

The Recovery Program at Work

Creative Financing: The Counterpart Funds

War had devastated most European economies. Domestic production and trade had perilously declined, inflation was rampant and local currencies could not be used to purchase foreign goods. In order to help, Marshall Plan dollars purchased needed materials and shipped them directly to European producers. In turn, those recipients deposited local currencies into special accounts called the "counterpart funds" in their government's central bank. This provided a source of capital for Europeans to rebuild infrastructure, factories, and homes. The counterpart funds were an economic driving force for European recovery.



Exporting millions of Faber-Castell writing and drawing pencils brought needed funding to help modernize the company.



Worker at Faber-Castell pencil factory, 1950

West German pencil-maker Faber-Castell needed cedar, but Germany's currency, the *Deutschmark*, was unusable outside the country. The solution: Faber-Castell applied to the ECA for assistance. Upon ECA approval, the U.S. government purchased cedar directly from California growers for shipment to West Germany. When it arrived at the factory, Faber-Castell paid an equivalent price in *Deutschmarks* into the counterpart funds in the West German central bank. Those funds were then available as loans and grants for other rebuilding projects.



A West German family enjoying Sunday dinner in their new home built with counterpart funds.