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AMERICAN AND EUROPEAN FINANCIAL RELATIONS

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ABSTRACT

From the birth of the United States in 1783 until 1914, the flow of finance was largely in one direction: from the European private sector, pre-eminently from Great Britain, to the US public and private sectors. With the onset of the First World War, however, the direction was reversed. Between 1914 and 1917, financing was entirely provided by the private sector; it was only when the US became a belligerent that the American Government itself became the provider of funds. This stopped in 1919, and during the interwar years financing reverted to the private sector, because the US Government had no intention of becoming involved. It was only with the advent of the Second World War that US government funds flowed eastward as the US again took on the responsibility of financing her allies, this time primarily through the framework of Lend-Lease. After the end of World War II, billions of dollars flowed to Europe, partly through the United Nations Relief and Rehabilitation Fund, and, more important permanently, through the Marshall Plan. In due course, the private sector resumed its importance, with increasing amounts of funds pouring into both Europe and the US from both directions.

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