

Historical Cases and Implications of Post-War Reconstruction



Youngook JANG

Ph.D., Research Fellow, North America and Europe Team
Center for East Asian and Advanced Economy Studies

The ongoing Russia-Ukraine war has sparked intensive discussions about Ukraine's post-war reconstruction, with various international initiatives already underway. Several important lessons could be drawn from historical cases of post-war reconstruction, namely the Marshall Plan and South Korea's recovery after the Korean War, which could inform Ukraine's future recovery efforts.

The scale and complexity of Ukraine's reconstruction challenge have prompted significant international mobilization. Since 2022, multiple frameworks have been established, including the National Council for Recovery of Ukraine (NCRU) and successive Ukraine Recovery Conferences (URC). The World Bank, European Union, and Ukrainian government have collaborated on three Rapid Damage and Needs Assessments (RDNA), demonstrating the international community's commitment to planning and coordinating reconstruction efforts.

Historical cases suggest that the initial direction of post-war reconstruction can profoundly impact a country's long-term economic development trajectory. The Marshall Plan, implemented from 1948 to 1952, provides

** The opinions, findings, conclusions, and recommendations expressed in this article are those of the author(s) and do not necessarily reflect the official policy or position of KIEP.*

valuable insights. While the direct financial impact of the Plan's \$13.3 billion aid package to Western Europe was relatively modest – representing only 2.5 percent of Western Europe's GDP – its indirect effects were not ignorable. The Marshall Plan's success was not only brought about by the mere provision of funds but also by its role in facilitating structural changes in European economies, promoting market orientation, trade liberalization, and regional integration through institutions like the Organisation for European Economic Co-operation (OEEC). The contrasting experiences of Western and Eastern Europe during this period are instructive. While Western European countries experienced a "Golden Age" of economic growth from 1950 to 1973, Eastern European nations, operating under the Soviet-style Molotov Plan, faced significant challenges due to import restrictions, disrupted regional economic integration, and human capital losses. This divergence underscores the importance of institutional frameworks and economic policy choices in post-war recovery.

South Korea's post-war reconstruction experience offers additional insights. Despite receiving substantial U.S. aid totaling \$2.4 billion in the 1950s, initial reconstruction programs faced implementation challenges due to misaligned priorities between donors and recipients. The U.S. emphasized financial stability and immediate consumer needs, while South Korea prioritized infrastructure development. However, the long-term success of South Korea's recovery was ultimately facilitated by institutional reforms, including the protection of private property rights, market-oriented policies, and integration into the global economy. Similar to West-East European divergence, South and North Korea's growth trajectories in the 1960s and 1970s significantly differ even though both received similar amounts of aid from the U.S. and the Soviet Union, respectively. South Korea's GNP had been smaller than that of North Korea in the 1950s, but in the mid-1980s, it grew to 2.5 times bigger. As recent Nobel laureates Daron Acemoglu, Simon Johnson and James Robinson wrote in their influential book, the divergent economic outcomes between the two Koreas stemmed from their very different institutions formed during the post-war reconstruction period.

These historical cases can provide four key lessons for Ukraine's reconstruction. First, institutional development (the "software" of a nation) is more crucial than physical infrastructure (i.e., "hardware"). Success depends on establishing robust political and economic institutions, eliminating corruption, establishing the rule of law, and protecting private property rights. The preservation and development of human capital is particularly crucial, as demonstrated by the impact of brain drain in historical cases. Second, reconstruction policies must be tailored to the recipient country's specific circumstances. The Marshall Plan was effective thanks to its align-

ment with local conditions and needs, while aid to South Korea initially struggled due to mismatched priorities. Ukraine's reconstruction strategy must therefore be carefully adjusted to its unique context and requirements. Third, reconstruction efforts must ensure mutual benefits for both donors and recipients. This principle extends beyond material advantages to include political and diplomatic benefits, as evident in the Marshall Plan's role in preserving market economies amid Cold War tensions. For Ukraine, this might involve aligning reconstruction with broader European integration goals and security arrangements. Finally, international cooperation is essential for successful reconstruction. Multiple donor countries and international organizations played crucial roles in historical recovery efforts. The involvement of diverse actors not only helps mobilize resources but also facilitates the creation of a supportive international order necessary for sustained recovery. This is particularly relevant for Ukraine, where reconstruction will require coordinated support from Western allies and international institutions.

As Ukraine looks toward post-war reconstruction, these historical lessons suggest that success will depend not merely on the scale of financial assistance but on the quality of institutions, the appropriateness of policies, the alignment of stakeholder interests, and the effectiveness of international cooperation. The challenge will be to apply these lessons while accounting for Ukraine's unique circumstances and contemporary global realities. **KIEP**