair and reasonable rates’” (*ibid.*: 12). By 1950, this restriction was replaced by a requirement that newly established schools would need to be accredited through the “approval of tax-supported and public institutions” (New York Times 1950a: 18).

This concern led to important changes in the implementation of the G.I. Bill. The federal officials charged with responsibility for the G.I. Bill shifted their efforts from supervising individual students to supervising schools or, more precisely, to requiring that the states take on this charge: “The lack of uniformity in the organization of State approving agencies is not considered a serious problem since the States approve schools in accordance with State educational standards and laws and there is considerable variation in the educational systems of the different states (Original Sound Intent 1950: 10).”³³ In time, however, this delegation of regulatory responsibility to the states proved insufficient. “Uniform Federal standards for approval were placed in effect” only in July of 1950 (Report of the House Select Committee 1951: 9–10). By 1950, new legislation established “minimum standards for profit-making schools training war veterans under the G.I. Bill of Rights” (Furman 1950: 20; New York Times 1950b: 11). As the program continued, the federal government refined and tweaked the mechanism that linked flows of funds to individuals (both tuition to go to a university or training program of the veteran’s choice and stipends to support the veteran – and his or her spouse and children – while enrolled). Individuals made choices within a framework shaped by governmental decisions over the eligibility of organizations as recipients of funds. Implemented in this way, the G.I. Bill did not produce a major expansion of the organizational capacity of the federal government, thereby executing the sleight-of-hand by which a conservative-dominated Congress advanced anti-statist forms of state-building.³⁴

³³In the final Senate debate on the bill, Senator Robert Wagner (D-NY) declared against “delegation run riot” (Frydl 2009: 5), echoing arguments in the House made by Representative Claude Pepper (D-FL) that the G.I. Bill was properly understood as creating a relationship between the individual veteran and the federal government. Servicemen’s Education and Training Act of 1944, US Senate (December 13, 1943): 33–34.

³⁴Even as the Veterans’ Administration represented a substantial portion of both federal employment and the federal budget, Congressional maneuvers kept the agency firmly anchored under the oversight of committees with jurisdiction over veterans specifically. Repeated efforts to move these programs to a new federal department for social welfare were repeatedly defeated, thus neutralizing the potential for veterans’ programs to serve as a catalyst for generalizing claims to new universal forms of social provision.

A final method for containing the expansion of the flows of federal funding for education and training was to insist on the termination of the program. A 1950 regulation specified that training courses “shall be initiated not later than four years after the date of [the veterans’] discharge or the termination of the present war, whichever is later.” For the purposes of this regulation, World War II officially ended on July 25, 1947 (Original Sound Intent 1950: 17).³⁵ The conclusion of the report underscored this point. The first point asserted that “Experience has demonstrated the wisdom of the Congress in establishing terminal dates for initiating and completing courses of training under the Servicemen’s Readjustment Act” (Original Sound Intent 1950: 18).³⁶

That commitment to “establishing terminal dates” was soon challenged by the onset of conflict on the Korean peninsula. Almost immediately, Congress began hearing proposals for extending the G.I. Bill to a new cohort of veterans. But those proposals were challenged by the results of ongoing inquiries into abuses of the original legislation. Consequently, new legislation was not adopted until 1952 and, even then, only in a substantially revised form. Capitation was even more pronounced, with the bill opting for higher payments to individual students (and higher still to those with dependents), but these were to cover tuition as well as supplies and living expenses. This arrangement provoked protests from private colleges that anticipated the arrangement would incline veterans to enroll in public institutions with lower tuition, leaving more to cover the rest of their lives.

In light of the growing recognition that conflict would be a chronic condition of the Cold War, the program was now understood to be “semi-permanent,” but time limits were attached to the eligibility of the individual veteran. Schools and colleges were to be given eligibility by state agencies, subject only to the requirement that at least 25 percent of a school’s students be non-veterans and that the school had been in operation for at least two years. Instead, more of the responsibility for assessing the quality of an education or training course was placed on the individual veteran themselves. A spokesman for the congressional “Teague Committee,” which sponsored the bill that became law, captured the concerns for individual liberty understood as choice (Rosenfeld 2025): “We would like to give the veteran a reasonable scholarship, make him his own master and offer him conditions which are as close to those of the normal student as possible. We want a maximum of self-policing rather than involved bureaucratic control” (Hechinger 1952: A6).

In this way, a bill estimated to authorize \$1 billion a year in spending (with no programmatic termination date, despite time restrictions on individual eligibility) created an important new stream of benefits that enhanced individual abilities to meet a new “market” in education. But in order to respect veterans’ freedom of

³⁵The original 1944 legislation provided that “no such education or training shall be afforded beyond seven years after the termination of the present war; *And provided further*, That any such person who was not over 25 years of age at the time he entered the service shall be deemed to have had his education or training impeded, delayed, interrupted, or interfered with.” This original legislation allowed only for one year of education or training. Servicemen’s Readjustment Act of 1944 (June 22, 1944, S. 1767, Public Law 346, Chapter 268): 288.

³⁶The appendices to the report present suggested standards for on-the-job-training (adopted in 1946 under Public Law 679), courses offered by for-profit schools, and examples of “course changing” by which veterans enrolled in a series of different (often uncompleted) training courses.

choice while avoiding scandals of squandered funds, regulations and policing of the eligibility of organizations to receive those funds were elaborated in response to one challenge after another. The result was a configuration of an expanded field of private and non-profit organizations, subject to an expanding raft of regulations, dependent on federal funds allocated by the choices of individual veterans.

Six years after its passage in Congress, the G.I. Bill had made an impressive mark. Seven million veterans had used the educational benefits (for a total of 95 million months in education or training and 10 billion in support for tuition, stipends, and supplies). Some two million had taken more than \$11 billion in housing loans (Donovan 1950). The result was a greatly expanded field of post-secondary education – involving universities, colleges, and vocational schools – that was marked by the diffusion of practices, such as educational and career advising centers (Frydl 2009), required by federal programs. That field was constructed around the flow of federal funds through the G.I. Bill and its emphasis on individual choice. That model of choice set the parameters for the eventual turn to loan financing of higher education (Eaton 2022; Shermer 2021), as non-veteran applicants were drawn to the opportunities and capacities created by colleges and universities and supported by federal funds. In combination with federal support for research – and the associated overhead for grants – both public and private universities became more deeply entangled with and dependent on public revenues even as cohorts of veterans declined in numbers and aged out of eligibility.

While the development of the postwar welfare state is often understood in terms of the expansion of federal policy into new domains (housing, health, etc.) as well as the recurring inequalities and exclusions in the actual receipt of benefits, the G.I. Bill points to different legacies. The aversion to the expansion of the federal bureaucracy led to complex flows of public funds through private organizations, including banks, universities, colleges, and vocational schools. New organizational capacities were created outside the ambit of formal governmental institutions. But these expanded fields of publicly funded benefits were governed by densely elaborated rules attached to those funds. While the liberty of individual veterans to choose how to make use of their benefits was protected, rules were elaborated on all sides, most of all on the organizations that would be eligible to receive funds directed by individual choice. In this way, the G.I. Bill contributed to a distinctive pattern of the “submerged” postwar state by combining a deeply held understanding of individual benefits as earned (rather than provided by the state) and government as oppressive, as a constraint on the freedom of choice.

The Marshall Plan

As spending for returning service members was ramping up in the mid-1940s, President Truman and the Congress were also contemplating how to respond to another challenge of the postwar: the economic devastation of Europe. As one report of an interview with Secretary of State George Marshall summed up, the recovery program “was based on the realization that war had created what amounted to an economic and political vacuum in Europe and unless this was filled it would be apparently impossible to reach agreements with any stability beyond the paper on which they were written” (Hamilton 1948: 1). As with the G.I. Bill,

conservatives insisted that there would be no return to precedents from the New Deal, the program would need to be “more than an international WPA” (European Recovery Program, Pt. 1 [January 8, 1948]: 67).

The degrees of difficulty were ratcheted still higher by concern that this reconstruction should not have negative consequences for American consumers, either by creating shortages of goods at home or fueling competitive and possibly inflationary pressures (this was also a major concern with the home loan provisions of the G.I. Bill) while allowing European nations to gain control over their ballooning trade deficits. And, in accomplishing all this, the goal was to avoid either creating lasting bureaucratic agencies (in the US, if not in Europe) or expanding the authority of the State Department, perceived as a liberal bastion by many congressional conservatives. Praising earlier efforts to deliver aid to occupied Belgium and, after the First World War, through the American Relief Administration, Dulles made the key point: “Their job was relief and when this emergency was over they withdrew. But they helped to build up local initiative and resourcefulness which carried on” (Dulles 1993: 65). How, in sum, could the US advance the economic reconstruction of Europe while avoiding the construction of another annex of visible state power at home?

Just as the initial administration of the G.I. Bill depended heavily on private banks and universities,³⁷ the Marshall Plan looked to the intended beneficiaries themselves to provide the capacity needed for both planning and implementation. Here, the lineage of “associational” governing is evident, although the delegation of substantial (if not total) decision-making authority was to other sovereign nations rather than private organizations. But, to a greater degree than the G.I. Bill, from the start, the Marshall Plan acknowledged the relative autonomy of the would-be beneficiaries. The broad outlines of the plan emerged from a sixteen-nation conference in Paris (although the initial request for more than \$22 billion in aid was set aside) (Reston 1947). In Washington, there would be a new agency with a new administrator, the Economic Cooperation Administration (ECA), but much of the program activity would be routed through existing organizations such as the Export-Import Bank or in cooperation with already-appointed ambassadors in the beneficiary countries (Belair 1947).

As with the push to expand the veteran’s freedom of choice, discussions of the European Recovery Act emphasized respect for the sovereignty of the nations that would benefit. Each government was to determine the best way to use the funds provided under the program, although (as with the G.I. Bill) provisions were made for consultation, advice from Americans, and ultimately the possibility of a veto by the US administration. As General Marshall asserted, “the aid we furnish must not be tied to conditions which would, in effect, destroy the whole moral justification for our cooperative assistance toward European partnership” (European Recovery Program [January 8, 1948]: 6). This principle required senators to abandon imageries of charity or even sound lending and accept (as well as persuade their tax-paying constituents) that the US would

³⁷This is a clear example of what Michael Mann (1984) describes as “infrastructural power” or the state operating through the capacities of civil society. A mix of public and private finance had also supported defense mobilization during the war (Hooks 1993; Wilson 2016).

ultimately benefit more indirectly in the form of renewed trade, economic prosperity, and world peace.³⁸

In addition to debates over the rationale for the recovery plan and respect for the sovereignty of the benefiting nations, there was great interest in the administrative arrangements and the need to avoid creating new federal bureaucracies. Tellingly, discussions of the details often invoked competing claims about the potential expansion of government agencies; the prospect of reimposed export controls was met with the charge that “it is not reasonable to expect that several hundreds of experienced, capable government employes can be recruited to set up operations, or that American exporters will be able to make out the thousands of license applications, clear them with Washington, and have action taken before effective date as of March 1” (New York Times 1948: 33). Indeed, by July of 1948, the Administrator (Paul Hoffman, former president of the Studebaker Company and a cofounder of the Committee for Economic Development) estimated that there were only some 600 staff, “a good proportion of them doing nothing but processing the pile of job applications, which now totals more than 49,000.” When fully staffed, the ECA anticipated that 1500 would be employed, “two-thirds of whom will be overseas” (Phillips 1948: 30). Here again, there was close attention to avoiding the organizational legacies that, according to Tilly, are the connection between war-making and state-making.

In presenting his plan to Congress in December 1947, President Truman repeatedly emphasized the lean, good-value-for-money quality of the program and its strictly limited duration as well as the moral and geopolitical imperatives. Financially, the requested support for the economic reconstruction of Europe would come to “only about 5 percent of the cost of our effort in the recent war” and “less than 3 percent of our national income during the life of the program” (New York Times 1947b: 6). The length of that life was intentionally short, to come to an end by 1951. Almost apologetically, Truman did concede that a new agency would be needed but directed it to work through existing organizations (both in the federal government and agencies of the United Nations) whenever possible. Truman reassured those worried about the building of a powerful postwar state: “Under these circumstances, I expect that the Economic Cooperation Administration will need only a small staff. No vast new agency or corporation is needed to perform the functions for which Government facilities now exist” (New York Times 1947b: 7). Limited in time and light on organizational legacy, the Marshall Plan represented a major act of statecraft without state-building. Motivated by the devastation of Europe and the anticipation of a Communist electoral threat, the American state established new precedents for expansive state action, but delivered this intervention in a manner that was intentionally self-limiting but also empowering through its impact on the construction of regional rather than purely national markets.

³⁸ Ambassador Averill Harriman was challenged by Senator Wiley to explain “the advantage that America gets out of investing these funds in this enterprise. . . . They think – a lot of them – it is just pouring water into a rat hole.” Harriman replied by citing three advantages to the United States: an expression of their “humane sympathy,” “world prosperity,” and the “peace and security of the United States.” Extension of European Recovery, Executive Session (February 24, 1949): 24.

This intent was evident in the decision to begin the planning with the Paris conference of nations in response to the initial US offer of aid for economic recovery. In part, this decision reflected concern for respecting the dignity of sovereign nations asking for aid, but it was also a means to encourage new forms of multinational cooperation. In Senate hearings, there were repeated questions as to the prospects for the political integration of Europe (Extension of European Recovery, US House [February 9, 1949]: 84–87). (a particularly dramatic vision of new organizational capacity and an ambitious project of field-building, Hogan 1984). Perhaps as importantly, it created a space in which socialist governments in Europe could still be understood as anti-Communist. This was a particular concern with respect to Britain, where a Labor administration had supplanted the government of Winston Churchill. With strong support not only for labor unions but also for the nationalization of key industries such as coal, even this wartime ally now seemed suspect as a partner in the economic revival of Europe. As plans for the distribution of Marshall Plan Aid developed, France emerged as a leader in the effort, further obscuring alliances with social democratic administrations that were potential magnets for criticism from anti-communist voices within the US Congress.

At a high level of abstraction, these provisions can be seen as similar to the protections for individual choice elaborated within successive iterations of the G.I. Bill. Congressional hearings provide striking instances of refusals to limit the uses of Marshall Plan funds, even if those uses might offend the sensibilities of constituents at home, such as the “socialization” of medicine in Britain.³⁹ Opening his testimony to the Senate Committee on Foreign Relations, General Marshall insisted that “American aid will not be used to interfere with the sovereign rights of these nations and their own responsibility to work out their own salvation . . . the aid we furnish must not be tied to conditions which would, in effect, destroy the whole moral justification for our cooperative assistance toward European partnership” (European Recovery Program, Part 1 [January 8, 1948]: 6).⁴⁰ Unsurprisingly, the US did impose its preferences on the broad shape of the program, encouraging “maximum use of private channels of trade,” (Paul Hoffman in Extension of European Recovery [February 8, 1949]: 5), but nonetheless the degree to which proponents of the program refused any imagery that would imply the expectation of a direct or transactional return was striking. With the end of the program little more than four years after its start, this method of using federal funds as a “philosophy of stimulus” left relatively few imprints on American political institutions even as it contributed substantially to shaping the international order of the Cold War (Bartel 2022; Djelic 1998; Gaddis 2005).

Yet even before those four years were past, there were renewed conflicts over the conception of the Marshall Plan’s project and the planning for what would follow. A celebration of the Plan’s second anniversary coincided with actions in Congress to substantially cut President Truman’s requests for Marshall Plan funding as well as

³⁹Senator Wiley (R-Wisconsin), Extension of European Recovery, US Senate (February 8, 1949): 48–49.

⁴⁰European Recovery Program, US Senate, 80th Congress (January 8, 9, 10, 12, 13, 14, and 15, 1948): 6. On the use of “counterpart” funds to retire national debt in Britain and Norway, Senator Tydings remarked that “It would seem to be an anomaly to tax our people to pay the debts of another country,” but the principle of sovereign autonomy in the use of counterpart funds did allow their use to pay down national debt. Extension of European Recovery, US Senate (February 8, 1949): 42.

the initial authorizations for the “Point Four program of technical assistance to undeveloped world areas” (Belair 1950: 1). As with the renewal of the G.I. Bill for veterans of the Korean conflict, this controversy turned in large part on the effort to avoid the transformation of an explicitly time-limited obligation into a stream of expansive and expensive policy commitments. In September of 1952, the *Wall Street Journal* warned that “Come next spring, the Europeans are going to hand President Stevenson or President Eisenhower a new batch of global aid proposals that promise to make the long-suffering taxpayer’s hair stand on end” (Cromley 1952: 1). According to a report in the *Times of India* (1950: 7), “the draft proposal called for continued aid to Europe for about four years after the end of the Marshall Plan, and an eight-year program of economic aid and a program of technical aid for the world’s under-developed areas.” As before, there is ample evidence of the political dynamics that created pressures for the continuation and expansion of state intervention. Congressional resistance to such state-building dynamics produced a new model of foreign assistance in which funding appropriated for Cold War purposes and the containment of communism flowed through ever-more complex configurations of for-profit, non-profit, and covert organizations (Offner 2019; Macekura 2023). Although the strong presumptions of national sovereignty accorded to the economically devastated countries of Europe were frequently set aside in the case of developing nations, in both settings, federal funds flowed in ways that often obscured the organizational legacies of US foreign policy.

While the Marshall Plan itself concluded on something close to its initial timeline, this exemplar of the “philosophy of stimulus” functioned as a precedent for a strategy of international development aid that would contribute to the structuring of the postwar world for decades. Often opaque, its costs consistently overestimated by the American public, this approach further entangled firms and, eventually, international credit markets into the machinery of foreign policy (Bartel 2022). In a most consequential irony, this mode of anti-statist state-building produced a complex web of relationships among firms, governments, non-profit entities, and others, even as the ideological currents of the time championed a bright line between markets and a highly restricted state (Oreskes and Conway 2023). Even more ironically, the interrelationships established by the flows of all these funds would turn out to be axes of vulnerability when, decades later, the conservatives of the twenty-first century mobilized to deconstruct the postwar institutional order.

Postwar repoliticization of the economy

An important legacy of the early Cold War for American political development was an institutional sleight-of-hand: substantial flows of funding to veterans combined with a powerful national apparatus obscured by complex relations of contracting, hidden budgets, transfers of funds tied to regulations from the federal government to states, localities, and individuals. Abstracting out of the details of governance, the result was not the displacement of one vision (the strengthened national state of the New Deal and the Second World War) by the model of limited government long championed by Republican conservatives. Instead, something novel and not readily recognized emerged (Lowi 1979: 273–77), a system of governing distinct from an ideal-typical Weberian rational, centralized bureaucracy (which might be welcomed by technocrats and

condemned as Leviathan by conservatives). The novelty of these arrangements would be highlighted a decade or two later, as theorists sought to understand the “crises” that had emerged by the late 1960s in political form and would morph into economic travails by the 1970s.

Whereas the foundational works of the previous century started from relations of exchange and production, the classics of wartime and postwar political, began with the late nineteenth century *political* project of creating an institutional framework that not only supported but effectively naturalized the increasingly international capitalist economy (e.g., Polanyi 2001 [1944]; Arendt 1968). In the process, the democratic and national forms of politics (Slobodian 2018) were elided through the construction of the institutional framework of liberal capitalism (Oreskes and Conway 2023). For critics of capitalism, this realization led to a new interest in how markets and states were articulated, precisely the source of the challenges faced by postwar conservatives as they designed expansive but anti-statist programs on a grand scale. In contrast to broadly *marxisante* accounts of change that located the dynamics within relations of production, by the 1970s theorists such as Jürgen Habermas reflected on postwar western democracies in order to foreground the ways in which the economic interventions of the state distinguished “organized capitalism” from “liberal capitalism”: “The state apparatus no longer, as in liberal capitalism, merely secures the general conditions of production (in the sense of the prerequisites for the continued existence of the reproduction process), but is now actively engaged in it” (Habermas 1975 [1973]: 17, 36).⁴¹

In the United States, the “re-coupling” of “the economic system to the political” developed on many lines, even as the hands of the state were often obscured. Wartime mobilization secured the nation’s role as the “armory of democracy,” although business leaders were successful in cementing a postwar narrative that centered this effort as a triumph of “free enterprise” (obscuring the massive government funding and new arrangements – for example, “government owned, business operated” plants, see Wilson 2016). But with the government setting powerful limits on firm behavior (if not the behavior of at least some other sovereign nations) as a condition of these resource flows (Dobbin and Sutton 1998; Edelman 2016), economic conflict spilled back into politics. Although postwar federal revenues remained robust, supported by the mass income tax adopted in the middle of the war, there was an enormous government debt to be paid.

But even as the federal government had some fiscal room for maneuver in domestic policy, the outbreak of the Korean conflict in 1950 made additional demands on funds while also drawing many federal employees into the defense agencies, leaving other agencies understaffed. Once again, there were calls to expand the footprint of the federal government. But at this point, conservative Republicans asserted their ideological credentials. In 1952, Congress adopted the “Whitten Amendment,” which required that

⁴¹As Habermas elaborates, the “*market-replacing* actions of the state . . . do not simply take into account legally economic states of affairs that have arisen independently but, *in reaction to the weaknesses of the economic driving forces*, make possible the continuance of an accumulation process no longer left to its own dynamic . . . [T]he principle of organization is affected, as can be seen in the rise of a public sector foreign to the system.” (1975 [1973]: 53–54). Habermas includes international relations in his list of factors that potentially generate crises for organized capitalism.

a federal employee spend 52 weeks in a position before being eligible for promotion. The legislation “was created to prevent permanent buildup of the civil service with expanded grade levels during the Korean conflict, as had happened during World War II (Office of Personnel Management 2008: 6857–6858).”⁴² Related legislation effectively capped the size of the federal workforce (Clemens 2020b), limiting the possibility of constructing a classically Weberian state populated by bureaucrats committed to rationality and rule of law (McDonnell 2017). In these ways, a Congress with many members committed to anti-statism continued to build a powerful, but less than entirely visible, Cold War state. Funding attached to rules continued to flow, but any expansion of bureaucratic capacity in the form of bureaucrats themselves was strictly constrained.

In terms of the institutional “metapolitics” of governance (Hacker et al. 2022), these contests over the existence and jurisdiction of agencies and programs had enduring consequences. The financing of higher education and the economic reconstruction of Europe are only two pieces of the larger story of non-Weberian state-building in the United States in the decades after the Second World War. The expansion of a national security state built around close collaboration of insulated agencies and defense firms would extend across that period. During the 1960s, the War on Poverty and Great Society initiatives would both rely on extensive flows of funding through transfers to state and local governments as well as programs implemented by non-profit organizations (Smith and Lipsky 1993). Yet, as a later generation of conservatives would discover, these indirect modes of state-building depended on flows of funds to which conditions could be attached, most notably concerning equal opportunity and non-discrimination requirements, along with substantial reporting and auditing procedures. In avoiding the explicit bureaucratic forms of state-building, these post-Cold War practices created the conditions for “the power of the weak state” (Dobbin and Sutton 1998). And, more recently, another wave of anti-statism has understood the distinctive vulnerabilities of a structure of state capacity built on complex flows of funds to non-state organizations of all sorts.

The legacy of this anti-statist state-building was a distinctively American path toward the repoliticization of the economy. In the US, the postwar electoral resurgence of conservative Republicans required the invention of new mechanisms for governing more expansively but not in an explicitly statist style. Distinctive forms of political articulation, adopted in response to the specific context of postwar conservative resurgence, came to shape the subsequent adoption of new programs and expansion of federal programs even as Democratic administrations returned to power in the 1960s (Smith and Lipsky 1993). Those same mechanisms channeled the turn to privatization and austerity by the 1980s. Elaborated through a discussion of institutional articulation, the forms that enabled the state that anti-statism built in the postwar years and the 1950s have continued to define the political terms of our new century, shaping both new projects of state-expansion and campaigns of institutional deconstruction.

⁴²Testifying to the durable effect of postwar policies on the subsequent development of federal capacities, this description can be found in a “proposed rule” to eliminate the “time-in-grade rule” issued more than fifty years later. Office Of Personnel Management: Proposed Rules: Time-in-Grade Rule Eliminated: [FR DOC # E8-2122], 73, no. Wednesday, February 6, 2008 (2008): 6857–6858.

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