



Postscript: The Intellectual Origins of European Integration

James Ashley Morrison and José Luís Cardoso

1 INTRODUCTORY

It is hard to overstate the degree to which the First World War disordered the international system. It materially, irreversibly altered the principal structures that had defined the nineteenth century global order: the distribution of power within and between the rival empires; the relations between classes within and across societies; and the relationship between states and markets more generally. This alone was a cataclysm virtually without precedent in human history. And, yet, it was only the beginning of the end of the First Era of Globalisation. Among those structures that did manage to survive the Great War, most were hollowed by the Great Depression and laid waste by the Second World War.

J. A. Morrison (✉)
London School of Economics and Political Science, London, UK

J. L. Cardoso
Instituto de Ciências Sociais, Universidade de Lisboa, Lisboa, Portugal

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Yet, at the same time, the shattered order created space for new actors and new ideas to come to the fore. Women, working people and others from the “peripheries” within and across Europe’s imperial orders pressed themselves upon the global stage, exerting more influence than ever before. In that sense the twentieth century’s Great Destabilisation was not merely destructive but also generative. It generated new models, new sensibilities and new approaches advanced by new people from unconventional perspectives and backgrounds. Seldom was there better cause for collective soul-searching; and seldom has there been richer, and more diverse, inquiry into the nature and causes of global order.

The interwar period was thus one of the most challenging, but also one of the most innovative, periods in modern history. To be sure, some of the “new” forms and ideas, like fascism, were abhorrent—exceeded in their intellectual bankruptcy only by their practical brutality. But others, like the many varieties of socialism, were varied in their design and execution. Some such experiments, like those in Bolshevik Russia, proved immensely disappointing—all the more so because others, like those in Labour’s Britain, had demonstrated such great promise. And, of course, the stalwart liberal orthodoxy was itself wholly reinvented and given new births in a wide range of forms, from John Dewey’s “new liberalism” to the Germans’ ordoliberalism (Dewey 1935, 12).

The chapters in this volume sample the range of responses to these destabilising forces and show some of the boldest endeavours to re-form a reformed international order. But they can only be but a sample. And the scope conditions for the enterprise have led to an emphasis on (principally) intra-European discussions, leaving extra-European perspectives as promising avenues for future enquiry.

Similarly, the main topics to which the title of the book refers—political economy and international order—by no means correspond to a comprehensive coverage of the wide range of analytical contents encompassed in the various chapters. Therefore, it is important to recognise that the generic designation of “political economy” here has a twofold meaning: on the one hand, it refers to a variety of contending theoretical approaches that reveal this period’s importance for the formation of contemporary economics; on the other hand, it considers a variety of doctrinal perspectives within the political and economic fields that challenge the strength of the conventional models and solutions (liberalism and socialism) that dominated the European ideological scene after the First World War. With regard to the “international order,” we understand the intention

of the editors of this book to find a short and neutral designation, which, however, should not overlook the diverse set of processes fostering the creation of new institutions of national and transnational scope (political, economic and scientific research institutions, in the areas of labour and employment, cooperation and collective security) and, above all, initiatives, plans and projects aimed at building European integration. The international order, therefore, refers to a comprehensive view of political and economic relations between nations that seek the implementation of common strategies.

In undertaking such inquiries, it quickly becomes obvious that it is impossible to maintain a strict separation between positive and normative questions. That is, one cannot deal with “pure” theoretical axioms without taking care to explicate their doctrinal, philosophical and ideological foundations—and their consequences. The Wars, the failures to restore the pre-war order and the Great Depression all underscored the enormous stakes at issue. In the pre-war days of growth and plenty, it may have been (relatively) easy to defer the questions of fairness about how the many gains should be distributed between economies and between classes. But, in the hard times of contraction and scarcity, there was no putting off what became questions of whom should suffer and whom should perish. In this sense, the place of political-economic theory is better defined when we look at the way in which the articulation between individual interest and general well-being is conceived, on the possible compromise between a model of society based on the will of the individual and on the virtues of free competition in the market, and a model based on the advantages of a strong and authoritarian state that imposes its control on an economy subject to planning rules and programmes.

At the workshop that took place in Lisbon in February 2019, the origin of the chapters now gathered in this book, these inquiries were brought to bear on the key questions surrounding the intellectual origins and construction of European integration. The essays in this volume acknowledge (at least implicitly) that a new agenda for Europe was in the making, i.e. the emergence and development in interwar Europe of consistent lines of reflection on the challenges of an international order that, without dispensing with the autonomy of national states, could frame institutional solutions with a higher level of cooperation and integration. Clearly, the most stable solutions were only achieved in the post-war reconstruction process fuelled by the Marshall Plan, mainly through the monetary integration mechanisms put in place by the European Payments Union.

However, there were signs of some uniformity in decision-making within the scope of the definition of employment policies framed by international organisations, among which the International Labour Organization stands out. The role played by research institutes dedicated to the production of economic knowledge with an impact on public policies must also be highlighted.

These questions, and others, are reconsidered in this postscript under several headings. First, we consider the attempts to “rethink the state,” particularly in the wake of the many experiments—natural and contrived—that followed during and after the First World War. At the heart of these inquiries lay broader philosophical questions over the concepts of law and order. The revisiting of those axioms gave rise to some of the most interesting and productive discussions of this period: namely, the debate between “new liberals” like Keynes and the “ordoliberal” like Hayek. While certain figures loomed large in those interchanges, none could escape those questions, and, as this volume shows, virtually every thinker and doer took them up at one point or another. This leads naturally into a discussion of the many new methods and approaches that were brought into the field at this point—and that met with equal measures of great fanfare and considerable chagrin. We reflect on both in turn. Taken all together, this grants the opportunity to reflect on the place of Europe within these debates and in the world. Of course, all of the new circumstances and new thinking directly shaped the post-war crafting of “Europe,” as we discuss. But we also reflect some on how European centrality itself—both intellectual centrality and material, geographic centrality—shaped this post-war order.¹

2 RECONCEIVING THE STATE

However true the myth of “nineteenth century *laissez-faire*,” the twentieth century cataclysms wiped out whatever remained of the pre-war, “classical liberal” order. Beyond the growth of the state and attendant government borrowing, the First World War brought unprecedented controls over prices, wages and the movement of people, capital and goods and services. The putative “returns” to pre-war liberalism with the “new gold standard” and Europe’s “tarrif truce” in the 1920s were

¹In this chapter, we borrow some of the useful concepts and formulations developed earlier in this volume. We cite all external references throughout.

attenuated and proved short-lived. When the crisis of liberal political regimes was plunged into an economic depression, a growing number of critics questioned the ability of Western economies to restore social and economic equilibria without strong state intervention. This triggered an intense wave of reflection on alternative economic systems, particularly “third way” solutions that promised the benefits of the pre-war system while avoiding the excesses of both capitalism and socialism.

Politically, the story was mixed. In *extremis*, the “total war” wrought between 1914 and 1918 brought conscription across Europe and its empires and unrestricted warfare waged upon civilians—both enemy alien and neutral, alike. Broadly speaking, individual freedom had never been restricted so deeply in so many ways for so many people. At the same time, those very actors most put upon—most formally marginalised—became increasingly conscious of their inherent centrality to the global order. To borrow from Marx and Engels, these groups’ “strength [grew], and they [felt] that strength more” (Marx and Engels 1977, 252). In Dublin, the French trenches and Saint Petersburg, there was wartime rebellion and mutiny. With the War’s dusk came a rapid wave of enfranchisement to working men and (progressively) to women in several dozen countries. These were only the first hints of the anti-colonial, democratic and working class movements now coalescing. The figures discussed in this book recognised these transformations; and they sought to understand, harness and shape the forces at work. Indeed, this volume shows that the story of interwar political-economic thought can be told partly as a story of the clash of those ideas—and, at points, those figures proffering them.

For the advocates of corporatism and tripartism, the apparent success of wartime government economic management pointed the way towards potential future models that advanced beyond the simple state-market binary. At the same time, these models emphasised the importance of local traditions and extolled the non-economic facets of human experience, not least religious identities. Among the plurality and diversity of recommended alternative solutions, one can also find perspectives based on the traditions of Christian social thought, personalism and spiritual humanism, organicism, solidarism and guild socialism—that is, a set of doctrinal streams that converge in their applause of social and political models based on the ideas of order and social harmony. For many, this was a potent alternative to the steamroller that had been pre-war liberalism, variously flattening cross-country distinctiveness, essentialising “the individual,” and totalising “the market.” These new approaches similarly

served the purposes of social balance in market economies regulated by sovereign states in democratic regimes (Schmitter 1979).

Cole, in particular, emphasised the cosmopolitan nature of individuals themselves. After all, every person is a unique conglomeration of numerous overlapping, and often conflicting, identities. Recognising this, Cole balked at the old, simplistic labels based on occupation, class, race or religion. At points, this line of heterodoxy propelled him to bold thinking that brought him close to libertarianism. Ultimately, however, the questions of practical governance remained. Cole settled on the ideal as economic planning run by democratically organised, self-governing guilds.

Perroux was similarly concerned with the “freedom of the person,” but he manifestly resisted the individualisation of rights. Instead, he viewed freedom through the lens of corporatism, communitarianism and other “non-conformist” ideas. In contrast with Cole and some others, Perroux proved less willing to settle on a precise model of the best “third way.” His thought remained “confusing and unstable”—befitting the times, it seems. Yet, Perroux’s explicit recognition of the dissonance, contradiction and plasticity of individuals’ numerous identities was itself a productive contrast from the reductionism imposed by the totalising alternatives: communism’s class membership; fascism’s race identity; and capitalism’s essentialisation of *homo economicus*.

For some, however, confusion spelt opportunity. Regrettably, autocrats like Salazar, Franco and Mussolini effectively mobilised the old institutions and invoked the social fabric as bulwarks against reform and democratisation. The defence of corporatist or neo-corporatist solutions, the call for convergence of interests, the belief in the advantages of tripartism (that is, the negotiation and reconciliation of positions involving employers, employees and government agencies), the declaration of the end of the class struggle as a driving element for the advancement of societies—all these were ideologies put into the service of authoritarian and dictatorial regimes. Indeed, many of the corporatist parliaments went beyond just legitimising these co-options. Despite their good intentions, some became the very “locus of that process.” On the other extreme, even international regimes with reformist ambitions, such as the ILO, broadly neutered the radical movements following the Russian Revolution. Rather than emerging from the international labour movement

itself, it seems that the ILO may have been deliberately created to “depo-tentiat[e] socialist-revolutionary impulses” and to preserve the capitalist order.

In the end, the claim that the twentieth century would be the “century of corporatism” (Manoilescu 1934) proved premature. Of course, the interwar atmosphere fostered such proclamations—and such aspirations. But that is not to say that these movements went nowhere. In fact, the perceived failure of any of these many “third way” approaches to emerge as a singular, robust alternative to the old ways led theorists back to the timeless debates about the old rules.

3 REVISITING “THE RULES OF THE GAME”

Perhaps no theorists recoiled more from the dangers of totalitarianism than did the ordoliberals.² Determined to support—to leave free—the “autonomous individual,” the ordoliberals saw fascism, communism and even the many “third way” alternatives as anathema to individual liberty. Dreading the tyranny of the majority, they were deeply suspicious of every attempt to prioritise social demands or collective objectives.

But this was far from a mere defence of the “classical liberal” order. Indeed, they squarely challenged that tradition’s founding trope: the free market.³ They did not go quite as far as did, say, Karl Polanyi, who famously proclaimed that “*laissez-faire* was planned” (Polanyi 1957, 141). But Miksch, at the Freiburg School, led the charge to denaturalise “the market.” Rather than a default, “natural” state of human existence, the emergence of “free markets” followed from choices actively made through political processes.

This new starting point had profound philosophical implications. Liberals like Smith had argued that liberty could be attained by restoring the natural state of things—by, as Rousseau had instructed, peeling back the corrupting artifices of political society. But if, as the ordoliberals argued, the “free market” were not itself “natural,” what could be said

²This is not to suggest that their attacks exceeded those levied by, say, Orwell (1950) and Arendt (1958).

³It is useful to remember that “the market” was indeed a figure of speech, the generalisation of a particular locus of economic interchange used as a metaphor for the broader economy. Watson (2018).

for its normative priority over alternative arrangements of state-market relations?

Keynes, too, learned the import of this challenge as the Second World War approached. In his 1938 essay on his “Early Beliefs,” he grappled with what he called his pre-war, “flimsily based” “immoral[ism].” He maintained that he “remain[ed], and always will remain, an immoralist.” But the great disorder of these decades had taught him to “respect the extraordinary accomplishment of our predecessors in the ordering of life...[and] the elaborate framework which they had devised to protect this order” (Keynes 1938). This was a Burkean defence of tradition, justified on consequentialist grounds.

The ordoliberalists took an altogether different approach to the same challenge. Drawing on a range of deontological continental philosophers—Kant, in particular—the ordoliberalists offered a new—“neoliberal”—political economy based on adherence to established rules. Hayek and Eucken repeatedly stressed this point. A common set of standards—and shared expectations about the enforcement of those standards—would offer vital reliability and predictability. Certainly, history appeared to confirm the advantages conveyed by such pre-war incarnations of this principle: price stability, enforcement of contracts, and clear delineations of liability. But Eucken praised these institutions not merely because they worked well. They also had an independent normative basis. This approach was justifiable on the grounds of fairness, as all actors could play to the same rules and expect the same results. Crucially, a rules-based order would limit the caprice and arbitrariness that follows inevitably from ad hoc decision-making.

Keynes shared the ordoliberalists’ abiding concern with the rise of totalitarianism. He famously praised Hayek’s *Road to Serfdom*, writing that he was “deeply moved” by the “grand book.” Not for nothing, he read it as he steamed across the water to the Bretton Woods conference in 1944. One can only wonder how often it sprung to his mind in the weeks that followed, as he crafted the very “international authorit[ies]” to govern what Hayek hoped would become “a community of nations of free men...” (Hayek 1994, 259).

Yet, Keynes and the ordoliberalists remained at an impasse over the old tension between rules and discretion. Indeed, as Hayek rendered it, they carried on in this debate right until Keynes’s untimely, tragic end. Hayek feared what he saw as Keynes’s reckless guile, Keynes’s belief that great intellectuals could and should pilot considered opinion and public policy

through every tempest (Hayek 1983a, 360). But it would not be fair to suggest that Keynes did not appreciate the power of dangerous ideas. Quite the contrary: his closing words in the *General Theory* were a meditation on the devastating consequences of having adhered to the pre-war orthodoxy across the new conditions of the 1920s and 1930s. Rather, Keynes's axiom was that there was no Archimedean point from which to formulate timeless, unbiased policy levers. Today's rules were always just the dictates laid out by "some academic scribbler of a few years back" (Keynes 1936, 7:383). Just as important, time does not stand still. The rules crafted in one context will often have unpredictable—perhaps even directly contrary—effects as the context changes unexpectedly. The gold standard, the principal purpose of which was to provide "a stable measuring-rod" of value, was the quintessential example of this.⁴ This insight was among Keynes's most profound contributions: at many points, the state can only provide stable conditions—so wisely appreciated by the ordoliberals—by suspending the formal rules. In those instances, discretionary authority is not an alternative to caprice, but the necessary counter to it.⁵

Here, the difficult normative questions reappear. How much ought we to allow the "bloody and invisible hand" of history push us along and pull our strings?⁶ To advocate, as Justice Scalia put it, that "the Rule of Law, the law of rules, be extended as far as the nature of the question allows," is to bracket the many injustices that often become enshrined as law (Scalia 1989, 1187). Must the rules of serfdom remain in perpetuity? Yet, to say otherwise is to assault private "property." Should the sanctity of contract bind generations of Germans to pay the Kaiser's bond? Yet, to say otherwise is to absolve sovereign debt and destabilise financial markets. And what of the ancient rules of citizenship that determine where people can (must) live, work, and die? Yet, to say otherwise is to invite massively

⁴Keynes (1923b) Preface. See also Hayek (1943, 176).

⁵Of course, it is possible to craft rules—such as with the "non-accelerating inflation rate of unemployment," the Taylor rule, etc.—that define monetary policy in relation to the inflation rate itself. Such rules aim to stabilise the real purchasing power of a currency while still limiting the monetary authorities' room for discretion. But this might just shift "the politics of money" onto the measures of inflation, the time-frames considered, and the construction of the price indices: do we include the costs of housing? Do we include the cost of imported consumables? et cetera.

⁶Shakespeare, William. *The Tragedy of Macbeth*.

destabilising labour migration. In each of these cases, liberals—of all varieties—might agree today that the laws in question never ought to have been instituted. But if the same reasoning has been used—successfully, for long periods—to defend bad rules, does that not raise difficult questions about the normative basis of a rules-over-discretion order, as such? It would be nice if every person subject to the law had that (ancient) liberty to help write and rewrite those laws. But that has never been true anywhere. Even today, citizens service the odious debts of their forebears, consent (although only tacitly) to participate in un-free, unequal markets not of their making, and face ever-higher walls to exercise the right of “exit” if not also their rights of “voice” (Hirschman 1970).

Yet, without rules, we can have no order. Certainly, we should have no liberty without law and legislation (Hayek 1983b). But these discussions from the interwar period remind us that the “law of rules” is not always the same as the rule of justice. And even if it were so, Portia reminds us, the strictest enforcement of justice is assuredly not the path to our salvation.⁷ This is, perhaps, the clearest lesson taught by the merciless measures of justice meted out by the Treaty of Versailles.

4 NEW METHODS AND APPROACHES

One of the main features of the interwar period is the theoretical pluralism and methodological diversity within the scientific territory of political economy. For the hasty reader of any textbook on the history of economic thought, there is the risk of reaching the false conclusion that the interwar period is characterised by the exclusive or dominant presence of John Maynard Keynes (Williamson 2003, 13). It is also tempting to simply draw the conclusion that Keynes was right—that he was right in his indictment of 1919 and right in his prescriptions for the world after 1945. Certainly, he did receive a much better hearing the second time around; and who would argue that he was wrong at either point?

But such a perspective, while true, is also thin. It overstates the singularity of Keynes’s clairvoyance and understates the importance of Europe’s shifting position in the world and the evolving threats it faced. After all, Keynes was not the only one to recognise the failings of the pre-war order or the several attempts to restore it. He was a decade

⁷ Shakespeare, William. *The Merchant of Venice*.

ahead of his peers when, in early 1922, he warned about the movement that powered fascism; but, in the same breath, he contemptuously, vulgarly, and prematurely dismissed the “besotted idealism and intellectual error” of “Bolshevism.”⁸ Also, Keynes’s own views and approach evolved remarkably across this period. There were his evolving—Hayek might have said, mercurial—views on the gold standard and free trade. More broadly, the polemicist behind the incomparable *Economic Consequences of the Peace* and *Tract on Monetary Reform* was not (yet) the draughtsman who crafted *The General Theory of Employment, Interest and Money* and forged the Bretton Woods institutions (Keynes 1919, 1923b, 1936). Without questioning Keynes’s extraordinary influence on economic thought and policy, the contributions gathered in this book highlight several additional currents of economic theory, based on different assumptions, methods and approaches. They answer the calls issued long ago (by, for example Shackle 1967; Hall 1989; Laidler 1999) to remember that Keynes was not preaching alone, that his message was received and appropriated in many different ways, and that this period is fecund with under-utilised insights and promising roads yet to be explored.

The debates on the (ir)rational behaviour of economic agents, or on causal relations in the explanation of economic phenomena, also demonstrate that the diversity of theoretical and methodological points of view was not a factor of fragility, but rather a sign of vitality of economics in the interwar period. In addition to both the developments in neoclassical theory of general equilibrium, and the new contributions within the scope

⁸In part, Keynes was misled by his own prejudice. The full remark ran, “Bolshevism is such a delirium, bred by besotted idealism and intellectual error out of the sufferings and peculiar temperaments of Slavs and Jews. But we can no more regard this culminating delirium as a lasting fact or influence than the rule of Robespierre or the Jacobins” (Keynes 1922, 372–73). He had forgotten that Robespierre was followed by Bonaparte; and, so, too, was Lenin followed by Stalin. Yet, Keynes was uncanny in his warnings about the German ultranationalists. As France prepared to occupy the Ruhr (in January 1923), he predicted, “There exist already over a large part of Europe situations worse than the gloomiest prophets foresaw...A sensational denouement can only come about through a political event—a strike in the Ruhr, a fall of government in France or a reactionary Putsch in Germany...The combination of economic distress with patriotic rage might at last drive Germany desperate. A movement of violence from reactionary Bavaria, aided perhaps by the Communist left, would face us with a German government of an entirely different complexion and ideas of policy from those we have dealt with hitherto.” (Keynes 1923a, 105). Hitler’s Beer Hall Putsch—in Munich, Bavaria—transpired ten months later.

of the traditions of the German historical school and American institutionalism, the emergence of new theoretical constructions that critically dialogue with Keynes's work stands out. This is the case for the rise of the concept of social market economy associated with German ordoliberalism, or of the Hayekian vision focused on an analysis of solutions to problems of economic imbalance based on the real structure of production and non-monetary factors. Throughout this period, further to these distinct theoretical contributions, there are relevant developments on the theory of business cycles and economic fluctuations and on the analysis of the dynamics of international trade, which owe little to the Keynesian legacy. And even in applied fields in which Keynes' work proved to be unavoidable, namely in what concerns the design of the international monetary system and the short-term budgetary and monetary macroeconomic policies, other authors disputed the alleged Keynesian primacy.

It was during this period that the bases for a sophisticated statistical and econometric analysis of macroeconomic variables were created. Keynes was somehow responsible for introducing and spreading a new macroeconomic jargon, despite that he was relatively less concerned with the measurement of quantitative data (and even questioned their use in economic forecasting).

The interwar period witnessed the rise of a new agenda for research institutions interested in the development of statistical methods and measuring, which proved to be decisive to accommodate a new type of economic inquiry: time-series data and empirical testing as toolboxes at the service of economic forecasting. The main issue at stake was the need to control the uncertainty and unpredictability associated with economic fluctuations and business cycles.

Under the influence of American institutions, such as the NBER (National Bureau of Economic Research), economic research institutes flourished in Berlin, Frankfurt and Vienna, enrolling some of the most prestigious and promising German-speaking economists. The creation of such institutions was made possible through financial sponsorship by the Rockefeller Foundation, which was particularly effective in the case of the Kiel Institute for the World Economy, between 1926 and 1933. Among the researchers at Kiel one can name Adolphe Löwe, Gerhard Colm, Hans Neisser and Fritz Burchardt, as well as two émigrés from Soviet Union, whose contributions to scientific development in economics would be in the future greatly acclaimed: Wassily Leontief and Jacob Marschak.

The rise of Nazism in Germany after 1933 and the “Anschluss” in March 1938 dictated the forced emigration of these outstanding scholars to the US and to different countries in Europe, especially to the UK, thus contributing to the renewal of economic research in the universities and research institutes that welcomed them. Notwithstanding the well-known cases of Schumpeter, von Mises, Hayek, Morgenstern and other Austrian economists (Craver 1986), the careers developed by the members of the Kiel Institute in American and British Universities are particularly worth noting—as stressed in two of the essays in this book.

In this context, the role played by the émigrés Marshack and Burchardt at the Oxford Institute of Statistics was of a particular relevance. In addition to their strong commitment to promote the use of statistical data and empirical tests in economics and social sciences, they also recognised the need for a global, European response to redraught the blueprints of economic progress and prosperity. They knew that this could only be possible through cooperation between nations. Thus, if the United Kingdom’s victory at Waterloo were “won on the playing fields of Eton,” Europe’s post-war unification was forged in these academic fields.⁹ The post-war European project built upon the work done by these figures in journals, at conferences and in research centres to transcend the interwar period’s deepening divides between traditions, cultures and countries.

Realising this potential, however, required formal institutions capable of advancing this progress and fostering further evolution in the organisation of society. It also required the exaltation of cooperation over conquest. But more than just the peace of this region was at stake. By thus binding up the wounds of Europe, it might also show the way to mind the European wounds that now wound around the world.

5 EUROPE AT THE CENTRE

It is hardly surprising that “Europe”—broadly construed—loomed immensely large in these discussions. Of course, the major figures considered in this book were themselves all essentially Europeans. But it went well beyond that. Europe had been at the centre of the pre-war First Era of Globalisation. Certainly, it was the epicentre of the global war that brought that order’s demise. Yet, so much had changed and, many

⁹The (apocraphyl) remark is associated with the Duke of Wellington.

thought, so much ought to be learned, that it would prove folly to attempt to simply roll back the clock and to restore things the way they had been.

But what might be the alternative? What lessons could Europe learn from these great cataclysms? What would be the place of Europe in the new world order?

For many, European integration was a middle ground between the old imperialist nationalism and the neophyte, abstract internationalism. The former was increasingly unsustainable—the First World War having both revealed the dangers it fostered and sapped the capacity of the European states to foist it upon the world in any case. The latter, however, was still nascent. The moral imperative of cooperation had been clear since Kant at least; but, in terms of practical politics, global cosmopolitanism remained a political non-starter. As the essays in this volume show, Europe's leading states were still deeply rooted in their varied traditions, bitter enmities and persistent structural imbalances. Overcoming these obstacles would be no mean feat.

Yet, there was a serious question about the relationship between the political and economic “liberalism” at the core of the European project. It was well and good where integration of the one fostered the integration of the other. But what of those who sought the benefits of economic cooperation but wanted to retain political sovereignty?¹⁰ Or what of those who believed in the political project but balked at exposing their domestic economies to international market forces? All of these questions were particularly pressing for Europe's smaller countries, which enjoyed little bargaining power and only unappealing exit options.

Also, what of the effects beyond Europe's core? The commercial liberal premise, crystallised in the ECSC, might render impossible conflict among its members; but might it not align their interests against those of non-members? Might it not divert trade from its natural channels, attenuate Europe's traditional connections with the world and become an effective substitute for the global cosmopolitan project? Might not the new Europe, Röpke asked, just become another *Zollverein*?

Tinbergen was particularly sensitive to these questions. Born in the Hague at the turn of the century, he inherited the distinctive Dutch

¹⁰This question is alive and well in the haggling over Brexit.

international legal tradition and came of age just as the pre-war pacifist movement reached its crescendo. But this was not all. There was another Dutch practice that pre-dated even Grotius: colonialism. And this “history” was far from over, even after the Second World War.

Tinbergen grappled with these tensions throughout his storied career, from his time at the League of Nations to his Wicksell lectures in Sweden in the 1960s. At his most idealistic, Tinbergen resisted the efforts of European integration in the progressive spirit of global internationalism. In particular, he feared that unifying Europe could undermine the advantages of the former colonies’ independence. Rather than being ruled individually within separate empires, they might be dominated *en masse* via international regimes run collectively by a European superstate. This view was remarkably prescient. Even today, the world’s liberated colonies enjoy formal sovereign equality and, in the case of the WTO, even veto power. But they are nevertheless dominated by the powerful countries, not least the EC/EU (Barton et al. 2006, Ch. 3).

Yet, what is the alternative? Tinbergen’s interchanges with Frisch in the 1960s clarified the disappointing, but abiding, reality that empires had been replaced by superpowers. Forming a European superstate was thus the only hope for “a third way” between East and West and for some rebalancing between rich and poor. It was thus incumbent upon Europe’s own “small” states—the Dutch and the like-minded Scandinavian powers—to pull the rest of Europe in a positive direction. At the same time, Tinbergen identified organisations like the G77 as a potential counter to the radical inequality in bargaining power at the global level.

Triffin arrived at similar conclusions by an analogous path. He, too, hailed from one of Europe’s smaller powers; and, like Tinbergen, he came to appreciate the importance of smaller powers pooling their strength. His experience studying and advising “peripheral” Latin American economies in the interwar period became unexpectedly relevant in the post-war European context. As Europe became peripheral to the centres in the West and the East, the old great powers began to experience the global order as their own colonies had done. This was a humbling turn of events; and it drove home the importance of designing international regimes that moderated these imbalances, broadly construed.

In his eponymous “dilemma,” Triffin put his finger on the perilous global imbalances among (even) the western, developed countries. Just as Smith had done in the case of early modern Spain and Portugal, Triffin explained how the USA’s provision of international liquidity (under the

Bretton Woods arrangements) undermined its balance of trade (Smith 1976, Book IV, Ch. 5). But, as Triffin well knew, this was just the latest incarnation of a transcendent, timeless problem of perennial global imbalances. Whereas the “classical school” fixated on the final equilibrium, Triffin followed Keynes in thinking through the periods and the mechanisms of adjustment.

Simply put, different economic growth rates, asynchronous macroeconomic cycles and shocks—among other things—generate pressures towards “surplus” and “deficit” among the world’s many economies. There are numerous mechanisms by which these imbalances can be resolved, which Friedman succinctly summarised in his landmark 1953 “essay” on flexible exchange rates (Friedman 1953). But each of these tools has different distributive and thus political implications. There is quite a difference, after all, between commercial policy (that “protects” some producers at the expense of consumers) and contracting the money supply (that is deflationary). For decades, the gold standard orthodoxy eschewed the most democratically appealing options. It forbade capital controls and exchange rate manipulation; and it deprecated commercial policy (such as tariffs). Of course, surplus countries could amass reserves indefinitely. Deficit countries, however, were limited by their pre-existing stock of reserves, plus whatever they could borrow internationally. This left only domestic macroeconomic adjustment—or, rather, surrendering domestic macroeconomic policy to the dictates of global market forces. For deficit countries, that often meant austerity. Despite the overtures to the orthodoxy in the 1920s, the experiments of the 1930s saw all of these mechanisms employed variously even in the central gold standard countries. Gone was the old trump card that austerity was necessary to preserve the sacred gold standard. At the same time, the advance of democratic political reforms and social-democratic norms and demands only heightened this proclivity and raised the stakes. Triffin learned a crucial lesson: the reality is that politics, as much as economic ideology, would determine how countries faced their imbalances.

This was true at the international level as well. After all, the balance of payments constraint only requires that balance is restored—that *an* equilibrium is achieved, rather than that any particular equilibrium is reached. Knowing that adjustment is seldom painless, clear-eyed policy-makers prefer that the adjustments happen abroad rather than at home. So, rather than inflating their price levels, surplus countries press deficit countries to swallow deflation. Triffin recognised that these impositions

are not distributed equally or even in proportion to the level of imbalance. Here again, power comes into play: larger, more diverse economies, often with security linkages on the table, are able to drive hard bargains.

For Triffin, this unpleasant reality was the starting point for post-war Europe. As a collection of medium-sized economies with no reserves dependent on the USA and the USSR for vital inputs and security, Europe must not only be split but also dominated by the two superpowers. Instead, Triffin re-deployed the lessons learned in interwar Latin America—many of them taught by Raúl Prebisch—in this European context. In particular, the European Payments Union and his proposed European reserve fund were the culmination of this thinking about the problems of global imbalances. In the first instance, a robust monetary union would pool Europe's reserves, reducing intra-European competition for scarce gold and dollars and deepening the well of resources available in a crisis. More broadly, such a union would align the member countries' interests and pool their bargaining power, evening the power disparity between Europe and the US. So far from undermining the global level regime—the Bretton Woods System—such regional-level integration was crucial to ameliorating the imbalances—economic *and* political—that imperilled it. At his most ambitious, Triffin hoped that such efforts could be multiplied elsewhere, rebalancing the global order more generally.

Few efforts have been more ambitious than those to build a new Europe and, with it, a model for regional cooperation more broadly. At the same time, the magnificence of the achievement owed less to the boldness of the vision than to the adroit—and tireless—industry with which it was effected. After all, the post-war order built directly upon the intellectual, if not the political and economic, foundations laid in the pre-war era. Cobdenism remained the guiding star for many of the interwar liberals, and the progress achieved in the nineteenth century offered evidence that such a world was possible. From Hayek to Einaudi, this history inspired the confidence necessary to carry on this tradition, even as it also provided the clues to the limitations inherent in its prior incarnation.

But there was more than just the memory and promise of bonny days gone by. While it might strain belief, the reality is that the damage to the old order could have been yet worse. Indeed, much was done, even in the darkest hours, to preserve the pre-war globalising norms and institutions. Of course, we rightly remember the heroic (if not sometimes also tragic) efforts of Conservatives like Churchill and liberals like Keynes. But we too often forget the pivotal part played by labour, particularly the British

Labour Party's Prime Minister and Chancellor of the Exchequer: Ramsay MacDonald and Philip Snowden, respectively. Distrusted by the right and (now) reviled by the left, that these figures are so often deprecated is a testament to the enormity of the sacrifices they made in the name of these ideals. At the same time that Churchill was castigating the British Labour movement as "Bolshevism" and that Keynes was making (reasonable but dangerous) allowances for protectionism, MacDonald and Snowden were doing everything in their power to save the gold standard and, particularly in the case of Snowden, to maintain free trade. They did this—imposing austerity rather than a revenue tariff at the height of the Great Depression—even as it meant sacrificing the Labour Government, the Labour Party and, perhaps, the interwar Labour Movement. In hindsight, we know better how they might have proceeded. Keynes, and then Friedman, prescribed the solution: embrace flexible exchange rates to obviate tariffs. But the Labour leaders' lack of clairvoyance in 1931 should not overshadow the valour of the sacrifices they made—quite knowingly—in their best efforts to preserve international cooperation.

It is truly remarkable to see that the ordoliberals' political home in interwar Britain might well have been among the ranks of the "socialists." It is only by doing the hard work of serious historical investigation, as the authors in this volume have done, that such wholly unexpected connections are uncovered. And this is much more than a mere historical curiosity. It upends our understanding of the relationship between class and ideology, and it reminds us of the crucial role that pivotal, principled actors play at critical junctures. As we ourselves face one crisis after another, there was never a better time for such a heartening lesson—and such laudable examples of public-spirited, globally-minded leadership.

6 CONCLUSION

As we progress deeper into our current century, the distinctiveness of the interwar period increasingly fades from view. It is tempting to simply cast the first half of the prior century as horrifying and its second half, as hopeful. Certainly, that rendering would not be wrong. But such a simple bifurcation would obscure much of what proved essential on both sides of 1945.

The First World War and its aftermath materially changed the world. But it did not dictate the responses to those changed circumstances. That, instead, depended on the ideas and choices made by the men

and women who made “[their] own history” (Marx 1977). The figures considered here were some of those who did so. They were also some of the most dynamic, creative and influential thinkers and doers in their time. Returning to them is vital to understanding both the generally disappointing dynamics of the interwar period and the promising successes in the years after the Second World War.

These figures also teach us in a broader way. They illustrate the richness of human experience, sample the variety of perspectives we can hold, and prove humanity’s mettle in even the most challenging of times. But they also leave many questions unanswered, many insights undeveloped and much work incomplete. Let us then follow their example, continue where they left off, and, in Churchill’s favourite phrase, “go forward together” (Langworth 2017).

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