CHAPTER 11

Classical Liberalism, Non-interventionism and the Origins of European Integration: Luigi Einaudi, Friedrich A. von Hayek, Wilhelm Röpke

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1 Introduction

Recent literature has drawn attention to the international affairs dimension of so-called neoliberalism (see, inter alia, Slobodian 2018). In particular, the idea of the European Union is seen as an offspring of "neoliberalism," in the guise of a by-product of German Ordoliberalism. Such view goes particularly well with contemporary critics of "austerity,"

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who tend to see the euro as a neoliberal conceit and a cudgel to impose lower public spending on otherwise recalcitrant member states.[1]

Besides disparities in the ideological outlook, with this paper we aim at something different: that is, to investigate in what degree—if any—the strain of nineteenth-century liberal pacifism influenced the classical liberalism of the twentieth (or, "neoliberalism") and how Luigi Einaudi, Friedrich A. von Hayek, Wilhelm Röpke understood the problems of international order, particularly insofar as Europe as a political and economic area was concerned.

Dreams of European unification are often dated back to Kant (1795). Certainly ideas concerning a possible European federation have been discussed for quite a while, including those based on a clear democratic model, like in the case of Augustin Thierry (see Valverde 1994, 43–44). Their fate was, however, rather uneasy in nineteenth century Europe, which was living through nationalist uprisings and where federalism, including the American one, was seldom properly appreciated.[2]

The specific aspect of the classical liberal project upon which we will try to call attention, however, is the idea that free trade and economic cooperation brings by the easing of international controversies. This is a theme of paramount importance in the history of nineteenth-century liberalism.

Such emphasis on trade as a device for fostering mutual understanding and stronger economic interdependence is not, per se, mutually exclusive with the idea of an international legal framework.

This paper is an attempt to investigate how the lessons of nineteenth-century liberalism was in fact digested by twentieth-century thinkers such as Luigi Einaudi, Friedrich A. con Hayek and Wilhelm Röpke. These authors were "neo-liberal," so to say, in the proper sense: i.e., they envisioned the enterprise of a "new" liberalism which, though not unfriendly to the free market, featured a stronger role for government in order to be more cogent in the face of twentieth-century challenges. These thinkers were among the intellectual architects of post-WWII order: Einaudi as a

[1] Examples of this literature abounds. See, among many, Blyth (2013). Mazzucato (2013, 2018) builds on similar assumptions, to propose a different narrative aiming at glorifying government intervention.

[2] An exception was Jacques Necker who, forty years before Tocqueville, wrote a complex comparative treatise on executive power in which he showed to fully appreciate the advantages of the American model. See Craiutu (2018).

protagonist in his own right, Hayek as the founder of the Mont Pèlerin Society and probably the most influential classical liberal thinker of his century, Röpke because of his influence over the Ordoliberals and thus as the inspiration for Ludwig Erhard and a certain set of German policies. Were they thinking of revisiting twentieth-century "liberal pacifism"? Were they indifferent? Were they subscribing to an alternative approach to the international order?

We will endeavour to investigate this topic, at first providing a glance of classical liberal pacifism and later searching for its offsprings in authors such as Einaudi, Hayek and Röpke.

2 Free Markets in a Peaceful World. The Legacy of Richard Cobden

Plural as it is, liberalism (and, particular, classical liberalism) can be described as a theory aiming to stem and limit government's powers. These limits are necessary to allow for a sphere for economic action independent from politics but are all the more important when it comes to those activities in which the government can resort to its monopoly of violence: meaning administrating justice and waging war. Historical contingencies that brought classical liberals to side with contemporary conservatives have often made us forget how crucial the classical liberal approach to limit the resort to violence and war was, within the boundaries of the liberal doctrine.

We may distinguish classical liberal approaches to the issue of international peace in two camps: on the one hand, a focus on the need for procedures that somehow hold in check the destructive capacity of nation states. On the other hand, the idea that commerce will in itself strengthen and multiply the interests that, in different nation states, may oppose war. The problem is similar: how to increase the costs of war, how to make it less likely.

The growing costs of waging war are seen in terms of destruction of industrial capacity, loss of needed imports or disruption of international supply chains. Such considerations are, however, typically framed within the theme of the civilising effects of commerce: by trading, different people not only may mutually enrich one another but they learn of different cultures, thereby becoming more tolerant.

Hirschman (1977) produced a classic treatment of the so-called approach of doux commerce. Perhaps the most effective statement of

such position is Benjamin Constant's 1819 speech on "The Liberty of the Ancients Compared with that of the Moderns" (Constant 1819, now in Constant 1988, 308–28). One of Constant's points, to prove the difference between the ancient liberty of the polis, focused on active involvement for keeping the city's independence, and the modern liberty of securing private independence under the rule of law and the peaceful enjoyment of commercial affluence, is that, unlike the ancients, the moderns are involved in commerce instead of war. "Ancient" republican liberty was associated with popular militias, whereas, "modern" liberty was built on standing armies, allowing the private individual to indulge in occupations other than war. The point was vividly made by H.T. Buckle, in the 1860s, as he stressed that the invention of gunpowder was one of the drivers of civilisation and peace:

> Before this time [of the introduction of gunpowder], it was considered the duty of nearly every citizen to be prepared to enter the military service, for the purpose either of defending his own country, or of attacking others. Standing armies were entirely unknown; and in their place there existed a rude and barbarous militia, always ready for battle, and always unwilling to engage in those peaceful pursuits which were then universally despised. Nearly every man being a soldier, the military profession, as such, had no separate existence; or, to speak more properly, the whole of Europe composed one great, army, in which all other professions were merged. (Buckle 1857, now in Buckle 1904, 117)

The tradition of doux commerce is often dismissed as unrealistic and naive, as it does not take into account the specificities of politics and the use of force by government.[3] This is easier when the theory is interpreted as being unidirectional: that, implying that by participating in trade people will sweeten and develop better manners and tolerance one with the other.

This is a bit of caricature. Most liberal pacifists indeed shared a theory that aim at a complex understanding of social reality in which, as in the case of Buckle, the unintended consequences of non-political facts (in this case, technological innovation) have political reverberations. In a sense, we need to recognise that these liberal authors were not only supporting

[3] A different criticism is the one provided by Gartzke (2005), which aims to complete the theory with considerations built on more recent empirical evidence of the benefits of economic freedom.

what they considered to be the road to peace but also seeing the international order as a complex reality which nonetheless was not independent of common individuals' behaviours and actions.

Classical liberal theories of international order are micro-founded: they stress how changes in the behaviour of individuals could have an impact on a realm as apparently divorced from the individual sphere as foreign policy.[4]

The normative assumptions of this view may be perplexing for us. Those holding such view estimated that, as war becomes more tangibly expensive for individuals qua economic actors, they would endeavour to oppose it. This requires a strong belief in the seeming omnipotence of "public opinion" in a liberal society and an equally strong belief in the fact that public opinion may allow dispersed interests in society (all those who will be affected and put in danger by war) to overcome strong pressure by concentrated interests, that are instead favourable to war.

Whatever the problems with classical liberal, market-based pacifism, what we want to stress in this paper is how central this commitment to peace was for nineteenth-century liberals—and how it was intertwined with their preference for a free market economy. Both the arguments—for peace and for markets—built on the same arsenal of arguments, including a particular attention towards unintended, unplanned consequences and, more general, an understanding of bottom up "solutions" as potentially more viable than top down ones.

Liberalism, as always, comes in shades and such an approach is by no means a matter of general agreement among liberals, even in the nineteenth century. One of the foremost British liberal thinkers, Herbert

[4] Panebianco (2018) is an ambitious attempt to read foreign policy in the light of individuals' interactions in the social and political spheres. While the actions and systems of beliefs of particular individuals can appear to be far away from the determinations of ministers and diplomats, they indeed contribute to shape and influence them. Panebianco's, contemporary understanding of the interaction between the micro and the macro sphere is not grounded in a rejection of the specific nature of politics, as he stresses that political obligation has a distinctively different nature from contract obligation. Yet he stresses that "if power needs, as it does, the intention of those who exercise it to exercise it, i.e. the intention of imposing their own will to somebody else, this does not mean that all consequences of the exercise of power are rightly foreseen, projected, willed" (Panebianco 2018, 131). It is in the realm of the (often unintended) consequences of such exertions of power, that common individuals, their ideas, their wishes, their sentiments, end up with having a say. Taking into account this fact is, for Panebianco, the rationale for a theory of international order which is micro-founded.

Spencer, profoundly subscribed to the views we have outlined above, that he integrated in his own philosophy of history. Spencer, as it is well known, saw political history as unfolding from "military societies" to "industrial societies."[5]

But this was hardly an ex post systematisation by a brilliant philosopher. We consider it important to examine, however briefly, the thought of the paramount champion of liberalism in foreign policy: Richard Cobden.

Cobden was the great hero of free trade, being the driving force behind the abolition of Corn Laws in 1846, but also an "international man," so Emile de Girardin called him and J.A. Hobson immortalised him in the title of his biography. As Hobson remarked, Cobden's perspective was such that

protective tariffs and other trade impediments were condemned, not merely or mainly because they made food dear and otherwise impaired the production of national wealth, but because they interfered with the free and friendly intercourse of different nations, bred hostility of interests, stimulated hostile preparations and swallowed up those energies and resources of each nation that were needed for the cultivation of the arts of peaceful progress (Hobson 1918, now in Hobson 1968, 9).

While Cobden was destined, after the abolition of the Corn Laws, to be a fringe politician, his call for a more restrained foreign policy became distinctive of liberalism. Think about the call for Peace, Retrenchment and Reform which was made famous by William Gladstone. "Retrenchment" in a world in which public spending was almost entirely allocated to military spending means reduction of military and naval expenditure.

It was thus precisely military spending, using people's money to wage war, the source of liberal indignation against the "class legislation" fostered by the landed classes. The critique of special interest and corruption as inimical to unfettered, market competition prospered in that environment: in a much simpler political scene, it was easier to detect those very special interests manoeuvring Naval and imperial policies to their own benefits.

If Cobden always used a humanitarian language in his battles for free trade, he also used an economic language in his battles for peace. As John Morley remarked, "he opposed war, because war and the preparation for it consumed the resources which were required for the improvement

[5] On Spencer, see, among others, Mingardi (2011).

of the temporal condition of the population" (Morley 1903, 535). Any attempt to disentangle a humanitarian argument, based upon the need for global fraternity, from an economic argument, based upon some prospects of maximising opportunities and wealth, is destined to fail, in case of Cobden.

Indeed, he thought that

Men of war to conquer colonies, to yield us a monopoly of their trade, must now be dismissed, like many other equally glittering but false adages of our forefathers, and in its place we must substitute the more homely, but enduring maxim—Cheapness, which will command commerce; and whatever else is needful will follow in its train (Cobden 1835, now in Cobden 1903, 222).

In this perspective, monopolies and protection are decried for allowing for corruption and war is seen as a waste, as opposed to the cornucopia that could spring out of a stable peace. Retrenchment, doing away from wasteful military spending, is both morally and economically justified.

Practically, retrenchment implied leaving Europe to its own devices, renouncing Britain's pretences of fostering some sort of equilibrium in European politics.

Even Cobden, however, pronounced himself once in favour of a (limited) international infrastructure. In particular, he was convinced countries should bound themselves to arbitration, allowing for umpires to step into solve their own controversies before they degenerated.

In a letter to his friend George Combe, better known today as a leader of the phrenological movement than as a free trader, he observed:

> You seem to be puzzled about my motion in favour of international arbitration. Perhaps you have mixed it up with other theories to which I am no party. My plan does not embrace the scheme of a congress of nations, or imply the belief in the millennium, or demand your homage to the principles of non-resistance. I simply propose that England should offer to enter into an agreement with other countries, France, for instance, binding them to refer any dispute that may arise to arbitration. I do not mean to refer the matter to another sovereign power, but that each party should appoint plenipotentiaries in the form of commissioners, with a proviso for calling in arbitrators in case they cannot agree. (Morley 1881, now in Morley 1903, 508)

The idea of supranational arbitration was then interpreted by Cobden without seeking any real coordination or mutual agreement of sovereign

powers. It was, indeed, envisioned as an attempt to have sovereigns submitting to rule of law institutions similar to those mediating disputes among firms.

We have referred before to the micro foundations of the theory of "liberal peace". This is true, in Cobden's case, on a variety of levels. John Morley so described Cobden's attitude:

> In other words he would have relied upon opinion. He was too practical to dream that regard for purely moral opinion could be trusted to check the overbearing impulse of powerful selfish interests. Wars, however, constantly arise not from the irreconcilable clashing of great interests of this kind, but from mismanaged trifles. This was what he had maintained in his argument for arbitration. The grave and unavoidable occasions for war, he said, are few. In the ordinary dealings of nations with one another, where a difference arises, it is about something where external opinion might easily be made to carry decisive weight. (Morley 1881, now in Morley 1903, 531)

In the overlapping registers of Cobden's rhetoric, one can find the shrewdness of the capable politician, who never strikes one chord at once. Yet if we assume (as overwhelmingly contemporary observers assumed too) that Cobden was essentially a believer in its own doctrine, before being its preacher, we may highlight some features of his liberal pacifism:

1. It is predicated upon the idea that actions and systems of beliefs of single individuals (the micro level) are both influencing and influenced by foreign policy;
2. War is considered wasteful not only because of the destruction it brings about, but because it diverts resources from other, more profitable uses: in modern jargon, war worsens the allocation of resources in society;
3. As such, war is considered as being in the interest of small groups favouring it (the aristocrats) at the expense of society at large;
4. Sovereigns are not considered as trustworthy, by and large because they are captured by landed classes;
5. Cobdenism is international in its goals (order, peace, international fraternity) but national in its means. At the very end it calls for retrenchment and spending cuts at the national level, assuming its consequence to be beneficial internationally.

While this fifth point is going to be disregarded by subsequent liberal thinkers, including the so-called "neoliberals," we consider the preceding four to inform even later classical liberal understanding of the international order.

3 Luigi Einaudi, the Division of Labour and the End of Sovereignty

On this background, we shall examine, albeit succinctly, some of Luigi Einaudi's contributions on the international order.

Einaudi wrote extensively on international matters, first between the beginning of WWI and 1925, then after 1943, after the Fascist government in Italy fell. These twenty years of silence coincide not only with the fascist era—but, broadly speaking, with the apparent triumph of nationalism throughout Europe.

The Piedmontese economist's reflections on international matters found their first, consistent exposition in a series of letters published in Corriere della sera (Italy's most prominent newspaper) between 1917 and 1919: later republished as Lettere politiche di Junius (1920), they represent formidable evidence of Einaudi's views on the unfolding of the post WWI world, in particular with a reference to the Wilsonian reshaping of Europe upon the principle of self-determination. In WWI, Einaudi was neither a neutralist (like the statesman Giovanni Giolitti, Piedmontese as well) nor a pacifist, but saw the clash of arms as a confrontation between an "English" and a "German" hegemony, supporting openly the first.

In a few instances Einaudi changed his mind. He opposed the Society of Nations as insufficiently forward-looking, and then hoped it may do some good. He called for a "functionalist" approach towards European integration, through a set of agreements on different issues, and later argued that European integration should be led politically, without technocratic subterfuges. At times Einaudi did favour inter-governmental restraints or cooperation but, for the most part, he supported the notion of nation-states foregoing sovereignty in favour of a "super-state" endowed with full financial autonomy.

Einaudi can certainly be seen as a protagonist, in the process of the making of the core institutions of the future European Community.[6] One of the most notable figure in this tradition[7] in the Italian public debate, Ernesto Rossi, was openly considered by Einaudi as one of his best students.[8] In his work, Einaudi maintained that the "absolute and exclusive sovereignty of each national State, embodied in the veto rule at the international diplomatic level, makes it impossible to pursue any collective action and provide a collective public good such as international peace" (Masini 2014, 121). This viewpoint has its foundations in Einaudi's economics and classical liberalism.

For one thing, Einaudi thinks that the nation state is out of touch with the features of modern economic growth.

It is a problem both of scale and of the nature of such an institution—i.e., the nature of sovereignty.

Insofar as their scale is concerned, Einaudi thought that "the modern European states are – economically – pygmies. Their surface is too small for a genuine division of labor to establish within their borders" (Einaudi 1952). His understanding of international issues was deeply depended upon his reading of modern economic development. For him, Smith's seminal insight that "the division of labour is limited by the extent of the market" is the truth that may help us in seeing how modern capitalism unfolds beyond the national dimension. In a complex economy, in which people demand and supply goods and services whose production involves a broad range of factors of production, which may be not be all available within national boundaries.

Why does a greater international division of labour entail the need to overcome nation states? Einaudi writes that "men living within a sovereign state must, from the necessities of living, be forced to secure the means of existence, the raw materials for their industries and the outlets for the products of their labor out of that state" (Einaudi 1945b). This

[6] Einaudi's support for European unification was shared by prime minister Alcide De Gasperi. De Gasperi's understanding of economic matter was indebted to Luigi Sturzo, an Italian Catholic priest and a champion of the market economy (Felice and Sandonà 2017).

[7] So, it is not surprising that Einaudi has been called "the father of the fathers of Europe" (Santagostino 2017).

[8] For an overview of the friendly and affectionate relationship between the two, see Omiccioli (2018, 87–90).

is perhaps the standard argument for the division of labour: in a complex economy, in which people demand and supply goods and services whose production involved a variety of factors of production, national boundaries are not enough to secure all those needed factors of production. But from this Einaudi moves on, arguing that this very need to expand the division of labour, if interpreted within the framework of national sovereignty, is likely the feed the quest for expansion and conquest. Sovereign nation-states are seen by Einaudi as "closed" states that strive to maintain that "closeness" and thus are forced to expand their boundaries: they "are forced to conquer the living space. The idea of living space is not the result of murky Germanic or Hitlerian imaginations; it is a fatal logic consequence of the principle of the sovereign state."

Such a process was self-feeding. "The more a state grows, the more its industries grow larger and become voracious absorbers of raw materials and in need of ever larger markets." Sovereign states seem to be inherently protectionist as, without constant conquests, they must "resign themselves to a miserable life economically and spiritually obscure, unworthy of human society" (Einaudi 1945b).

It should thus come as no surprise that, for Einaudi, the demise of the nation state is a matter of historical necessity. The very force of the capitalist system, its need for bigger and wider markets, is such that it changes the mindset and the habits of peoples, it equalises opportunities in different jurisdictions and calls for the "internalisation," so to say, of government. Einaudi openly contrasted this view with the idea of class struggle: the latter being a superficial phenomenon, whereas international, capitalistic cooperation is the beef of the modern economy (Einaudi 1915).

This was a matter that Einaudi, a first-hand witness of two world wars, saw as a requirement of the very survival for civilization. He held that the nation state was "the number one enemy of human civilization." Einaudi identifies sovereignty as the key feature of the modern, European nation state. "The sovereign state is synonymous with one authority, in the name of which laws, regulations, ordinances and provisions are issued by the center" (Einaudi 1945c). Indeed, the key point is that, by definition, "sovereignty is not limited." Sovereignty is the ability to say the last word. By the way, you may have noticed that I was supposed to be chairing this lunch, I was later recruited to be giving this talk, and I have no discussant. I can have the last word!

The concept "of the sovereign state, of the state which, within its territorial limits, can make laws regardless of what happens outside those limits" was for Einaudi "an idol of the formalistic legal mind and does not match any reality." And further:

A thousand and a thousand bonds tie men of a given nation to men of every other state. The claim to absolute sovereignty cannot be carried out within the limits of the so-called sovereign state. Men, in modern life dominated by the division of labour, by the great mechanised workshops, by rapid international communications, by the tendency to a high standard of living, cannot live, if their life is reduced to the limits of the state (Einaudi 1945b).

An important caveat: Einaudi considers the nation state as much an enemy of freedom to trade—so to say "on the top," or "on the outside"—as an enemy of local identities—"on the bottom," or "on the inside." The future President of Italy considered the country's tendency to centralise political matters quite critically. In one of his best known essays, "Via il prefetto!," he argues for doing away with prefects (the State's representatives in a province, enjoying wide administrative powers) and states that "Napoleonic centralisation has been put to the test and the outcome has proven to be negative" (Einaudi 1944). Indeed, Einaudi maintained that the idea of a federation was in itself "the opposite of subjugating the various states and the various regions to a single center" (Einaudi 1945a).

When it comes to the path towards a European federation, Einaudi often referred to the making of the United States, with the Articles of Confederation being superseded by the Constitution of Philadelphia. Einaudi did not see the Constitution of Philadelphia as the beginning of a process of increasing centralisation that ultimately led American institutions to resemble more and more European, nation states.[9] In a sense, Einaudi continued to see, regardless of contemporary developments such as the New Deal, American federalism as a set of institutions and ideas totally alternative to the European nation state. As for this latter, Einaudi saw it as "the number one enemy of human civilization:"

> … the dangerous agitator for nationalism and conquest. The concept of the sovereign state, of the state which, within its territorial limits, can make laws regardless of what happens outside those limits, is today anachronistic and false. That concept is an idol of the formalistic legal mind and does

[9] On this matter, see Bassani (2009).

> not match any reality. In a world crossed by railways, by rapid ships, by airplanes, in which the distances were cancelled by telegraphs and telephones with or without wires, the states, which once upon a time seemed big, like Italy, France, Germany, England, let alone the smaller ones, now look small as in the fifteenth century the free medieval towns.... To think that a state, only because it is called sovereign, can make laws to its own will is an absurdities. A thousand and a thousand bonds tie men of a given nation to men of every other state. The claim to absolute sovereignty cannot be carried out within the limits of the so-called sovereign state. Men, in modern life dominated by the division of labor, by the great mechanised workshops, by rapid international communications, by the tendency to a high standard of living, cannot live, if their life is reduced to the limits of the state. (Einaudi 1945b)

Hence, the economic argument is thus also an argument for peace, and in this an example of micro-founded foreign policy approach. The Piedmontese economist cares a great deal about increasing the cost of war via stronger economic cooperation engendering a healthier growth. He does so because he maintains that "autarky means misery; and necessarily pushes men to conquer." In a sense, this sentence simply means that the poorer they are, the more people will resort to all means to escape poverty. But it actually entails a stronger critique of nationalism, based upon a certain understanding of the inner tendency of modern sovereignty.

In other words, the idea of sovereign, independent states trading one with each other in peace is seen by Einaudi as an unstable equilibrium, that can't but end up in war, because the very idea of national sovereignty calls for it. Whatever the merits of his proposed therapy (the European federation), the Piedmontese economist highlights clearly two features, respectively of sovereignty and nationalism. Of sovereignty, he understands the tendency towards monopolisation: the idea of a decision-maker of last resort, the ultimate power in a giving territory that can legislate regardless of what happens all around it. Of nationalism, he sees the inner aggressive ethos, which is in a way a consequence of it being an ideology for the sovereign state. His opposition to such an aggressive ethos is reminiscent of Cobden's humanitarian liberalism.

In a sense, Einaudi's call for a federative process in Europe is an individualist call. He prefaces a rather important 1945 essay on the matter with a quote by Turgot, from a letter to Richard Price, included in the latter's Observations on the Importance of the American Revolution, and the Means of Making it a Benefit to the World:

> On that sacred principle, "liberty of commerce considered as a natural right flowing from the possession of property," all the pretended interests of commerce must vanish. – The supposed interest in possessing more or less territory disappear on this principle, "that a territory does not belong to nations, but to the individuals who are proprietors of the lands." The question, whether such a canton or such a village belongs to such a Province or such a State, ought not to be determined by the interest in it pretended by that Province or that State; but by the interest the inhabitants of the canton or village have in assembling for transacting their affairs in the place most convenient for them. (Turgot 1785, 118–19)

Here Turgot was criticising the pretence of the newly-independent American colonies to regulate commerce, a pretence to which he opposed the idea that, once trade is free, the dimension and extent of administrative units becomes not a matter of identity or national pride: but should simply depend on the interests of the people living within it. Such a view implies a completely desacralised approach to national sovereignty, which is seen as a matter of practical reasoning. Similar arguments have been put forward, in more recent years, to allow a variable geometry of jurisdictions or secessionism of a liberal bent.

Einaudi makes use of this argument, on the contrary, in his plea for European federalism. He did not favour inter-governmental restraints or cooperation but rather, right from the outset, supported "nation-states foregoing sovereignty in favour of a 'super-state' endowed with full financial autonomy" (Sarcinelli 2004, 112). Such a federalism clearly aims not to reproduce, on larger scale, the features of national sovereign states. European federalism, for him "from an economic point of view means assigning to the federal authority certain economic tasks strictly defined in the constitutional document of the federation … it is necessary to reduce to a minimum absolutely necessary the number of tasks assigned to the federation from the beginning" (Einaudi 1945a). These tasks include the regulation of transport, commerce with foreign states and the freeing up of trade within the boundaries of the federation. They thus aim basically at reducing at transaction costs: for this reason, he also foresaw a common currency. It is worth remembering that he also thought that "the abolition of the sovereignty of individual states in monetary matters" is a good in itself.

> Whoever remembers the bad use that many states had made and make the right to coin money cannot doubt the urgency of removing them

> from such a right. It was essentially reduced to the right to falsify the currency … The devaluation of the Italian lira and the Deutsche Mark, which ruined the middle classes and fed the malaise of workers, produced the gangs of unemployed intellectuals and troublemakers who gave power to dictators. If the European federation takes away from the individual federated states the possibility of coping with public works by making the ticket press groan, and will force them to provide for them only with taxes and voluntary loans, it will have, for this only, accomplished something great. (Einaudi 1945a)

Einaudi clarifies that he does not think that by definition a European currency will be properly managed, but thinks that its supranational nature may free it from undue political influence. Therefore, European subsidiarity, to use a more recent word, may limit rent-seeking.

The Italian economist was not a full fledged pacifist, and he actually hoped that the outcome of WWI was to be some sort of benevolent Anglo-Saxon hegemony. This view would have dismayed Cobden and Bright. Yet he was certainly an admirer of the two of them.

As early as in 1901, he told the story of the League in an almost epical tone, "the enterprise [Cobden and Bright's] was not easy. Parliament, the Church, the state, the great landlords, the industrialists enjoying protection and the monopolists: all of them were their enemies. In a country where everything which is ancient enjoys an almost superstitious respect, their enterprise seemed impossible. Yet apostles do not lose heart" (Einaudi 1900–1901).

4 Federalism, Pacifism and International Order: Friedrich A. von Hayek and Wilhelm Röpke

Friedrich A. von Hayek dedicated few yet important pages to the problem of peace and international non-interventionism. While some traces of his ideas can be found in some previous works (Masini 2005, 52ff.), the article where he openly addresses this issue is "The Economic Conditions of Interstate Federalism," published in September 1939.

In those years, there was much discussion about how federalism could be the way to avoid wars between states. Hayek was well acquainted with the ideas of his friend and companion Lionel Robbins (Robbins 1937, 1939) and with the work of Clarence K. Streit (Streit 1939), who advocated the federalist solution from a liberal perspective. The Austrian

thinker was also a member of the Federal Union, the British federalist association created in 1938 that set up the Federal Union Research Institute, where classical liberal ideas on federalism were discussed, even if they suddenly became less relevant (Rosenboim 2014; Milani 2016).

In his essay, Hayek immediately stresses with extreme clarity the positive relationship between federalism and peace, and he also points out the conditions for an interstate federation able to guarantee peace. These conditions are free economy and trade, on one hand, and, on the other hand, an effective international order of law and the abolition of national sovereignties. The first condition would want such an interstate federation "to do away with the impediments as to the movement of men, goods, and capital between the states and render possible the creation of common rules of law, a uniform monetary system, and common control of communications" (Hayek 1939, 255).

According to Hayek, a mere political union would not be sufficient to achieve the goal of peace, economic unity would be a prerequisite for peace, and such unity could only be achieved by free market principles. Firstly, Hayek develops a robust criticism of the nationalism, interventionism and protectionism that were prevalent in his age and that had been blamed for the war. His criticism is summarised in the idea that, because of the economic frontiers, "all conflicts of interests tend to become conflicts between the same groups of people, instead of conflicts between groups of constantly varying composition. The peoples are projected in conflicts between states, which hide the reality that the interests of inhabitants are not always the interests of the nation" (Hayek 1939, 257).

In the concluding chapter of The Road to Serfdom—in some way, a follow-up to the 1939 article—he develops the same concept. Nationalist ideologies convince their citizens that their national industries should be defended, which can be achieved by appealing to the sense of community, to national pride, but certainly not to a proper economic interest, which, if duly understood, would cut across the national one.

In an interstate federation, all this could not happen, and the deception would be revealed: interventionism and protectionism are impossible in a federation, precisely because of the non-homogeneous composition of its peoples. When different peoples cohabit, the myth of nationality disappears and makes strongly interventionist economic policies, which always benefit social groups or economic sectors to the disadvantage of others,

unacceptable.[10] Customs tariffs protecting an economic sector, or helping it grow faster, would no longer be accepted by citizens. "Is it likely that the French peasant will be willing to pay more for his fertiliser to help the British chemical industry? Will the Swedish workman be ready to pay more for his oranges to assist the Californian grower?" (Hayek 1939, 262; see also Hayek 1944, 228).

A similar argument was suggested for social legislation: "even such legislation as the limitation of working hours or compulsory unemployment insurance, or the protection of amenities, will be viewed in a different light in poor and in rich regions and may in the former actually harm and rouse violent opposition from the kind of people who in the richer regions demand it and profit from it" (Hayek 1939, 263). Then, Hayek makes some almost prophetic reflections on what the course of European integration will be, on how such a federation should also achieve a common foreign and defence policy, as well as a monetary union.

However, Hayek is also aware of how it is always possible for the states of a federation (he quotes the historical cases of Switzerland and the USA) to circumvent the rules that prohibit customs tariffs, maybe by making use of administrative controls and health rules. Because of that, the federation should be given "the negative power of preventing individual states from interfering with economic activity in certain ways, although it may not have the positive power of acting in their stead" (Hayek 1939, 267), as is established, for instance, by some clauses of the US Constitution.

In this course of action, many of the activities currently carried out by the national states can be very likely carried out by smaller territorial entities, and the "local level" could be more efficient than the national states. Forms of economic policy will remain (Hayek himself says that "extreme laissez-faire" is not necessary in economic matters), but

> planning in a federation cannot assume the forms which today are pre-eminently known under this term; that there must be no substitution of day-to-day interference and regulation for the impersonal forces of the market; [...] In a federation economic policy will have to take the form of providing a rational permanent framework within which individual initiative

[10] A similar argument is proposed when States, instead of being grouped into very large federations, are very small. Also, in this case, interventionism and protectionism would be impracticable, and political fragmentation would favour peace (Hayek 1939, 264).

> will have the largest possible scope and will be made to work as beneficently as possible; and it will have to supplement the working of the competitive mechanism where, in the nature of the case, certain services cannot be brought forth and be regulated by the price system». (Hayek 1939, 268–69)

What seems more interesting for our purposes is how he judges a federal interstate project that abolishes national sovereignties and creates an "effective international order of law" as "a necessary complement and the logical consummation of the liberal program." In fact, he shares the idea expressed by both Robbins and Streit that "the main deficiencies of nineteenth-century liberalism that its advocates did not sufficiently realize that the achievement of the recognized harmony of interests between the inhabitants of the different states was only possible within the framework of international security" (Hayek 1939, 270). A point to which he will return strongly in The Road to Serfdom, where he writes: "An international authority which effectively limits the powers of the state over the individual will be one of the best safeguards of peace. The International Rule of Law must become a safeguard as much against the tyranny of the state over the individual as against the tyranny of the new super-state over the national communities. Neither an omnipotent super-state, nor a loose association of 'free nations', but a community of nations of free men must be our goal" (Hayek 1944, 243).

In his 1939 essay, as in The Road to Serfdom, Hayek does not mention Cobden, but the echo of his ideas, as noted by Jorg Spieker, is noticeable in many ways: free trade is seen as an essential condition for peace, in the analysis of international economic relations we should focus not on states but on interests and relationships, and the whole case against limitation of free trade is very similar to the Cobdenite non-interventionist argument. However, "Hayek rejected Cobden's assumption of the existence of a natural harmony of interests" and, while "for Cobden the liberalization of international trade would be sufficient for the realization of an international harmony of interests, Hayek emphasized the need for international government" (Spieker 2014, 936).[11]

[11] Spieker also underline how Lionel Robbins, in the book quoted by Hayek (Robbins 1937), was firmly persuaded, probably much more than Hayek, of the need for an international authority with coercive powers. Two years later (Robbins 1939), he also «explicitly attacked Cobdenite liberalism for its inconsistency» and «emphasised the failure

Hayek is firmly convinced that the limit of nineteenth-century liberalism was the illusion that free trade, and the peace process between nations, would be spontaneously established. It is not enough to implement liberal policies at the national level and wait for them to have positive effects in the international arena. Instead, international order must be built through a federation that must have the same characteristics as those of the limited state of classical liberalism, that is, taking on minimal tasks such as making free trade and the rule of law adhered to in the international arena. To his mind, thinking about these aspects and working towards this goal must be the new task of liberalism.

Hayek would never systematically to back to such issues. He would not reject what he wrote in 1939, but he would not even reiterate the need for an interstate federation with coercive powers, even if he was still convinced that the vast dimensions and the diversity of culture and interests of a federal structure could be a very suitable instrument to promote the anti-collectivist positions (Hayek 1960, 379). One could well believe that he was still convinced of the usefulness of federalism as a tool to avoid centralisation and nationalism, and therefore to promote peace.

It has also been argued that the most liberal phase of the European integration process did confirm Hayek's prediction "that the integration of previously sovereign nation-states in Europe would reduce the capacity of states to regulate the capitalist economy and to burden it with the costs of an expensive welfare state" (Scharpf 2010, 239), although this result comes more from the legal spur of the European Court of Justice than from the pressure of competition, and it is constantly threatened by governmental negotiation as much as by the regulatory activism of the European authorities (Reho 2016, 32–40).

Hayek does not address the problem of how to build intra-state federation, what kind of steps and players would be required, and this is certainly a limit of his analysis. What seems certain is that, in Hayek's view, a federation that could promote peace would be impossible without a common agreement on the minimal values of the liberal tradition, and his scientific life, like many of his organisational activities, including the Mont Pèlerin Society, was intended to promote those values.

of nineteenth-century liberalism to recognise the need for "a framework of international security" and "a super-national authority»" (Spieker 2014, 924). On Hayek and Robbins, see also Felice (2016, 104–20).

Concern for common agreement on liberal values as well as a commitment to promoting them also featured in Wilhelm Röpke's reflection.[12] Throughout his life, Röpke focused his attention on how to achieve a liberal interstate federation. In the following pages, we will outline his ideas on international politics as they emerged in the Thirties and Forties, and we will attempt to see how they are rooted in a classic liberal vision of international relations.

Using the terminology we relied upon before, Röpke's reflection entails an attempt at a micro foundation of international order. He thought that, to promote economic international integration, conferences and "bargaining" between countries were essentially useless. One should look, instead, at the domestic politics and at the "spirit" and economic convictions that underlie a nation: the individual beliefs that are at the centre of international order too. Consistently with such view, he indicates the cause of the "disintegration of the international order" in the domestic social and political crisis of many, or almost all, countries. He sees the political crisis of his time as closely linked to the change in economic ideas, which have become favourable to protectionism, and exemplified the trade between states with the language of conflict and economic war.

In German Commercial Politics, he shows how dangerous autarkic tendencies and "wrong" economic ideas can be. He starts by recalling how one hundred years earlier Europe lived in an era of "economic liberty and worldwide solidarity," which seemed to have totally collapsed in 1934. The source of such change is a mistrust of the benefits of free trade having spread across all nations. That mistrust has conquered public opinion, and today "People are led to believe that in all matters of commercial policy the interests of the different nations are lined up against each other like two hostile armies, so much so that every concession made in commercial treaties appears as a sacrifice made by the whole nation to the foreign country" (Röpke 1934, 5).

The 1834 Zollverein is a symbolic date of an era in which the ideas of the "free trade pure and simple," were dominant. Together with the abolition of the Corn Laws in 1846, the establishment of the Zollverein is a recurring theme for Röpke: he deliberately refers to the world of

[12] Hayek and Röpke already knew each other fairly well in the 1930s, and in the post-war years they worked together at the Mont Pèlerin Society project. In this sense, it is rather surprising that, in his vast production, Röpke disregards Hayek's essays.

free trade as a situation worth returning to. We can therefore find a Cobdenian echo here. However, the theme of trade as fostering peace between nations and the idea that free trade is functional to peace are given as implied, but are not systematically and extensively developed.

Röpke maintains that the era of free trade—which would gradually begin to collapse in the 1890s—emerged on the basis of moral and legal principles, shared by people and politicians, the most important of which were the right to private property, compliance with contractual obligations and the non-discrimination of foreigners. They led to the international division of labour, which was fundamental for economic growth across the world, and the result was prosperity and (relative) peace between nations.

The end of that era, and the crisis of the interwar period, is the consequence of the spreading of protectionist nationalism. An essential part of Röpke's reflection, influenced by Alexander Rüstow as well as by Ortega y Gasset, is focussed on the dangers of mass society, and on a kind of capitalism that increasingly takes on "giant" and inhuman forms. And he proposed to go back to an economy that puts widespread ownership, small businesses, the retail trade and agriculture at the centre; an economy that puts man at the centre and overcomes the problems of alienation (Röpke 1942b, 1944). But it is interesting to note then that the whole argument about free trade is not affected by such criticism of mass economy, and Röpke believes that there is no risk of "massification" from the development of international free trade (Röpke 1946, 108–10). And it is also interesting to observe how, in Röpke, the reference to the need for an active state that provides a functioning competitive market, something that does not happen naturally, seems to be strictly put on a domestic level, and not scaled up to the level of a supranational institution.

Many of Röpke's concerns were already evident in some of his 1930s writings. In his opinion, the only way out to find "peace, prosperity, civilization" in Europe is to "adapt the degree of political co-operation among nations to the degree of their economic co-operation and thus to supplement economic integration by political integration" (Röpke 1933, 76). It is, therefore, the nations that must return to support free trade and the free market, and this is the solution to attain peace and economic integration. Over the years, Röpke would elaborate on these thoughts, maintaining that any form of agreement between nations is bound to fail,

unless the conditions for success are met on a national level, and such conditions depend on the prevalent political and societal ideas.

These themes are developed in the two works International Economic Disintegration (Röpke 1942a) and International Order (Röpke 1945). The content of these essays would sometimes be replicated in a very similar manner in some works published in the Fifties and Sixties, demonstrating the consistency of Röpke's thought. In International Economic Disintegration, he claims that the states lost their role as impartial instruments to safeguard competition and free markets (which is the way to serve the common good of the whole country), and became complicit in sectional interests, and in the collapse of the set of moral codes that is a prerequisite of any national and international order.

In International Order,[13] Röpke addresses the problem of how to rebuild the economy, society and relations among states once the conflict was over. He restates that "the international crisis is only a part of the general social crisis" and for this reason all the international conferences, negotiations and plans for an international order will fail "as long as the conditions for success were not fulfilled on the national level," and as long as the delegates met at the conferences with wrong economic ideas. When the right economic ideas are shared within the nations, then the international order will be created autonomously, beyond any conference and specific agreement. It is what happened in the age of free trade, when a "truly international monetary system" was set up without conferences or conventions, on the basis of the gold standard, which seems a far better solution than any international monetary one (Röpke 1945, now in 1959, 15ss).

Röpke's is, therefore, a plea to overcome the great spiritual crisis of the time, a crisis that has weakened norms and values which are not only the basis of a proper functioning of the economy but also of all human coexistence. Unless the spirit and morality of society and individuals are re-established, an international order would be impossible too. As long as individual countries are driven by wrong economic ideas, any

[13] The contents of the Internationale Ordnung, published in 1945 and never translated into English, will merge, with changes and additions, into Internationale Ordnung—Heute, 1954, translated into English in 1959 as International Order and Economic Integration. In the literature, such English translation has sometimes been mixed up with the 1945 edition.

attempt to achieve an international order through agreements or negotiations will fail. No healthy international order or economic integration can result from international agreements alone, as they also need shared moral values, besides economic integration: free trade, freely convertible currencies and gold standards are the pillars of international order, which stems from nations that respect property rights and the non-discrimination of foreigners.

Then, the problem was to understand how the new international community could actually limit national sovereignty, and how the feeling of national belonging could be transformed. Röpke sees the solution in a federal structure, both at a national and international level. Such structure lets the burden of political powers be shared within and among the states, and "preserves the individual rights of each member unit, without endangering the necessary combination in the respective overall associations" (Röpke 1945, now in Röpke 1959, 45).

This solution poses serious challenges, because the nation state is never willing to reduce its power in favour of local communities or supranational organisations. The process would, therefore, be long and necessarily gradual, and it has to involve an increasing level of federalism within the states. This is of vital importance, because "The education in mutual respect for individual rights within the state which federalism effects would also have beneficent results in international relations and would further the same liberal outlook as we find today in the few really federal states such as Switzerland" (Röpke 1945, now in Röpke 1959, 46). Once again, micro factors are at play to produce a macro output: in this case, institutional reform at a much lower level of government.

In 1945, these considerations led him to see a project of a European federation as appropriate and necessary. Moreover, Röpke recalls how the problem of a fair national order is the necessary premise of the international one: if the states do not have a political, social and economic structure conforming to an international peaceable order, all efforts for a union of peoples will be in vain. This structure can only be liberal, or at least (in order to avoid lexical misunderstandings) "non-collectivist."

From what we have seen so far, it is clear that, on one hand, Röpke shares the Hayekian hope of an interstate federalism, and, on the other hand, he points to a great deal of problems in its accomplishment, problems that were never faced by Hayek. In Röpke, the Hayekian perspective seems to be overturned. While the Austrian thinker focussed all his attention on how a federation would, by its very nature, "automatically" lead

to the development of a free market and free trade, Röpke argues that, without the nations coming to a preliminary agreement about the importance of economic freedom, a federation would not be possible or would have disastrous results. These concerns were widely developed in his further reflections and by carefully looking at the first steps in the process of community integration.

We saw how Hayek's perspective, which imagined an interstate and federal structure as capable by its nature of promoting the principles of the free market and therefore of peace, was different from that of Cobden. In some ways, Röpke's position is close, instead, to that of the British politician, both in his recurring references to nineteenth-century liberalism (and in particular to the Zollverein and the Corn Laws) as a sort of golden age and in his idea that a "healthy" international order can only be built on different nations sharing the same liberal values. Federalism is seen as a useful tool, but the starting point of it all must be the national states respecting individual rights and the principles of the free market. However, we will now see how the German thinker did not certainly intend to advocate a simple return to the past, and how he saw considerable difficulties in the process of European economic (and political) integration.

5 Wilhelm Röpke's Criticism of European Integration

Röpke paid great attention to the theme of a European federation, and not surprisingly he was quite soon disappointed with the way things went with European integration. The jumble of European economy was in his opinion not so much the consequence of the war, but the result of top-down economic policies "that created chaos in the name of planning." And the "treatment" for its sickness could be only a return to free trade and to a free market economy. (Röpke 1947, 123ff.). Since European states are stuck with a protectionist and dirigiste regime, what needs to be done is to remove collectivist positions at a national level and rebuild a European economic integration, starting with those national economic policies that support free trade and a free market.

In the article "The fight for economic sanity in Europe." regarding the possibility of a federation of European states, Röpke outlines three conclusions: (1) any form of federation is impossible if the member states remain on a national collectivist position, and in this sense "European

integration begins at home" (how Cobdenian!). (2) The supposed liberalizations of intra-European trade "cannot be genuine unless there is a real dismantling of national collectivism." (3) Abolition of exchange control "is the cardinal problem," without which no form of European Currency Union is imaginable, apart from a "collectivist European superstate." The liberal policies of Federal Germany pursued by Erhard, are, according to Röpke, a successful model, which should be followed by other European countries, even in the crucial point of monetary policy (Röpke 1950, 28).

In the following years, Röpke was critical about the European unification process, which seemed to want to promote free trade only partially and only in some sectors, and was faultily restricted to the members of the Union. This process was considered dangerous because, in the absence of free market policies at a domestic level, it could lead to a European Government that aimed at unifying individual economies into a collectivist project: something impossible and bound to fail, and Röpke also criticised the danger of a new European bureaucracy, capable of slowing down or stopping any attempt at a free market process (Röpke 1951, 43ff.).

At a conference in 1957, Röpke went out to criticise the Treaty of Rome, accusing it to foster a project that would lead to a planned international economy. He came to argue that Germany would have to leave the EU if it kept going against free trade (Gregg 2010, 156) and maybe he played a part in turning the Swiss away from the Common Market (Audier (2013, 48–76).

In September 1958, in an article appeared in "The Banker" (eventually published as an epilogue to International Order and Economic Integration), Röpke harshly criticises the way in which the common market and the European Coal and Steel Community (ECSC) were designed, because they would lead to a "supra-national political order" to implement the integration process. If the common market "is not capped by the free trade area it will disintegrate Europe," and a correct process of European economic integration should be nothing but a return to the free trade system of the previous century (Röpke 1959, 259).

This is what Röpke defines as the "liberal method of integration," and other methods, i.e. such regional agreements as GATT, are wrong because

they limit the principle of free trade.[14] In the integration process, any agreement should have an "open character," as an agreement rooted in a specific area that will naturally tend to extend to the rest of the world. This is not the case, and Röpke is outspokenly critical of those politicians (his main target is France) who think that one can benefit from the advantages of the free market without enforcing it to the full.

The final part of the essay reiterates the idea that a constant general reduction of tariffs would be a more coherent and effective course of action to bring about the unification of Europe than the attempt to create a common market with the "regional" method. Markets will meet distortions which "are likely to be much more enduring or harmful than those of the free trade area: for they will be aggravated by the effects of its supra-national economic planning."

Röpke develops his analysis in an article published by the American conservative journal "Modern Age" (Röpke 1958), where he claims that free trade is the only way to harmonise the European economy and to reduce the existing differences in labour and capital cost. All European countries should pursue the achievement of international free trade and work to convince their public opinion. Six years later, in the same journal (Röpke 1964), he clearly repeats his perplexities about the process of European integration but also develops the idea of Europe as a "cultural and spiritual union." A union that can rediscover its role as a world guide if only it could recognise the right role of economic freedom and free trade. Central to understanding how to achieve true integration is keeping in mind that Europe is "a genuine 'cultural system'", based on "the common patrimony of Humanism and Christianity" but also a "unity in diversity." Therefore, trying to standardize (economically and politically) the European nations in a political/bureaucratic project would be a serious mistake. To promote integration, a form of federalism is required that leaves the greatest degree of independence to the nations, but that is based on a deeply rooted liberal economic vision in every state of the union.

In order to understand the problems of European integration, Röpke recalls the difference with the Zollverein, established in a liberal era when all states were open to free trade, while the current era has liberal states

[14] Nonetheless, Röpke acknowledges that there is also a problem of strategy, in terms of how to achieve "economic liberation," because of the opposition of public opinion (Röpke 1959, 261).

and interventionist and protectionist states all clumped together. This difference leads the EEC to attempt a "harmonisation" between different policies and visions which are in reality incompatible, and to try to do so "through concessions which assured some vested interests a privileged position." This is a wrong approach, and the process of integration can instead be pursued only by creating the "most elementary conditions of economic integration," which are the "absence of quantitative trade controls" and "a moderate height of customs tariffs" with all other countries. These conditions existed in the "liberal century," and this is why European economic integration meant essentially a "reintegration." And while, "like charity, European economic integration had to begin at home it was not unimportant that this indispensable national action was assisted by international action on the regional scale of Europe" (Röpke 1964, 237).

Röpke's ideas were very influential on Ludwig Erhard, German Minister of Economic Affairs since 1948 and Chancellor from 1963 to 1966, and, while substantial differences can be glimpsed in their views (Mierzejewski 2006; Masala 2017, 102ff.), the commonality of ideas about Europe and international politics is always clear. Erhard was firmly in favour of open international markets, and, exactly like Röpke, he thought that European integration could be achieved through pan-European free trade and freely convertible currencies. Erhard, like Röpke, was worried about the growing role and dimension of European bureaucracies and about their tendency to economic dirigisme (Erhard 1953; Erhard 1957, 211ff.).

In the crucial years 1956 and 1957, Erhard expressed a strong opposition to the idea of harmonising welfare standards (shaped on the French model) and excluding non-member countries from the free trade agreements (Erhard 1958). This led him to engage in a tough fight with Chancellor Konrad Adenauer, who was mainly interested in fully reintegrating Germany into European diplomacy and who, for this reason, took positions that were gradually closer to France. Finally, Adenauer won and removed Erhard from any foreign policy assignment.

Röpke and Erhard's position was somehow unfair, and the process of European integration was an alternation of different positions. For example, a year after the Treaty of Rome, France (the main target of Röpke's polemics) had made significant changes in the plan worked out by another classical liberal thinker (also a member of the Mont Pèlerin Society), Jacques Rueff, the author of the "Rueff-Pinay economic Plan,"

which stabilised France's national budget and ensured the convertibility of the franc.

Anyway, despite Röpke and Erhard's fierce criticism, we cannot fail to notice that their position was anything but ideological and was open to exceptions and gradualness in its accomplishment. For example, some degree of protectionism and interventionism was considered appropriate in a developing country, on the proviso that they should be temporary measures, to be abandoned as soon as circumstances so allowed. And they were justified on technical grounds (capital formation and the need to provide infrastructure and services that an underdeveloped market was unable to produce) as well as on cultural grounds: for Röpke, the market alone is not capable of creating the mindset, the values it takes to make it work, in particular those pre-economic preconditions that allow market economies to grow and flourish.[15]

In any case, regardless of the success of Röpke and Erhard's ideas, it is undeniable that post-war Germany was in the position of being the most pro-free trade and pro-market European country ever, at the time of Keynesian consensus, when socialism and interventionism were very popular. Although Erhard and Röpke had often been in minority positions, their ideas and actions played an essential role in the building of the European Union.

Since the second half of the 60s, due to a multitude of concomitant causes, the EU has more firmly taken the route to free trade and a free market. Hayek's prediction that an interstate federation cannot coexist with a harmonised welfare state and a robust regulated economy has partly come true. It was indeed thanks to the impetus of the EU that many national states have undertaken, sometimes unwillingly, market-focussed liberalizations and policies. Unfortunately, there's no way of knowing what Röpke would have thought of the EU "liberal period," since he died in 1966. While, however, that phase of the integration process seems to have proven Hayek right, the last years of the process, and the current credibility crisis that the EU seems to be going through, seem to remind us of the admonition of Röpke (and Erhard) that "European integration begins at home."

The ideas of "union in diversity" and of having to start the integration process "at home" by adopting policies that favour the free market, as well

[15] In this respect, crucial is Röpke's experience in the "underdeveloped" Turkey, see Masala and Kama (2018).

as the admiration of the Zollverein and the Corn Laws, certainly show some closeness between Röpke's and Cobden's thoughts. The same can be said of the idea that the principle of free trade should be extended to those countries that were left out of the process of European integration and, in perspective, to the rest of the world. However, there was one significant exception to this, the Communist bloc, all trade relations with which had to be avoided in order to accelerate its collapse.

This point shows how far even Röpke, and not only Hayek, was in many ways from Cobden's vision, not least because of the changed historical circumstances. He was in fact persuaded, much more than other liberals,[16] that free trade would have been ineffective against communism, and suggested that, on the contrary, a more aggressive attitude was needed. Consequently, free trade could not be thought to be the right instrument for achieving peace among nations around the world.

But the distance from Cobden is also measured by other important aspects of his thinking, which have been mentioned before. Reference was made to the way Röpke (largely influenced by Alexander Rüstow, as well as by Ortega y Gasset) was convinced that the free market needed moral values in order to function, values which the market did not produce, and that "consume" itself. This led him to think of some necessary economic structures in which widespread private property is central, in which small trade and small businesses are predominant (his model, as it was for the federal structure, was Switzerland), while large companies (which always entail what he called proletarianisation) are very limited. In order to achieve this, one could certainly not rely on the simple dynamics of the free market; it takes a political programme, a programme that he called the "third way."

Such a program therefore calls for the state to give a specific shape to the economic system, so that the moral values required for the market to work, but above all for a full life and for a Civitas Humana to spread (Röpke 1944), could be preserved (Masala 2017, 70ff.).

[16] Here, the difference is not only with Hayek—with whom (also) on the subject of a much more aggressive anti-communist attitude there was a break-up that would later have repercussions on the Mont Pèlerin Society—but with other liberals as well. In particular, Milton Friedman was convinced that it was his duty (in order to contribute to improving the living conditions of the population) to give good economic advice also to those politicians who had nothing to do with liberalism; and in fact he did his best to give advice not only to Pinochet's Chile, but also to communist China (Masala 2017, 194ff.).

When we think of these aspects, central to Röpke's thought, it is clear that, although his convergences with Cobden and the principles of nineteenth-century free trade may seem fairly sound, a very different view underlies them. For the German thinker, liberalism (in its economic and moral dimensions) is something that must be built and preserved, and this is also true of the international and federal dimensions. It will emerge "spontaneously" (if one can use this term here) from individual states that adopt liberal policies, but in individual states liberalism must be "planned" and built in a way that Cobden would probably have never conceived.

6 Conclusion

In these pages, we have tried to highlight some characteristics of twentieth-century liberalism with respect to the problems of federalism and peace among nations, and to investigate the continuity between different approaches to international order, from nineteenth-century liberal pacifism to twentieth-century liberalism.

Although in different ways, Einaudi, Hayek and Röpke all placed some emphasis on the fact that they were breaking with the older classical liberal tradition.[17] In all three authors, there is a clear awareness that the old belief in liberal pacifism cannot be re-proposed on the same terms, and everyone is looking for new conditions, institutional, legal or moral, capable of accomplishing a new international order on a liberal basis.

However, in spite of these deep differences, the comparison with Cobden's view is interesting, and there also seems to be some continuity with a few of his ideas about international order. Looking at Cobdenite pacifism could therefore be a useful vantage point to put some developments that occurred in the second half of the twentieth century into perspective.

Critics of neoliberalism sometimes consider its allegiance to projects of European unification as a form of nostalgia for the Habsburg Empire (Hazony 2018, passim). Perhaps, such attitude was instead driven by a deep commitment to peace and trade, seen as an inseparable couple. How to achieve them was a matter of contention and debate, with serious differences in nuances: from Röpke's inward-looking foreign policy to

[17] In our understanding, the only author who claimed without compromises to be rejuvenating the classical liberal approach for the twentieth century was Ludwig von Mises.

Einaudi and Hayek's shared support of a form of a European project. These differences show a doctrinal pluralism, which is typical of classical liberalism as a set of political ideas, and perhaps also differences in the national political culture and setting. Anyway, as well as nineteenth-century liberals, all the three thinkers we have herewith discussed were aware that, to promote peace between nations, the free trade needed to gain consensus among the liberal ideas.

Whatever our opinion of the current progress of the European project, it has some liberal roots, and they can, in turn, be traced back to an older stream of classical liberalism, which always saw economic integration and international pacification as two sides of the same coin.

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